County Buildings, Stafford
DDI (01785) 276133
Please ask for Simon Humble
Email: simon.humble@staffordshire.gov.uk

Pensions Panel

Wednesday 8 June 2022
14:00
Oak Room, County Buildings, Stafford

John Tradewell
Director of Corporate Services
27 May 2022

A G E N D A

1. **Apologies**

2. **Declarations of Interest**

3. **Minutes of meeting held on 1 March 22** (Pages 1 - 8)

4. **Dates of Future Meetings**

   Tuesday 6 September 2022
   Tuesday 6 December 2022
   Tuesday 7 March 2023

   All meetings are scheduled to start at 9.30am at County Buildings, Stafford unless indicated otherwise.

5. **Staffordshire Pension Fund Performance and Portfolio of Investments as at 31 March 2022** (Pages 9 - 28)

   Report of the Director of Corporate Services

6. **Responsible Investment & Engagement Report Quarter 1 2022** (Pages 29 - 146)

   Report of the Director for Corporate Services

7. **Competition and Markets Authority - Investment Consultant Objectives** (Pages 147 - 154)

Report of the Director for Corporate Services

8. **Exclusion of the Public**

The Chairman to move:-

'That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) indicated below'.

PART TWO

(All reports in this section are on pink paper)

9. **Exempt Minutes of the Meeting held on 1 March 2022 (Exemption paragraph 3)** (Pages 155 - 164)

10. **Staffordshire Pension Fund Performance and Manager Monitoring for the quarter ended 31 March 2022 (Exemption paragraph 3)** (Pages 165 - 174)

Portfolio Evaluation report for the quarter ended 31 March 2022 attached for information

11. **Property Approvals (Exemption paragraph 3)** (Pages 175 - 180)

Report of the Director of Corporate Services

12. **Strategic Asset Allocation review and monitoring (Exemption paragraph 3)** (Pages 181 - 212)

a) Economic and market update
Presentation by Hymans Robertson

b) Strategic Asset Allocation structure review plan
Report and presentation by Hymans Robertson

c) Review of position at 31 March 2022
Report of the Director for Corporate Services

13. **Environmental, Social and Governance tilted Indices (Exemption paragraph 3)** (Pages 213 - 266)

a) ESG - Tilted Index Training
Presentation by Hymans Robertson

b) LGIM ESG Index Solutions
Presentation by LGIM

14. **Currency Hedging Policy (Exemption paragraph 3)** (Pages 267 - 274)

Report of the Director of Corporate Services

Membership	
Philip Atkins, OBE	Mike Sutherland (Chairman)
Mike Davies	Stephen Sweeney
Colin Greatorex	

Note for Members of the Press and Public

Filming of Meetings

The Open (public) section of this meeting may be filmed for live or later broadcasting or other use, and, if you are at the meeting, you may be filmed, and are deemed to have agreed to being filmed and to the use of the recording for broadcast and/or other purposes.

Recording by Press and Public

Recording (including by the use of social media) by the Press and Public is permitted from the public seating area provided it does not, in the opinion of the chairman, disrupt the meeting.

Minutes of the Pensions Panel Meeting held on 1 March 2022

Attendance	
Philip Atkins, OBE (Chairman)	Mike Sutherland
Mike Davies	Stephen Sweeney
Colin Greatorex	

Also in attendance: Rob Birch (Observer), Nigel Caine (Observer), Iain Campbell (Hymans Robertson), Carolan Dobson (Independent Advisor), John Mayhew (Observer) and Philip Pearson (Hymans Robertson).

PART ONE

38. Declarations of Interest

There were no declarations of interest on this occasion.

39. Minutes of meeting held on 30 November 2021

RESOLVED – That the minutes of the Meeting of the Pensions Panel held on 30 November 2021 be confirmed and signed by the Chairman.

40. Dates of Future Meetings

RESOLVED – That the dates of future meetings of the Panel, as set out below, be noted:

- Wednesday 8 June 2022 (2pm)
- Tuesday 6 September 2022
- Tuesday 6 December 2022
- Tuesday 7 March 2023

(Note: All meetings are scheduled to start at 9.30am unless indicated otherwise).

41. Annual Investment Strategy for Pension Fund Cash 2022/23

The Panel received a joint report of the Director for Corporate Services and the County Treasurer seeking approval to the Staffordshire Pension Fund's ('the Fund'), Annual Investment Strategy (AIS) for the investment of internally managed cash.

They were informed that, under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, Administering

Authorities were required to include policies for how they would manage Pension Fund cash as part of their Investment Strategy Statement (ISS). However, the Fund considered it good practice to prepare a separate Annual Investment Strategy (AIS) for cash balances, with reference made to it within the ISS.

The Panel noted that the Pension Fund had a small strategic asset allocation to cash of 1%, recognising that cash balances were needed for the day-to-day management of the Pension Fund. This cash was managed by Officers in the County Council's Treasury and Pension Fund Team, to provide liquidity and pay bills as they arose. The management of this cash would continue to remain with the Fund and would not be transferred to LGPS Central Ltd under the LGPS pooling agenda.

The cash held increased from time to time, pending investment in other major asset classes e.g., property and private debt. The proposed AIS therefore needed to allow for such situations occurring and the Panel would need to review the strategic asset allocation benchmark to cash on a quarterly basis, together with any associated ranges.

The proposed main objectives for the AIS were to invest cash prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The objective when investing cash was to strike an appropriate balance between risk and return, thereby minimising the risk of incurring losses from defaults but also taking into account the risk of receiving unsuitably low investment income.

To allow for the practical management of the treasury transactions each day, it was proposed that the change in investment limits and the choice over the investments made be delegated to the County Treasurer (S151 Officer), who chairs the County Council's Treasury Management Panel. Outside of this, the Pensions Panel would need to assess any specific requirements and consider any changes that may be required to the AIS.

The Panel noted that DLUHC Guidance on Local Government Investments specified the types of financial instruments that local authorities could invest in. The Fund's AIS had followed the county Council's AIS in dividing investments between Standard and Non-Standard Investment categories. Standard Investment categories included investments that were made with approved counterparties and did not require further approval from the County Treasurer (S151), as Chair of the Treasury Management Panel or the Pensions Panel. These investments tended to be for a period of less than a year and were the most frequently used. In the case of the Pension Fund, Standard Investments were made with the UK Government (central government or local authority, parish council or community council); short-term money market funds (MMFs); and the Fund's banking provider (currently Lloyds Bank). The Non-Standard Investments included: Covered

Bonds, issued by banks and building societies against mortgage assets and guaranteed by a separate group of companies; Repos (Repurchase Agreements), comprising the purchase of securities with the agreement to sell them back at a higher price in the future; UK Government Gilts; and Collective Investment Schemes.

With regard to risk, the Panel were informed that cash was only a small component of the overall investments of the Fund and the wider aspects of risk were considered in the ISS, where cash was shown to form a small part of the Fund's Strategic Asset Allocation. Looking at cash in isolation, treasury management usually recognised that the two prime risk areas were security and liquidity. It was considered that focussing primarily on these two risks was appropriate for the Fund's relatively low 1% allocation to cash, for day-to-day cash management purposes. However, the AIS provided the flexibility to consider higher yields using Non-Standard Investments. Should the Pensions Panel decide to make a higher strategic allocation to cash at some point in the future, where seeking a higher return would become more important, the balance of risk and reward would need to be revisited and the AIS reviewed.

The Panel noted that the main circumstances where a revised strategy would be prepared included a significant change in:

- the Fund's Strategic Asset Allocation;
- the economic environment;
- the financial risk environment; and
- the regulatory environment.

In response to a question from Carolan Dobson as to why it was proposed that any change in investment limits or the investment counterparties set out in the AIS, be delegated to the County Treasurer (S151), rather than to the Panel or the County Treasurer in consultation with the Chairman of the Panel, the Assistant Director for Treasury and Pensions explained that this was for operational reasons. On a day to day basis, due to fluctuating cash balances, it was impractical to have to seek the approval of the Panel or consult with the Chair in advance of investing cash, if changes to limits or investments with new counterparties were warranted. All temporary cash investments would only be made within the framework of the AIS, which has been approved by the Panel.

The Assistant Director agreed to raise this matter with the Director for Corporate Services and the County Treasurer and report back should any change to the previously agreed process be considered necessary.

In response to a question from Cllr Greatorex regarding the rate of interest on cash balances held with Lloyds Bank, the Director indicated that the rate currently stood at 0.4% pa.

RESOLVED – That the Staffordshire Pension Fund's ('the Fund'), Annual Investment Strategy (AIS) for the investment of internally managed cash in 2022/23, be approved.

42. Staffordshire Pension Fund performance and portfolio of investments at 31 December 2021

The Director for Corporate Services submitted a summary of the performance of the Staffordshire Pension Fund, together with a portfolio of the Fund's investments, as at 31 December 2021.

The Panel were informed that, at 31 December 2021, the Fund had a market value of £7.0 billion, its highest reported value to date. Over the quarter the Fund returned 5.1%, which was a marginal underperformance of 0.1% versus the Fund's Strategic Asset Allocation benchmark return of 5.2%. The best performing asset class relative to its benchmark was Private Equity, returning 9.7% over the quarter against a benchmark return of 3.0%. Property was a detractor from performance along with the overallocation to cash during the quarter.

The Panel also noted that the Fund had outperformed its Strategic Asset Allocation benchmark return over a 3, 5 and 10-year period. Annualised returns over 10 years were 10.7% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.

RESOLVED - That the Pension Fund Investment performance and the portfolio of investments for the quarter ended 31 December 2021 be noted.

43. Responsible Investment & Engagement (RI&E) Report Quarter 4 2021

The Director for Corporate Services submitted a summary of activity during the quarter by the Fund's investment managers, in fulfilment of their corporate governance and socially responsible investment obligations, including details of their voting activity on corporate resolutions for companies held in their portfolios.

The Panel also received the Fund's Climate Stewardship Plan (Appendix 1); and the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report (Appendix 2).

The Panel were informed that, in February 2022, the Pensions Committee approved the Fund's first Climate Change Strategy (CCS) which sets out the Fund's approach to managing the risks and opportunities presented by climate change, with the ultimate aim of achieving a net-zero carbon

investment portfolio by 2050. To guide and monitor the Fund's decarbonisation roadmap, a series of 2030 targets were included in the CCS. A new Climate Stewardship Plan for 2022/23 was approved by the Pensions Committee, alongside the Fund's CCS, in February 2022. Engagement activity would be reported against the new Climate Stewardship Plan, from the June 2022 Pensions Panel.

The Panel were informed that, as the Fund appointed external investment managers, engagement with individual companies was delegated to those managers and the investment managers of pooled funds, in which the Fund also invested (e.g., LGPS Central Funds) and jointly as part of LAPFF. Information on manager engagement and voting was requested routinely as part of the quarterly reporting the Fund received from each of the managers. In Q4 2021 engagement topics included:

- Meeting with a major online retailer to discuss human rights issues, such as warehouse safety and controls around facial recognition.

- A conference call with a scientific technologies company over governance issues and human rights issues. The manager gained reassurances that there were procedural measures in place to ensure their products did not end up in the wrong hands.

- Filing a shareholder proposal at a pharmaceutical companies' AGM requesting public disclosure of how government funding was being considered in the pricing of its Covid 19 vaccine.

- Meeting with a multi-national bank to discuss its climate strategy.

With regard to the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report, the Director highlighted the United Nations 17 Sustainable Development Goals and the engagements which LAPFF had undertaken in respect of achieving progress towards those goals.

With regard to the Quarterly Stewardship Report from LGPS Central Limited, the Panel were informed that there was no report this quarter and that LGPS Central's Stewardship activities for the quarter ending December 2021 would be covered within their Annual Statement of Compliance for the UK Stewardship Code, which was submitted annually in April, and would be reported to the June 2022 Pensions Panel.

The Panel raised the issue of the Russian invasion of Ukraine and enquired as to the level of exposure the Fund had to Russian markets and what instructions should be given to Fund Managers with regard to those funds. In response, the Director indicated that exposure to those markets was less than 0.1% of the Fund's total value, through its global passive investments. In view of the concerns expressed by Members, it was agreed that a letter

would be sent to all the Fund's Investment Managers to make them aware that the Panel were uncomfortable in making further investments in Russian and Belarusian markets.

The Director also indicated that discussions were taking place with LGPS Central on the same issue.

RESOLVED – (a) That the contents of the Responsible Investment and Engagement (RI&E) report, including the Climate Stewardship Plan (Appendix 1), and the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report (Appendix 2), be noted.

(b) That the Director for Corporate Services be requested to write to the Fund's Investment Managers to make them aware that the Panel expressed their views that, whilst not an instruction to divest, until such a time as reasonably practicable, they wish to use their inference to strongly discourage any further investment in Russia and Belarus. This should be for the foreseeable future and is in response to the terrible atrocities being committed against Ukraine.

44. Exclusion of the Public

RESOLVED - That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraph of Part One of Schedule 12A of the Local Government Act 1972 (as amended) indicated below.

PART TWO

The Panel then proceeded to consider reports on the following issues:

45. Exempt Minutes of the Meeting held on 30 November 2021
(Exemption paragraph 3)

46. Staffordshire Pension Fund performance and manager monitoring for the quarter ended 31 December 2021
(Exemption paragraph 3)

47. Strategic Asset Allocation review and monitoring
(Exemption paragraph 3)

a) Economic and Market Update

b) Strategic Asset Allocation review outcome

c) Review of Position as at 31 December 2021

48. Property

(Exemption paragraph 3)

a) Property Portfolio Investment Strategy for 2022/23

b) Property investment recommendations

Chairman

Item no 5 on Agenda

PENSIONS PANEL – 8 JUNE 2022

Report of the Director for Corporate Services

PENSION FUND INVESTMENT PERFORMANCE Q1 2022

Purpose of Report

1. To provide, for information;

   (a) a summary of performance of the Staffordshire Pension Fund at 31 March 2022; and

   (b) a portfolio of the Pension Fund's investments at 31 March 2022 (Appendix 1).

Performance Summary

2.

Period	Fund %	Benchmark %	Relative Performance %
June 2021 Quarter	6.0	5.6	+0.4
September 2021 Quarter	2.3	2.0	+0.3
December 2021 Quarter	5.1	5.2	-0.1
March 2022 Quarter	-1.6	-1.3	-0.3
Financial Year 2021/22	12.2	11.9	+0.3

3. Global equity markets had a volatile first quarter of 2022, with the MSCI World Index losing 4.6% in local terms over the period. Concerns over the Russian invasion of Ukraine led to sharp falls at the end of February, with marginal recovery towards the end of March. The war also led to sharp rises in oil, gas, and commodity prices, which have begun to feed into higher inflation figures globally.

4. In the US, annual inflation hit 7.9% in February, which was its highest level in 30 years. As a result, the Federal Reserve (Fed) began to raise interest rates which caused the US Dollar to rise in value against other currencies. The Fed also reduced its 2022 GDP forecast to 2.8% from 4.0%, which it had predicted in December 2021.

5. In the UK, the FTSE 100 outperformed global markets over the quarter, due to its large weighting in energy and materials companies. The Bank of England

raised interest rates twice during the quarter which took the Base Rate to 0.75%; the level it was prior to the onset of the Coronavirus pandemic.

6. In Europe, equity markets performed poorly due to fears over its reliance on Russian oil and gas imports, and unlike other major central banks, the European Central Bank (ECB) held interest rates stable over the quarter.

7. Along with developed market equities, emerging market equities fell over the quarter, with Russian stocks removed entirely from major indices due to their invasion of Ukraine. Within emerging markets, China underperformed as the latest Coronavirus lockdowns concerned investors.

Fund Value

8. The Fund had a market value of £6.8 billion at 31 March 2022, down slightly on the previous quarter.

9. Over the quarter the Fund returned -1.6%, which was an underperformance of 0.3% versus the Fund's Strategic Asset Allocation benchmark return of -1.3%. The best performing asset class relative to their benchmark was Private Debt, returning 3.4% versus a 3.1% benchmark return over the quarter. Property, Global Sustainable Equities, Private Equity, and Infrastructure were detractors from performance during the quarter.

10. Despite the underperformance in the quarter, the Fund has outperformed its Strategic Asset Allocation benchmark return over a 3, 5 and 10-year period. Annualised returns over 10 years are 9.9% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.

Portfolio of Investments at 31 March 2022

11. A copy of the Staffordshire Pension Fund's portfolio of investments at 31 March 2022 is attached at Appendix 1.

John Tradewell
Director for Corporate Services

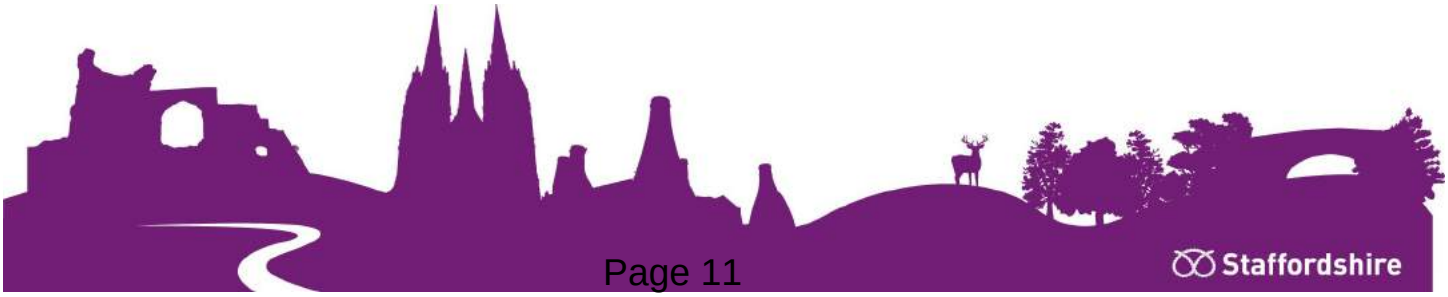
Contact: Melanie Stokes, Assistant Director for Treasury & Pensions
Telephone No. (01785) 276330

Background Documents:
Portfolio Evaluation Performance Measurement Data

Staffordshire Pension Fund
Local Government Pension Scheme

Investment Portfolio

31 March 2022



STAFFORDSHIRE PENSION FUND

INDEX

STAFFORDSHIRE PENSION FUND

PORTFOLIO ANALYSIS AS AT 31 MARCH 2022

		PREVIOUS QUARTER MARKET VALUE £	CURRENT QUARTER BOOK COST £	CURRENT QUARTER MARKET VALUE £
GLOBAL SUSTAINABLE	**Equities**	287,449,807.61	250,438,764.96	265,534,141.31
	Cash	4,354,388.23	3,442,221.25	3,442,221.25
GLOBAL ACTIVE	**Equities**	1,787,107,561.66	1,211,003,806.93	1,767,374,417.72
	Cash	14,215,734.20	11,920,470.50	11,920,470.50
GLOBAL PASSIVE	**Equities**	2,278,744,896.20	1,519,924,573.89	2,235,679,659.39
FACTOR BASED	**Equities**	249,528,804.64	218,608,485.74	245,827,803.00
REGULATORY CAPITAL (SHARE)		1,315,000.00	1,315,000.00	1,315,000.00
PRIVATE EQUITY		332,346,506.56	121,159,314.42	337,120,909.00
PRIVATE DEBT		315,299,012.97	302,931,044.77	313,462,064.83
PROPERTY		541,012,245.00	481,027,194.00	546,997,019.00
ALTERNATIVES	**Hedge Funds**	3,728,116.81	0.00	2,510,003.26
	Infrastructure	18,034,482.94	19,702,519.51	18,192,316.04
BONDS	**Global Corporate Bonds**	431,379,744.81	420,120,515.93	401,257,103.88
	Passive UK Index Linked Gilts	456,812,178.43	257,768,964.69	427,488,856.84
CASH	**Central Cash Fund**	224,802,694.64	247,199,093.15	247,199,093.15
	Regulatory Capital (Loan)	685,000.00	685,000.00	685,000.00
	Private Equity	18,356,753.64	4,480,699.94	4,480,699.94
	Private Debt	2,002,341.00	0.00	0.00
	Infrastructure	(1,006.60)	(304.74)	(304.74)
TRANSITION	**Equities**	0.58	0.00	0.60
	Cash	0.00	0.00	0.00
TOTAL INVESTMENTS		6,702,758,358.21	4,807,442,406.08	6,562,759,294.87
TOTAL CASH		264,415,905.11	264,284,958.85	267,727,180.10
TOTAL		**6,967,174,263.32**	**5,071,727,364.93**	**6,830,486,474.97**

STAFFORDSHIRE PENSION FUND

PORTFOLIO VALUATION

Funds - Impax Asset Management | **Currency - Sterling** | **Report Date - 31-03-2022**

	Holding	Cost £	Average Cost £	Market Price £	Market Value £	Unrealised Gain/Loss £
EUROPE						
Denmark						
VESTAS WIND SYSTEM DKK0.20	111,802	**2,696,841.31**	24.12	22.69	**2,537,124.73**	**(159,716.58)**
France						
SCHNEIDER ELECTRIC EUR4.00	68,550	**9,434,831.03**	137.63	128.58	**8,814,468.67**	**(620,362.36)**
Germany						
EVOTEC SE NPV	230,676	6,848,419.70	29.69	23.15	5,341,228.46	(1,507,191.24)
HANNOVER RUECK SE ORD NPV(REGD)	38,059	5,040,422.76	132.44	130.44	4,964,233.33	(76,189.43)
		11,888,842.46			**10,305,461.79**	**(1,583,380.67)**
Netherlands						
ASML HOLDING NV EUR0.09	10,789	4,810,755.44	445.89	515.49	5,561,593.05	750,837.61
KONINKLIJKE DSM NV EUR1.50	59,137	7,742,668.55	130.93	137.32	8,120,837.76	378,169.21
WOLTERS KLUWER EUR0.12	67,767	4,521,008.28	66.71	81.62	5,530,872.42	1,009,864.14
		17,074,432.27			**19,213,303.23**	**2,138,870.96**
Portugal						
JERONIMO MARTINS EUR1	300,937	**3,754,755.92**	12.48	18.36	**5,526,160.48**	**1,771,404.56**
Switzerland						
ALCON INC	90,773	5,398,885.04	59.48	60.83	5,521,384.07	122,499.03
LONZA GROUP AG CHF1 (REGD)	9,958	4,601,859.76	462.13	554.78	5,524,518.23	922,658.47
		10,000,744.80			**11,045,902.30**	**1,045,157.50**
TOTAL EUROPE		**54,850,447.79**			**57,442,421.20**	**2,591,973.41**
Japan						
KDDI CORP NPV	259,500	5,796,894.59	22.34	25.06	6,503,396.72	706,502.13
KEYENCE CORP NPV	14,900	5,153,778.84	345.89	358.24	5,337,797.88	184,019.04
KUBOTA CORP NPV	456,800	7,599,889.69	16.64	14.41	6,582,947.60	(1,016,942.09)
TOTAL JAPAN		**18,550,563.12**			**18,424,142.20**	**(126,420.92)**
ASIA PACIFIC (Ex Japan)						
Hong Kong						
AIA GROUP LTD NPV	1,408,600	**11,883,958.42**	8.44	8.00	**11,263,375.00**	**(620,583.42)**
TOTAL ASIA PACIFIC (Ex Japan)		**11,883,958.42**			**11,263,375.00**	**(620,583.42)**
North America						
United States						
ANALOG DEVICES INC COM	64,097	7,179,332.29	112.01	125.45	8,041,272.67	861,940.38
APPLIED MATERIALS INC COM	51,570	5,054,099.03	98.00	100.10	5,162,287.23	108,188.20
APTIV PLC COM USD	77,322	7,430,382.81	96.10	90.92	7,030,126.39	(400,256.42)
BECTON DICKINSON & CO COM	26,072	4,764,406.76	182.74	202.03	5,267,270.32	502,863.56
CADENCE DESIGN SYS INC COM	43,468	4,358,927.56	100.28	124.91	5,429,496.63	1,070,569.07
CINTAS CORP COM	23,145	7,768,538.27	335.65	323.09	7,477,804.13	(290,734.14)
COOPER COS INC COM NEW COM NEW	13,453	4,266,118.05	317.11	317.16	4,266,766.30	648.25
DANAHER CORP COM	23,689	4,106,941.82	173.37	222.79	5,277,555.80	1,170,613.98
EQUINIX INC COM PAR $0.001	12,438	6,524,706.19	524.58	563.26	7,005,862.50	481,156.31
IQVIA HLDGS INC COM USD0.01	51,492	8,066,282.27	156.65	175.60	9,042,239.33	975,957.06
LHC GROUP INC COM	23,289	2,692,828.98	115.63	128.05	2,982,208.71	289,379.73
LINDE PLC COM USD0.001	42,053	8,649,490.49	205.68	242.61	10,202,399.10	1,552,908.61
MASTERCARD INC CL A	36,943	9,893,136.45	267.79	271.43	10,027,485.16	134,348.71
MICROSOFT CORP COM	45,600	8,427,500.07	184.81	234.16	10,677,807.26	2,250,307.19
TE CONNECTIVITY LTD	48,131	4,441,180.38	92.27	99.48	4,788,059.01	346,878.63
THERMO FISHER CORP	19,869	6,854,599.81	344.99	448.60	8,913,244.95	2,058,645.14
UNITED RENTALS INC COM	22,447	5,806,635.47	258.68	269.78	6,055,822.17	249,186.70
VERISK ANALYTICS INC COM USD0.001	34,742	4,611,858.76	132.75	163.01	5,663,369.08	1,051,510.32
VERTEX PHARMACEUTICALS INC COM	27,823	3,866,881.41	138.98	198.21	5,514,728.86	1,647,847.45
VISA INC COM CL A STK	31,375	5,049,446.63	160.94	168.44	5,284,649.09	235,202.46
		119,813,293.50			**134,110,454.69**	**14,297,161.19**
TOTAL NORTH AMERICA		**119,813,293.50**			**134,110,454.69**	**14,297,161.19**
EMERGING MARKETS						
India						
ADR HDFC BK LTD ADR REPSTG 3 SHS	189,392	**9,362,756.58**	49.44	46.58	**8,821,942.41**	**(540,814.17)**
Taiwan						
ADR TAIWAN SEMICONDUCTOR MANUFACTURING SPON ADS	113,204	**9,362,751.33**	82.71	79.19	**8,964,150.04**	**(398,601.29)**
TOTAL EMERGING MARKETS		**18,725,507.91**			**17,786,092.45**	**(939,415.46)**
UNITED KINGDOM						
ASHTEAD GROUP ORD GBP0.10	96,558	4,448,070.52	46.07	48.33	4,666,648.14	218,577.62
CRODA INTL ORD GBP0.10609756	71,191	4,784,035.20	67.20	78.80	5,609,850.80	825,815.60
HISCOX ORD GBP0.065 (DI)	417,309	3,465,790.70	8.31	9.84	4,104,651.32	638,860.62
LEGAL & GENERAL GP ORD GBP0.025	1,598,344	4,306,230.12	2.69	2.72	4,347,495.68	41,265.56
PRUDENTIAL GBP0.05	246,809	3,679,527.86	14.91	11.34	2,798,814.06	(880,713.80)
UNILEVER PLC ORD GBP 0.031111	143,932	5,931,339.82	41.21	34.60	4,980,195.77	(951,144.05)
TOTAL UNITED KINGDOM		**26,614,994.22**			**26,507,655.77**	**(107,338.45)**
Total Investments		250,438,764.96			265,534,141.31	15,095,376.35
Cash Balance		3,442,221.25			3,442,221.25	
Total Value of Portfolio		253,880,986.21			268,976,362.56	

STAFFORDSHIRE PENSION FUND

PORTFOLIO VALUATION

Funds - JP Morgan Asset Management, Longview Partners (Global Equity) | **Currency - Sterling** | **Report Date -** | **31-03-2022**

	Holding	Cost £	Average Cost £	Market Price £	Market Value £	Unrealised Gain/Loss £
EUROPE						
Belgium						
BEKAERT SA NPV	60,341	**1,833,311.39**	30.38	29.98	**1,809,190.48**	**(24,120.91)**
Denmark						
CARLSBERG SER'B'DKK20	9,912	1,188,186.89	119.87	94.29	934,641.03	(253,545.86)
ISS A/S DKK1	186,200	3,414,460.55	18.34	13.73	2,556,417.54	(858,043.01)
NOVO-NORDISK AS DKK0.2 SERIES'B'	24,670	1,859,243.58	75.36	85.08	2,098,932.33	239,688.75
		6,461,891.02			**5,589,990.90**	**(871,900.12)**
Finland						
VALMET OYJ NPV	85,410	**1,942,083.20**	22.74	23.84	**2,036,104.14**	**94,020.94**
France						
BNP PARIBAS EUR2	59,944	2,147,224.81	35.82	43.88	2,630,584.29	483,359.48
CAPGEMINI EUR8	13,689	2,273,366.29	166.07	171.12	2,342,528.75	69,162.46
CIE DE ST-GOBAIN EUR4	12,703	618,165.50	48.66	45.86	582,578.29	(35,587.21)
LVMH MOET HENNESSY LOUIS VUITTON SE EUR0.30	9,666	5,208,970.37	538.90	548.78	5,304,534.21	95,563.84
SANOFI EUR2	159,000	9,704,237.39	61.03	78.18	12,430,081.75	2,725,844.36
TOTALENERGIES SE	104,288	3,236,485.00	31.03	38.90	4,056,612.21	820,127.21
		23,188,449.36			**27,346,919.50**	**4,158,470.14**
Germany						
ALLIANZ SE NPV(REGD)(VINKULIERT)	12,945	2,288,736.60	176.80	183.00	2,368,909.24	80,172.64
DAIMLER TRUCK HLDG NPV	14,460	213,437.76	14.76	21.32	308,300.14	94,862.38
DEUTSCHE POST AG NPV(REGD)	47,060	2,270,703.79	48.25	36.80	1,731,921.73	(538,782.06)
MERCEDES-BENZ GROUP AG	28,921	1,100,872.21	38.06	53.92	1,559,517.42	458,645.21
RWE AG NPV	101,290	3,149,080.57	31.09	33.41	3,383,619.86	234,539.29
SIEMENS AG NPV(REGD)	27,676	3,010,943.97	108.79	106.19	2,938,925.36	(72,018.61)
		12,033,774.90			**12,291,193.75**	**257,418.85**
Ireland						
ACCENTURE PLC SHS CL A NEW	21,581	**5,572,097.29**	258.19	256.13	**5,527,482.69**	**(44,614.60)**
Italy						
AZIMUT HLDG S.P.A NPV	69,513	1,526,485.38	21.96	17.86	1,241,234.13	(285,251.25)
CNH INDUSTRIAL NV COM EUR0.01	234,752	2,674,393.54	11.39	12.16	2,855,677.43	181,283.89
INTERNATIONAL GAME TECHNOLOGY COMMON STOCK	77,627	1,562,461.15	20.13	18.74	1,455,082.38	(107,378.77)
INTESA SANPAOLO NPV	661,284	1,100,107.07	1.66	1.76	1,164,312.87	64,205.80
STELLANTIS N.V COM EUR0.01	181,336	1,296,138.63	7.15	12.51	2,267,645.88	971,507.25
		8,159,585.77			**8,983,952.69**	**824,366.92**
Netherlands						
ASML HOLDING NV EUR0.09	11,985	4,643,700.82	387.46	515.49	6,178,115.92	1,534,415.10
HEINEKEN NV EUR1.60	159,000	12,298,264.30	77.35	73.17	11,633,298.86	(664,965.44)
ING GROEP N.V. EUR0.01	231,517	1,609,687.54	6.95	8.04	1,860,789.51	251,101.97
KON AHOLD DELHAIZE EUR0.01	214,337	4,637,336.23	21.64	24.60	5,273,538.51	636,202.28
WOLTERS KLUWER EUR0.12	114,692	8,043,080.61	70.13	81.62	9,360,703.88	1,317,623.27
		31,232,069.50			**34,306,446.68**	**3,074,377.18**
Norway						
EQUINOR ASA NOK2.50	133,225	**2,618,595.44**	19.66	28.77	**3,832,617.83**	**1,214,022.39**
Spain						
IBERDROLA SA EUR0.75	324,109	**3,261,144.09**	10.06	8.38	**2,717,008.16**	**(544,135.93)**
Sweden						
BOLIDEN AB NPV	16,928	654,892.69	38.69	38.96	659,577.83	4,685.14
NORDEA BANK ABP NPV	140,662	1,302,229.57	9.26	7.93	1,115,401.65	(186,827.92)
		1,957,122.26			**1,774,979.48**	**(182,142.78)**
Switzerland						
JULIUS BAER GRUPPE CHF0.02 (REGD)	26,770	1,271,564.51	47.50	44.47	1,190,418.70	(81,145.81)
KUEHNE&NAGEL INTL CHF1 (REGD)	10,474	2,201,949.91	210.23	217.14	2,274,349.47	72,399.56
NESTLE SA CHF0.10(REGD)	66,384	5,764,948.51	86.84	99.20	6,585,544.16	820,595.65
ROCHE HLDGS AG GENUSSCHEINE NPV	23,353	5,793,410.89	248.08	302.44	7,062,869.57	1,269,458.68
UBS GROUP AG CHF0.10 (REGD)	148,621	1,406,724.26	9.47	14.98	2,225,670.83	818,946.57
ZEHNDER GROUP CHF0.05 (REGD) 'A'	6,495	446,337.95	68.72	66.19	429,909.76	(16,428.19)
ZURICH INSURANCE GROUP AG CHF0.10	9,342	2,661,993.18	284.95	377.01	3,522,003.14	860,009.96
		19,546,929.21			**23,290,765.63**	**3,743,836.42**
TOTAL EUROPE		**117,807,053.43**			**129,506,651.93**	**17,271,695.79**

STAFFORDSHIRE PENSION FUND

PORTFOLIO VALUATION

Funds - JP Morgan Asset Management, Longview Partners (Global Equity) | **Currency - Sterling** | **Report Date - 31-03-2022**

	Holding	Cost £	Average Cost £	Market Price £	Market Value £	Unrealised Gain/Loss £
Japan						
BRIDGESTONE CORP NPV	82,800	2,680,208.02	32.37	29.77	2,465,216.92	(214,991.10)
DENTSU GROUP INC NPV	43,000	1,267,088.51	29.47	31.41	1,350,742.42	83,653.91
HITACHI TRANSPORT NPV	33,100	1,015,826.24	30.69	42.05	1,391,866.66	376,040.42
ITOCHU CORP NPV	136,500	1,874,329.09	13.73	25.93	3,539,588.40	1,665,259.31
KAMIGUMI CO LTD NPV	84,100	1,265,476.81	15.05	13.77	1,157,761.34	(107,715.47)
KDDI CORP NPV	68,000	1,566,246.02	23.03	25.06	1,704,165.61	137,919.59
KINTETSU WORLD EXP NPV	131,400	1,482,735.99	11.28	19.62	2,577,705.37	1,094,969.38
NIPPON TELEGRAPH & TELEPHONE CORP NPV	152,000	2,759,941.89	18.16	22.18	3,371,787.47	611,845.58
NOMURA RL EST INC NPV	60,100	1,055,167.73	17.56	18.35	1,103,028.92	47,861.19
ORIX CORP NPV	212,800	2,700,831.73	12.69	15.32	3,259,077.51	558,245.78
SBI HLDGS INC NPV	30,800	612,926.10	19.90	19.40	597,465.42	(15,460.68)
SHIMAMURA CO NPV	20,000	1,544,598.47	77.23	68.02	1,360,378.96	(184,219.51)
SOFTBANK CORP NPV	109,500	1,146,408.80	10.47	8.94	978,459.13	(167,949.67)
SONY GROUP CORPORA NPV	44,100	3,250,438.23	73.71	79.66	3,512,912.71	262,474.48
SUMITOMO MITSUI FINANCIAL GROUP NPV	70,900	1,703,833.72	24.03	24.45	1,733,364.95	29,531.23
TOKIO MARINE HOLDINGS INC NPV	21,500	946,886.66	44.04	44.60	958,973.30	12,086.64
TSUBAKIMOTO CHAIN NPV	62,000	1,391,084.34	22.44	19.12	1,185,231.73	(205,852.61)
TOTAL JAPAN		**28,264,028.35**			**32,247,726.82**	**3,983,698.47**
ASIA PACIFIC (Ex Japan)						
Australia						
BHP GROUP LIMITED	52,694	1,334,931.97	25.33	29.52	1,555,292.82	220,360.85
ILUKA RESOURCES NPV	149,376	577,815.83	3.87	6.44	961,867.86	384,052.03
JB HI-FI NPV	88,746	1,715,274.73	19.33	30.92	2,744,409.71	1,029,134.98
METCASH LIMITED NPV	1,005,876	2,220,573.37	2.21	2.59	2,604,599.45	384,026.08
SOUTH32 LTD NPV	633,523	1,325,361.06	2.09	2.86	1,813,872.47	488,511.41
		7,173,956.96			**9,680,042.31**	**2,506,085.35**
Hong Kong						
AIA GROUP LTD NPV	243,200	**2,046,711.02**	8.42	8.00	**1,944,663.35**	**(102,047.67)**
Singapore						
DBS GROUP HLDGS NPV	94,300	1,597,489.29	16.94	20.11	1,896,173.08	298,683.79
UTD O/S BANK NPV	331,600	4,707,688.70	14.20	17.97	5,958,752.19	1,251,063.49
		6,305,177.99			**7,854,925.27**	**1,549,747.28**
TOTAL ASIA PACIFIC (Ex Japan)		**15,525,845.97**			**19,479,630.93**	**3,953,784.96**
North America						
Canada						
BK OF NOVA SCOTIA COM NPV	46,842	2,088,500.18	44.59	54.48	2,552,073.72	463,573.54
CANADIAN IMP BANK COM NPV	7,313	607,790.13	83.11	92.27	674,798.41	67,008.28
CANFOR CORP COM NPV	89,613	1,391,013.46	15.52	15.66	1,403,675.28	12,661.82
CI FINANCIAL CORP COMSTK	97,688	1,724,344.03	17.65	12.08	1,179,696.36	(544,647.67)
GEORGE WESTON COM NPV	27,774	2,104,643.75	75.78	93.61	2,599,967.38	495,323.63
HOME CAPITAL GROUP COM	27,096	647,543.82	23.90	23.11	626,092.58	(21,451.24)
IMPERIAL OIL COM NPV	19,284	615,572.26	31.92	36.79	709,418.11	93,845.85
LOBLAWS COS LTD COM NPV	10,940	659,970.89	60.33	68.21	746,246.89	86,276.00
NATL BK OF CANADA COM NPV	72,482	2,983,760.30	41.17	58.27	4,223,586.88	1,239,826.58
ROYAL BK OF CANADA COM NPV	57,385	3,612,164.08	62.95	83.69	4,802,781.46	1,190,617.38
TFI INTERNATIONAL COM NPV	32,963	1,001,484.14	30.38	80.96	2,668,810.13	1,667,325.99
		17,436,787.04			**22,187,147.20**	**4,750,360.16**
United States						
ABBVIE INC COM USD0.01	72,863	4,381,752.39	60.14	123.12	8,971,116.12	4,589,363.73
ADOBE SYS INC COM	11,882	4,165,262.73	350.55	346.04	4,111,705.03	(53,557.70)
AGILENT TECHNOLOGIES INC COM	48,587	4,337,978.66	89.28	100.51	4,883,239.45	545,260.79
AIRBNB INC CL A COM USD0.0001 CL A	13,057	1,088,538.90	83.37	130.45	1,703,315.35	614,776.45
ALLSCRIPTS HEALTHCARE SOLUTIONS INC	148,360	1,860,254.56	12.54	17.10	2,537,551.32	677,296.76
ALPHABET INC CAP STK USD0.001 CL C	10,224	6,426,550.35	628.57	2,121.28	21,688,017.01	15,261,466.66
ALPHABET INC CAPITAL STOCK USD0.001 CL A	6,658	6,700,001.07	1,006.31	2,112.44	14,064,654.16	7,364,653.09
AMAZON COM INC COM	7,288	9,770,089.85	1,340.57	2,475.94	18,044,669.27	8,274,579.42
AMERICAN EXPRESS CO	102,255	7,922,085.67	77.47	142.03	14,522,981.47	6,600,895.80
AMGEN INC COM	7,377	959,643.53	130.09	183.66	1,354,882.47	395,238.94
ANTHEM INC COM	11,944	3,262,737.54	273.17	373.08	4,456,105.45	1,193,367.91
AON PLC	67,300	2,646,401.30	39.32	247.32	16,644,436.51	13,998,035.21
APPLE INC COM STK	213,268	6,635,031.09	31.11	132.62	28,282,932.18	21,647,901.09
ARROW ELECTR INC COM	44,170	1,472,803.50	33.34	90.10	3,979,711.16	2,506,907.66
BANK NEW YORK MELLON CORP COM STK	332,500	8,390,908.90	25.24	37.69	12,533,303.27	4,142,394.37
BANK OF AMERICA CORP	234,640	3,700,803.61	15.77	31.31	7,345,809.49	3,645,005.88
BATH & BODY WORKS INC COM USD0.5 WI	22,579	1,021,258.87	45.23	36.30	819,713.76	(201,545.11)
BECTON DICKINSON & CO COM	69,402	12,658,948.10	182.40	202.03	14,021,137.43	1,362,189.33
BERRY GLOBAL GROUP INC COM USD0.01	90,195	4,156,980.75	46.09	44.02	3,970,456.69	(186,524.06)
BIOGEN INC COMMON STOCK	14,757	3,265,973.09	221.32	159.95	2,360,402.51	(905,570.58)
BLOCK H & R INC COM	37,033	642,386.80	17.35	19.78	732,418.83	90,032.03
BOX INC CL A CL A	60,722	1,185,647.30	19.53	22.07	1,340,205.21	154,557.91
BRISTOL MYERS SQUIBB CO COM	140,389	6,537,929.57	46.57	55.47	7,786,889.37	1,248,959.80
BUILDERS FIRSTSOURCE INC COM STK	11,179	622,993.87	55.73	49.02	547,976.00	(75,017.87)
CAPITAL ONE FINL CORP COM	28,181	1,852,885.24	65.75	99.72	2,810,073.45	957,188.21
CDW CORP COM	90,302	12,423,604.55	137.58	135.87	12,269,109.90	(154,494.65)
CF INDS HLDGS INC COM	11,297	617,574.50	54.67	78.27	884,265.93	266,691.43
CHARTER COMMUNICATIONS INC NEW CL A CL A	4,152	1,692,244.06	407.57	414.32	1,720,274.08	28,030.02
CHARTER COMMUNICATIONS INC NEW CL A CL A	25,102	5,971,116.29	237.87	414.32	10,400,366.08	4,429,249.79
CIGNA CORP NEW COM	2,754	456,417.37	165.73	181.98	501,185.50	44,768.13
CITIZENS FINL GROUP INC COM	87,145	2,130,518.12	24.45	34.43	3,000,252.57	869,734.45
COMMVAULT SYS INC COM STK	16,650	921,431.20	55.34	50.39	839,044.10	(82,387.10)
CONOCOPHILLIPS COM	35,222	1,062,907.00	30.18	75.95	2,675,122.27	1,612,215.27
CSX CORP COM STK	121,479	2,344,778.26	19.30	28.44	3,455,275.29	1,110,497.03
DARDEN RESTAURANTS INC COM	28,092	2,847,345.05	101.36	100.98	2,836,616.50	(10,728.55)

STAFFORDSHIRE PENSION FUND

PORTFOLIO VALUATION

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DEERE & CO COM	16,517	4,130,929.48	250.10	315.54	5,211,827.21	1,080,897.73
DELL TECHNOLOGIES INC COM USD0.01 CL C WI COMMON STOCK	61,872	2,304,363.33	37.24	38.12	2,358,527.66	54,164.33
DROPBOX INC CL A CL A	133,211	3,113,380.85	23.37	17.66	2,352,299.79	(761,081.06)
EATON CORP PLC COM USD0.50	40,374	3,417,022.41	84.63	115.26	4,653,596.46	1,236,574.05
EBAY INC COM USD0.001	63,877	1,631,086.08	25.53	43.49	2,777,956.74	1,146,870.66
ELI LILLY & CO COM	36,067	5,361,215.69	148.65	217.50	7,844,534.24	2,483,318.55
EOG RESOURCES INC COM	63,791	2,440,594.23	38.26	90.56	5,776,630.35	3,336,036.12
EXXON MOBIL CORP COM	70,404	3,002,022.20	42.64	62.73	4,416,257.87	1,414,235.67
FIDELITY NATL INFORMATION SVCS INC COM STK	109,300	3,970,871.96	36.33	76.27	8,336,236.03	4,365,364.07
FISERV INC COM	145,110	9,766,750.66	67.31	77.01	11,175,447.45	1,408,696.79
FREEPORT-MCMORAN INC	87,961	2,305,425.17	26.21	37.78	3,322,963.44	1,017,538.27
FRONTDOOR INC COM	39,527	754,343.45	19.08	22.67	896,123.39	141,779.94
FTI CONSULTING INC COM	22,378	2,190,006.30	97.86	119.41	2,672,136.78	482,130.48
GARTNER INC COM	2,736	666,553.22	243.62	225.92	618,122.13	(48,431.09)
GRAINGER W W INC COM	37,625	6,812,983.80	181.08	391.74	14,739,374.38	7,926,390.58
HCA HEALTHCARE INC COM	75,350	2,773,764.65	36.81	190.35	14,342,623.75	11,568,859.10
HENRY SCHEIN INC COMMON STOCK	223,809	9,194,590.48	41.08	66.22	14,820,875.12	5,626,284.64
HOLOGIC INC COM	12,499	647,816.65	51.83	58.35	729,254.63	81,437.98
INFOSYS LIMITED ADR	321,556	2,333,349.25	7.26	18.90	6,078,705.98	3,745,356.73
IQVIA HLDGS INC COM USD0.01	83,541	7,123,053.04	85.26	175.60	14,670,195.68	7,547,142.64
IRONWOOD PHARMACEUTICALS INC COM CL A	287,358	2,844,551.80	9.90	9.55	2,745,576.55	(98,975.25)
JABIL INC COM USD0.001	12,575	630,717.29	50.16	46.88	589,567.99	(41,149.30)
JOHNSON CTLS INTL PLC COM USD0.01	17,895	941,890.19	52.63	49.80	891,182.21	(50,707.98)
L3HARRIS TECHNOLOGIES INC COM	83,578	11,503,795.99	137.64	188.71	15,772,319.21	4,268,523.22
LAB CORP AMER HLDGS COM NEW	18,975	3,558,597.98	187.54	200.25	3,799,755.53	241,157.55
LAM RESH CORP COM	12,920	1,851,551.51	143.31	408.32	5,275,449.57	3,423,898.06
LINDE PLC COM USD0.001	9,565	2,219,511.21	232.05	242.61	2,320,546.63	101,035.42
LIVANOVA PLC ORD GBP1.00 (DI)	11,010	625,389.47	56.80	62.15	684,273.14	58,883.67
LOUISIANA-PACIFIC CORP COM	49,055	2,300,395.22	46.89	47.18	2,314,431.60	14,036.38
MANPOWERGROUP INC	14,010	1,171,542.81	83.62	71.33	999,368.93	(172,173.88)
MARSH & MCLENNAN CO'S INC COM	111,320	11,325,849.31	101.74	129.43	14,408,652.99	3,082,803.68
MASTERCARD INC CL A	25,452	5,083,547.64	199.73	271.43	6,908,468.51	1,824,920.87
MCKESSON CORP	28,639	2,882,155.68	100.64	232.51	6,658,760.04	3,776,604.36
MEDTRONIC PLC COMMON STOCK STOCK	29,438	2,605,239.70	88.50	84.27	2,480,648.50	(124,591.20)
MEDTRONIC PLC COMMON STOCK STOCK	126,930	8,150,793.68	64.21	84.27	10,695,995.47	2,545,201.79
META PLATFORMS INC	22,501	2,694,900.61	119.77	168.88	3,800,039.48	1,105,138.87
MICROSOFT CORP COM	113,228	8,627,184.70	76.19	234.16	26,513,744.75	17,886,560.05
MOODYS CORP COM	3,927	975,936.73	248.52	256.26	1,006,348.66	30,411.93
MORGAN STANLEY COM STK USD0.01	81,392	2,595,800.75	31.89	66.38	5,402,848.33	2,807,047.58
NEXTERA ENERGY INC COM	48,592	2,827,524.23	58.19	64.34	3,126,288.69	298,764.46
NIKE INC CL B	32,045	3,231,867.12	100.85	102.20	3,274,959.08	43,091.96
NORTONLIFE LOCK INC	137,075	2,678,274.29	19.54	20.14	2,760,968.16	82,693.87
NVIDIA CORP COM	45,228	5,621,842.80	124.30	207.24	9,372,962.55	3,751,119.75
NXP SEMICONDUCTORS N V COM STK	16,815	2,310,262.13	137.39	140.57	2,363,665.34	53,403.21
OLD DOMINION FREIGHT LINE INC COM	12,064	1,763,522.31	146.18	226.85	2,736,699.39	973,177.08
ORACLE CORP COM	36,926	2,036,343.98	55.15	62.83	2,320,197.28	283,853.30
ORACLE CORP COM	200,800	5,029,494.21	25.05	62.83	12,617,007.36	7,587,513.15
PALO ALTO NETWORKS INC COM USD0.0001	14,663	3,750,396.16	255.77	472.80	6,932,642.26	3,182,246.10
PENSKE AUTOMOTIVE GROUP INC COM STK	23,758	1,758,184.05	74.00	71.18	1,691,109.70	(67,074.35)
PERFICIENT INC COM STK	8,429	609,872.47	72.35	83.61	704,779.96	94,907.49
PFIZER INC COM	128,716	5,504,069.13	42.76	39.32	5,061,046.45	(443,022.68)
PIONEER NAT RES CO COM	4,015	644,359.15	160.49	189.90	762,442.85	118,083.70
PRESTIGE CONSUMER HEALTHCARE INC COM	39,316	1,575,857.14	40.08	40.21	1,580,821.69	4,964.55
PROCTER & GAMBLE COM NPV	53,911	4,987,075.13	92.51	116.05	6,256,484.39	1,269,409.26
PROGRESS SOFTWARE CORP COM	19,217	627,505.49	32.65	35.77	687,296.14	59,790.65
PROLOGIS INC COM	40,314	4,082,270.14	101.26	122.64	4,944,293.64	862,023.50
PULTE GROUP INC	84,446	1,935,594.85	22.92	31.82	2,687,340.70	751,745.85
QUALCOMM INC COM	34,664	4,318,726.77	124.59	116.07	4,023,356.30	(295,370.47)
RED ROCK RESORTS INC CL A CL A	33,424	1,196,480.55	35.80	36.88	1,232,726.48	36,245.93
REGENERON PHARMACEUTICALS INC COM	1,280	633,208.46	494.69	530.45	678,978.87	45,770.41
RYDER SYS INC COM	11,194	635,501.81	56.77	60.25	674,454.07	38,952.26
SCIENCE APPLICATIONS INTL CORP NEW COM USD0.0001	22,016	1,511,029.04	68.63	70.00	1,541,195.13	30,166.09
SEAGATE TECHNOLOGY HOLDINGS PLC	18,212	1,260,251.90	69.20	68.28	1,243,503.34	(16,748.56)
SEAWORLD ENTMT INC COM	23,950	1,285,180.33	53.66	56.54	1,354,071.21	68,890.88
SIGNET JEWELERS LTD ORD USD0.18	41,241	2,599,608.02	63.03	55.22	2,277,158.30	(322,449.72)
SLM CORP COM	170,957	2,482,996.76	14.52	13.94	2,383,906.34	(99,090.42)
SS&C TECHNOLOGIES HLDGS INC COM	41,565	1,967,302.91	47.33	56.98	2,368,287.75	400,984.84
STATE STR CORP COM	213,884	12,198,456.92	57.03	66.17	14,152,259.65	1,953,802.73
STEEL DYNAMICS INC COM	49,978	2,368,134.13	47.38	63.37	3,166,873.67	798,739.54
SYNCHRONY FINL COM	18,553	461,916.29	24.90	26.44	490,509.92	28,593.63
SYNEOS HEALTH INC COM	17,833	1,250,322.96	70.11	61.48	1,096,404.69	(153,918.27)
SYSCO CORP COM	209,430	10,510,634.84	50.19	62.01	12,987,474.42	2,476,839.58
TARGA RES CORP COM	81,894	1,653,973.77	20.20	57.32	4,694,140.21	3,040,166.44
TENET HEALTHCARE CORP COM NEW .	39,850	777,794.89	19.52	65.29	2,601,682.86	1,823,887.97
TESLA INC COM USD0.001	9,335	4,433,659.71	474.95	818.44	7,640,143.73	3,206,484.02
TJX COS INC COM NEW	228,380	9,813,143.18	42.97	46.01	10,507,924.92	694,781.74
T-MOBILE US INC COM	56,158	5,245,957.91	93.41	97.48	5,474,407.59	228,449.68
TRANE TECHNOLOGIES PLC COM USD1	21,218	2,864,457.11	135.00	115.98	2,460,781.80	(403,675.31)
TRI POINTE HOMES INC	119,822	1,781,280.47	14.87	15.25	1,827,384.33	46,103.86
TRONOX HOLDINGS PLC ORD USD0.01	98,634	1,488,193.53	15.09	15.03	1,482,525.13	(5,668.40)
UNITED RENTALS INC COM	18,387	1,933,233.13	105.14	269.78	4,960,502.62	3,027,269.49
UNITED THERAPEUTICS CORP DEL COM STK	16,367	2,051,599.00	125.35	136.26	2,230,207.91	178,608.91
UNITEDHEALTH GROUP INC COM	15,554	3,709,795.65	238.51	387.32	6,024,435.33	2,314,639.68
UNITEDHEALTH GROUP INC COM	44,216	2,265,448.95	51.24	387.32	17,125,911.83	14,860,462.88
US FOODS HLDG CORP COM	226,100	5,469,905.13	24.19	28.58	6,461,962.07	992,056.94
VERTEX PHARMACEUTICALS INC COM	3,623	619,762.22	171.06	198.21	718,105.98	98,343.76
VICTORIAS SECRET & CO COM	32,930	1,428,046.91	43.37	39.01	1,284,536.26	(143,510.65)
VISA INC COM CL A STK	37,673	4,079,883.99	108.30	168.44	6,345,452.91	2,265,568.92
VMWARE INC CL A COM CL A COM	14,818	1,129,550.43	76.23	86.48	1,281,529.28	151,978.85
VOYA FINL INC COM	34,914	1,426,185.05	40.85	50.39	1,759,422.57	333,237.52
WELLS FARGO & CO NEW COM STK	132,357	5,363,689.47	40.52	36.81	4,871,469.06	(492,220.41)
ZIMMER BIOMET HLDGS INC COM	56,640	5,558,578.54	98.14	97.14	5,502,035.81	(56,542.73)
		441,411,464.32			**693,963,610.32**	**252,552,146.00**
TOTAL NORTH AMERICA		**458,848,251.36**			**716,150,757.52**	**257,302,506.16**

STAFFORDSHIRE PENSION FUND

PORTFOLIO VALUATION

Funds - JP Morgan Asset Management, Longview Partners (Global Equity) | **Currency - Sterling** | **Report Date - 31-03-2022**

	Holding	Cost £	Average Cost £	Market Price £	Market Value £	Unrealised Gain/Loss £
EMERGING MARKETS						
China						
CHINA MERCHANTS BK COM STK	302,000	1,913,262.98	6.34	5.97	1,802,707.23	(110,555.75)
HAIER SMART HOME CO LTD-H	410,200	1,248,781.82	3.04	2.47	1,012,450.13	(236,331.69)
KUNLUN ENERGY CO COMSTK	3,308,000	2,181,640.41	0.66	0.66	2,191,171.67	9,531.26
LENOVO GROUP LIMITED HKD0.025	1,226,000	1,237,255.14	1.01	0.83	1,013,025.24	(224,229.90)
PICC PROPERTY & CA 'H'CNY1	902,000	624,554.18	0.69	0.78	701,570.15	77,015.97
TENCENT HLDGS LIMITED COMMON STOCK	99,600	1,696,514.79	17.03	36.29	3,614,542.38	1,918,027.59
TINGYI(CAYMAN ISL) USD 0.005	2,600,000	3,809,235.34	1.47	1.28	3,328,415.06	(480,820.28)
WANT WANT CHINA HO USD0.02	4,945,000	3,670,436.83	0.74	0.70	3,472,122.68	(198,314.15)
		16,381,681.49			**17,136,004.54**	**754,323.05**
India						
ADR HDFC BK LTD ADR REPSTG 3 SHS	60,778	**996,924.19**	16.40	46.58	**2,831,059.47**	**1,834,135.28**
Indonesia						
BK CENTRAL ASIA IDR12.50	6,746,000	**2,619,698.87**	0.39	0.42	**2,844,962.82**	**225,263.95**
Korea, Republic Of						
LG ENERGY SOLUTION KRW500	6,109	1,134,820.52	185.76	276.97	1,692,004.32	557,183.80
SAMSUNG ELECTRONIC KRW100	61,123	2,286,931.30	37.42	43.61	2,665,771.83	378,840.53
SAMSUNG ENGINEER KRW5000	112,203	1,638,231.07	14.60	16.42	1,842,106.91	203,875.84
		5,059,982.89			**6,199,883.06**	**1,139,900.17**
Mexico						
WAL-MART DE MEX COM NPV	1,525,618	**4,052,925.62**	2.66	3.12	**4,759,887.02**	**706,961.40**
South Africa						
SIBANYE STILLWATER NPV	409,270	**808,754.36**	1.98	3.11	**1,272,085.14**	**463,330.78**
Taiwan						
LITE-ON TECHNOLOGY TWD10	1,951,000	2,512,642.74	1.29	1.81	3,521,977.89	1,009,335.15
REALTEK SEMICOND TWD10	345,000	2,069,849.03	6.00	11.41	3,937,082.32	1,867,233.29
TAIWAN SEMICON MAN TWD10	486,000	6,048,073.93	12.44	15.83	7,691,177.68	1,643,103.75
		10,630,565.70			**15,150,237.89**	**4,519,672.19**
Thailand						
SIAM COMMERCIAL BK THB10 (NVDR)	1,487,100	**3,883,203.30**	2.61	2.60	**3,872,424.71**	**(10,778.59)**
TOTAL EMERGING MARKETS		**44,433,736.42**			**54,066,544.65**	**9,632,808.23**
UNITED KINGDOM						
ANGLO AMERICAN USD0.54945	75,642	1,530,943.35	20.24	39.73	3,004,878.45	1,473,935.10
ASTRAZENECA ORD USD0.25	66,513	5,487,241.93	82.50	101.32	6,739,097.16	1,251,855.23
BP ORD USD0.25	1,311,489	3,327,128.89	2.54	3.75	4,922,673.96	1,595,545.07
BRITISH AMERICAN TOBACCO ORD GBP0.25	36,279	1,224,195.61	33.74	31.95	1,158,932.66	(65,262.95)
COMPASS GROUP ORD GBP0.1105	769,850	8,768,510.91	11.39	16.50	12,702,525.00	3,934,014.09
DIAGEO ORD PLC	85,232	3,344,961.02	39.25	38.64	3,292,938.32	(52,022.70)
DIAGEO ORD PLC	93,381	2,819,737.64	30.20	38.64	3,607,774.94	788,037.30
LEGAL & GENERAL GP ORD GBP0.025	810,179	2,196,468.41	2.71	2.72	2,203,686.88	7,218.47
NATWEST GROUP PLC ORD GBP1	1,351,860	2,172,067.15	1.61	2.16	2,918,665.74	746,598.59
RIO TINTO ORD GBP0.10	23,470	1,338,093.74	57.01	60.81	1,427,210.70	89,116.96
SHELL PLC ORD EUR0.07	272,276	3,295,221.51	12.10	21.09	5,740,939.46	2,445,717.95
WHITBREAD ORD GBP0.76797385	173,664	5,162,916.87	29.73	28.57	4,961,580.48	(201,336.39)
TOTAL UNITED KINGDOM		**40,667,487.03**			**52,680,903.75**	**12,013,416.72**
Total Investments		705,546,402.56			1,004,132,215.60	304,157,910.33
Cash Balance		11,920,470.50			11,920,470.50	
Total Value of Portfolio		717,466,873.06			1,016,052,686.10	

STAFFORDSHIRE PENSION FUND

PORTFOLIO VALUATION

Fund - PRIVATE EQUITY INVESTMENTS **Currency - Sterling** **Report Date -** **31-03-22**

	Date of Inception	Estimated Total Approved Investment £	Cumulative Investments @ 31 Dec 2021 £	Quarters Transactions £	Cumulative Distributions @ 31 Dec 2021 £	Quarters Transactions £	Market Value @ 31 Dec 2021 * £
LAZARD US TECHNOLOGY PARTNERS 2nd Fund	Jan-01	6,214,640	6,216,640.24	0.00	5,559,412.40	0.00	**882,411.25**
KNIGHTSBRIDGE Post Venture IV	Mar-01	6,462,852	6,462,851.80	0.00	5,372,562.28	0.00	**0.00**
CAPITAL DYNAMICS UK HIGH TECHNOLOGY FUND	May-01	4,000,000	4,007,302.74	0.00	2,293,409.28	0.00	**0.00**
HARBOURVEST European Buyout Fund (HIPEP IV)	Jan-02	6,811,851	6,973,790.92	0.00	12,921,475.29	0.00	**0.00**
HARBOURVEST VII US Buyout Fund	Apr-03	5,260,384	5,299,569.55	0.00	10,218,206.56	0.00	**25,162.24**
KNIGHTSBRIDGE Venture Capital VI Series VXM	Feb-05	6,291,696	6,377,366.59	0.00	12,017,799.59	140,899.38	**2,804,869.67**
HARBOURVEST Asia Pacific Fund (HIPEP V)	Mar-06	5,056,257	5,466,435.93	0.00	8,514,791.74	0.00	**563,573.36**
HARBOURVEST 2007 Direct Fund	Sep-07	4,900,000	5,890,514.49	0.00	11,115,015.59	0.00	**345,921.94**
HARBOURVEST 2007 European Buyout Companion (HIPEP V)	Oct-07	5,000,000	5,890,762.76	0.00	9,265,508.70	0.00	**83,338.97**
HARBOURVEST VIII Cayman Venture Fund	Sep-07	2,450,000	2,946,946.59	0.00	5,972,237.82	170,459.57	**1,923,409.36**
HARBOURVEST VIII Cayman Buyout Fund	Sep-07	24,500,000	29,442,158.83	0.00	55,038,075.59	1,498,955.56	**5,024,354.16**
HARBOURVEST VIII US Mezzanine & Distressed Debt Fund	Sep-07	2,450,000	2,933,800.44	0.00	4,124,704.37	0.00	**301,640.50**
KNIGHTSBRIDGE Venture Capital VII LP Series VC	Apr-08	5,000,000	5,234,642.34	0.00	11,784,722.44	802,171.16	**10,159,785.14**
DOVER STREET VII Cayman Fund	May-08	10,000,000	11,727,495.90	0.00	17,562,097.34	319,824.22	**484,697.81**
PARTNERS Group Secondary 2008 LP	Nov-08	12,165,000	11,602,530.76	0.00	17,886,956.56	117,887.49	**1,119,176.24**
HARBOURVEST Cayman Partnership Fund (HIPEP VI)	Jun-08	29,687,775	29,168,600.70	0.00	40,008,596.46	3,490,195.86	**27,382,854.00**
KNIGHTSBRIDGE Venture Capital VIII	Feb-12	4,500,000	4,421,106.97	0.00	3,989,203.78	1,014,022.09	**15,995,569.71**
HARBOURVEST IX Cayman Venture Fund	Apr-13	6,150,000	5,876,782.26	0.00	11,251,464.04	1,231,491.15	**13,379,259.23**
HARBOURVEST IX Cayman Buyout Fund	Apr-13	12,300,000	10,925,857.52	0.00	14,441,387.26	1,193,950.00	**11,915,570.75**
HARBOURVEST IX Cayman Opportunities Fund	Apr-13	2,050,000	1,712,446.03	0.00	1,689,114.44	139,698.31	**1,357,844.04**
DOVER STREET VIII Cayman Fund	Apr-13	7,800,000	7,204,944.03	0.00	11,625,026.04	449,860.04	**1,744,185.33**
HARBOURVEST VII AIF Partnership	Jun-14	23,500,000	25,190,145.07	0.00	15,810,441.10	0.00	**38,215,655.93**
HARBOURVEST X AIF Buyout	Jun-15	25,400,000	18,831,064.95	1,167,244.10	8,667,112.73	1,679,835.70	**26,075,699.65**
HARBOURVEST X AIF Venture	Jun-15	12,700,000	12,926,413.81	1,634,192.29	7,397,128.43	2,921,319.98	**33,311,677.56**
CAPITAL DYNAMICS LGPS Collective Private Equity 15/16	Feb-15	5,000,000	4,235,000.00	50,000.00	1,325,000.00	150,000.00	**5,198,927.00**
PARTNERS Group Global Growth 2014 LP	Mar-14	10,000,000	9,303,211.59	0.00	4,746,507.94	1,348,469.25	**19,071,996.82**
PARTNERS Group Direct Equity 2016 (EUR) LP	Jul-15	10,000,000	10,562,730.51	0.00	8,308,142.15	1,286,851.63	**12,646,571.56**
CAPITAL DYNAMICS LGPS Collective Private Equity 16/17	May-16	5,000,000	3,825,000.00	0.00	955,000.00	100,000.00	**4,369,669.00**
HARBOURVEST Dover Street IX AIF L.P.	Dec-16	8,333,333	6,413,684.08	75,018.74	5,372,300.23	819,028.57	**5,976,290.30**
KNIGHTSBRIDGE KVC IX Cayman LP	Jan-17	8,333,333	5,185,080.65	0.00	158,496.72	0.00	**11,233,458.51**
HARBOURVEST HIPEP VIII Partnership AIF Fund	Mar-17	28,333,333	12,704,079.34	765,191.24	2,555,491.78	765,191.24	**19,654,615.55**
CAPITAL DYNAMICS LGPS Collective PE Vehicle 17/18	Apr-17	10,000,000	7,475,000.00	375,000.00	200,000.00	0.00	**9,451,515.00**
HARBOURVEST Partners XI AIF LP	Apr-18	33,333,333	15,267,149.38	1,456,729.75	6,348,061.35	4,143,954.89	**23,642,303.99**
CAPITAL DYNAMICS LGPS Collective PE Vehicle 18/19	Oct-18	10,000,000	4,700,000.00	1,000,000.00	0.00	0.00	**5,644,705.00**
LGPS CENTRAL PE Primary Partnership 2018 LP	Mar-19	10,000,000	5,161,269.43	804,423.96	939,734.97	504,595.69	**6,391,893.00**
HARBOURVEST 2020 Global Feeder AIF	Sep-20	32,083,333	11,181,393.13	2,857,976.88	751,761.93	469,702.01	**15,039,054.59**
PARTNERS Group Direct Equity 2019 Fund	Oct-20	10,183,280	4,542,079.67	1,280,114.14	108,232.11	0.00	**4,910,364.01**
KNIGHTSBRIDGE Venture KVC X	Apr-21	8,333,333	620,164.53	403,299.69	0.00	0.00	**792,887.83**
TOTAL PRIVATE EQUITY		419,583,735	333,906,013.54	11,869,190.79	336,295,179.02	24,758,363.80	**337,120,909.00**

* latest available valuation

STAFFORDSHIRE PENSION FUND

PORTFOLIO VALUATION

Fund - PRIVATE DEBT INVESTMENTS **Currency - Sterling** **Report Date -** **31-03-22**

	Estimated Total Approved Investment £	Cumulative Investments @ 31 Dec 2021 £	Quarters Transactions £	Cumulative Distributions @ 31 Dec 2021 £	Quarters Transactions £	Market Value @ 31 Dec 2021 * £
BARINGS European Private Loan Fund III	45,000,000	13,500,000.00	0.00	0.00	0.00	**13,897,203.00**
CLAREANT European Direct Lending Fund II	80,000,000	83,639,448.99	0.00	43,678,276.02	2,970,524.59	**42,393,866.00**
CLAREANT European Direct Lending Fund III	60,000,000	53,571,838.85	0.00	6,218,834.37	1,088,488.46	**46,380,101.68**
HAYFIN Direct Lending Fund II	80,000,000	83,761,115.05	0.00	44,153,324.78	1,896,683.07	**39,360,089.02**
HAYFIN Direct Lending Fund III	75,000,000	76,917,890.27	0.00	12,123,272.56	5,429,446.45	**68,259,515.51**
HIGHBRIDGE Private Lending Opportunities Fund	47,111,688	50,627,319.68	10,642,724.67	23,787,854.51	6,646,170.19	**28,380,490.36**
HIGHBRIDGE Specialty Loan Fund II	32,615,784	28,244,739.86	0.00	9,207,978.07	3,896,027.18	**19,849,952.39**
HIGHBRIDGE Specialty Loan Fund V	80,932,341	46,921,307.12	0.00	0.00	0.00	**50,260,953.87**
LGPS Central Credit Partnership I LP	45,000,000	3,816,778.05	3,816,778.05	0.00	0.00	**3,596,698.00**
LGPS Central Credit Partnership II LP	45,000,000	1,100,147.20	1,100,147.20	0.00	0.00	**1,083,195.00**
TOTAL PRIVATE DEBT	590,659,812	442,100,585.07	15,559,649.92	139,169,540.31	21,927,339.94	**313,462,064.83**

STAFFORDSHIRE PENSION FUND

PORTFOLIO VALUATION

Currency - Sterling | **Report Date -** | **31-03-2022**

	Holding	Cost £	Average Cost £	Market Price £	Market Value £	Unrealised Gain/Loss £
Fund - Legal & General Investment Management (Passive Global Equity)						
UK - PASSIVE						
LEGAL & GENERAL N UK EQUITY INDEX	26,747,100	**275,332,531.82**	10.29	15.52	**415,088,251.26**	**139,755,719.44**
GLOBAL - PASSIVE						
LEGAL & GENERAL GPBE ALL WORLD EQUITY INDEX	671,326,844	**1,244,592,042.07**	1.85	2.71	**1,820,591,408.13**	**575,999,366.06**
TOTAL PASSIVE GLOBAL EQUITY		**1,519,924,573.89**			**2,235,679,659.39**	**715,755,085.50**
Fund - Legal & General Investment Management (Passive UK Index Linked Bonds)						
LEGAL & GENERAL AP OVER 5 YR INDEX-LINKED	45,757,633	257,768,964.69	5.63	9.34	427,488,856.84	169,719,892.15
TOTAL PASSIVE UK INDEX LINKED BONDS		**257,768,964.69**			**427,488,856.84**	**169,719,892.15**
Fund - LGPS Central (Active Global Equity Pooled)						
LGPS CENTRAL GLOBAL EQ ACTIVE MULTI MANAGER FD	5,054,584.12	505,457,404.37	100.00	151.00	763,242,202.12	257,784,797.75
TOTAL ACTIVE POOLED GLOBAL EQUITIES		**505,457,404.37**			**763,242,202.12**	**257,784,797.75**
Fund - LGPS Central (Factor Based Equities)						
LGPS CENTRAL GLOBAL MULTI FACTOR EQUITY INDEX FUND	2,139,307.31	218,608,485.74	102.19	114.91	245,827,803.00	27,219,317.26
TOTAL FACTOR BASED EQUITIES		**218,608,485.74**			**245,827,803.00**	**27,219,317.26**
Fund - LGPS Central (Active Global Corporate Bonds Pooled)						
LGPS CENTRAL GLOBAL ACTIVE CORPORATE BOND MULTI MANAGER	4,201,205.15	420,120,515.93	100.00	95.51	401,257,103.88	(18,863,412.05)
TOTAL ACTIVE POOLED CORPORATE BONDS		**420,120,515.93**			**401,257,103.88**	**(18,863,412.05)**
Fund - Staffordshire Pension Fund (Funds of Hedge Funds)						
GOLDMAN SACHS HFP II FUND (H1)	13,232	0.00	0.00	189.69	2,510,003.26	2,510,003.26
TOTAL HEDGE FUNDS		**0.00**			**2,510,003.26**	**2,510,003.26**
Fund - Staffordshire Pension Fund (Infrastructure)					**Report Date -**	**31-12-2021 ***
IFM GLOBAL INFRASTRUCTURE FUND	n/a	0.00	n/a	n/a	0.00	0.00
BLACKROCK - GLOBAL RENEWABLE POWER INFRASTRUCTURE FUND	n/a	4,279,063.57	n/a	n/a	4,142,323.09	(136,740.48)
EQUITIX FUND VI LP	n/a	15,423,455.94	n/a	n/a	14,049,992.95	(1,373,462.99)
TOTAL INFRASTRUCTURE		**19,702,519.51**			**18,192,316.04**	**(1,510,203.47)**

* latest available valuation

STAFFORDSHIRE PENSION FUND
PROPERTY PORTFOLIO SUMMARY

Dir/Ind	Property Address or Fund	Unit	Tenant or Fund	Tenure	Use	Total Cost £	Date of Purchase	Value £ @ 31/03/2021	Value £ @ 31/03/2022	Lease or Fund Term	Lease or Fund Expiry or Break	Rent pa £ @ Purchase	Current Rent pa £	Ground Rent pa £	Next Rent Review	% Yield on Cost	% Return on Value
Dir	BARDON Interlink Park		Belron UK Ltd	FH	Industrial	18,293,947	30/10/2019	19,000,000	23,150,000	11 yrs	12/05/2030	894,739	894,739	-	13/05/2025	4.9	3.9
	BIRMINGHAM 80/87 New Street & 45/51 Pinfold Street	80 New	Baird Foods Retail Ltd (t/a Extrawurst)		Retail	-	-	-	-	6 yrs	04/03/2025	51,000	40,000	-	04/03/2027	-	-
		81/83 New	Vacant (Under Offer)		Retail	-	-	-	-	-	-	116,000	0	-	-	-	-
		84 New	Empire Property Midland Ltd (t/a Simply Local)		Retail	-	-	-	-	5 yrs	29/09/2026	65,000	50,000	-	29/09/2026	-	-
		84b New	Birmingham Inns Ltd		Leisure	-	-	-	-	56 yrs	23/06/2028	25,000	25,000	-	24/06/2025	-	-
		85 New	Greggs Plc		Retail	-	-	-	-	5 yrs	07/05/2020	60,000	60,000	-	On Expiry	-	-
		87 New	The Royal British Legion		Retail	-	-	-	-	10 yrs	29/09/2024	77,500	77,500	-	On Expiry	-	-
		45/46	Fox and Chance Ltd		Retail	-	-	-	-	5 yrs	03/08/2026	40,000	36,000	-	On Expiry	-	-
		47 Pinfold	Yunyou Li		Retail	-	-	-	-	5 yrs	15/09/2022	12,000	12,000	-	On Expiry	-	-
		49 Pinfold	The Feel Good Group Ltd		Retail	-	-	-	-	10 yrs	15/12/2025	25,000	25,000	-	15/12/2020	-	-
		50 Pinfold	GBC1 Consulting Ltd		Retail	-	-	-	-	15 yrs	25/07/2026	25,000	20,000	-	25/07/2026	-	-
		51 Pinfold	Nine Three's Ltd (t/a Mail Boxes etc)		Retail	-	-	-	-	10 yrs	18/12/2024	18,000	18,000	-	18/12/2019	-	-
		Pt 3rd	Vacant		Office	-	-	-	-	-	-	16,150	0	-	-	-	-
		Pt 3rd	Vacant		Office	-	-	-	-	-	-	0	0	-	-	-	-
		Pt 3rd	Vacant		Office	-	-	-	-	-	-	11,745	0	-	-	-	-
		Pt 2nd	The Royal British Legion		Office	-	-	-	-	10 yrs	29/04/2024	35,800	37,700	-	On Expiry	-	-
		Pt 2nd	Vacant		Office	-	-	-	-	-	-	0	0	-	-	-	-
		Pt 1st	Vacant		Office	-	-	-	-	-	-	12,925	0	-	-	-	-
		Pt 1st	Vacant		Office	-	-	-	-	-	-	0	0	-	On Expiry	-	-
		Pt 1st	People Solutions Group Ltd	FH	Office	9,093,360	19/08/2016	6,000,000	6,050,000	5 yrs	30/09/2024	24,300	26,000	-	On Expiry	4.7	7.1
	BIRMINGHAM 92/93 New Street & 3/7 Ethel Street	92/93 New	Lord 3 Ltd (t/a Fat Burgers)		Retail	-	-	-	-	3 yrs	21/12/2023	226,850	0	-	On Expiry	-	-
		3 Ethel	J Wang & J Ni (t/a Twist Café)		Retail	-	-	-	-	8 yrs	28/09/2021	27,000	27,000	-	On Expiry	-	-
		5 Ethel	Vacant for Redevelopment		Offices	-	-	-	-	-	-	400	0	-	-	-	-
		5a Ethel	La Galleria Birmingham Ltd		Restaurant	-	-	-	-	7.5 yrs	28/09/2021	30,000	30,000	-	On Expiry	-	-
		5b Ethel	Vacant for Redevelopment		Retail	-	-	-	-	-	-	21,000	0	-	-	-	-
		7 Ethel	Invicta Hydrogen System Ltd		Retail	-	-	-	-	0.5 yrs	21/08/2021	24,000	20,004	-	On Expiry	-	-
		9 Ethel	Cloudo Kids Ltd		Retail	-	-	-	-	8.25 yrs	28/09/2021	17,250	17,250	-	On Expiry	-	-
		11 Ethel	Autograph Ltd		Retail	-	-	-	-	3.75 yrs	13/09/2019	22,000	22,000	-	On Expiry	-	-
		13/17 Ethel	Autograph Ltd	FH	Retail	5,522,079	21/06/2010	3,750,000	3,550,000	5 yrs	13/09/2019	30,000	31,500	-	On Expiry	0.6	0.9
	BIRMINGHAM Colonnade Buildings, 98/100 New Street & 2/12 Ethel Street	98 New	Wagamama Ltd		Retail	-	-	-	-	20 yrs	30/09/2029	215,000	215,000	-	01/10/2024	-	-
		99 New	Vacant		Retail	-	-	-	-	-	-	0	0	-	-	-	-
		100 New	Vacant		Retail	-	-	-	-	-	-	157,000	0	-	-	-	-
		8 Ethel	Curzon Projects Ltd		Office	-	-	-	-	99 yrs	11/03/2063	5	5	-	On Expiry	-	-
		8a Ethel	T-Lites Ltd (t/a Tablites)		Retail	-	-	-	-	1 yr	11/02/2023	10,000	10,000	-	On Expiry	-	-
		10 Ethel	Harvey & Thompson Ltd		Retail	-	-	-	-	5 yrs	24/12/2021	32,000	32,000	-	On Expiry	-	-
		12 Ethel	Vacant (Under Offer)		Retail	-	-	-	-	-	-	42,500	0	-	-	-	-
			HSBC Bank Pension Trust Ltd		Rent Charge	-	-	-	-	99 yrs	23/06/2058	10,000	10,000	-	On Expiry	-	-
			Car Spaces	FH	Parking	7,996,837	30/12/2014	5,400,000	5,200,000		24/03/2063	19,900	6,000	-	On Expiry	3.4	5.3
	BLETCHLEY Rushmere Retail Park, Watling Street	1	Wickes Building Supplies Ltd		Retail WH	-	-	-	-	25 yrs	25/03/2026	259,500	429,000	-	25/03/2021	-	-
		2	Halfords Ltd	FH	Retail WH	5,094,683	11/04/1996	7,500,000	8,000,000	5 yrs	04/11/2024	104,500	133,100	-	On Expiry	11.0	7.0
	BRISTOL St Annes Road		Vacant (Under Offer to Rocket Padel)	FH	Industrial	6,520,622	17/08/2015	5,525,000	6,300,000	-	-	424,874	0	-	-	0.0	0.0
	BROMSGROVE Bromsgrove Retail Park, Birmingham Road	1	T J Morris Ltd (t/a Home Bargains)		Retail WH	-	-	-	-	15 yrs	21/08/2033	185,000	185,000	-	22/08/2023		
		2	Iceland Foods Ltd (t/a Food Warehouse)		Retail WH	-	-	-	-	10 yrs	19/08/2028	180,000	180,000	-	22/08/2023		
		3&4	Lidl Great Britain Ltd		Retail WH	-	-	-	-	25 yrs	18/06/2033	346,783	346,783	-	18/06/2023		
		5B	Pure Gym Ltd		Leisure	-	-	-	-	15 yrs	28/07/2029	120,000	120,000	-	29/07/2024		
		5A	Greggs Plc		Retail WH	13,774,835	07/01/2021	13,400,000	15,900,000	10 yrs	03/03/2028	30,000	30,000	-	On Expiry		
	BURY ST EDMUNDS 42/42a Buttermarket		McDonald's Real Estate LLP	FH	Retail	3,059,752	22/07/1994	1,650,000	1,650,000	35 yrs	24/12/2023	152,500	180,000	-	On Expiry	5.9	10.9

Dir/Ind	Property Address or Fund	Unit	Tenant or Fund	Tenure	Use	Total Cost £	Date of Purchase	Value £ @ 31/03/2021	Value £ @ 31/03/2022	Lease or Fund Term	Lease or Fund Expiry or Break	Rent pa £ @ Purchase	Current Rent pa £	Ground Rent pa £	Next Rent Review	% Yield on Cost	% Return on Value
	BURY ST EDMUNDS 45/47 Risbygate Street		B&Q Ltd	FH	Retail WH	5,666,760	12/06/2013	4,900,000	5,900,000	5 yrs	11/01/2024	491,763	438,955	-	On Expiry	7.7	7.4
	CAMBRIDGE Chieftain Way Orchard Park		Travelodge Hotels Ltd	FH	Hotel	11,386,246	15/10/2010	14,100,000	14,500,000	25 yrs	11/09/2036	0	937,462	-	12/09/2026	8.2	6.5
	CARDIFF	1 & 2	Santander UK Plc		Retail	-	-	-	-	23 yrs	24/04/2031	188,000	188,000	-	12/02/2023	-	-
	1/7 Queen Street	3	Anabatic Ltd (t/a Thirty Nine)		Retail	-	-	-	-	15 yrs	04/06/2022	85,000	55,000	-	05/06/2022	-	-
		3a	Pizza Hut (UK) Ltd		Retail	-	-	-	-	35 yrs	23/06/2021	60,000	60,000	-	On Expiry	-	-
		4	Vacant	FH	Retail	8,371,527	02/05/2014	4,150,000	4,150,000	-	-	318,000	0	-	-	3.6	7.3
	CHESTER-LE-STREET Drum Industrial Estate		Co-Operative Group Ltd	FH	Industrial	18,335,769	18/05/2016	21,800,000	23,800,000	15 yrs	15/03/2024	1,149,922	1,219,000	-	On Expiry	6.6	5.1
	CHICHESTER 30 East Street		Signet Trading Ltd (t/a Ernest Jones)	FH	Retail	2,422,179	29/01/1999	1,600,000	1,700,000	5 yrs	30/01/2023	120,000	114,650	-	On Expiry	4.7	6.7
	CHORLEY Unit 9, Revolution Park		G A Pet Food Partners Ltd	FH	Industrial	21,564,300	19/11/2018	22,000,000	26,800,000	12 yrs	30/09/2028	1,008,730	1,008,730	-	01/10/2021	4.7	3.8
	DOVER Bridge Street		Wm Morrison Supermarkets Plc	FH	Foodstore	18,059,355	31/03/2010	16,700,000	18,000,000	35 yrs	09/04/2044	912,604	750,000	-	29/04/2024	4.2	4.2
	EDINBURGH 5-11 Grosvenor Street		Dragonglass UK Holding Ltd (t/a Grosvenor Hotel)	FH	Hotel	18,598,181	28/07/2015	19,050,000	19,050,000	125 yrs	16/02/2094	802,500	840,038	-	17/02/2025	4.5	4.4
	EYNSHAM	Chilbrook 1	Adlens Ltd		Office	-	-	-	-	10 yrs	21/12/2026	57,494	79,536	-	06/10/2021	-	-
	Oasis Park	Chilbrook 2	Vacant		Office	-	-	-	-	-	-	40,573	0	-	-	-	-
		Chilbrook 3	Vacant		Office	-	-	-	-	-	-	24,589	0	-	-	-	-
		Chilbrook 4	Passion Radio (Oxford) Ltd		Office	-	-	-	-	10 yrs	14/01/2024	42,898	34,550	-	14/01/2024	-	-
		Chilbrook 5	Vacant		Office	-	-	-	-	-	-	89,508	0	-	-	-	-
		Chilbrook 6	International Mission to Jewish People		Office	-	-	-	-	5 yrs	08/07/2024	22,927	36,036	-	On Expiry	-	-
		Chilbrook 7	Vacant		Office	-	-	-	-	-	-	43,859	0	-	-	-	-
		Limbrook 1	Vacant		Office	-	-	-	-	-	-	23,554	0		-	-	-
		Limbrook 2	Vacant		Office	-	-	-	-	-	-	30,699	0		-	-	-
		Limbrook 3	Vacant		Office	-	-	-	-	-	-	27,411	0	-	-	-	-
		Limbrook 4	Vacant		Office	-	-	-	-	-	-	24,225	0		-	-	-
		Limbrook 5	Vacant		Office	-	-	-	-	-	-	58,998	0		-	-	-
		Limbrook 6	Vacant		Office	-	-	-	-	-	-	16,909	0		-	-	-
		Limbrook 7	Vacant		Office	-	-	-	-	-	-	20,424	0		-	-	-
		6	Vacant		Office	-	-	-	-	-	-	90,000	0	-	-	-	-
		7	Waterslade Ltd		Office	-	-	-	-	0.5 yrs	25/03/2021	33,770	43,565	-	On Expiry	-	-
		8	Usborne Publishing Ltd		Office	-	-	-	-	10 yrs	28/09/2023	33,770	39,288	-	29/09/2018	-	-
		9&10	Vacant		Office	-	-	-	-	-	-	57,500	0	-	-	-	-
		11	Philip Williams Trust		Office	-	-	-	-	999 yrs	23/06/2986	75	75	-	On Expiry	-	-
		12	Vacant		Office	-	-	-	-	-	-	44,000	0	-	-	-	-
		13 (Gd)	Adaptix Ltd		Office	-	-	-	-	2 yrs	08/07/2023		24,770	-	On Expiry	-	-
		13 (1st)	Adaptix Ltd		Office	-	-	-	-	-	08/07/2023		24,770	-	On Expiry		
			Southern Electricity Plc		Substation	-	-	-	-	125 yrs	24/01/2116	1	1	-	On Expiry	-	-
			Passion Radio (Oxford) Ltd	FH	Car Spaces	14,419,594	14/10/1999	7,450,000	7,850,000	-	14/01/2024	0	2500	-	On Expiry	1.7	3.3
	GRANTHAM	1	T J Morris Ltd (t/a Home Bargains)		Retail WH	-	-	-	-	10 yrs	19/01/2030	240,000	240,000	-	20/01/2025	-	-
	Dysart Road Retail Park	2	Matalan Retail Ltd		Retail WH	-	-	-	-	20 yrs	09/07/2026	330,000	330,000	-	10/07/2021	-	-
	Dysart Road	3	NBC Apparel (t/a TK Maxx)		Retail WH	-	-	-	-	19 yrs	23/06/2025	200,000	200,000		On Expiry	-	-
		4	DSG Retail Ltd (t/a Currys PC World)	FH	Retail WH	14,817,455	01/03/2017	13,750,000	16,250,000	10 yrs	24/10/2029	212,829	187,500		25/10/2024	6.5	5.9
	HAYES Hayes Road		Lidl Great Britain Ltd	FH	Retail WH	16,831,854	07/01/2008	13,150,000	18,450,000	15 yrs	24/06/2036	779,000	730,000	-	25/06/2026	4.3	4.0
	LANCASTER	1	Currys Group Ltd		Retail WH	-	-	-	-	25 yrs	28/09/2020	149,540	183,200	-	On Expiry	-	-
	Parliament Street Retail	2	Halfords Ltd		Retail WH	-	-	-	-	5 yrs	27/05/2026	74,930	97,305	-	On Expiry	-	-
	Park	3	B&M Retail Ltd	FH	Retail WH	5,106,960	18/12/1995	3,900,000	5,000,000	5 yrs	02/11/2026	100,170	115,000	-	On Expiry	7.7	7.9

Dir/Ind	Property Address or Fund	Unit	Tenant or Fund	Tenure	Use	Total Cost £	Date of Purchase	Value £ @ 31/03/2021	Value £ @ 31/03/2022	Lease or Fund Term	Lease or Fund Expiry or Break	Rent pa £ @ Purchase	Current Rent pa £	Ground Rent pa £	Next Rent Review	% Yield on Cost	% Return on Value
	LEEDS	A	Vacant		Retail WH	-	-	-	-	-	-	195,000	0	-	-	-	-
	Killingbeck Retail Park	B	B&M Retail Ltd		Retail WH	-	-	-	-	10 yrs	14/07/2023	195,700	200,000	-	On Expiry	-	-
	Killingbeck Drive	C	B&Q Ltd		Retail WH	-	-	-	-	10 yrs	27/07/2027	197,340	202,400	-	28/07/2022	-	-
	York Road	D	B&Q Ltd	FH	Retail WH	20,201,334	06/06/2008	12,650,000	13,700,000	10 yrs	27/07/2027	604,750	604,750	-	28/07/2022	5.0	7.4
	LEEDS	20	Cooper Bros Business Group Ltd (t/a Vintage Bros)		Retail	-	-	-	-	TaW	-	91,250	35,880	-	On Expiry	-	-
	20/26 King Edward Street	22	Airwair International Ltd (t/a Dr Martens)		Retail	-	-	-	-	10 yrs	22/07/2024	95,000	70,000	-	On Expiry	-	-
	& 49/51 Vicar Lane	24	VF Northern Europe Services Ltd (t/a Vans)		Retail	-	-	-	-	15 yrs	03/10/2023	105,000	75,000	-	On Expiry	-	-
		26	JD Sports Fashion Plc (t/a The Hip Store)		Retail	6,561,408	25/10/2012	3,550,000	3,400,000	20 yrs	24/03/2026	158,500	115,000	-	On Expiry	4.5	8.7
	LONDON EC2	B	Vacant		Store	-	-	-	-	-	-	3,210	0	-	On Expiry		
	11 Old Jewry	B, LG, G	Goodman City Ltd		Restaurant	-	-	-	-	21.5 yrs	31/01/2032	162,500	162,500	-	-	-	-
		LG, G	Bank of China (UK) Ltd		Bank	-	-	-	-	20 yrs	31/01/2032	185,000	246,000	-	24/01/2022	-	-
		1st (E), B	Tom James International		Office	-	-	-	-	5 yrs	22/01/2026	196,000	129,160	-	On Expiry	-	-
		1st (W), B	Vacant		Office	-	-	-	-	-	-	121,974	0	-	-	-	-
		2nd (S)	John Graham Construction		Office	-	-	-	-	10 yrs	11/01/2024	227,469	227,469	-	11/01/2021	-	-
		2nd (N)	Saville Notaries LLP		Office	-	-	-	-	11 years	21/06/2027	214,095	173,315	-	22/06/2026	-	-
		3rd	Milliman LLP (Surety Milliman Inc)		Office	-	-	-	-	12 yrs	26/10/2024	342,085	349,000	-	27/10/2024	-	-
		4th	Vacant		Office	-	-	-	-	-	-	323,638	0	-	On Expiry	-	-
		5th	Vacant		Office	-	-	-	-	-	-	265,625	0	-	-	-	-
		6th (S)	Bedell Cristin Offices Ltd		Office	-	-	-	-	10 yrs	21/12/2026	0	114,383	-	On Expiry	-	-
		6th (N), B	Transfer Connex Ltd		Office	-	-	-	-	5 yrs	03/02/2025	115,367	100,280		On Expiry	-	-
		7th (S)	Masento Group		Office	-	-	-	-	3 yrs	24/06/2023	66,340	57,780	-	On Expiry	-	-
		7th (N), B	Laven (Tech) Ltd		Office	-	-	-	-	5 yrs	18/05/2022	81,515	101,674	-	On Expiry	-	-
		8th (S)	Pramex International Ltd		Office	-	-	-	-	15 yrs	09/03/2025	53,848	53,848	-	10/03/2020	-	-
		8th (N)	Milliman LLP (Surety Milliman Inc)	LH	Office	15,806,519	01/08/2016	16,200,000	15,350,000	12 yrs	26/10/2024	80,189	73,000	-	27/10/2024	11.3	11.7
	LONDON SW1	5th	Vacant (Under Development)		Office	-	-	-	-	-	-	117,500	0	-	-	-	-
	Derwood House	4th	Vacant (Under Development)		Office	-	-			-	-	135,375	0	-	-	-	-
	22/24 Caxton Street	3rd	Vacant (Under Development)		Office	-	-	-	-	-	-	166,760	0	-	-	-	-
		2nd	William Sturges & Co		Office	-	-	-	-	5 yrs	28/09/2023	166,485	219,540	-	On Expiry	-	-
		1st	BAE Systems Plc		Office	-	-	-	-	15 yrs	24/03/2023	152,000	188,786	-	On Expiry	-	-
		Gd	BAE Systems Plc		Office	-	-	-	-	10 yrs	24/03/2023	38,118	41,213	-	On Expiry	-	-
		Gd	BAE Systems Plc		Office	-	-	-	-	2.5 yrs	24/03/2023	49,665	49,095	-	On Expiry	-	-
		Gd	Pret a Manger (Europe) Ltd		Retail	-	-	-	-	15 yrs	02/09/2027	46,000	82,000	-	03/09/2022	-	-
		Gd	William Sturges & Co		Office	-	-	-	-	5 yrs	28/09/2023	7,345	9,900	-	On Expiry	-	-
		Gd	Starbucks Coffee Company (UK) Ltd		Retail	-	-	-	-	10 yrs	15/12/2027	45,000	63,500	-	16/12/2022	-	-
		Gd	London Underground Ltd		Pt Garage	-	-	-	-	20 yrs	28/09/2025	15,000	15,000	-	29/09/2020		
		Gd	London Underground Ltd		Pt Garage	-	-	-	-	98 yrs	17/10/2025	463	463	-	On Expiry		
		Gd	Car spaces	FH/LH	Parking	16,178,626	16/05/2011	23,000,000	23,000,000	-	-	17,499	5,000	14,809	On Expiry	4.1	2.9
	LONDON W1	47/48 4th/6th	Vacant		Office	-	-	-	-	-	-	216,529	0	-	-	-	-
	47/48 Berners Street &	47/48 3rd	El Capital LLP		Office	-	-	-	-	10 yrs	08/01/2025	92,820	92,820	-	On Expiry	-	-
	11 Wells Mews	47/48 1st/2nd	Vacant		Office	-	-	-	-	-	-	188,457	0	-	-	-	-
		47/48 Gd/LG	Fashion Box UK Ltd		Showroom	-	-	-	-	10 yrs	31/12/2023	231,500	231,500	-	18/04/2023	-	-
		11 4th	Eccles Fisher Associates Ltd		Office	-	-	-	-	10 yrs	30/01/2022	20,000	20,000	-	On Expiry	-	-
		11 3rd	Vacant		Office	-	-	-	-	-	-	25,515	0	-	-	-	-
		11 2nd	TGR Retail Ltd		Office	-	-	-	-	5 yrs	12/07/2021	35,000	35,000	-	On Expiry	-	-
		11 1st	Maslows UK Services Ltd		Office	10,471,883	15/01/2020	8,850,000	8,750,000	5 yrs	01/11/2020	31,000	31,000	600	On Expiry	3.9	4.7
	LONDON WC1	5th	London Upper Woburn Place Centre Ltd (t/a Regus)		Office	-	-	-	-	9.33 yrs	18/11/2027	88,125	115,132	-	19/11/2022	-	-
	16 Upper Woburn Place	3rd & 4th	London Upper Woburn Place Centre Ltd (t/a Regus)		Office	-	-	-	-	10 yrs	18/11/2027	224,238	640,303	-	19/11/2023	-	-
		2nd	London Upper Woburn Place Centre Ltd (t/a Regus)		Office	-	-	-	-	8.33 yrs	18/11/2027	205,840	344,810	-	19/11/2023	-	-
		1st	London Upper Woburn Place Centre Ltd (t/a Regus)		Office	-	-	-	-	10 yrs	18/11/2027	213,745	396,462	-	19/11/2022	-	-
		Gd (Pt)	London Upper Woburn Place Centre Ltd (t/a Regus)		Office	-	-	-	-	10 yrs	18/11/2027	93,000	152,000	-	19/11/2022	-	-
		Gd (Pt)	London Upper Woburn Place Centre Ltd (t/a Regus)		Office	-	-	-	-	10 yrs	18/11/2027	0	22,075	-	19/11/2022	-	-
		Gd & LG	Prezzo Trading Ltd		Restaurant	-	-	-	-	20 yrs	18/11/2027	87,500	142,000	-	05/01/2024	-	-
		LG	Barry's Bootcamp Ltd		Gym	-	-	-	-	25 yrs	18/11/2027	75,460	98,116	-	23/07/2023	-	-
		B	EDF Energy Networks (LPN) Plc		Substation	19,770,540	12/08/2011	35,900,000	36,200,000	99 yrs	03/03/2106	0	0	-	-	9.7	5.3
	LONDON WC2	4th	Directors UK Ltd		Office	-	-	-	-	10 yrs	28/07/2026	76,335	208,125	-	On Expiry	-	-

Dir/Ind	Property Address or Fund	Unit	Tenant or Fund	Tenure	Use	Total Cost £	Date of Purchase	Value £ @ 31/03/2021	Value £ @ 31/03/2022	Lease or Fund Term	Lease or Fund Expiry or Break	Rent pa £ @ Purchase	Current Rent pa £	Ground Rent pa £	Next Rent Review	% Yield on Cost	% Return on Value
	22 Stukeley Street	3rd	Vacant		Office	-	-	-	-	-	-	42,073	0	-	-	-	-
		3rd	AIG Edenspiekermann Ltd		Office	-	-	-	-	10 yrs	19/03/2025	50,827	119,493	-	20/03/2020	-	-
		2nd	Trentnet Ltd		Office	-	-	-	-	5 yrs	22/03/2021	83,250	222,800	-	On Expiry	-	-
		1st	Prospectus Ltd		Office	-	-	-	-	3 yrs	22/11/2023	85,360	192,705	-	On Expiry	-	-
		Gd & LG	Vacant		Office	-	-	-	-	-	-	80,765	0	-	-	-	-
		Gd & LG	Vacant	FH	Office	8,988,216	16/12/1998	22,750,000	23,340,000	-	-	49,200	0	-	-	8.3	3.2
	MANCHESTER	29	Hancocks Jewellers Ltd		Retail	-	-	-	-	10 yrs	01/06/2022	120,000	70,000	-	02/06/2022	-	-
	Old Exchange Buildings,	31	The Brogue Trader Ltd (t/a Loake Shoemakers)		Retail	-	-	-	-	10 yrs	02/09/2028	106,000	60,000	-	03/09/2023	-	-
	29/31 King Street	1/2 St A	Framed Opticians Ltd		Retail	-	-	-	-	10 yrs	24/06/2024	62,500	57,500	-	25/06/2024	-	-
		3/4 St A	Vacant		Retail	-	-	-	-	-	-	60,000	0	-	-	-	-
		1st	Lucinda Ellery Ltd		Retail	-	-	-	-	5 yrs	02/02/2022	17,648	22,500	-	On Expiry	-	-
		2nd	Vacant		Office	-	-	-	-	-	-	0	0	-	-	-	-
		3rd & Pt 4th	Vacant		Office	-	-	-	-	5 yrs	-	29,377	0	-	-	-	-
		Pt 4th	Denton Corker Marshall		Office	6,591,908	11/08/2014	3,650,000	3,650,000	5 yrs	08/02/2020	0	10,955	-	-	3.4	6.1
	NOTTINGHAM NCP Nottingham City 73 Mount Street		National Car Parks Ltd		Car Park	23,738,525	19/07/2018	16,900,000	16,100,000	34.9 yrs	21/05/2037	996,200	1,061,885	-	29/06/2021	4.5	6.6
	ROMFORD 26/30 South Street		Halifax Plc	FH	Retail	2,146,455	11/09/1998	2,450,000	2,600,000	25 yrs	23/06/2030	135,000	183,500	-	24/06/2020	8.5	7.1
	SOUTHAMPTON		Cornerstone Telecoms Infrastructure Ltd		Phone Mast	-	-	-	-	10 yrs	12/10/2026	0	5,750	-	13/10/2019	-	-
	Centurion Park	A	Sulzer Electro Mechanical Services (UK) Ltd		Industrial	-	-	-	-	5 yrs	24/03/2022	104,000	131,617	-	On Expiry	-	-
	Centerne Road	B	Nottingham Rehab Ltd		Industrial	-	-	-	-	7 yrs	31/07/2025	67,750	93,000	-	01/08/2025	-	-
		C	Vacant		Industrial	-	-	-	-	-	-	68,780	0	-	-	-	-
		D	Total Asia Food (Bristol) Ltd		Industrial	-	-	-	-	10 yrs	17/01/2032	61,450	114,038	-	17/01/2027	-	-
		E	Vauxhall Trade Parts Ltd		Industrial	-	-	-	-	5 yrs	12/03/2023	30,000	42,500	-	On Expiry	-	-
		F	Bufab (UK) Ltd		Industrial	-	-	-	-	3 yrs	31/12/2024	33,000	43,899	-	On Expiry	-	-
		G	TLC (Southern) Ltd		Industrial	-	-	-	-	10 yrs	19/12/2022	29,750	41,780	-	On Expiry	-	-
		H	Toolstation Ltd		Industrial	-	-	-	-	5 yrs	17/12/2023	30,000	45,862	-	On Expiry	-	-
		J	He-Man Dual Controls Ltd		Industrial	-	-	-	-	10 yrs	24/10/2028	65,640	100,000	-	25/10/2023	-	-
		K	CJR Propulsion Ltd		Industrial	-	-	-	-	10 yrs	26/11/2027	49,000	66,424	-	27/11/2022	-	-
		L	CJR Propulsion Ltd		Industrial	-	-	-	-	10 yrs	26/11/2027	60,000	69,015	-	27/11/2022	-	-
		M (Land)	-		Industrial	-	-	-	-	-	-	0	0	-	-	-	-
		P	The Post Office		Industrial	-	-	-	-	20 yrs	05/02/2029	146,772	145,850	-	05/02/2024	-	-
		R	Secretary of State for Transport		Industrial	-	-	-	-	3 yrs	31/01/2023	24,148	55,600	-	On Expiry	-	-
		S	Screwfix Direct Ltd	FH	Industrial	13,271,929	19/09/2000	15,900,000	22,250,000	10 yrs	26/09/2022	34,750	47,084	-	27/09/2022	7.6	4.5
	STOKE ON TRENT		Hadleigh Industrial Estates Ltd	FH	Industrial	25,704,500	25/08/2021	-	26,350,000	99 yrs	16/10/2059	918,500	918,500			3.6	3.5
	Hadleigh Park					-	-	-	-	-	-	-	-	-	-	-	-
	Blythe Bridge					-	-	-	-	-	-	-	-	-	-	-	-
	SWINDON	22 & 23	UK Storage Company (SW) Ltd		Industrial	-	-	-	-	25 yrs	21/09/2025	121,000	145,404	-	22/09/2025	-	-
	Westmead Industrial	24	Network Rail Infrastructure Ltd		Industrial	-	-	-	-	10 yrs	19/01/2026	63,500	91,589	-	20/01/2026	-	-
	Estate, Units 22/25 &	25	West Swindon Parish Council		Industrial	-	-	-	-	5 yrs	21/02/2026	40,640	55,920	-	On Expiry	-	-
	Unit R, Westmead Drive	R	PI Crouch, MA Clarke, PA Hopkins, & Hornbuckle Medical Trustees Ltd	FH	Industrial	4,651,783	15/12/1999	5,100,000	7,500,000	125 yrs	31/01/2114	26,600	27,265	-	01/02/2024	6.9	4.3
	TRURO	11 & 12	Waterstones Booksellers Ltd		Retail	-	-	-	-	10 yrs	25/12/2026	269,950	230,000	-	25/12/2021	-	-
	11/15 Boscawen Street	13	Superdrug Stores Plc		Retail	-	-	-	-	25 yrs	24/12/2022	154,000	154,000	-	On Expiry	-	-
		14 & 15	The White Company (UK) Ltd	FH	Retail	8,427,238	11/11/1992	4,500,000	4,300,000	10 yrs	26/08/2023	97,500	140,000	-	On Expiry	6.2	12.2
	WARRINGTON Calver Road Winwick Quay		QAS Group Ltd	FH	Industrial	2,654,601	24/03/1994	4,650,000	6,000,000	10 yrs	15/10/2031	160,000	250,000	-	16/10/2026	9.4	4.2
	WEYBRIDGE 29 Avro Way Brooklands Business Park		Kite Glass Ltd	FH	Industrial	3,376,249	20/12/1990	10,000,000	14,700,000	15 yrs	28/09/2028	275,000	395,000	-	29/09/2023	11.7	2.7
	WOLVERHAMPTON	A	J Banks & Co Ltd		Industrial	-	-	-	-	999 yrs	28/09/3010	0	0	-	On Expiry	-	-

Dir/Ind	Property Address or Fund	Unit	Tenant or Fund	Tenure	Use	Total Cost £	Date of Purchase	Value £ @ 31/03/2021	Value £ @ 31/03/2022	Lease or Fund Term	Lease or Fund Expiry or Break	Rent pa £ @ Purchase	Current Rent pa £	Ground Rent pa £	Next Rent Review	% Yield on Cost	% Return on Value
	Vernon Park,	B	DHL Supply Chain Ltd		Industrial	-	-	-	-	5 yrs	31/08/2022	154,680	177,744	-	On Expiry	-	-
		C	Mann + Hummel (UK) Ltd		Industrial	-	-	-	-	12 yrs	12/06/2024	294,490	330,000	-	On Expiry	-	-
		Land (D)	-	FH	Industrial	8,530,984	21/07/2000	11,200,000	14,250,000	-	-	0	0	-		6.0	3.6
Total:	**Direct Property**					**422,008,993**		**402,025,000**	**472,690,000**			**23,552,423**	**23,540,970**			**5.6**	**5.0**
Ind	Ashford Investor Limited Partnership		LP owns the Ashford Designer Outlet Centre,	LP	Shopping Centre	19,243,685	23/05/2002	32,755,000	34,852,000	-	28/02/2032	514,312	0	-	n/a	0.0	0.0
	Hearthstone Residential Fund 1			LP	Residential	19,999,989		17,891,899	19,131,977			0	506,074	-	n/a	2.5	2.6
	Gresham House RESi			LP	Residential	19,774,527		0	20,323,042			0	0	-	n/a	0.0	0.0
Total:	**Indirects**					**59,018,201**		**50,646,899**	**74,307,019**			**514,312**	**506,074**			**0.9**	**0.7**
Total:	**Portfolio**					**481,027,194**		**452,671,899**	**546,997,019**			**24,066,735**	**24,047,044**	**15,409**		**5.0**	**4.4**


Staffordshire

Item no 6 on Agenda

PENSIONS PANEL – 8 JUNE 2022

Report of the Director for Corporate Services

RESPONSIBLE INVESTMENT & ENGAGEMENT (RI&E) REPORT QUARTER 1 2022

Recommendations of the Chairman

1. That the Pensions Panel note:

   (a) the content of the Responsible Investment (RI) report, including the final 2021/22 Climate Stewardship Plan (Appendix 1);

   (b) the 2022/23 Climate Stewardship Plan (Appendix 2);

   (c) the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report (Appendix 3); and

   (d) the LGPSC Annual Stewardship Report 2021 and Quarterly Stewardship Update (Appendices 4 and 5).

Introduction & Background

2. The United Nations Principles of Responsible Investing (UNPRI) define RI as 'an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns'.

Environmental

- Resource utilisation
- Sustainability
- Pollution
- Carbon emissions

Social

- Community
- Human Rights
- Employees
- Customers
- Suppliers

Governance

- Stakeholder alignment
- Ownership structure
- Regulatory controls
- Board accountability
- Transparency

3. The Pensions Panel recognises its role in promoting RI and endorses the UNPRI, whilst the Fund's equity managers are encouraged to sign up to them to ensure they incorporate ESG issues into their investment process. Currently all the Fund's equity managers are signatories to the UNPRI,

including those within the LGPS Central Active External Global Equity Multi Manager sub-fund.

4. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require the Pension Fund to have an Investment Strategy Statement (ISS) which must refer to the way in which the authority takes RI into account in the selection, non-selection, retention and realisation of investments. The latest version of the ISS includes investment beliefs, specific to RI. The latest version of the ISS is available on the Pension Fund's website www.staffspf.org.uk.

5. In 2020, the Financial Reporting Council launched an updated UK Stewardship Code. The Code took effect from 1 January 2020 and aims to improve stewardship practices by setting a substantially higher standard than before. Under the 2016 Regulations, the Fund was accepted as a Tier 1 signatory of the UK Stewardship Code in 2017 and reaffirmed in 2018. Existing signatories to the Code are required to submit a Stewardship Report that meets the FRC's new reporting expectations. Further information will be brought to the Panel in 2022 on the work the Fund does, to meet the criteria of the enhanced UK Stewardship Code.

6. The Fund's 2018 Statement of Compliance with the UK Stewardship Code, as well as individual investment manager's RI policies and the UNPRI, are available on the Staffordshire Pension Fund website. www.staffspf.org.uk.

7. The Fund regularly receives ESG reports from its investment managers, and these are publicly available on the investment managers websites. More recently, it is pleasing to note that these have begun to include reports from investment managers who invest in private markets, such as Partners' Group (Private Equity) Corporate Sustainability Report and Gresham House's (Residential Property) Sustainable Investment Report.

Climate Change Strategy (CCS)

8. In February 2022, the Pensions Committee approved the Fund's first Climate Change Strategy (CCS) which sets out the Fund's approach to managing the risks and opportunities presented by climate change, with the aim of achieving a net-zero carbon investment portfolio by 2050. To guide and monitor the Fund's decarbonisation roadmap, a series of 2030 targets have been included in the CCS. The CCS is available on the Fund's website www.staffspf.org.uk.

Climate Stewardship Plan (CSP) and Engagement

9. Following the production of the Climate Risk report by LGPS Central Ltd, which was presented to the Pensions Committee in March 2021, Fund Officers produced a 2021/22 Climate Stewardship Plan (CSP). The CSP has been a working document for 2021/22, and the final version detailing the engagement carried out in 2021/22 is attached as Appendix 1. The amount of engagement that has taken place over the year should be commended and whilst there is always more that could be done, time and resource continue to be limiting factors.

10. A new CSP for 2022/23 was approved by the Pensions Committee, alongside the Fund's CCS, in February 2022 and this is attached at Appendix 2. Engagement activity for 2022/23 will be reported against the 2022/23 CSP as part of future RI&E reports to the Panel.

11. As the Fund appoints external investment managers, engagement with individual companies is delegated to these managers and the investment managers of pooled funds, in which the Fund also invests (e.g., LGPS Central Funds) and jointly as part of LAPFF. Information on manager engagement and voting is requested routinely, as part of the quarterly reporting the Fund receives from each of the managers. In Q12022 managers' engagement topics included:

- Meeting with a Pharmaceutical company to discuss board diversity and inclusivity in the workplace.
- Meeting with a Telecommunications company to discuss carbon neutrality and targets for reducing Scope 1 and 2 emissions.
- Writing to Oil companies on emissions reporting and emissions reduction plans.
- Engaging with policy makers worldwide on Sustainable Green Finance and ESG policies.
- Engagement with Banks on decarbonisation targets for financing of high emission-sectors.

LAPFF Quarterly report

12. LAPFF's Q1 2022 Engagement Report is attached for information at Appendix 3. Staffordshire joined LAPFF in March 2013, to reaffirm its commitment to RI&E matters. As always, Pensions Panel Members are encouraged to read the report as it highlights the good work LAPFF does in engaging with organisations on behalf of its members. Examples of engagement from the last quarter included:

- LAPFF continued to ask several companies to undertake human rights impact assessments on their operations in the Occupied Palestinian Territories (OPT). LAPFF met with two companies this quarter, Motorola, alongside representatives for LGPS Central, and Bezeq. Bezeq is the first company LAPFF has met on this topic that operates under Israeli state law, and they provided an overview of their operations and the areas in which they operate. LAPFF will continue to engage with companies who operate in the OPT – many of whom do not appear to have sufficient human rights due diligence processes in place, or even a human rights policy. LAPFF will need to carefully consider their voting recommendations, given that the OPT is a conflict zone, which requires enhanced human rights due diligence.
- LAPFF have recently produced a paper on mining and human rights. This details the engagement they have undertaken, and which they will continue to

do, working with mining companies and communities effected by their operations. These including those impacted by the Samarco tailings Dam collapse in Brazil and the destruction of the Juukan Gorge in Australia. Link to the full report: LAPFF-Mining-and-Human-Rights-Report.pdf (lapfforum.org)

LGPS Central Ltd Quarterly Stewardship Report Q1 2022

13. The LGPS Central Ltd Annual Stewardship Report for 2021 is attached as Appendix 4. This report was produced instead of the usual Quarterly Stewardship Report in Q42021 and is a wider document which will also be used as evidence to support the Company's Statement of Compliance with the UK Stewardship Code.

14. The LGPS Central Ltd Quarterly Stewardship Report Q12022 is attached as Appendix 5. Again, Pensions Panel Members are encouraged to read these reports as they highlight the good work LGPS Central and its appointed voting and engagement partners do, in engaging with organisations on behalf of its eight Partner Funds.

Quarterly voting summary

15. The Fund receives quarterly updates from its investment managers on details of votes cast on corporate resolutions. The following table summarises the voting activity of the Fund's investment managers in Q1 2022.

Investment Manager Voting Activity Q1 2022

	Total resolutions	Vote with management	Votes against management	Abstain
Impax	93	86	7	0
JP Morgan	247	235	11	1
Longview	51	49	2	0
Legal & General	67,550	55,151	11,678	721
LGPS Central – Global Equity Fund	359	320	0	39
LGPS Central- Global Multifactor Fund	2,295	1,956	282	57

John Tradewell
Director for Corporate Services

Contact: Melanie Stokes, Assistant Director for Treasury & Pensions
Helen Wilson, Investment Accountant
Telephone No.: (01785) 276330 / 895411

Equalities implications: Whilst there are no direct equalities implications arising from this report, equality is considered as part of the Pension Fund's wider engagement with companies.

Legal implications: There are no direct legal implications arising from this report.

Resource and Value for money implications: The resource and value for money implications are included in the body of the report. Specific consideration should be given to any effect on investment returns.

Risk implications: There is a risk that any screening of investments may result in the Pension Fund not maximising investment returns.

Climate Change implications: The Pension Fund has a Climate Change Strategy in place and produces and annual Climate Stewardship Plan which details its engagement on Climate Change matters.

Health Impact Assessment Screening: There are no direct implications arising from this report.

Staffordshire Pension Fund
Local Government Pension Scheme

Climate Stewardship Plan

April 2021

Staffordshire Pension Fund Climate Stewardship Plan

Staffordshire Pension Fund ('the Fund') recognises that climate change presents a risk which could be financially material, and which must be addressed under the scope of the Fund's fiduciary duty.

Given the Fund's long-dated liabilities and the timeframe in which climate risks could materialise, a holistic approach to risk management covering all sectors and all relevant asset classes is warranted.

To mitigate the worst economic impacts of climate change, there must be a large, swift, and globally co-ordinated policy response. The issue faced by diversified investors (such as pension funds) is not limited to the oil & gas and power generation sectors, but also to the vast number of downstream sectors, whose products and services are derived from, or reliant on, fossil fuel extraction. Investors focussing exclusively on primary energy suppliers could fail to identify material climate risks in other sectors and to limit the demand.

Following the production of the Fund's Climate Risk Report, as presented to the Pensions Committee on 23 March 2021, a Climate Stewardship Plan (CSP) has been produced.

The Fund believes it is possible for companies with current high emission levels to change, reduce their emissions and thrive in a low carbon economy and that the support and stewardship of investors is key to influencing this.

The CSP focuses on the investments having most impact / of most relevance to Fund's climate risk, which improves upon the existing approach to climate-related engagement in terms of prioritisation. The companies recommended for engagement have been identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics;
- Weight of the company in the portfolio;
- Likelihood of achieving change; and
- Ability to leverage investor partnerships.

The fund managers recommended for engagement have been identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics and climate scenario analysis;
- Size (by AUM) of the portfolio; and
- Whether the mandate is expected to be long-term.

Although we have highlighted certain managers for specific monitoring questions, the option remains open to assess all external equity investment managers using the questions and scoring system in the "Addressing climate risks and opportunities in the investment process" guidebook, published by the Institutional Investors Group on Climate Change (IIGCC). Progress updates are recommended to be reported to the Pensions Panel each quarter as part of the Responsible Investment report and a

new CSP will be presented annually to the Pensions Committee, along with the Climate Strategy, the first version of which is currently being produced.

Table 1. Companies recommended for engagement

Company	Sector	Portfolio	Issue/Objective	Vehicle	Engagement Carried out
BP	Energy	• LGIM UK Equities • LGIM All World Equities	• Delivery on Net Zero Commitment	LGIM, Standard Life, CA100+, LAPFF	LAPFF Q42021-Met with BP representatives to get more background on the company's energy transition plan, which includes a 40% reduction of production over 10 years and goal of 50GW of renewable capacity by 2050. LGIM Q12022- engaged with BP senior executives six times in 2021 as they develop their climate transition strategy to ensure alignment with Paris goals. BP announced in Feb 22 they had strengthened climate targets, together with a net-zero by 2050 commitment.
China Resources Cement	Materials	• JP Morgan Asset Management • LGIM All World Equities	• Lowering of carbon footprint • Better, more up to date GHG disclosure	LGIM, JPMorgan, LAPFF	JP Morgan-April 2021 - discussion on high carbon emitting stocks held. JP Morgan no longer hold China Resources Cement, which was the stock with the biggest carbon footprint in their portfolio.
Electricity Generating Public Company	Utilities	• JP Morgan Asset Management • LGIM All World Equities	• Delivery of robust GHG emissions reduction target(s)	LGIM, JPMorgan, LAPFF	JP Morgan-July 2021 – Further discussions held with JP Morgan on high carbon emitting stocks. JP Morgan no longer hold Electricity Generating Public Company.
Glencore	Materials	• LGPS Central GEAMMF: Harris	• Paris-aligned business model including scope 3 emissions	LGIM, Standard Life, LGPS	Standard Life- Q12021- Glencore is conscious that their exposure to thermal

		• LGIM UK Equities • LGIM All World Equities	• Lobbying and trade associations	Central via CA 100+, LAPFF	coal is unattractive to many investors. The exposure is running down naturally, but investor attitudes may encourage a more active response in due course. Harris Q42021-Met with new Glencore Chair to discuss governance, culture, and strategy, in addition to the reduction of 'tail' assets within the portfolio. Harris February 2022 - At the annual LGPS Central GEAMMF Manager-day Harris were questioned on their position in Glencore. Harris was content with Glencore's transition plans and planned reduction in thermal coal exposure in the longer run. Harris also pointed out that in the longer run, Glencore will be a key player in providing the materials for the low carbon transition (i.e., Cobalt) Q12022- Harris met Glencore's CEO and discussed Fossil fuel exposure . Glencore have not significantly increased coal production in light of pressures from rising coal prices, which would have put them in danger of moving off track with their net zero targets.
Lafargeholcim	Materials	• LGIM All World Equity • LGPS Central GEAMMF: Harris	• Paris-aligned carbon target • Continued reduction in clinker-cement ratio	LGIM, LGPS Central via CA 100+, LAPFF	

NextEra Energy	Utilities	• LGIM All World Equity • LGPS Central GEAMMF: Schroders • LGPS Central GEAMMF: Union	• Improved carbon risk management quality (measured by TPI score) • Better, more up to date, GHG disclosure • Lobbying and trade associations	LGIM, LGPS Central via CA100, LAPFF	LAPFF Q32021- sent correspondence to NextEra Energy regarding Climate change and reported a substantial improvement from them.
Rio Tinto	Materials	• LGIM UK Equities • LGIM All World Equities • JP Morgan Global Equity	• Paris-aligned business model including scope 3 emissions • Developing methodology for assessing Paris-alignment of diversified miners • Lobbying and trade associations	LGIM, JP Morgan, Standard Life, CA100+, LAPFF	LAPFF – In Q12021 LAPFF engaged with BHP and Rio Tinto on the joint venture, Resolution Copper, to ensure that the project is being undertaken responsibly. Concerns have been raised about the type of engagement the companies have had with communities affected by the project.
Shell	Energy	• LGIM UK Equities • LGIM All World Equities	• Alignment of Net Carbon footprint with the Paris Agreement	LGIM, Standard life, CA100+, LAPFF	LAPFF – In Q12021 LAPFF continued to engage with Shell. In addition to its own engagement, LAPFF is engaging via the CA100+ group of investors on Shell. Last year, 2020, LAPFF recommended voting for a shareholder resolution at the Shell AGM that requested specific targets for Shell's claimed climate change ambitions. Schroders - February 2021 – At the annual LGPS Central GEAMMF Manager-day Schroders were questioned on their position in Shell. Schroders are content with Shell's climate transition plans and that they are in line with Schroders own Climate Transition Action Plan. Schroders are also not including any

					returns from fossil fuels past 2030 in their analysis of Shell. Q12022- Schroders met with the chairman of Shell and were encouraged that the board seemed open to accelerating the shift to more sustainable assets. Shell sees themselves as well-positioned for hydrogen, but they view green hydrogen as not yet ready for large scale investment, so are focusing on smaller scale projects. Schroders challenged this view as being too conservative. March 22- LAPFF as part of CA100+ met Shell CEO There was no discernible shift in either the strategy or the path to limiting global warming to 1.5°C. There now appears to be more scepticism on Shell's transition plans, from asset managers and owners that had previously been supportive of the Shell plans, which is in line with LAPFF's position.
The Southern Company	Utilities	• LGIM All World Equity	• Integration of climate risk into the company's long-term business model • Reduction targets in line with a 2-degree scenario	LGIM, CA100+, LAPFF	
Vistra Corporation	Utilities	• JP Morgan Asset Management • LGIM All World Equities	• Delivery on Net Zero commitment	LGIM, JPMorgan, LAPFF	

Table 2. Investment managers recommended for engagement

Investment Manager	Portfolio	Issue	Engagement Carried out
Standard Life Investments	UK Equity Fund	• Stewardship activities with Anglo American and Glencore	Staffordshire Pension Fund mandate with Standard Life terminated in April 2021
JP Morgan	Global Equity Fund	• Approach to climate risk management • Engagement activities with China Resources Cement, Electricity Generating Public Company, Vistra Corp and NK Lukoil	April 2021 - discussion on high carbon emitting stocks held. JP Morgan no longer hold China Resources Cement, which was the stock with the biggest carbon footprint in their portfolio. Follow on conversations held in May 2021 on JP Morgan's approach to ESG generally, and how climate risk is factored into this analysis – JP Morgan plan to discuss this further with Staffordshire Pensions Panel Members when they next meet (occurred September 2021) July 2021 – Further discussions held with JP Morgan on their portfolio and high carbon emitting stocks. JP Morgan have now sold the top 5 carbon emitting stocks held at 31 March 2020, as identified in the LGPS Central Climate Risk Report.
LGIM	All World Equity	• Voting and engagement with key fossil fuel stocks	October 2021- LGIM launched the fifth engagement cycle of the Climate Impact Pledge, where they analyse and directly engage with around 60 companies in 15 climate-critical sectors on their strategic approach to climate change, and to what extent they are aligning their businesses with the constraints and opportunities of a net-zero transition. November 2021 – A meeting was held with LGIM on their global low carbon passive indices. The meeting covered how the indices were constructed and the ongoing engagement and monitoring undertaken by LGIM to maintain the indices.
LGIM	UK Equity Fund	• Stewardship activities with Glencore, BHP, Anglo American and CRH	November 2021 – A meeting was held with LGIM on their global low carbon passive indices. The meeting covered how the indices were constructed and the ongoing engagement and monitoring undertaken by LGIM to maintain the indices.

LGPS Central	Global Equity Active Multi-Manager Fund	• Clarity on how LGPS Central manages climate risks for the portfolio Engagement with Glencore, LafargeHolcim and NextEra Energy	January 2021 – LGPS Central have created a voting watch list which includes the companies identified as high-risk in all Partner Funds, Climate Risk Reports. This is to ensure that the voting on climate related issues, reflects the risks identified in Partner Funds Climate Risk Reports. October 2021 – After discussions between LGPS Central and Partner Funds, carbon metrics will now be included in all performance reports going forwards where feasible (i.e. equity reports). Harris Q42021-Met with new Glencore Chair to discuss governance, culture, and strategy, in addition to the reduction of 'tail' assets within the portfolio.
Longview Partners	Global Equity Fund	• Clarity on Longview's climate change beliefs and tools used to monitor climate risk	Longview produce a quarterly Carbon report detailing carbon Risk rating, Carbon intensity, Fossil fuels and stranded assets of its portfolio compared with its benchmark. April 2021 – discussions with Longview held regarding their approach to climate change. Despite low carbon footprint of portfolio, Longview aiming to participate more prominently in climate change debate. Longview also confirmed they are looking to sign up to a well know industry pressure group on climate change. July 2021 – Longview confirmed they have joined the IIGCC in June 2021. Also During quarter 2 2021 Longview engaged with Glass Lewis, the proxy voting advisor, on the topic of "Say on Climate" (which calls for greater disclosure of carbon emissions and transition plans by companies and requests an annual advisory vote on the plans and progress), which is broadly in line with IIGCC thinking. Longview encouraged Glass Lewis to incorporate the principles of "Say on Climate" into their voting advice to clients. September 2021- Longview have been approved as signatory to the new 2020 UK Stewardship code and become co-signatory to the "2021 Global Investor Statement to Governments on the

			Climate Crisis". The statement calls on governments to raise their climate ambition and implement meaningful policies to tackle climate change Q12022- Longview has undertaken an audit of portfolio company climate commitments to ascertain the current position. From this initial audit exercise, Longview has identified and prioritised companies to engage with on this matter; to either more clarity or push for firmer commitments for action.

Contact Us

In writing or in person

Treasury and Pension Fund
Staffordshire County Council
1 Staffordshire Place
Tipping Street Stafford
ST16 2DH.

Email us treasury.pensionfund@staffordshire.gov.uk

Telephone us on 01785 276300

You can also visit our website at:
www.staffspf.org.uk

Staffordshire Pension Fund
Local Government Pension Scheme

Climate Stewardship Plan

2022/23

Staffordshire Pension Fund Climate Stewardship Plan 2022/23

Staffordshire Pension Fund ('the Fund') recognises that climate change presents a risk which could be financially material, and which must be addressed under the scope of the Fund's fiduciary duty.

Given the Fund's long-dated liabilities and the timeframe in which climate risks could materialise, a holistic approach to risk management covering all sectors and all relevant asset classes is warranted.

To mitigate the worst economic impacts of climate change, there must be a large, swift, and globally co-ordinated policy response. The issue faced by diversified investors (such as pension funds) is not limited to the oil & gas and power generation sectors, but also to the vast number of downstream sectors, whose products and services are derived from, or reliant on, fossil fuel extraction. Investors focussing exclusively on primary energy suppliers could fail to identify material climate risks in other sectors and to limit the demand.

The Fund believes it is possible for companies with current high emission levels to change, reduce their emissions and thrive in a low carbon economy and that the support and stewardship of investors is key to influencing this.

Following production of the Fund's first Climate Risk Report, as presented to the Pensions Committee on 23 March 2021, a Climate Stewardship Plan (CSP) for 2021/22 was created. Receipt of the Fund's second Climate Risk Report has enabled an updated CSP to be produced for 2022/23. This reflects changes in the Fund's portfolio and underlying company investments and was approved by the Pensions Committee at its meeting on 11 February 2022.

The 2022/23 CSP again focuses on the investments having the most impact or of the most relevance to the Fund's climate risk; which improves upon the existing approach to climate-related engagement in terms of prioritisation. The **companies** recommended for engagement have been identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics;
- Weight of the company in the portfolio;
- Likelihood of achieving change; and
- Ability to leverage investor partnerships.

The **investment managers** recommended for engagement were identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics and climate scenario analysis;
- Size (by assets under management or 'AUM') of the portfolio; and
- Whether the mandate is expected to be long-term.

Although certain companies and investment managers have been highlighted for specific reasons and engagement within the CSP, the option remains open to assess all external equity investment managers using the questions and scoring system in the "Addressing Climate Risks and Opportunities in the Investment Process"

guidebook, published by the Institutional Investors Group on Climate Change (IIGCC).

Updates on progress and engagement, in line with the priorities identified in the CSP will be presented to the Pensions Panel each quarter, as part of a Responsible Investment and Engagement report. An updated CSP will be presented to the Pensions Committee annually, alongside updates to the Fund's Climate Change Strategy, which was introduced in 2022.

The main differences in the CSP to the companies recommended for engagement in 2022/23 are:

- the removal of China Resources Cement, Electricity Generating Public Company and Vistra Corporation; and
- the addition of CRH and Linde.

Between March 2020 and September 2021, following initial Officer engagement, one of the Fund's global equity managers, JP Morgan Asset Management exited positions in China Resources Cement, Electricity Generating Public Company and Vistra Corporation, which had been added to the Fund's CSP 2021/22 due to their high carbon intensities.

As a result of the updated carbon metrics analysis contained in the Fund's most recent Climate Risk Report, it was recommended that CRH and Linde were added to the CSP in 2022/23.

Due to the termination of contracts and subsequent appointment and investment with a global sustainable equity manager, Standard Life Investments have been removed from the CSP and replaced by Impax Asset Management, in the list of investment managers recommended for engagement.

Table 1. Companies recommended for engagement in 2022/23

Company	Sector	Portfolio	Issue/Objective	Vehicle	Engagement carried out 2022/23
BP	Energy	• LGIM UK Equities • LGIM All World Equities • LGPS Central Global Multi Factor Fund • JP Morgan Global Equity	• Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework. • To duly account for climate risks in financial reporting.	LGIM, CA100+, LAPFF, JP Morgan	
Glencore	Materials	• LGPS Central GEAMMF: Harris • LGIM UK Equities • LGIM All World Equities • LGPS Central Global Multi Factor Fund	• Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework.	LGIM, LGPS Central via CA 100+, LAPFF	
Holcim	Materials	• LGIM All World Equity • LGPS Central Global Multi Factor Fund • LGPS Central GEAMMF: Harris	• Paris-aligned accounts in line with IIGCC's Investor Expectations • Achievement of the high-level objectives of the CA100+ initiative	LGIM, LGPS Central via CA 100+, LAPFF	
NextEra Energy	Utilities	• LGIM All World Equity • LGPS Central GEAMMF: Schroders	• Methane emissions reduction aligned with the Paris Agreement	LGIM, LGPS Central via CA100, LAPFF	

		• LGPS Central GEAMMF: Union	• Capital allocation alignment with the Paris Agreement • Attainment of Indicator 7 "Climate Policy Engagement" in the CA100+ benchmark • Net Zero GHG emissions by 2050 (or sooner) ambition		
Rio Tinto	Materials	• LGIM UK Equities • LGIM All World Equities • LGPS Central Global Multi Factor Fund	• Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework.	LGIM, CA100+, LAPFF	
Royal Dutch Shell	Energy	• LGIM UK Equities • LGIM All World Equities • LGPS Central Global Multi Factor Fund • LGPS Central GEAMMF: • JP Morgan Global Equity	• To set and publish targets that are aligned with the goal of the Paris agreement • To fully reflect its net-zero ambition in its operational plans and budgets • To set a transparent strategy on achieving net zero emissions by 2050, including valid assumptions for short-, medium- and long-term targets	LGIM, CA100+, LAPFF	
The Southern Company	Utilities	• LGIM All World Equity • LGPS Central Global Multi Factor Fund	• Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific	LGIM, CA100+, LAPFF	

			indicators in the CA100+ Benchmark Framework.		
Linde	Materials	• LGIM All World Equity • LGPS Central Global Multi Factor Fund • LGPS Central GEAMMF: Schroders • LGPS Central GEAMMF: Union • Impax	• Paris-aligned accounts in line with IIGCC's Investor Expectations • Reduction in the company's carbon footprint	LGIM, LGPS Central	
CRH	Materials	• LGIM UK Equities • LGIM All World Equities • LGPS Central Global Multi Factor Fund • LGPS Central GEAMMF: Union	• Paris-aligned accounts in line with IIGCC's Investor Expectations • Achievement of the high-level objectives of the CA100+ initiative	LGIM, LGPS Central via CA100+	Union -Q22022 – At the annual LGPS Central GEAMMF Manager-day Union were questioned on the Paris alignment of CRH's business model. Union believe CRH are best in class for the production of cement and aggregates with the lowest emissions possible. They also believe their carbon reduction targets are plausible based on current technology but past 2030 new technologies will need to be used to reduce emissions further.

Table 2. Investment managers recommended for engagement in 2022/23

Investment Manager	Portfolio	Issue	Engagement carried out 2022/23
JP Morgan	Global Equity Fund	• Continue to monitor JP Morgan's climate risk management • Question JP Morgan about their engagement activity with Royal Dutch Shell, BP and NK Lukoi	
Legal & General Investment Managers (LGIM)	All World Equity	• Continue to monitor engagement progress with NextEra via the Climate Stewardship Plan. • Monitor LGPS Central's engagement with AGL, Coal India, BP, ExxonMobil, NTPC and Gazprom. • Continue to monitor the TPI carbon performance of the portfolio	
Legal & General Investment Managers (LGIM)	UK Equity Fund	• Continue to include Shell, Rio Tinto and BP in the Climate Stewardship Plan • Monitor LGIM's engagement with CRH, BHP, Anglo American and Evraz	
LGPS Central Limited	Global Multi Factor Fund	• Continue to monitor LGPS Central's approach to climate risk management • Review LGPS Central's stewardship activities with Duke Energy, China Resources Power and The Southern Company • Continue to monitor TPI data within the portfolio	
LGPS Central Limited	Global Equity Active Multi-Manager Fund (GEAMMF)	• Monitor LGPS Central's approach to managing climate risk in the portfolio. In	

		particular, on Harris Associates' overweight position in thermal coal reserves. • Monitor LGPS Central's engagement with Harris Associates in particular relating to their engagement with Berkshire Hathaway • Continue to include NextEra Energy and Lafarge Holcim in the Climate Stewardship Plan	
Longview Partners	Global Equity Fund	• Continue to monitor Longview Partners' approach to management of climate risk • Question Longview Partners' apparent underweight to clean tech stocks in the portfolio	
Impax Asset Management	Global Sustainable Equities	• Enquire after the extent of stewardship activity with Linde	
LGPS Central Limited	Global Active Investment Grade Corporate Bond Multi	• Monitor LGPS Central's approach to managing climate risk within their portfolio, particularly where there is an absence of reported GHG emissions data • Ask LGPS Central to monitor Neuberger's engagement with WEC Energy, SSE, Centrica, ExxonMobil and Diamondback Energy • Ask LGPS Central to monitor Fidelity's engagement with SSE • Ask after the extent of investment in green bonds and the circumstances in which the managers would consider buying green bonds	

CLIMATE ACTION 100+ (CA100+)

CA100+ is an investor-led initiative set up to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The engagement initiative currently encompasses 167 companies that are estimated to collectively emit more than 80% of industrial GHG emissions globally. Investor participants, including LGPSC Central Limired, have committed to engage these high emitters to:

- Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk;
- Take action to reduce GHG emissions across the value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to below two degrees Celsius above pre-industrial levels, aiming for 1.5 degrees. Notably, this implies the need to move towards net-zero emissions by 2050 or sooner; and
- Provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate related Financial Disclosures (TCFD) and sector-specific Global Investor Coalition on Climate Change (GIC) Investor Expectations on Climate Change guidelines (when applicable), to enable investors to assess the robustness of companies' business plans against a range of climate scenarios, including well below two degrees and improve investment decision making.

In September 2020, CA100+ introduced a Benchmark Framework which identifies ten key indicators of success for business alignment with a net-zero emissions future and goals of the Paris Agreement. Assessments for each CA100+ company against the ten indicators were published on 22 March 2021 and offers comparative assessments of individual focus company performance against the three high-level commitment goals.

The ten indicators included in the CA100+ are:

1. Net-zero GHG emissions by 2050 (or sooner) ambition
2. Long-term (2036-2050) GHG reduction target(s)
3. Medium-term (2026-2035) GHG reduction target(s)
4. Short-term (up to 2025) GHG reduction target(s)
5. Decarbonisation strategy
6. Capital allocation alignment
7. Climate policy engagement
8. Climate governance
9. Just Transition
10. TCFD Disclosure

Contact Us

In writing or in person

Treasury and Pension Fund
Staffordshire County Council
1 Staffordshire Place
Tipping Street Stafford
ST16 2DH.

Email us treasury.pensionfund@staffordshire.gov.uk

Telephone us on 01785 276300

You can also visit our website at:
www.staffspf.org.uk

Quarterly Engagement Report

January-March 2022

Ukraine, UK Endorsement Board, Mining & Human Rights, AstraZeneca, Chipotle

Local Authority Pension Fund Forum

LAPFF Statement on Ukraine

LAPFF has expressed its profound sadness and solidarity with the people of Ukraine following the Russian invasion. On top of humanitarian and human rights concerns, the war is raising the prospect that Russia and Russian companies have become virtually uninvestable. LAPFF's approach to responsible investment and environmental, social, and governance (ESG) impacts is being put to the test as never before.

From a governance perspective, it is clear that the Russian government is incapable of ensuring a legal framework that respects the rule of law, destabilising incentives for Russian companies to operate in a certain, sustainable environment. The companies themselves face increasing sanctions, including a ban on the importation of Russian oil into the US. Foreign companies likewise face sanctions on investing in Russia and Belarus and challenges in determining when and how to withdraw from Russia. These challenges seem unlikely to be resolved, even with an end to hostilities.

From an environmental perspective, the invasion of Ukraine has highlighted the problem with the world's reliance on fossil fuels. It is clear that an orderly fair and just transition to renewables, as quickly as possible, is critical not only for environmental, social, and financial reasons, but also for global security.

From a social perspective, as Russia is increasingly shut off from the rest of the world, both through sanctions and through the level of outrage expressed globally at the Russian invasion, it is expected that Russian firms will face increasing difficulties in operating effectively and in securing staff. It is also foreseeable that to the extent foreign companies are able to maintain their operations in Russia, notwithstanding sanctions, these companies will face increased social challenges, including maintaining staff levels and morale. This is apart from the reputational hit to any company associated with Russia due to humanitarian and human rights abuses committed in the course of the war.

Alongside these unsettling developments, the proposed Jenrick Amendment poses an additional risk of uncertainty to LGPS investment opportunities in Russia. The war in Ukraine highlights concerns for responsible investors – and others – that the proposed amendment will create confusion for investors about how to undertake responsible investment in relation to ESG issues. This confusion pertains both to Russia and more broadly.

Other systemic contextual challenges include what we hope is the transition from Covid being pandemic to its being endemic sometime soon and an ever-shortening time frame to mitigate and adapt to the climate catastrophe.

LAPFF has sought to use its financial clout to improve the world for over 30 years now. This work cannot take place in isolation and will not always be successful, but we have learned that persistence, consistency, and determination do lead to positive outcomes.

COMPANY ENGAGEMENTS

UK Endorsement Board (IFRS17)

Objective: The UKEB is the new body to approve international accounting standards (IFRS) for use in the UK, post-Brexit. The prior arrangement under the EU had led to unsatisfactory outcomes, essentially due to Big 4 capture of the endorsement process obfuscating the law. The position regarding UK law should be clearer. The objective therefore is to ensure that the UKEB follows the law (UK law follows the drivers of going concern, in both the numbers and internal control). The international model under the auspices of the Big 4 incorporates defensive assertions that are contrary to UK law.

A problem is the composition of the UKEB, which contains people carried over from the prior FRC Accounting Standards Board's approval of IFRS, including Big 4 defence and lobbying interests. There is no credible asset owner representation. The first standard up for endorsement is IFRS 17 and there are public concerns that the UKEB has pre-decided the outcome and that endorsement processes are a rubber-stamping exercise. The defects in IFRS are well known to LAPFF in the context of banking collapses, the insolvency of Carillion and the incidence of frauds, such as Patisserie Valerie. A recurring theme is dressing up the lack of prudence as a virtue, when the outcomes are numbers more flattering to the wishes of management.

Achieved: Baroness Bowles has tabled over a dozen Parliamentary Questions dealing with the governance of the UKEB, as technical matters. As also covered in the Times, her questions have included extracts from emails a journalist obtained. They stated that the member of the UKEB, a solicitor, had sought to use a barrister with an acknowledged conflict to act "behind the scenes". The LAPFF Chair wrote to the Chief Executive of the Financial Reporting Council which has responsibility for oversight of the UKEB. As a result of that letter a meeting of the LAPFF chair was held with the civil servant responsible for the UKEB and FRC.

In Progress: The discussions with BEIS are likely to continue. The core issue is simple. The accounting and auditing framework is there for shareholder and creditor protection, and auditor liability settles on that basis, but the IFRS model doesn't fit that model. The problem is that the IFRS model lacks the crucial ingredients to determine whether a company is a going concern or not.

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.

Total

Objective: LAPFF noted during the quarter that Total decided to divest from Myanmar after a presence in the country of around thirty years. This decision was taken just before the war in Ukraine began, and Total has subsequently been criticised by Greenpeace and Friends of the Earth for its position on Russia. Therefore, LAPFF was interested to understand how Total had taken its decisions in relation to the two challenging situations.

Achieved: Total's representative helpfully set out a detailed account of the company's decision to withdraw from Myanmar and the set of challenges the company faced in relation to Russia and Ukraine. The specific complications related to geopolitics and balancing human rights considerations with legal and financial obligations was very clear. Whatever view one takes on the conduct of companies in this position, they are at the crux of the tensions and decision-making in a practical way that most societal actors are not. This position poses both risks and opportunities for the companies involved, and has significant implications for investors, civil society, and the environment.

COMPANY ENGAGEMENTS

In Progress: It was agreed that LAPFF would engage further on this complicated topic.

BHP

Objective: BHP offered to arrange a meeting for LAPFF with the Renova Foundation to discuss how to progress the remaining houses to be built after the Samarco tailings dam collapse at Mariana, Brazil in 2015. Both BHP and Renova representatives joined the call.

Achieved: LAPFF had been concerned at the lack of progress regarding the housebuilding with only three houses (to a total of 10) being built during 2021. However, by the time the meeting had taken place, 47 houses had been built. LAPFF Chair, Cllr Doug McMurdo, made clear that even this improved progress was inadequate. However, the improvement was welcomed.

In Progress: There continues to be political and operational obstacles to making progress with the housebuilding. For example, obtaining permits for the houses is clearly an issue. Affected communities are also concerned that a programme to provide those still waiting for homes with existing houses rather than having to wait for new ones is a cop out by the companies and Renova. In contrast, the companies and Renova are saying that the community members who have taken up this offer have been pleased to do so. Therefore, all sides have a lot of work to do, and LAPFF will continue to engage the companies, Renova, and the affected communities to have everyone's needs met as soon as possible.

Freeport McMoran

Objective: Having met with a number of other mining companies, and extensively with BHP and Rio Tinto in relation to the Resolution Copper project in Arizona, LAPFF was keen to meet with Freeport McMoran, a mining company headquartered in Arizona. The aim was to better understand Freeport McMoran's approach to engaging with affected communities.

Achieved: As LAPFF had not met with the company before, the meeting was introductory to a large extent. However, LAPFF was pleased that within the first 15 minutes of the conversation, the topic of free, prior and informed consent was raised in the context of how important relationships with Indigenous communities are. Given LAPFF's mining and human rights report and the fact that Freeport has faced recent accusations of problems in community relations at its Emma B operations in New Mexico, it was helpful to hear the company's approach to community engagement. There was also a discussion about corporate governance in light of a number of recent board changes.

In Progress: LAPFF is keen to engage further with Freeport McMoran on its approach to community engagement and to build an engagement relationship similar to those it has established with other major mining companies.

Rio Tinto

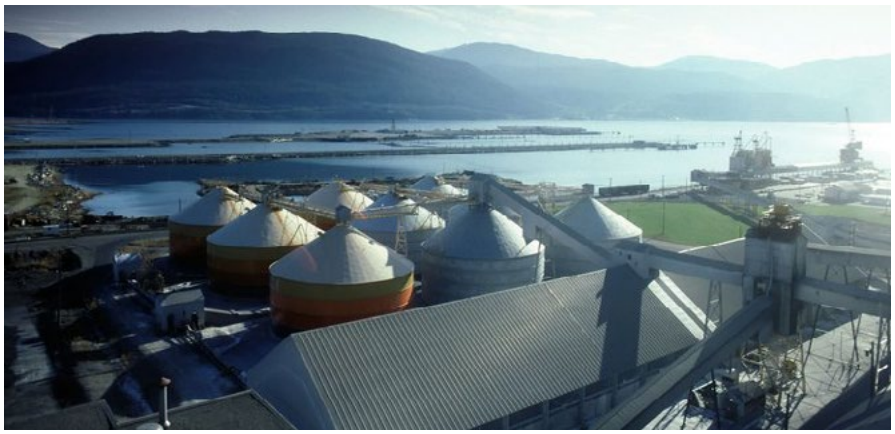
Objective: Rio Tinto reached out to LAPFF to offer a meeting with the company's Chief Financial Officer, Peter Cunningham. LAPFF met with Mr. Cunningham last year when he was still interim CFO and was pleased to re-connect now that he has been permanently in office for nearly a year. LAPFF's aim was to assess the extent to which Rio Tinto is accounting for social and environmental factors in its financial considerations.

Achieved: This meeting came not long after Rio Tinto bravely released publicly an independent investigation into the company's workplace culture. The findings were not flattering. However, it is encouraging to LAPFF that Rio Tinto has started to be more open about its social and environmental shortcomings as it is believed this openness will ultimately build a company that is financially resilient.

Sadly, the conversation turned to whether Rio Tinto has operations in Russia and Belarus as the war in Ukraine had just begun at the time of the meeting. Rio Tinto appears to be fairly resilient on this front, though it was noted that depending on how wide an impact the war ends up having, the company could be impacted indirectly.

LAPFF also heard about Rio Tinto's plans to hold a say on climate vote at the company's AGM, which will be held in person for the first time since the Covid pandemic began. After engaging with other company representatives, investors, and NGO commentators on the plan, LAPFF decided to advise members to oppose it on the basis that an appropriate timeframe for Scope 3 emissions reductions and a just transition were not adequately addressed in the transition plan.

In Progress: LAPFF considers that Rio Tinto has made good progress on practices to address carbon emissions, including engaging with business customers on technologies to decarbonise steel and aluminum production, and on human rights practices, but the company has more work to do in both areas. Furthermore, the company can still do more to link its financial performance to these social and environmental impacts. For example, over the course of the year, Rio Tinto has seen a 69-day strike in Canada, the loss of a mining permit due to community opposition in Serbia, and



Aluminium smelter, Kitimat, British Columbia, Canada

COMPANY ENGAGEMENTS

continued operational delays in both the US and Australia, in part due to difficult community relations in both countries. Additionally, given the extent of Rio Tinto's Scope 3 emissions and the limited timeframe available to take action, LAPFF's view is that an effective energy transition can't take place without an effective fair and just transition. Therefore, it is LAPFF's view that the company still has some work to do to create a culture whereby its staff understands that social and environmental impacts are the basis for financial resilience.

Vale

Objective: Vale invited LAPFF to participate in three investor roundtables regarding the company's progress on social issues. LAPFF's goal was to understand if there has been progress on this front and if so, the extent to which there has been progress. Any progress was deemed very welcome in particular because of the findings of the LAPFF mining and human rights report which flagged a number of concerns for Vale.

Achieved: One of the concerns LAPFF has raised in its mining and human rights report is that Vale (and other companies in the industry) appear to be too focused on human rights processes and not sufficiently focused on human rights outcomes. LAPFF was therefore pleased to note with the investor roundtables that the company reached out to investors beforehand to ask what concerns they would like addressed during the meetings.

That said, some meetings have continued to consist primarily of Vale staff providing slide presentations on their work with little audience interaction or time for questions. These presentations are highly technical and rarely, if ever, mention the needs of, or interaction with, affected communities.

In Progress: There is still concern that although Vale appears to be seeing investor input better than it has before, it is not yet hearing the voices of its affected community members. In LAPFF's view, this gap creates operational, reputational, legal, and financial risks to the company and to shareholders because the company is missing an important source of information. LAPFF will continue to work with both Vale and affected community members on this communication.

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 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 fund 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.

AstraZeneca

Objective: LAPFF Executive member, John Anzani, met with AstraZeneca Chair, Leif Johannson, to discuss the company's experience during the Covid pandemic and what learnings it has taken from this experience. There was also a question about whether AstraZeneca will change its business strategy or business model in light of its learnings.

Achieved: From the outset, Mr. Anzani expressed his thanks to AstraZeneca on behalf of LAPFF for the role the company has played in its vaccine development and rollout. In particular, it was appreciated that AstraZeneca had not sought to profit from its vaccine in the same

COMPANY ENGAGEMENTS

way that Pfizer and Moderna have and sought instead to distribute the medication as widely as possible around the world. There was a discussion around the misunderstanding of the vaccine's risks as presented in the press that arguably compromised an even more effective rollout process.

Again, the developments surrounding the war in Ukraine were discussed, which prompted a discussion about supply chain security. Interestingly, the last time LAPFF met with Mr. Johansson, there was a similar discussion about supply chain security stemming from the impending impact of Brexit. The importance of diversity and inclusion in all aspects of the company's operations was also discussed.

In Progress: AstraZeneca faced significant operational problems as a result of the media reporting around the blood clots said to be associated with the company's Covid vaccine. It is hoped that the company will be able to reflect on this challenge over time to ensure that it can help as many people as possible and push back on any unwarranted reputational concerns in future.

LyondellBasell

Objective: LyondellBasell is a chemicals company listed in the Netherlands. Following a call with company representatives at the end of 2021, as part of engagement with the CA100+ investor collaborative group, a meeting was sought with the chair, Jacques Aigrain, to discuss the company's climate transition plan and further progress to be made on setting targets for Scope 3 carbon emission reductions.

Achieved: At the meeting, Mr Aigrain was probed on the greatest challenges the company faces in moving to net zero. LAPFF asked for more detail around company plans for electrification using renewables and green hydrogen or green methanol technology and what lessons were being taken from other sectors to bring forward their implementation. Mr Aigrain agreed it had to be progressed through partnerships and gave the example of partnering with a utility to eliminate its use of coal in Germany.

In Progress: Subsequent correspondence with the chair set out various areas of investor expectations discussed during the meeting including on decarbonisation pathways, exploring partnerships to further technological advances, further disclosure on climate-related capex, accounting and auditing, and lobbying and policy stances. A further meeting is proposed after the company has issued its sustainability report later in 2022.

ArcelorMittal

Objective: In a meeting at the end of 2021, LAPFF and the other lead CA100+ investors sought publication of a more granular report on lobbying with a trade association overview. Further correspondence in early January promoted engagement with InfluenceMap, whose assessment feeds into the CA100+ benchmarking process.

Achieved: In January 2022, ArcelorMittal issued a new Climate Advocacy Alignment Report. Continued engagement on lobbying disclosure and the shortly to be released new CA100+ benchmark results have helped the company, a year and a half on from their first 'lobbying' report, to update and improve it. In particular there is now disclosure on the action the company will take where misalignment is found between climate policy positions taken by membership associations, and ArcelorMittal's own policy priorities and the Paris agreement. Potential escalation measures include direct communication requesting further alignment with company policy priorities and the Paris agreement, ensuring ArcelorMittal's financial contribution is ringfenced for non-lobbying activities (e.g. towards standard setting only) and ArcelorMittal ceasing membership of the respective association.

In Progress: In January, as part of further collaborative engagement, a letter was sent to Karen Ovelmen, the audit committee chair, commending improvements in ArcelorMittal's accounting disclosure for Paris-aligned accounts, pressing for further relevant disclosure and seeking a meeting. The letter was copied to all audit committee members as well as the lead partner of the audit firm, Deloittes.

London, 2021. Rally calling for the end of Uyghur genocide in China

Uyghur Engagements

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.

COMPANY ENGAGEMENTS

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.

VOTING ALERTS

Apple

LAPFF issued a voting alert at Apple. The voting alert focused on shareholder proposals on human rights. The alert recommended that members vote in favour of improved transparency reporting on the removal of apps following concerns about freedom expression in China, reporting on policies and procedures to protect against forced labour, and undertaking a civil rights audit. The alert also recommended supporting shareholder proposals for clearer reporting on gender and ethnic pay gaps and assessing risks of workplace concealment clauses.

Rio Tinto

As mentioned above, LAPFF issued a voting alert for Rio Tinto. The alert recommended that LAPFF members oppose the annual report, the remuneration report implementation, the re-election of Megan Clark, and the company's climate action plan. There was a recommendation to abstain on the remuneration report. The recommendation to oppose the annual report was based on concerns that Rio Tinto had not adequately reported the risk of community relations considerations at its Resolution Copper joint venture in Arizona, had not adequately set out a just transition strategy, and had not adequately considered whether the company's auditors were taking account of climate risk in appointing the auditors.

COLLABORATIVE ENGAGEMENTS

COLLABORATIVE INVESTOR MEETINGS

Say on Climate

Over the quarter, more responses have been received in response to joint correspondence with TCI and Sarasin late last year to FTSE companies. This asked companies to provide shareholders with the opportunity to support disclosure of greenhouse gas emissions and reduction plans by putting an appropriate resolution on their 2022 AGM agenda. Recent responses that show progress on addressing emission reductions have included Halma and GlaxoSmithkline, but most positive was the response from the London Stock Exchange chair, who has put a resolution on the company's 2022 AGM ballot.

Asia Collaborative Engagement Platform for Energy Transition

LAPFF continues to meet with other investors in progressing collaborative engagement on climate and energy transition with banks and power generation companies in Asia, organised and informed by Asia Research and Engagement (ARE). Assessments have been undertaken on decarbonisation policies and practices of 26 power companies in the region and shared with the companies. LAPFF has provided commentary on ARE's review of 32 banks in the region which will be issued as a publicly available report at the end of March.

Institutional Investor Group on Climate Change (IIGCC)

Participation in this weekly investor round-up provides updates on potential 2022 Say on Climate/transition plan resolutions to European companies. These plans are mapped against the Climate Action (CA100+) benchmarks, providing a measure of progress in the energy transition. There is also a focus on company lobbying, accounting, and auditor votes. Investors can 'flag' voting intentions at these companies, as well as any of the global companies covered by CA100+.

Investor Alliance on Human Rights (IAHR)

LAPFF joined the IAHR this quarter to connect to investors globally who are engaging with companies on human rights issues. IAHR has working groups on Uyghur labour in Xinjiang, Myanmar, and the technology sector. LAPFF will participate in all of these groups. The IAHR is also a way for LAPFF to roll out its new human rights strategy, which covers these areas and stresses the need for collaborative engagement.

SHARE

Another organisation that has been working on a range of human rights issues is SHARE, an investor organisation in Canada focusing on environmental, social, and governance issues. LAPFF spoke with SHARE's human rights coordinator about collaborating on engagements, where possible. There appears to be significant overlap in engagements with SHARE also working on Uyghur forced labour, a fair and just transition, and tailings dams, among other issues.

PRI

LAPFF met with PRI this quarter to discuss the PRI's nascent engagement on human rights. As the initiative is not yet officially underway, it is not clear what role LAPFF will play. However, LAPFF will continue to liaise with PRI and others in the group to ensure that the respective work is complementary as both organisations increase their work in this area.

UNI Global

LAPFF met with UNI Global to discuss the global union's new initiative on social protection. There is now a binding document on social protection concluded in the wake of the Rana Plaza factory collapse and the subsequent Bangladesh Accord on fire safety. UNI Global is seeking to engage investors on social protection on the back of this new global agreement.

COLLABORATIVE INVESTOR INITIATIVES

US Securities and Exchange Commission (SEC) on climate disclosure

LAPFF joined other investors in writing to the SEC referencing its upcoming Climate Disclosure Rulemaking. Co-ordinated by the US 'As You Sow' organisation, correspondence underscored the importance of requiring verified Scope 1 through 3 value chain carbon emissions-reporting with an emphasis on Scope 3 verified reporting.

COLLABORATIVE ENGAGEMENTS

Letter to French auditors on climate risk

LAPFF supported a collaborative letter to French auditors EY, PwC, KPMG and Deloitte, asking about disclosure on material climate-related risks. It raised the concern that if material climate risks are not properly examined, there may be questions over the reliability if auditor's opinions that these accounts meet the true and fair view standard as required under European Company Law.

Amazon and Starbucks Freedom of Association Letters

After signing onto an initial collaborative letter to Amazon seeking improved practices on freedom of association and collective bargaining at the company's facility in Bessemer, Alabama, LAPFF signed a follow up letter on this topic. LAPFF signed a similar letter this quarter to Starbucks after reports of anti-union conduct by the company.

Kellogg

LAPFF, alongside Mercy Investment Services and PIMCO, joined a collaborative effort under the Access to Nutrition Index (ATNI) in engaging with Kellogg on a number of issues related to nutrition. Representatives from the company were probed on the company's approach to addressing malnutrition, how it defines what is considered a healthy product and whether it intends to use a more globally recognised system, what reformulation strategies it has, how it intends to market healthy products through existing channels that it already has such as the use of value stores and whether there would be any targets around this. The Forum is looking to follow up with continued dialogue in Q2 on a number of issues not discussed in the meeting.

Sainsbury and Share Action

During the pandemic, supermarket employees have been amongst a number of key workers on the frontline, providing an essential service in serving the nation. LAPFF joined ShareAction and the Good Work investor coalition in engaging with Sainsbury around the paying of a living wage. Before the meeting had taken place, Sainsbury announced its new pay deal in January. However, the resolution being put forward by ShareAction is seeking support by the company to accredit as a Living Wage employer in the next few years. Sainsbury's pay rise in January was a welcome step but left some gaps that the engagement seeks to address, such as discrepancies between inner and outer London living wage rates and no commitment relating to any of its third-party staff. LAPFF raised questions of Union negotiation, as the company consults with Union, and Argos has a collective bargaining agreement with Unite. The wider workforce does not have such an agreement, whereas a number of the company's peers do.

Care sector – UNI Global Union

LAPFF continued its involvement in the UNI Global Union collaborative initiative on employment standards and care quality at nursing homes. The investor expectations statement now includes support from over 100 institutions with combined assets of over $3.3 trillion. Engagement with REITs within the care sector is commencing, with LAPFF the lead investor at Welltower and a supporting investor at others.

Slamon fish farm aquaculture

FAIRR Initiative

After becoming a signatory to the FAIRR initiative in December 2021, an investor network focusing on ESG risks in the global food sector, LAPFF signed onto collaborative engagements. One looks at sustainable aquaculture, asking salmon companies to develop and disclose strategies for diversifying feed ingredients towards lower impact and more sustainable alternatives, and to implement better climate risk management. The other looks at working conditions in global meat supply chains. It seeks to address a number of human rights capital risks in the animal farming industry.
Collaborative Community Meetings

Brazilian Communities & British Consul in Brazil

Prior to the pandemic, LAPFF promised to visit the communities affected by the tailings dam collapses in Mariana and Brumadinho, Brazil. LAPFF intends to keep its promise to visit these communities and, in preparation, held a discussion with the British Consulate in Belo Horizonte, Brazil, to discuss timings and information necessary to proceed with the trip.

LAPFF EVENTS

SAY ON CLIMATE
MAKE YOUR CLIMATE ACTION PLANS COUNT

Say on Climate Event

LAPFF, together with Sarasin & Partners and TCI Fund Management wrote to FTSE All Share companies in 2021, urging them to submit a Climate Transition Action Plan to each AGM for shareholder approval. Having received a significant response to this, it was decided to hold an event at which companies, investors and other interested parties could discuss how best to formulate and disclose such plans and put them to shareholders for review. In February, a range of speakers in the investor, corporate, regulatory and advisory space gathered to discuss what are likely soon to be mandatory disclosures, with lively debate ensuing.

APPG

The LAPFF-supported All-Party Parliamentary Group on Local Authority Pension Funds held a meeting in March. The meeting followed on from the launch of the APPG's report on responsible investment for a just transition, with presentations from Dr Alan Whitehead MP, Shadow Minister for Climate Change and Net Zero, and Matt Toombs, Director of Campaigns and Engagement, Cop26 Unit, Cabinet Office. Tessa Younger, Head of Engagement at PIRC, also provided an overview of the Say on Climate initiative and LAPFF's involvement with it.

Communities affected by Rio Tinto Operations

LAPFF Chair, Cllr Doug McMurdo, hosted a webinar with community members affected by Rio Tinto operations in Australia, Mongolia, and Papua New

COLLABORATIVE ENGAGEMENTS

Guinea. While there are still many areas that need progress, which Rio Tinto itself admits through its brave and helpful workplace culture report, there are also points of improvement. In general, it was felt that the culture at the executive level of the company has improved; it is hoped this improved culture will extend throughout the entire organisation. It was also noted that Rio Tinto has agreed to an independent assessment of its role at its legacy Panguna mine in Papua New Guinea. However, progress appears patchy globally with accounts from Mongolia – and through separate contact with LAPFF, Arizona - less positive.

CONSULTATIONS

UN OHCHR Accountability and Remedy Project Consultation

One area of interest as LAPFF increases its work on human rights is the growing number of legislative initiatives on human rights and environmental due diligence (mHREDD) emerging at both the domestic and international levels. To this end, LAPFF joined a consultation held by the United Nations Office for the High Commissioner of Human Rights to discuss trends in mHREDD globally. Sessions included an overview of mHREDD initiatives, the role of courts, the role of administrative bodies, and the link between mHREDD and grievance mechanisms. This discussion is particularly relevant for LAPFF as the UK deliberates on its own mHREDD legislation. LAPFF also attended a UN Global Compact webinar on mHREDD that stressed the need to overcome the siloed approach to environmental and social issues in approaches to legislating for due diligence. This observation fits well with LAPFF's approach to engaging on a fair and just transition to a zero carbon economy.

MEDIA COVERAGE

DAM COLLAPSE

UK local govt pension scheme "dismayed" at lack of action over Brazil dam collapses
https://www.mining.com/web/uk-local-govt-pension-scheme-dismayed-at-lack-of-action-over-brazil-dam-collapses/
The ESG Interview: Learn from the Past, Look to the Future
The ESG Interview: Learn from the Past, Look to the Future - ESG Investor

UK ENDORSEMENT BOARD

Standards board 'looks like a cabal'
https://www.thetimes.co.uk/article/standards-board-looks-like-a-cabal-hks5ch38b

ISRAEL PALESTINE

LGPS seeks UN clarity on investment comments
https://www.pensions-expert.com/DB-Derisking/LGPS-seeks-UN-clarity-on-Israel-investment-comments

UKRAINE

Lessons from Ukraine: are defence exclusions 'responsible'?
https://www.room151.co.uk/blogs/lessons-from-ukraine-are-defence-exclusions-responsible/

CHAIR'S QUOTE

"I had hoped, with the promising trajectory of the Omicron variant, that 2022 would be a year of more positive developments. However, we now find ourselves with the prospect of another world war and less certain than ever about how to act on ESG issues as investors due to recent government initiatives in the UK. In this context, LAPFF's work takes on even greater significance as investors must step up to respect human rights, the environment, and good governance where governments and other actors fail to do so."

Local Authority Pension Fund Forum

COMPANY PROGRESS REPORT

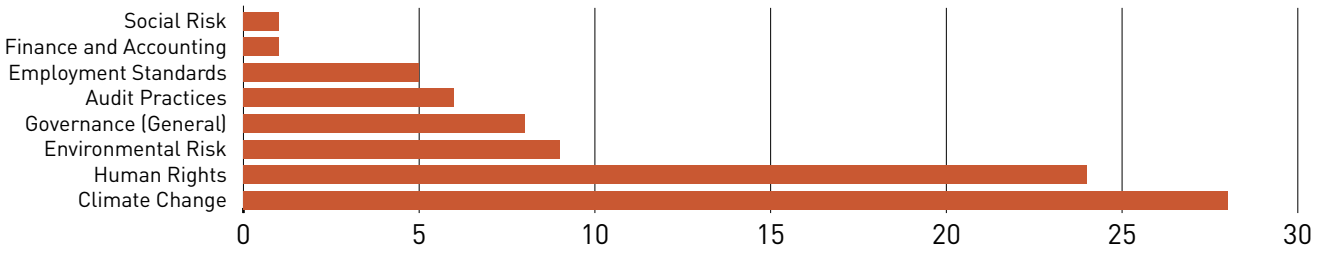
50 Companies engaged over the quarter

*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

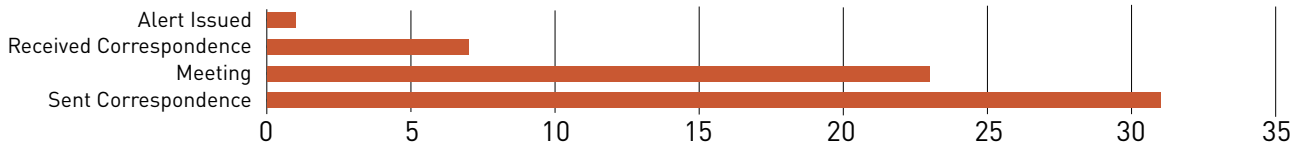
Company/Index	Activity	Topic	Outcome
AIR LIQUIDE SA	Sent Correspondence	Climate Change	Change in Process
ALSTOM SA	Meeting	Human Rights	Dialogue
AMAZON.COM INC.	Sent Correspondence	Employment Standards	Dialogue
ANGLO AMERICAN PLC	Sent Correspondence	Climate Change	Change in Process
APPLE INC	Alert Issued	Human Rights	Dialogue
ARCELORMITTAL SA	Received Correspondence	Climate Change	Substantial Improvement
ASTRAZENECA PLC	Meeting	Governance (General)	Dialogue
BEZEQ THE ISRAELI TELECOMMUNICATION CORP LTD	Meeting	Human Rights	Dialogue
BHP GROUP LIMITED (AUS)	Meeting	Human Rights	No Improvement
BP PLC	Meeting	Climate Change	Change in Process
BRF - BRASIL FOODS SA	Sent Correspondence	Human Rights	Awaiting Response
CHEVRON CORPORATION	Sent Correspondence	Human Rights	Awaiting Response
CISCO SYSTEMS INC.	Meeting	Human Rights	Dialogue
CK HUTCHISON HOLDINGS LTD	Meeting	Environmental Risk	Awaiting Response
CRANSWICK PLC	Sent Correspondence	Human Rights	Awaiting Response
CRH PLC	Received Correspondence	Climate Change	Change in Process
DBS BANK LTD	AGM	Climate Change	Small Improvement
DBS GROUP HOLDINGS LTD	AGM	Climate Change	Substantial Improvement
DELL TECHNOLOGIES	Meeting	Audit Practices	Dialogue
FREEPORT-MCMORAN INC.	Meeting	Governance (General)	Change in Process
GLAXOSMITHKLINE PLC	Received Correspondence	Climate Change	Moderate Improvement
HALMA PLC	Meeting	Finance and Accounting	Small Improvement
HALMA PLC	Received Correspondence	Climate Change	Moderate Improvement
INTERCONTINENTAL HOTELS GROUP PLC	Received Correspondence	Climate Change	Moderate Improvement
KELLOGG COMPANY	Meeting	Social Risk	Small Improvement
LEROY SEAFOOD GROUP ASA	Sent Correspondence	Environmental Risk	Awaiting Response
LONDON STOCK EXCHANGE GROUP PLC	Received Correspondence	Climate Change	Substantial Improvement
LYONDELLBASELL INDUSTRIES N.V.	Meeting	Climate Change	Change in Process
MARFRIG GLOBAL FOODS S.A	Sent Correspondence	Human Rights	Awaiting Response
META PLATFORMS INC	Sent Correspondence	Human Rights	Awaiting Response
MOTOROLA SOLUTIONS INC.	Meeting	Human Rights	Dialogue
MOWI ASA	Sent Correspondence	Environmental Risk	Awaiting Response
NESTLE SA	Meeting	Climate Change	Small Improvement
NEXTERA ENERGY INC	Sent Correspondence	Climate Change	Moderate Improvement
PENNON GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
RENAULT SA	Sent Correspondence	Climate Change	Small Improvement
RIO TINTO PLC	Meeting	Climate Change	Moderate Improvement
SAINSBURY (J) PLC	Meeting	Employment Standards	Moderate Improvement
SALMAR ASA	Sent Correspondence	Environmental Risk	Awaiting Response
SANDERSON FARMS INC	Sent Correspondence	Human Rights	Awaiting Response
SEVERN TRENT PLC	Sent Correspondence	Environmental Risk	Awaiting Response
SYNTHOMER PLC	Meeting	Human Rights	Small Improvement
TESCO PLC	Received Correspondence	Human Rights	Dialogue
THYSSENKRUPP AG	Meeting	Climate Change	Change in Process
TOTALENERGIES SE	Meeting	Human Rights	Dialogue
TYSON FOODS INC	Sent Correspondence	Human Rights	Awaiting Response
UNITED UTILITIES GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
VALE SA	Meeting	Governance (General)	Dialogue
WELLTOWER INC	Sent Correspondence	Employment Standards	Awaiting Response
WH GROUP LTD	Sent Correspondence	Human Rights	Awaiting Response

ENGAGEMENT DATA

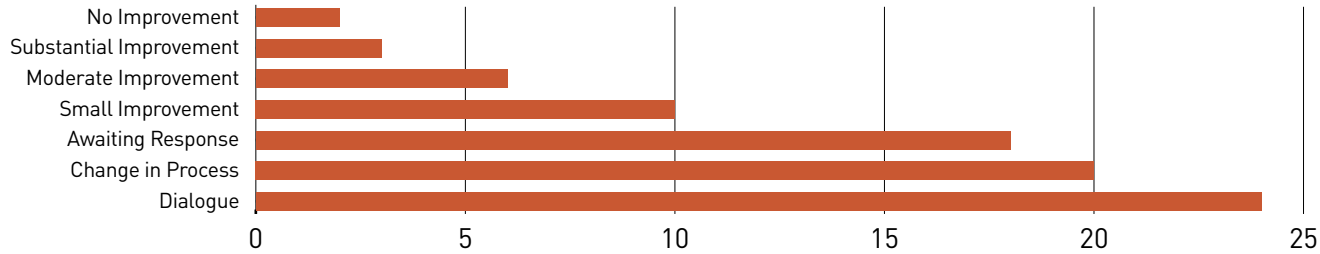
ENGAGEMENT TOPICS



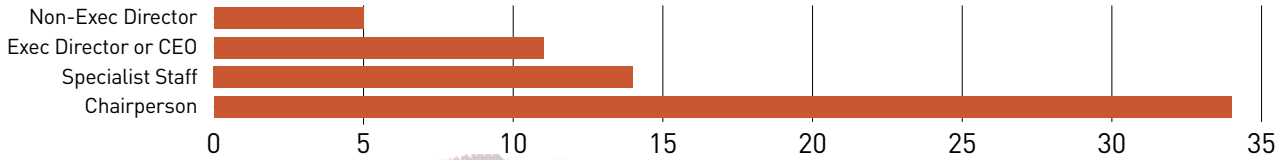
ACTIVITY



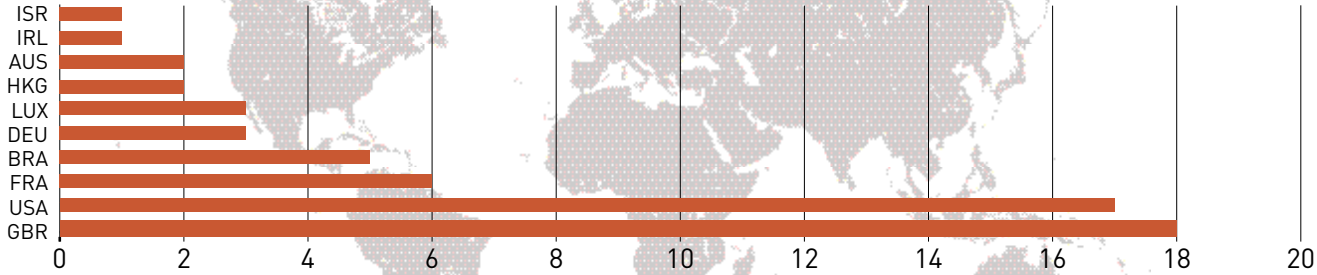
MEETING ENGAGEMENT OUTCOMES



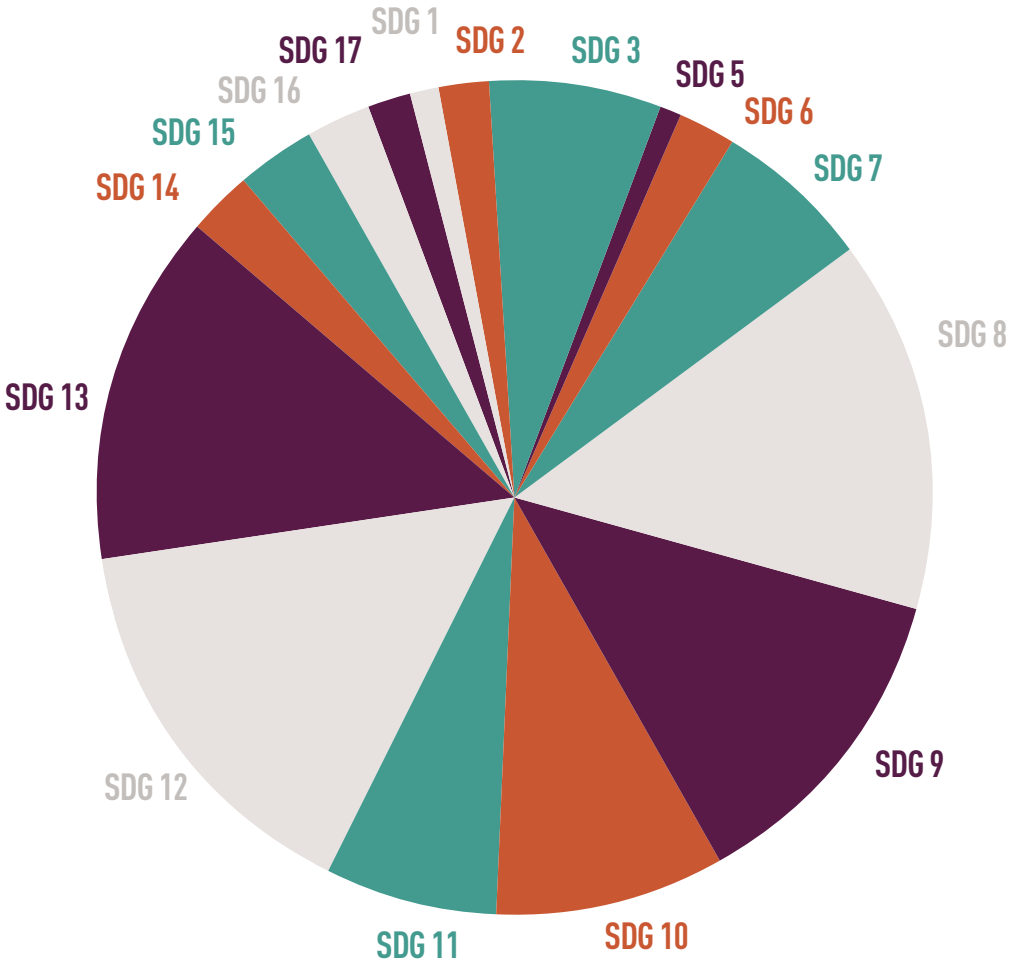
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



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LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Bromley Pension Fund
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hounslow Pension Fund
Islington Pension Fund
Kent Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands ITA Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members
Border to Coast Pensions Partnership
Brunel Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

LGPS Central Limited

Annual Stewardship Report 2021

Cheshire Pension Fund

Derbyshire Pension Fund

Leicestershire County Council Pension Fund

Nottinghamshire County Council

Shropshire County Pension Fund

Staffordshire Pension Fund
Local Government Pension Scheme

West Midlands Pension Fund

Worcestershire Pension Fund

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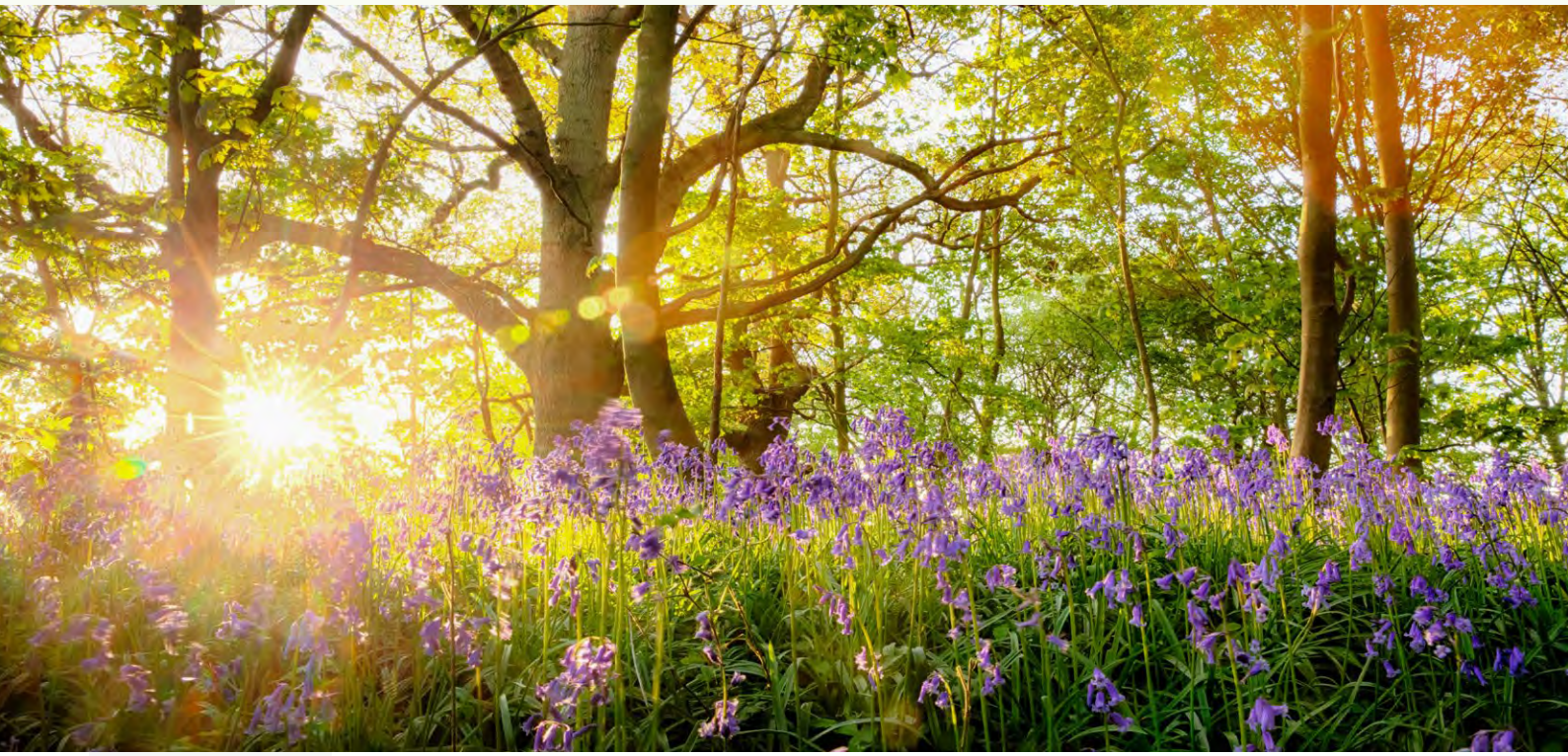


FOREWORD BY:

Joanne Segars
Chair

Mike Weston
CEO

Responsible Investment continues to be at the heart of everything we do. We remain convinced that our Partner Funds' best interests are served through a combination of comprehensive ESG integration and robust stewardship.

While the health pandemic understandably took centre stage in 2020 and to a degree overshadowed the climate crisis, the latter clearly came to the fore in 2021. The 2021 voting season saw a new development in climate transparency and dialogue with shareholders through votes on climate transition across various sectors mostly in the European market. While all these climate plans passed at respective AGMs there was also notable opposition from shareholders to some plans. We expect more companies to follow suit during 2022 and we also expect investors to scrutinise these plans at a more detailed level against evolving climate risk management standards such as the Climate Action 100+ (CA100+) Benchmark assessment. See further detail on LGPS Central's involvement in CA100+ below under table 2.4.2.1 and in Section 4.1.2 below). In the US shareholders expressed a clear desire for better climate risk management at Exxon where three climate-savvy directors were appointed to Exxon's board against management advice, and at Chevron, with 61% support for a proposal requiring Scope 3 targets. See further detail in Section 5 below.

In the lead-up to COP26[1] LGPS Central co-signed letters to 68 banks asking for Paris-alignment and protection of biodiversity. Going forward, we aim to strengthen expectations on companies across sectors to protect nature and biodiversity as part of their ongoing climate transition efforts. We also take it upon ourselves to actively engage high-risk commodity sectors to, over time, work towards

[1] The COP26 (Conference of the Parties' 26th meeting) event is a global United Nations summit about climate change and how countries are planning to tackle it.

portfolios that are free from commodity-driven deforestation. Alongside climate change, we have identified three other core Stewardship Themes that we prioritise for corporate and policy engagement. These are plastic pollution, responsible tax behaviour and tech sector risks. We see a greater focus and clarity around what a "plastic transition" entails across key sectors and welcome the announcement of negotiations for a UN treaty on plastic pollution, advocated by businesses and investors including LGPS Central. While tax transparency remains low, we have seen some progress among companies LGPS Central has engaged who are ready to provide greater transparency on tax payments at country-by-country level. Our dialogue with tech sector companies on social media content control has seen companies take critical steps to assess and remove objectionable content. Going into 2022, we will broaden the focus of the latter theme to a human rights risk theme allowing greater attention to companies' human and labour rights risk mitigation and management across sectors. There is increasing acceptance in society of companies' responsibility to respect human rights in supply chains and other business relationships. This responsibility is clearly captured in the UN Guiding Principles for Business and Human Rights, which also apply to investors.

We actively monitor engagements undertaken by our external managers. Topics covered in 2021 include, amongst others, environmental management and climate change, energy transition, greater focus and disclosure of health and safety within ESG priorities, data protection and information security risk, and forced labour issues in supply chains.

During 2021, LGPS Central continued in-depth climate risk assessments for each individual Partner Fund and provided a second iteration of Climate Risk Reports (CRR) bespoke to each of them. We made several enhancements to the climate monitoring service, which has run since end of 2019, to ensure it remains aligned to the latest industry developments (see further detail in Table 2.4.1.1 below). The findings in these reports are directly integrated into our climate engagement prioritisation. We released our second stand-alone TCFD Report in 2021 and supported our Partner Funds in producing their own TCFD-compliant reports.

We were pleased to announce in January 2022, a commitment to transition our investment portfolios to net zero greenhouse gas emissions in accordance with the Institutional Investor Group on Climate Change Net Zero Framework (see further detail under Section 2.1.4 below).

We continue to implement our RI Integrated Status approach as we expand our fund offering for Partner Funds, which has involved RI due diligence across a suite of equity, private debt, private equity, infrastructure, property and targeted return investment solutions. We are proud to have developed a Global Sustainable Equity Investment solution throughout the course of 2021, in direct response to increased appetite from Partner Funds. The funds are now expected to launch in Q2 2022 (see Section 3.2 below). Going into 2022, we have grown our Responsible Investment & Engagement Team to total five employees. We will also tender for an ESG data tool to enhance our ability to provide robust challenge to our external managers and help us to understand the ESG risks embedded in our investment portfolios (see further detail in Section 2.1.4 below).

We have written this report in alignment with the UK Stewardship Code 2020 and the content reflects feedback received from the FRC on our report for calendar year 2020. This year's report has been reviewed by the LGPS Central Executive Committee and Board. The report has also been reviewed by relevant heads of department to ensure the accuracy of process descriptions and content. In 2021 our Responsible Investment function was audited by KPMG, with a particular focus on the governance of RI at LGPS Central. This review and challenge have given us confidence that our reporting is fair, accurate and balanced and most importantly informative in that it imparts critical information on our approach to stewardship to our stakeholders.

Joanne Segars
Chair

Mike Weston
CEO

Key achievements and progress across our stewardship activities in 2021

Responsible Investment Integration

100%

All product launches and existing products have RI-Integrated Status.

Climate Risk Monitoring Service

All Partner Funds have received a second iteration of a detailed Climate Risk Report.

TCFD Reports delivered to Partner Funds in parallel.

Stewardship Theme Activity & Progress

CLIMATE CHANGE

CA100+ Benchmark assessment of March 2021 shows that 52% of the world's largest emitters have net zero goals.

Ongoing engagement with 68 banks on Paris-alignment and protection of biodiversity. 50 banks have responded and 19 confirmed they will publish targets.

Investor expectations on Paris-aligned accounting were communicated to 17 European energy, material and transportation companies.

RESPONSIBLE TAX BEHAVIOUR

Engagement with six companies across technology, telecommunications, finance sees progress by two companies on enhanced tax transparency.

Co-signed a letter to the European Parliament supporting a draft directive on public country-by-country reporting (CBCR) in the EU.

PLASTIC POLLUTION

Two-year engagement with seven packaging companies that have high exposure to risks/opportunities stemming from plastic transition sees high level of receptiveness to investor concerns.

Collaborative engagement to help combat microplastics pollution is seeing some progress.

Co-sponsored launch of first industry specification to prevent plastic pellet pollution.

TECHNOLOGY & DISRUPTIVE INDUSTRIES

102 investor-strong collaboration on social media content control received Stewardship Initiative of the Year award at the UN PRI 2021 Awards for its success in engaging three multinational giants.

Human rights risks engagement initiative is building momentum after Investor Expectations were published, including engagement with Facebook on their newly launched Human Rights Policy, and Amazon on their recent Human Rights Impact assessment.

Broader Engagement

DEFORESTATION

LGPSC is a member of the investor coalition "Investor Policy Dialogue on Deforestation" (IPDD) established in mid-2020.

Dialogue with the Brazilian government (Vice President, Central Bank Governor and Congress).

Co-signing of statement at COP26 committing to tackle agricultural commodity-driven deforestation through active ownership.

MODERN SLAVERY

Investor group has engaged 61 laggard FTSE 350 companies that had failed to meet the reporting requirements of Section 54 of the UK Modern Slavery Act 2015.

High success rate: All 61 companies have become compliant with the Modern Slavery Act in the course of 2021.

A phase III of this project (following on from engagement in 2020 and 2021) has begun in 2022 to engage a further 46 FTSE 350 companies.

This report covers each of the **12 principles of the UK Stewardship Code** 2020 in numerical order under four main headlines as follows:

PRINCIPLES 1-5

Purpose and governance

- Purpose, investment beliefs, strategy and culture
- Governance, resources and incentives to support stewardship
- Conflict of Interest
- Identification and response to market-wide systemic risks to promote a well-functioning financial system
- Review of policies, assurance of processes and assessment of the effectiveness of activities

PRINCIPLES 6-8

Investment approach

- Client communication on activities and outcomes of stewardship efforts
- Integration of material ESG issues including climate change
- Signatories monitor and hold to account managers and/or service providers

PRINCIPLES 9-11

Engagement

- Engagement with issuers
- Participation in collaborative engagement to influence issuers
- Escalation of stewardship activities to influence issuers

PRINCIPLE 12

Exercising rights and responsibilities

02 Purpose and governance

PRINCIPLES 1-5

PRINCIPLE 1 2.1 Purpose, investment beliefs, strategy and culture

2.1.1 Purpose and values

LGPS Central Limited (LGPSC) is an FCA regulated institutional investment manager responsible for the pooled assets of eight Local Government Pension Funds in Central England. LGPSC was formed in April 2018 and is owned equally by all eight of its Partner Funds and is dedicated solely to the management of local government pension scheme assets.

The aim of the Company is to use the combined scale of its Partner Fund assets to reduce costs, improve investment returns, strengthen governance and widen the range of available asset classes for investment – for the benefit of local government pensioners, employees and employers. LGPSC Partner Funds have combined pooled assets of approximately c.£49 billion. At the end of the reporting year (2021), LGPSC had c.£23 billion in assets under management and advice invested in listed equities (active and passive), fixed income, private equity, private debt, and infrastructure. The majority of pooled assets are invested in listed equities and fixed income under an Authorised Contractual Scheme (ACS) fund structure.

The pooling endeavour is dependent on continuous dialogue and collaboration; hence we refer to our clients as Partner Funds. All LGPSC Partner Funds view RI&E as a "must have" and we build on a proud tradition of RI which has been spearheaded over many years by individual Partner Funds. We also seek to espouse values as a Company that mirror expectations that we have of investee companies and the wider investment value chain.

Our values and behaviours are:

We put our clients first

- Working in partnership to deliver our Clients' and Shareholders' long-term needs
- Always acting with integrity, transparency and professionalism
- Doing the right thing

We are inclusive

- Collegiate and collaborative, delivering more as one team
- Valuing and treating everyone equally
- Listening to everyone's ideas and using their experiences to support growth

We are ambitious

- Constructively challenging the status quo to continuously improve how we operate
- Combining a public service ethos with a commercial business focus
- Celebrate excellence

We are a great place to work

- Staff are encouraged to be open, learn from mistakes and grow in confidence
- Individual trust and empowerment combined with personal accountability and responsibility
- Friendly, honest and supportive in everything we do

As an example, LGPSC Limited is a member of the 30% Club, as well as the Investor Chapter of the 30% Club. We view diversity as integral to sound decision making and we believe that the most effective Boards of companies include a diversity of skills, experiences and perspectives. This view is reflected both in our RI&E Framework and in our Voting Principles. LGPSC's Board has 50% female representation, and our Executive Committee has 20% female and ethnic minority representation. LGPSC's own BAME (black, Asian and minority ethnic) population is 41%, the female ratio is currently 41% and we have 16 different nationalities/cultures across our work force.

Our Company is a member of the Employers Network for Equality & Inclusion, and we participate in a number of work streams of the Diversity Project promoting good practice on flexible working, ethnicity, working families and an early careers programme (mentoring potential graduates from socially disadvantaged communities). When selecting external managers for LGPSC investment mandates, we expect both good in-house diversity across the organisation, and we expect that the manager integrates diversity in their ESG assessments of companies they invest in. Diversity is one element of our broader assessment of a given manager's culture and ethos and we view strong diversity across gender, culture and ethnicity as indicative of overall strong governance. We support the newly established Asset Owner Diversity Charter and will use the toolkit provided through the charter to assess managers' approach and processes to enable diversity and inclusion throughout their organisations and value chains.

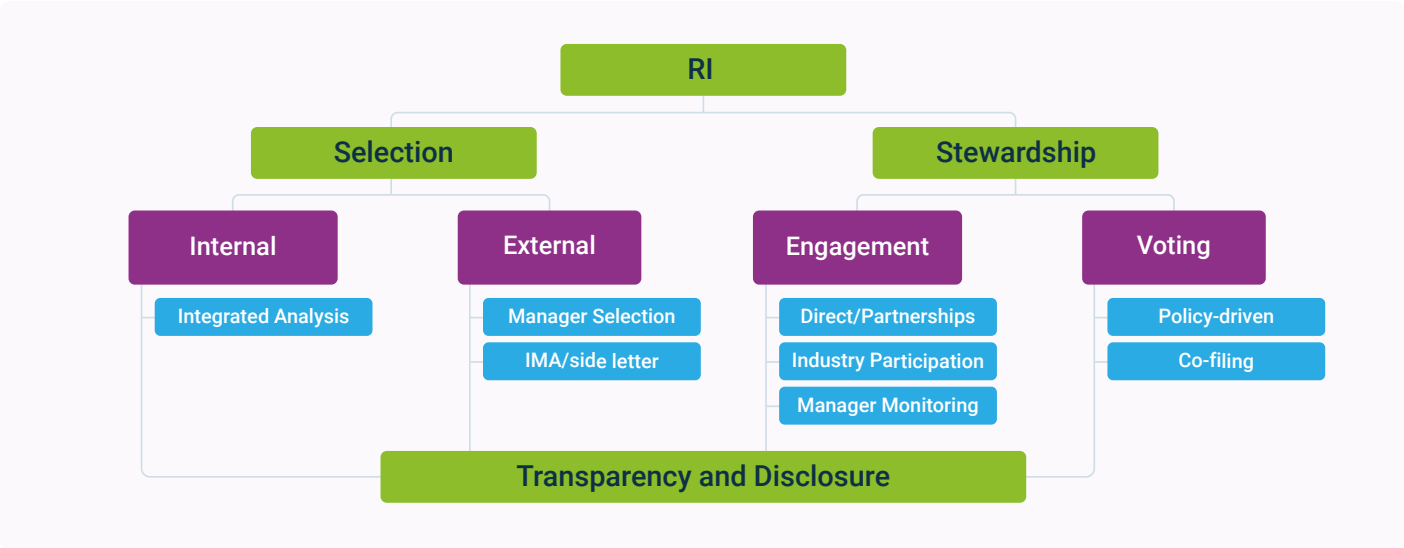
We have decided to develop a Modern Slavery Statement for LGPSC, not as a legal requirement, but with a view to applying leading practice, as a Company, as an investor engaging companies and in our procurements. We currently assess external managers' compliance with the Modern Slavery Act in the selection process. The procurements follow the Official Journal of the EU (OJEU) process that is adopted by all English public sector entities, but dates from the time the UK was part of the EU. We continue to be a part of an investor collaboration engaging FTSE 350 companies on Modern Slavery Act compliance (see Section 4.1.3 below). We do not currently ask investee companies to voluntarily comply with the Modern Slavery Act if they fall below the revenue threshold. However, we still view it as appropriate to set a high standard for ourselves as a Company as well as to protect our stakeholders from any reputational risk. We perceive the level of modern slavery related risk to our business as low from the outset and will develop a proportionate approach to this which covers all parts of the business.

2.1.2 Responsible Investment integral to our asset management operations

At inception of LGPSC in April 2018, we established a Framework for RI&E which builds on the investment beliefs of the Company's eight Partner Funds. The Framework establishes two high-level objectives for all LGPSC RI-related efforts. These are:

1. Primarily, to support investment objectives;
2. Secondarily, to be an exemplar for RI within the financial services industry, promote collaboration, and raise standards across the marketplace.

The RI&E Framework is applied in a manner that promotes these objectives both before the investment decision (which we refer to as the **Selection** of investments) and after the investment decision (the **Stewardship** of investments). Furthermore, we aim to be **Transparent** to all stakeholders and accountable to our Partner Funds through regular **Disclosure** of RI activities.



We take the view that strong RI policy and action increases our ability to protect and grow stakeholder value. Against this premise, key targets of our RI efforts are to:

1. Integrate material environmental, social and governance factors into investment decisions both pre and post investment
2. Influence corporate behaviour at company and sector levels through engagement, voting and other means of influence outside of listed equities
3. Participate in and contribute to industry-wide best corporate and investor practices
4. Enhance trust with our stakeholders through ongoing dialogue and a high level of transparency

The strategy to meet the key objectives and the way we aim to measure success against them, is described in the Sections below of this document. Table 2.1.2.1 shows, at high level, our objectives and how we measure achievement against them.

TABLE 2.1.2.1: SUMMARY OF TARGETS, STRATEGIES AND MEASURES OF SUCCESS

TARGETS	*STRATEGY*	*MEASURES OF SUCCESS (MOS)*
Integrate material ESG factors into investment decisions	Define an RI Integrated Status approach for each fund prior to launch and through its lifecycle	100% of relevant products achieve and maintain RI Integrated Status RIIS is approved by the Investment Committee and maintenance is checked quarterly by the Quarterly Portfolio Review Committees See Section 3.2 below
Influence corporate behaviour	Engagement and voting at company and sector levels	Achieve the majority of MoS listed in Section 4.1.2 below (Stewardship Themes)
Participate in and contribute to industry standards	Engagement at industry and policy levels	Active contribution to theme-relevant industry initiatives and broader initiatives of relevance to LGPS Funds Contribution to a minimum of three public consultations or policy initiatives on standards/regulation with market-wide application and/or theme-relevant application See Section 2.4 below
Enhance trust with stakeholders	Transparency and disclosure	Regular Stewardship Updates three times per year, in addition to an Annual Stewardship Report in line with UK Stewardship Code 2020 Quarterly RI meetings with Partner Funds Annual RI event for Partner Funds to allow dialogue on key themes and to build knowledge – RI Summit held on 13 October 2021 PRI report in line with PRI (Principles for Responsible Investing) Framework, achieving a high score. LGPSC received an A+ rating for its 2019 report, and are still awaiting the outcome of 2020 report AAF report including testing of the accuracy of RI data and implementation of RI processes See Section 3.1 below for more detail

During 2021, we have achieved the majority of these measures of success as is evidenced in the relevant sections of this report (see references in the right-hand column of the above table).

2.1.3 A "One-for-eight" model

Since inception, LGPSC's RI&E function has implemented a "one for eight" model. This means that we operate one framework, one service offering, one approach, that delivers the same service to our eight Partner Funds. This aligns well with the overarching goal of the pool, which is to reduce costs, improve investment returns, strengthen governance and widen the range of available asset classes for investment while implementing high quality RI services. We label this "Mandate Services". One of the core functions of the pool is to provide Partner Funds with investment opportunities suited to their investment needs as these evolve. As part of our Mandate Services, we apply an all-encompassing *RI Integrated Status* (RIIS) approach to any fund at launch and through the lifespan of that fund. Through RIIS we ensure that RI objectives are reflected at inception of new funds through to deployment/selection of asset managers and their ongoing monitoring. RIIS is described in more detail in Section 3.2 below.

While still in a phase where Partner Fund assets are transferring to LGPSC, we also offer some customisation of client-specific deliverables; "Call-off Services". These include assistance with RI&E policy design/update, RI-specific training for boards and pension committees, and ad-hoc queries from beneficiaries on RI-related matters. We have continued our Climate Risk Monitoring Service (CRMS) which is bespoke to each Partner Fund and tailored to their strategy and asset allocation. CRMS and how this has evolved in the last year is described in further detail in Section 2.4. below.

2.1.4 Looking ahead

Looking ahead, LGPSC recognises the growing importance of sustainability to the investment process and the evolving demands of our stakeholders. Signals from government and consumers are becoming clearer and analytical tools and the outputs they produce are becoming more sophisticated. Key areas of focus during 2021, and going into 2022, is to action LGPSC's commitment on net zero and Paris alignment as well as extend climate risk analysis at portfolio level to a broader set of ESG risks. We are committed to ensuring that our climate analysis and broader ESG analysis remain fit for purpose and in step with industry developments in this area.

Net zero commitment

In January 2022 we announced a commitment to transition LGPSC's investment portfolios to net zero greenhouse gas emissions (GHG). This commitment will provide additional focus and transparency to our response to the current climate emergency. It will help frame our conversations with external managers and with our investee companies, reinforcing our expectations around climate risk management and establishing parameters around the decarbonisation of our investment portfolios. We will utilise the Institutional Investor Group on Climate Change's ('IIGCC') Net Zero Investment Framework to achieve net zero emissions across our internally and externally managed portfolios by 2050 (or sooner), focusing initially on Listed Equities, Corporate Bonds, Sovereign Bonds and Real Estate. In addition, we will have an interim target where we will aim to achieve a 50% reduction in GHG emissions by 2030 across our equity and fixed income portfolios. We are committed to extending our focus to include other asset classes as reliable data become available and to provide attractive investment opportunities in the renewable energy and green tech sectors to match our Partner Funds' demands.

ESG data tool

We have identified a need for access to broad ESG research and data going beyond climate risk metrics and will procure this during Q2/Q3 of 2022. This will help identify ESG risks and opportunities of investments, at a stock level and portfolio level. The service is expected to cover, at a minimum, investment in listed equities and corporate fixed income. The data and analysis are expected to include ESG stock ratings, comparative scoring on material ESG risks and opportunities, a portfolio level tool, as well as qualitative ESG research to provide underlying context. The tool will be used for proactive monitoring and reporting on the ESG characteristics of LGPSC funds, with the potential to create an annual in-depth ESG reporting service, akin to that of the CRMS. Furthermore, the tool will help us challenge external managers on their stewardship and engagement activities and prioritisation of stewardship resource. It can also be used to enrich our voting and engagement prioritisation in-house, helping to uncover which companies are exposed to risks beyond climate change, such as modern slavery, human rights, responsible tax behaviour and circular economy.

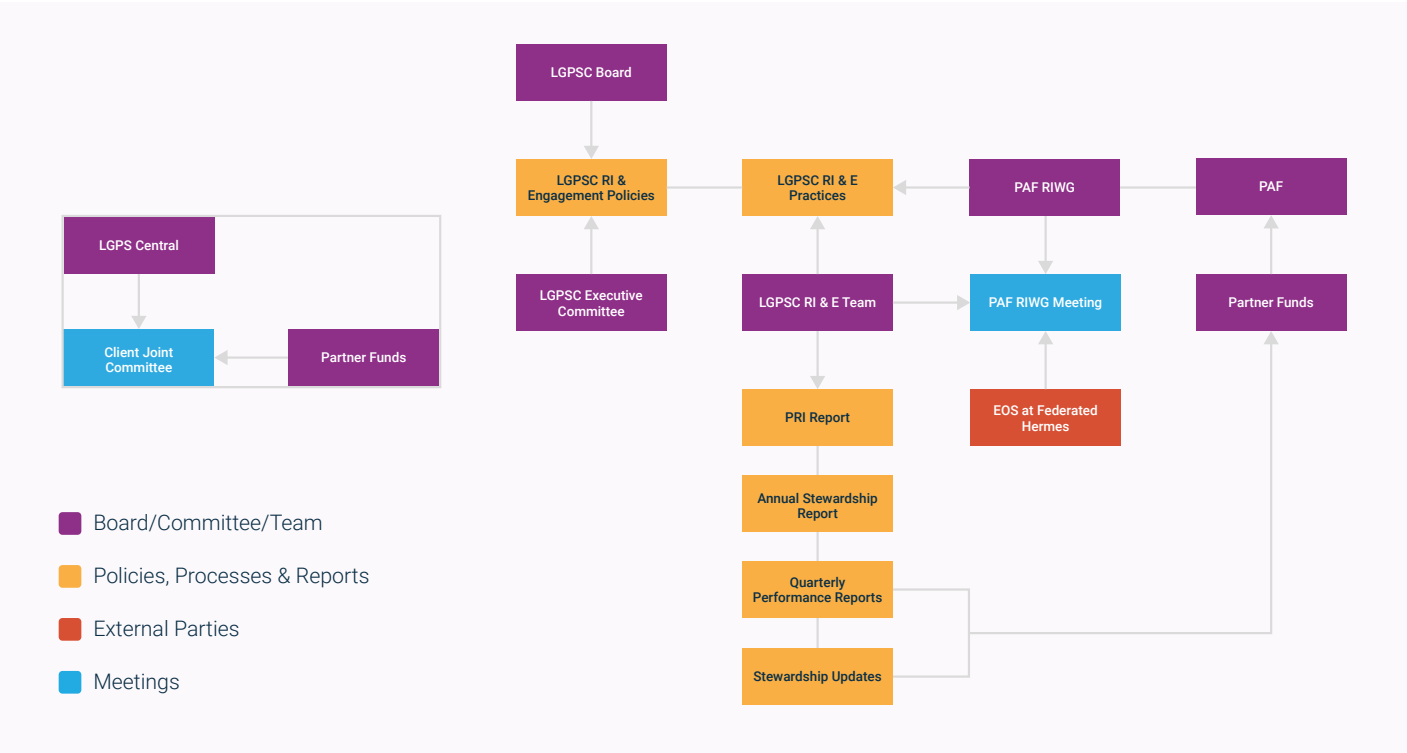
At the start of 2021, we undertook annual reviews of our RI&E Framework and Voting Policies to reflect the UK Stewardship Code 2020 and to strengthen our position on diversity and climate change performance. We expect UK companies to have at least 33% female representation on their boards and to be reporting ethnic minority representation at board level. We review these expectations annually so that they remain both realistic and demanding. We have also re-set our expectations of investee companies in terms of climate change management quality score against Transition Pathway Initiative assessments, expecting a score of 4 (highest available). This reflects both the urgency with which companies need to address climate change risks and the progress that has already been made.

We undertook a review at the start of 2021 of resourcing within the LGPSC RI&E Team to make sure that both people and systems resourcing is in line with the Team business plan and associated deliverables. As a result of this review and through discussion with our Partner Funds, we have – during Q1 of 2022 – strengthened the resource for the RI&E Team with a Senior Stewardship Analyst, taking the RI&E Team to five people.

PRINCIPLE 2 2.2 Governance, resources and incentives to support stewardship

2.2.1 Organisation and lines of communication

Figure 2.2.1.1: LGPSC Organisational Structure and Communication on RI-related matters



- LGPSC's Board approve and monitor on a regular basis, LGPSC's RI&E Policy, which is overseen operationally by LGPSC's Executive Committee (see Section 2.2.2 below).
- Our organisational structure reflects a collaborative approach whereby LGPSC Partner Funds have direct influence and dialogue with LGPSC on the overall stewardship effort through a Practitioners' Advisory Forum (PAF) at the high level, and through a Responsible Investment Working Group (RIWG) which assesses RI matters in more detail.
- The RIWG feeds into the PAF which is made up of Client Fund Officers and meets monthly.
- As from January 2021, RI matters are a standing item on the agenda of the PAF due to increasing stakeholder interest and concern on various ESG issues, including climate change. The RI&E Team provides an update on its activities during the meeting and an update on broader RI developments.
- The RI&E Team also attends the PAF Investment Working Group, to field any questions related to RI matters.
- At quarterly PAF RIWG meetings, Partner Funds are given updates and can scrutinise LGPSC's implementation of engagement and voting activities, integration of ESG across funds, as well as Client-specific services such as the Climate Risk Monitoring Service.
- LGPSC's external stewardship provider, EOS at Federated Hermes (see Section 2.2.4 below), takes part in RIWG meetings to provide granular detail on specific topics/sectors of interest to PFs (for instance on the Israel/Palestine conflict in light of heightened unrest).
- The Client Joint Committee (JC) meeting is held annually. At the JC meeting in January 2022, 12 questions from members of the public regarding RI were read and answered during the meeting. We see increased attention to RI over the last years (In 2019 the JC received one RI-related question, whereas 18 RI-related questions were received in 2020).
- LGPSC provides reporting to shareholders and stakeholders through regular stewardship updates (voting and engagement), quarterly performance reports (ESG integration, engagement and voting as part of performance assessment), annual PRI report and Annual Stewardship Report.

2.2.2 Board oversight and ownership across the organisation

LGPSC's Board is responsible for approving and monitoring implementation of the RI&E Policy (RI&EP). We have established a Board-level KPI that 100% of relevant products achieve and maintain RI Integrated Status, and regular updates on progress are provided to the Board. The Board meets at least six times a year. RI&E, including climate change, is a regular item on the Board's agenda.

During 2021, the RI&E Team provided LGPSC's Board with an overview of the Company's latest TCFD report as well as regular updates on the Company's stewardship effort and the Climate Risk Monitoring Service. Alongside on-going oversight and knowledge building, Board members sometimes get involved in our broader RI effort e.g., through speaker assignments or in ongoing engagements. During Q1 of 2021, the Chair of the Board, Joanne Segars, took part in a meeting with the Vice President of Brazil, representing LGPSC as a member of the investor coalition "Investor Policy Dialogue on Deforestation" (see further detail under Section 4.1.3 below). LGPSC Board members were involved in LGPSC's International Women's Day event in March 2021 and also took part in LGPSC's RI Summit later in the year. Our Chair, Joanne Segars, represents LGPS Central on the newly established Occupational Pensions Stewardship Council.

We believe it is critical that RI is owned and practiced across LGPSC. As such, the RI&E Team performs a coordinating function relying on regular interaction with colleagues in asset class teams, in the broader Investment Team and across back-office functions including Operations, Legal, HR and Compliance. The RI&E Team reports to the Chief Investment Officer (CIO). The Director of RI&E is a member of the Investment Committee, the Private Markets Investment Committee and the Senior Management Team. RI&E related matters are regularly brought to the LGPSC Executive Committee for discussion and approval. During 2021 this has included for example review of LGPSC RI&E related policies, becoming a founding member and Board member of TPI Ltd (established October 2021), and ongoing discussions on LGPSC's net zero commitment (see Section 2.1.4 above).

LGPSC's RI Integrated Status (RIIS) approach inherently requires and allows detailed dialogue between the RI&E Team and the relevant Asset Class Team from inception of a fund and throughout its lifespan. This approach also ensures that the RI approach taken for a given fund or asset is co-sponsored by the Director of RI&E and the relevant Investment Director, reinforcing a shared ownership to RI integration. RIIS could be viewed as an in-house form of "RI certification" which covers the following key elements: Beliefs, Documentation, Process, Reporting and Review. See further detail on RIIS under Section 3.2 below.

There is no variable pay at LGPSC. LGPSC staff are incentivised to integrate stewardship and investment through the following means:

- Investment Directors have RI and ESG integration objectives included in their semi-annual Personal Development Reviews
- Training and knowledge sharing: As an example, during Q4 of 2021 the RI&E Team provided a training session to all LGPSC staff on net zero and divestment vs engagement, which had very high attendance and inspired a lot of questions and discussion
- All staff are being asked to think about RI&E and sustainability initiatives as part of smarter working as we have moved into a new office working arrangement mid-2021
- Going forward, all job descriptions for staff at LGPSC will reflect RI integration

2.2.3 Dedicated in-house stewardship resources

Going into 2021, the RI&E Team consisted of an Investment Director, Stewardship Manager and two IMC qualified analysts, both of whom are working toward their CFA certificate in ESG. Considering increasing expectations from Partner Funds in terms of breadth and depth of the RI service, and to deliver key strategic projects while covering for key person risk, we decided to expand the Team to five. Recruitment took place during H2 2021 and as of February 2022 we have expanded the Team with a Senior Stewardship Analyst.

Team members come from diverse academic backgrounds and specialisms across fund management, RI policy development, ESG integration in public and private markets, stewardship and engagement across the value chain and climate expertise. We welcome this diversity and breadth of perspectives. The Team leverages a strong network among peer investors both in the UK and globally, as well as investee companies, industry associations and relevant regulatory bodies.

2.2.4 External stewardship resources

With limited in-house resources we have contracted an external Stewardship Provider, EOS at Federated Hermes, to provide global voting and engagement services. Following a comprehensive due diligence process EOS were selected as their beliefs align well with LGPSC's and Partner Funds' beliefs. We share a view that dialogue with companies on ESG factors is essential to build a global financial system that delivers improved long-term returns for investors, as well as more sustainable outcomes for society.

EOS reports on voting and engagement activity across relevant ACS funds on a quarterly and annual basis. Outside of reporting, we regularly interact with EOS both one-to-one, for instance through voting season on contentious votes, and together with other EOS' clients at Client Advisory Councils hosted twice a year. Through this regular dialogue, we can ensure that our values remain aligned (see Section 3.3.2 below with a detailed review of EOS' services during 2021). EOS also engages with regulators, industry bodies and other standard setters on our behalf to shape capital markets and the environment in which companies and investors can operate more sustainably.

We expect our external managers to engage investee companies on our behalf on material issues including ESG factors. We receive quarterly data from external fund managers on the number of engagements undertaken and the weight in portfolio. See further detail under Section 3.3. below.

PRINCIPLE 3

2.3 Conflict of Interest

LGPSC's approach to managing and mitigating risks associated with conflicts of interest is outlined in the LGPSC conflicts of interest policy. This is made available to all staff and Partner Funds of LGPSC. The policy is designed to ensure fair outcomes for Partner Funds and to ensure that LGPSC fulfils its stewardship responsibilities to its pool partners in terms of how their assets are managed.

The policy was signed off by the LGPSC Investment Committee, Executive Committee and Board when implemented. The policy is reviewed annually and changes to the policy are approved through the same governance process.

LGPSC employees, including senior management and members of the executive committee are required to complete conflicts management training on an annual basis and confirm their adherence to its standards. This training includes guidance on what constitutes a conflict of interest. The conflicts policy is also contained within the LGPSC Compliance Manual. It is readily available to all staff whether working from home or office based.

When LGPSC appoints external managers, a thorough due diligence process is undertaken. This includes consideration of the external managers process and procedures around the Management of Conflicts of Interest. We expect our managers to have robust controls and procedures in place around conflict management and to demonstrate commitment to managing conflicts fairly.

LGPSC only manages Partner Fund assets, and all our active portfolios are managed externally. LGPSC staff are not remunerated through a bonus scheme. These two factors are key mitigants in terms of conflict risk.

Examples of Conflicts of Interest

Avoidance of conflict in the process of hiring managers to Sustainable Equities Fund

A member of the RI&E Team serves on the Sustainable Investment Advisory committee of a well-known Sustainable Investment Manager. This relationship was always considered to be symbiotic, as it provides a development opportunity for the member of staff which benefits LGPSC, and it allows the local government pension perspective to be heard in the wider asset manager industry. Potential conflicts were considered from the outset, and it was agreed that should a situation arise whereby the manager in question applied for an LGPSC mandate, the RI&E team member would not be involved in the selection process. Unsurprisingly this manager put forward a mandate proposal when LGPSC was selecting managers for its Global Sustainable Equity Fund. LGPSC managed this potential conflict by ensuring that the employee in question was not involved in the selection process; neither the formulation of mandate requirements nor the manager assessment and scoring process. The selection

process was established with precise and clear selection criteria and each manager was selected on their application alone. Furthermore, the process was constructed and executed by the Active Equities Team at LGPSC with input from the Director of RI&E. The application of this robust and independent process resulted in the asset manager in question being selected to manage one of the mandates within the fund structure. The employee in question will not have any involvement in the ongoing assessment of the manager post appointment in respect of ESG integration or stewardship. We consider that this process was managed in the best interests of our Partner Funds and their beneficiaries. The selection process ensured that the managers that matched the mandate criteria most closely and had a clear and demonstrable process delivered by an experienced and stable team, were selected.

Appointment of Transition Manager for the Global Sustainable Equities fund

All colleagues involved in the appointment process were required to complete a conflicts of interest declaration. The declaration asks colleagues to provide details of any conflicts with any of the potential transition managers for assessment by the compliance Team. The approach taken is that conflicts will inevitably arise particularly in the form of existing business relationships and previous periods of employment with the investment managers on the shortlist. As long as these conflicts are declared and recorded, they can be managed.

Voting

Conflicts of interest can arise during the voting season. This can for instance be the case where a proxy voting provider also provides other services to corporates or possibly in some circumstances where they engage with and provide voting recommendations in relation to a pension scheme's sponsor company.

We expect our proxy voting providers to be transparent about conflicts of interest and to implement measures to ensure they manage these conflicts such as Chinese walls, conflicts management policies and conflicts registers. As from Q1 of 2021, EOS at Federated Hermes – LGPSC's external stewardship provider – applies an enhancement to its service to further improve transparency by informing voting clients of potential significant conflicts of interest when EOS provides voting recommendations. One such conflict would be when EOS recommends a vote in relation to clients' sponsor companies, and specific assurance of EOS' independence in assessing this stock is needed.

EOS has a publicly available Stewardship conflicts of interest policy. EOS conflicts are maintained in a group conflicts of interest policy and conflicts of interest register. As part of the policy, staff report any potential conflicts to the compliance team to be assessed and, when necessary, the register is updated. The conflicts of interest register is reviewed by senior management on a regular basis.

Fairness in the provision of RI&E Services from LGPSC to Partner Funds

LGPSC operates a one for eight service model. This ensures that we deliver a consistent level of service to all eight partner funds ensuring that no conflicts arise in terms of the level of support they get from the RI&E Team.

During 2020, LGPSC provided Climate Risk Reports to all eight Partner Funds, as part of a Climate Risk Monitoring Service that we have made available to them. For the 2021 provision of the same service, we followed the same delivery order as last year. This is to ensure consistency and fairness among Partner Funds and to avoid some receiving reports six months apart or others 14 months apart.

PRINCIPLE 4 2.4 Identification and response to market-wide and systemic risks to promote a well-functioning financial system

2.4.1 Stewardship Themes

In close collaboration with its Partner Funds, LGPSC has identified four core Stewardship Themes that guide the pool's engagement and voting efforts. These are climate change, plastic pollution, responsible tax behaviour and 'tech sector' risks. These themes have been chosen based on the following parameters:

- Economic relevance
- Ability to leverage collaboration
- Stakeholder interest

Identifying core themes that are material to the Partner Funds' investment objectives and time horizon, that are likely to have broader market impact, and that are perceived to be of relevance to stakeholders, helps us prioritise and direct engagement. We fully acknowledge that the spectrum of ESG risks is broad and constantly evolving. However, and in agreement with our LGPSC pool partners, we consider it appropriate to pursue these themes over a three-year horizon, at a minimum, while conducting annual reviews to allow for necessary adjustments or changes. This helps us build strong knowledge on each theme, seek or build collaborations with like-minded investors, identify and express consistent expectations to companies on theme-relevant risks and opportunities, and to measure the progress of engagements. Furthermore, we take the view that engagement on a theme needs to happen at multiple levels in parallel: company-level, industry-level, and policy-level. With our long-term investment horizon, we take a whole-of-market outlook and changing the "rules of the game" through industry and policy dialogue is as important, if not more important, than individual company behaviour. In Section 4.1.2 below, we give a detailed overview of engagement activity and progress for each Stewardship Theme. In Section 2.5, we provide information on the annual review of Stewardship Themes that was carried out during Q4 of 2021.

2.4.2 Climate Risk Monitoring Service

Climate action failure is the stand-out, long-term risk the world faces in likelihood and impact according to recent reports from the Intergovernmental Panel on Climate Change. If 'business as usual' continues, the world could heat up by about 5 degrees by 2100 which would have catastrophic environmental impacts and cause profound societal damage and significant human harm. A Paris-aligned transition to a low-carbon economy would lead to lower economic damage and for long-term investors is preferable to alternative climate scenarios. We believe investors can best encourage this transition through a combination of a) understanding the risks to their portfolios at a granular level, b) stress-testing portfolios against various temperature scenarios, c) identifying tools and actions that can be taken to address and minimise risk. In January 2022, we announced a commitment to achieve net zero across our assets under stewardship by 2050 (see Section 2.1.4 above). Our climate risk monitoring service is a key building block in ongoing work toward this goal.

Since 2020 LGPSC has conducted in-depth climate risk assessments for each individual Partner Fund and provided an annual Climate Risk Report (CRR) bespoke to each of them. The CRR is designed to allow each Partner Fund a view of the climate risk held through their entire asset portfolio accompanied by proposed actions each could take to manage and reduce that risk. To facilitate disclosure in line with the Task Force on Climate-Related Financial Disclosures (TCFD), the CRR is deliberately structured to align with the four TCFD disclosure pillars.

2021, was our second edition of the CRRs to Partner Funds. We made several enhancements to the climate monitoring service to ensure it remains aligned to the latest industry developments and therefore the best assessment on climate-related risk we can provide to our clients. We particularly wanted to emphasise progress made against the findings of the first report to give our Partner Funds a view on their direction of travel. Table 2.4.2.1 provides a summary of the methods we use to assess financially material climate-related risks and opportunities, alongside outlining the improvements we made to the service in 2021.

TABLE 2.4.2.1: METHODS OF ASSESSING CLIMATE-RELATED RISKS AND OPPORTUNITIES

SECTION	*ANALYSIS*	*2021 ENHANCEMENT*
Governance	The purpose of this section is to identify areas in which the Fund's governance and policies can further embed and normalise the management of climate risk. We provide a review of the Fund's documentation from the perspective of climate strategy setting and issue recommendations on how the Fund could improve its governance of climate-related risk.	We provide a progress update against the recommendations and considerations issued in the first report and suggest further policy extensions the Fund could consider.
Strategy	We assess the extent to which the Fund's risk and return characteristics could be affected by a set of plausible climate scenarios. This includes an estimation of the annual climate-related impact on returns (at fund and asset-class level), and climate stress tests (to explore the potential impact of a sudden climate-related price movement). An external consultant provides analytical support for this section.	We did not utilise Climate Scenario Analysis in the 2021 reports. As a top-down method of analysis it is more suited to a biennial review. We intend to revisit Climate Scenario Analysis in 2022. In lieu, we conducted a literature review on the techniques that the Fund could consider enacting to further manage climate risks within alternative asset classes.
Risk Management	Based on the report findings we provide a Climate Stewardship Plan which identifies the areas in which stewardship techniques could be leveraged to further understand and manage climate-related risks within the portfolio. The plan includes plans to engage both individual companies and fund managers.	We provide a bespoke engagement update for each of the companies included in the Climate Stewardship Plan. The section identifies the rationale, objectives and strategy of the engagement, alongside issuing a progress update. We make use of the TPI and CA100+ benchmark as key tools to monitor company activity.
Metrics & Targets	We conduct a bottom-up carbon risk metrics analysis at the company and portfolio level. For the most part, four types of carbon risk metric are utilised: portfolio carbon footprint, fossil fuel exposure, weight in clean technology and climate risk management (via the Transition Pathway Initiative).	The chapter provides a comparative analysis, examining the metrics from the first report against the updated metrics of the second report.

Having recently completed the 2021 reporting cycle, LGPSC has conducted a review to identify further improvements to the service. Enhancements that we aim to make to the 2022 reports include:

- Inclusion of a 1.5°C scenario into the Climate Scenario Analysis
- Enhance the company progress updates to demonstrate a more robust link between engagement and outcomes
- New additions to the suite of carbon risk metrics, reflecting the shift towards measuring alignment with net zero, such as % of portfolio with net zero targets, % of portfolio revenue derived from fossil fuels, % of portfolio revenue derived from clean technology and absolute carbon emissions/ financed emissions

Our Partner Funds have used the findings of their CRRs to develop individual Climate Strategies covering governance, beliefs, objectives, strategic actions and reviews in relation to their climate-related risk. To date, seven of our Partner Funds have published Climate Strategies, with one more upcoming in 2022. Aside from strategy setting, the CRRs have also been used to facilitate TCFD disclosure (which seven of our Partner Funds have achieved to date); formulate Climate Stewardship Plans; conduct training sessions on climate change; initiate governance and policy reviews; and for exploring potential investments in sustainable asset classes.

In 2021, we continued to explore areas of convergence and commonality across each of the eight bespoke CRRs to facilitate collective action as a pool. We identified a number of recommendations that featured in all of the CRRs and worked in collaboration with our Partner Funds to crystallise these into specific pool-level workstreams. Examples of actions we have taken include holding a joint Partner Fund Responsible Investment Day, releasing an updated 2021 TCFD Report, and issuing a Net Zero Statement for LGPSC made with the full support of all eight Partner Funds. Furthermore, the CRRs identify companies that face a high level of climate risk and are of particular significance to certain portfolios. This information is fed into our engagement prioritisation and as a result, we are enhancing our involvement in ongoing CA100+ engagements to cover as many, if not all, such "red flag" companies. The same companies will be automatically included in LGPSC's Voting Watch List of companies that are given particular scrutiny ahead of AGM (see Section 5.2 below).

2.4.3 Attendance and contributions to industry dialogue, partnerships and building of standards

LGPSC is an active participant in the debate on good corporate and investor practice. We value collaboration with peer investors and with industry initiatives, which gives a stronger voice and more leverage in engagement. Taking part allows us to access data, research and tools available to members – and at the same time influence further development of these initiatives.

Table 2.4.2 below is a list of organisations and initiatives that LGPSC is an active member of and includes a brief assessment of the efficiency of the initiative and outcomes during 2021.

TABLE 2.4.3.1: PARTICIPATION IN INDUSTRY DIALOGUE

ORGANISATION/ INITIATIVE NAME	*ABOUT THE ORGANISATION/INITIATIVE*	*EFFICIENCY AND OUTCOMES*
PRI	Largest RI-related organisation globally. Helps with research, policy influence and collaborative engagement. During 2021, LGPSC Head of Stewardship has been a member of the PRI Plastics Working Group and the PRI Tax Working Group.	PRI is a standard bearer of good practice for RI. LGPSC has been a member of PRI since inception of the pool. We view LGPSC's active participation in PRI through submission of an annual report and through membership of PRI Working Groups as clearly value-adding to ongoing RI development and pursuit of Stewardship Theme engagements.
IIGCC (Institutional Investor Group on Climate Change)	Influential asset owner and asset manager group. Useful for climate change research and policy influence. During 2021, LGPSC Head of Stewardship has been a member of the Corporate Programme Advisory Group.	IIGCC's corporate engagement and policy engagement programmes are both highly value-adding to LGPSC's work on climate change on behalf of all Partner Funds. It has a clear purpose and seems attentive to member needs and input. IIGCC engages broadly with stakeholders, for example with policy makers in the lead-up to COP26.

Cross-Pool RI Group within LGPS	Collaboration group across the LGPS pools and funds. Includes funds and pool operators. LGPSC Head of Stewardship was Vice Chair of the group during 2021.	This is a good forum to allow discussion between like-minded investors, who operate in the same regulatory environment and with similar expectations from Partner Funds and beneficiaries, on RI topics of interest and/or urgency, including net zero commitments for investors, human rights risks, biodiversity etc.
The Local Government Pension Scheme Advisory Board	LGPSC Head of Stewardship is a member of an RI Advisory Group to SAB that was formed at the start of 2021. Discussions are held on RI relevant policies and standards that will have direct or indirect implications for LGPS funds and pools.	Discussions during 2021 have centred around themes such as just transition, impact investing and MHCLG's work to introduce TFCF aligned reporting across LGPS Pools and Funds.
Transition Pathway Initiative (TPI)	Analysis of companies based on their climate risk management quality and their carbon performance. TPI analysis (by research team at LSE Grantham Research Institute on Climate and the Environment) is highly regarded and carries industry influence. LGPSC Head of Stewardship was a member of the TPI Steering Committee during H2 2021, and since October 2021 a member of the Board to the newly formed TPI Limited.	TPI is a highly useful tool that LGPSC uses directly to inform engagement and voting on behalf of Partner Funds. We view very positively TPI's close collaboration with CA100+ during 2020 and 2021 in the roll-out of the Benchmark Framework which allows evaluation of company progress against Paris alignment on key parameters (targets, actions, disclosures). We support the planned expansion of TPI research through the establishment of a Climate Transition Centre.
CDP	CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.	Our membership of CDP is in support of ongoing work for carbon emissions reporting across companies and sectors, and to tap into analysis and research. We welcome CDP's work on deforestation, including a "Forest champions programme", which we aim to tap into for our current and future engagement on deforestation.
30% Club Investor Group	Investor group engaging both UK listed equities and increasingly companies abroad, on gender diversity. LGPSC has been a member since inception of our Company.	This forum has a clear target and allows for discussion, learning and direct engagement with like-minded peers on an ongoing critical governance issue. During 2021, a sub-set of 30% Club Investor Group members, including LGPSC, has engaged in the Japanese market.

BVCA **British Private Equity and Venture Capital Association**	UK trade body for private equity.	This forum is very useful for deal flow information. It also runs discounted training courses which helps build knowledge.
LAPFF **Local Authority Pension Fund Forum**	Engagement with companies in the UK and abroad, assisting LGPS funds with sustainable and ethical investment challenges.	LAPFF has conducted engagements that is complimentary to LGPSC's stewardship theme engagement effort, for instance in reaching out to companies during 2021 on human rights risks that stem from operating in conflict zones such as Palestinian/ Israeli territories.
Climate Action 100+	Engagement collaboration of more than 700 investors with a combined $68 trillion assets under management. Engaging 166 companies on climate risk that are responsible for 80% of global industrial GHG emissions. LGPSC Head of Stewardship is a member of the Mining and Metals Sector Group.	This is a targeted and robust investor collaboration which LGPSC views as highly value adding relative to climate change risk management. The 2020 CA100+ Benchmark Framework, with scores published in March 2021, embeds structure and rigour to assessments of companies against a Paris trajectory.
Investor Forum	High quality collaborative engagement platform set up by institutional investors in UK equities. LGPSC has been a member since inception of our Company.	LGPSC co-sponsored an Investor Forum coordinated plastic pellet prevention project during 2020-2021. The overarching goal of this project is to help companies achieve and maintain zero pellet loss across their pellet handling operations. The first industry standard specification for plastic pellet handling was published in July 2021.

Policy engagements and consultation responses:

Since inception of LGPSC in April 2018, the Company has taken active part in policy dialogue on behalf of Partner Funds across various themes and regulations including on ethnicity pay reporting, tax transparency, modern slavery, climate change and sustainability reporting requirements.

In Q1 2021 we co-signed a **letter to the COP26 President** asking for support to investors by seeking publication of key underlying assumptions and commodity price projections tied to a 1.5C scenario. The International Energy Agency's special report Net Zero by 2050: a Roadmap for the Global Energy Sector published in May 2021 provides clarity in this regard. The roadmap highlights the gap between where we are and where the 1.5 scenario says we need to be. The IEA describes the energy transition as an all-hands-on-deck crisis that "hinges on a singular, unwavering focus from all governments—working together with one another, and with businesses, investors and citizens. The Net Zero report from IEA is actively used as a reference point when we engage companies across sectors, for instance through the Climate Action 100+ collaboration.

LGPSC responded to an All-Party Parliamentary Group for Local Authority Pensions Funds consultation on **Just Transition** on 4 May 2021. We are of the opinion that the just transition must be recognised as a global challenge as communities that stand to be impacted the most by climate change are often situated in developing countries. We consider that COVID-19 illustrates that global challenges require global solutions. Government has an important role to play in encouraging supporting innovation by sending strong signals to investors in terms of policies, subsidies, and taxes. For example, decisive carbon pricing and robust regulation around carbon off-setting. Investors also have an important role to play in bringing about a just transition through both engagement with the corporations and assets in which we invest and through financing the transition itself. The element of just transition is being raised with companies that are in scope of Climate Action 100+ engagement and companies will be assessed on this in the 2022 benchmark exercise.

LGPSC expressed support for the Government to mandate **net zero Metrics as part of TCFD reporting** in a response to the Department for Work and Pensions' consultation on Climate and investment reporting. We consider that mandatory reporting will encourage more comprehensive reporting of emissions by corporations and commitments to achieve net zero, particularly if this regulation is supported by complimentary regulations across the economy. The financial cost associated with TCFD reporting in a manner consistent with the regulation proposed by DWP may be underestimated and we recognise that this might be challenging for some investors to achieve. Furthermore, we think the metrics will need to be carefully explained to stakeholders and net zero alignment does not tell us everything we need to know about the climate risk faced by a portfolio.

Ahead of COP26 in Glasgow, LGPSC signed a statement alongside 586 other investors, managing $46 trillion in assets, **urging governments to undertake five priority actions to accelerate climate investment** before COP26. These priority actions include:

- Strengthening of NDCs[2] for 2030 before COP26.
- Commitment to a domestic mid-century, net-zero emissions target, and implementation of domestic policies to deliver these targets.
- Incentivising private investments in zero-emissions solutions and ensure ambitious pre-2030 action.
- Ensuring COVID-19 economic recovery plans support the transition to net-zero emissions and enhance resilience.
- Committing to implementing mandatory climate risk disclosure requirements aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

LGPSC's stewardship provider, EOS, regularly engages on behalf of clients with a wide range of stakeholders, including government authorities, trade bodies, unions, investors, and NGOs, to identify and respond to market-wide and systemic risks. As an example, EOS co-authored a paper setting out **investor expectations on the alignment of the banking sector with the goals of the Paris Agreement**. The paper focused on three areas: the actions banks should take to align their financing activities with the Paris goals and the achievement of net-zero emissions; steps to strengthen the governance of their climate strategy; and disclosure to demonstrate implementation. The paper was officially launched by the Institutional Investors Group on Climate Change (IIGCC) in April 2021 and a courtesy letter was sent to 27 banks by a group of 35 investors, with a copy of the paper. Subsequently, the group initiated collaborative engagements with these banks. EOS leads or co-leads the dialogue with eight banks and takes an active participating role with five other banks.

EOS also engages on market-specific trends and policies and as an example, responded to a consultation by the UK Department for Business, Energy & Industrial Strategy on **mandatory Task Force on Climate-related Financial Disclosures (TCFD) reporting** for listed companies, large private companies and limited liability partnerships. EOS promoted enhanced regulation around climate risk reporting in line with the TCFD recommendations. In the US, EOS welcomed the **decision by Nasdaq mandating that Nasdaq-listed companies should have at least two diverse directors** (including at least one woman and at least one member of an underrepresented community). If companies do not, they must explain why they have failed to do so under a phased transition that started from 6 August 2021.

[2] Nationally Determined Contributions (NDCs). Under the Paris Agreement each Party must prepare, communicate, and maintain successive nationally determined contributions it intends to achieve

PRINCIPLE 5 2.5 Review of policies, assurance of processes and assessment of the effectiveness of activities

Review of LGPSC RI&E policies

Prior to the launch of LGPSC in April 2018, LGPSC's Board approved three RI-related policy documents; LGPSC RI&E Framework, LGPSC RI&E Policy and LGPSC Voting Principles. Each document is subject to annual review by the LGPSC Board which happens at the start of every year. Ahead of each annual review, LGPSC consults its Partner Funds to solicit their views. Revisions will then be taken through LGPSC's Investment Committee and Executive Committee for discussion and approval before the Board finally assesses and approves them. The Board take an active interest in these policies and often recommend alterations and enhancements. They are familiar with the issues and their perspectives are welcome and add value.

In addition to Partner Fund consultation, we discuss trends and developments in RI with investor peers on a continuous basis, in particular with other LGPS pools (see overview of Initiative memberships in Section 2.4 above). We also discuss voting trends with EOS and with peer investors ahead of revision of our Voting Principles. As an example, we have over the last two years heightened our expectations on companies' governance of Board and Senior Management diversity (gender and ethnicity), sustainability reporting and climate risk management. We have done this in tandem and close alignment with similar changes to EOS' voting policies and those of close peers.

At the start of 2021, we compiled an RI Emerging Risk Register. This will help us stay attuned to any regulatory initiatives (hard and soft law) that may impact on our RI approach and policies. We consider this a "live" document that will be updated on a regular basis in close collaboration with LGPSC's Legal Team. We have shared this document with Cross-pool peers through the Cross-pool RI Working Group. Discussion on upcoming regulation, consultations, other standard developments will be a regular item for discussion within this group.

Ongoing information-sharing and review of Stewardship Themes

Through our quarterly PAF RIWG meetings (See Section 2.2.1 above), we allow for information-sharing and debate/checks on LGPSC's provision of RI services against the RI&E Framework. All our Partner Funds take a keen interest in RI and engagement, which is a reflection of their ultimate beneficiaries' ongoing interest in climate change and broader sustainability issues.

LGPSC undertake an annual review of the effectiveness of the Stewardship Themes in close collaboration with Partner Funds. During 2021, we conducted a review through PAF RIWG discussions which resulted in the following adjustments:

- Climate change remains the number one theme
- Biodiversity and land use should be included alongside climate change
- The S in ESG should feature more prominently, with a preference for focus on Human Rights

Description of themes in light of discussions with Partner Funds:

CLIMATE CHANGE

Climate change is regularly among the World Economic Forum's top five global risks, both in terms of likelihood and impact. Through both physical risks (e.g., increases in extreme weather events) and market risks (e.g., impact of carbon pricing or technology substitution), climate change impacts institutional portfolios. In addition, greater incidence of flooding, wildfires, chronic precipitation, sea level rise are already having profound societal consequences.

In the UK, campaign groups, governments and regulators are increasingly taking an interest in the extent to which investors are managing climate-related risks. This includes the Environmental Risk Audit Committee, Department of Work and Pensions, Financial Reporting Council, divestment campaign groups, and more. TCFD reporting will become mandatory for LGPS Funds from 2023. Investor best practice on climate change is emerging through the Institutional Investor Group on Climate Change (IIGCC) Net-Zero Investment Framework.

Biodiversity loss could reduce nature's ability to provide goods and services, including food, clean water and a stable climate. Tropical forests play an important role in tackling climate change, protecting biodiversity and ensuring ecosystem services. Forests alone absorb one-third of the CO2 released from burning fossil fuels every year. During COP26 we have seen governments pledge to halt deforestation by 2030. Financial institutions, including LGPSC, have committed to engage with a view to eliminating commodity-driven deforestation by 2025 through engagement at policy and corporate levels.

PLASTICS

Plastic pollution is a global problem that is continually growing due to both an increase in consumerism and an increase in the number of plastics used to manufacture the things we use regularly. Some companies are starting

to change the way they use these plastics and are actively taking steps to reduce waste.

As well as the negative effects on the planet, companies that purchase, use, or produce significant amounts of plastic could face regulatory tightening, more plastic taxes, and reputational damage as consumers and policymakers become more aware and mindful of the problem. It will be necessary to look at both shorter-term targets companies should strive for, in line with emerging best practices, as well as a longer-term vision for "zero leakage/waste" by 2050. LGPSC joined a call (on behalf of businesses and financial institutions) on United Nations member states to commit to the development of a global treaty on plastic pollution to commence early 2022. Agreement has since been found to negotiate a treaty (See further detail below in Section 4.2).

TAX - TRANSPARENCY AND FAIR TAX PAYMENT

The trust an organisation builds with its stakeholders is of critical (though intangible) value. As a measure of an organisation's contribution to the economies it operates in, tax is a key dimension in building that trust.

Global corporate tax avoidance is estimated to cost governments $240 billion globally in foregone revenues each year. Companies with overly aggressive tax strategies could be storing up liabilities and could damage their reputation with key stakeholders. While many countries are providing various forms of tax relief to businesses during the COVID-19 pandemic, it seems reasonable for investors to expect companies to pay their fair share of tax. G20 leaders have recently agreed a corporate tax deal for minimum 15% corporate tax, which adds to the expectations for responsible tax behaviour.

TECHNOLOGY AND DISRUPTIVE INDUSTRIES RISK - REPLACED BY HUMAN RIGHTS

The current technology theme is a sector-specific theme that covers several risks factors. LGPSC's engagements have primarily focused on human rights risks for tech sector companies, including social media content control. These areas have come under increased scrutiny from regulators and stakeholders more broadly including companies that advertise on social media platforms. We envisage continuing engagement with tech sector companies (Alphabet, Amazon, Apple, Facebook, Microsoft and Twitter) on human rights risks including privacy and data protection; freedom of expression; disinformation and political discourse; and on discrimination and hate speech. We also know that weak labour rights in supply chains (especially in emerging markets), both in the technology sector and across other industries, can cause reputational damage that in turn risk undermining shareholder value over the long term.

We view it as feasible to adjust this theme to a broader Human Rights theme that would allow a greater focus on human and labour rights across companies and sectors. We would take as a starting point the UN Guiding Principles for Business and Human Rights, which also apply to investors. Ongoing engagements on Modern Slavery and related to the Israel/Palestine conflict would continue and would be captured under this theme.

AAF controls

LGPSC carried out an externally assessed AAF 01/06 – Assurance Reports on Internal Controls of Service Organisations under the guidance issued by the Institute of Chartered Accountants in England and Wales which was issued in May 2021. These internal controls include testing of the accuracy of RI data and implementation of RI processes in relation to LGPSC's voting policy, voting implementation, and accuracy of voting data. As part of the AAF controls, LGPSC carries out quarterly internal quality controls of engagement and voting data before this is shared with Partner Funds through Regular Stewardship Updates. We also conduct an annual review of EOS' stewardship services, which is based on multiple interactions with EOS during the year (see Section 3.3 below). This review is shared with our CIO and the LGPSC Investment Committee.

EOS has its voting process independently assured on an annual basis (AAF 01/06).

Internal audit of RI&E function

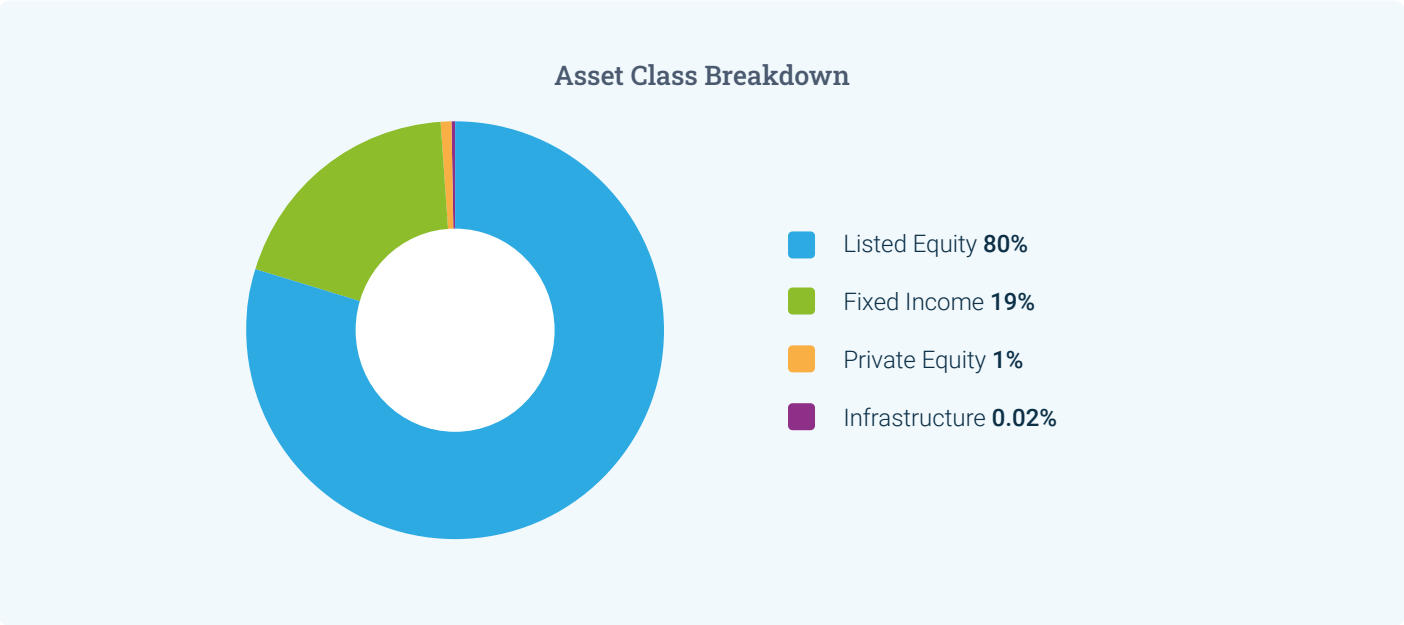
In 2021 an internal audit of the Responsible Investment function was conducted by KPMG. The objective of this internal audit was to assess the design and embeddedness of the processes in place surrounding LGPS Central's RI&E policies and underlying procedures. This included a review of the governance processes and approach to external manager onboarding and ongoing monitoring. The audit found that controls were generally appropriate, working effectively to manage risks and provide reasonable assurance that objectives should are met. Some enhancements to the existing control framework were identified in particular the acquisition of an ESG data analysis tool (see Section 2.1.4 above) and improvements to flow of management information to key governance committees. Resource constraints in the responsible investment team were also noted. We are working through the audit actions and the appointment of one additional member of the RI&E Team has already been achieved.

03 Investment approach

PRINCIPLES 6-8

PRINCIPLE 6 3.1 Client communication on activities and outcomes of stewardship efforts

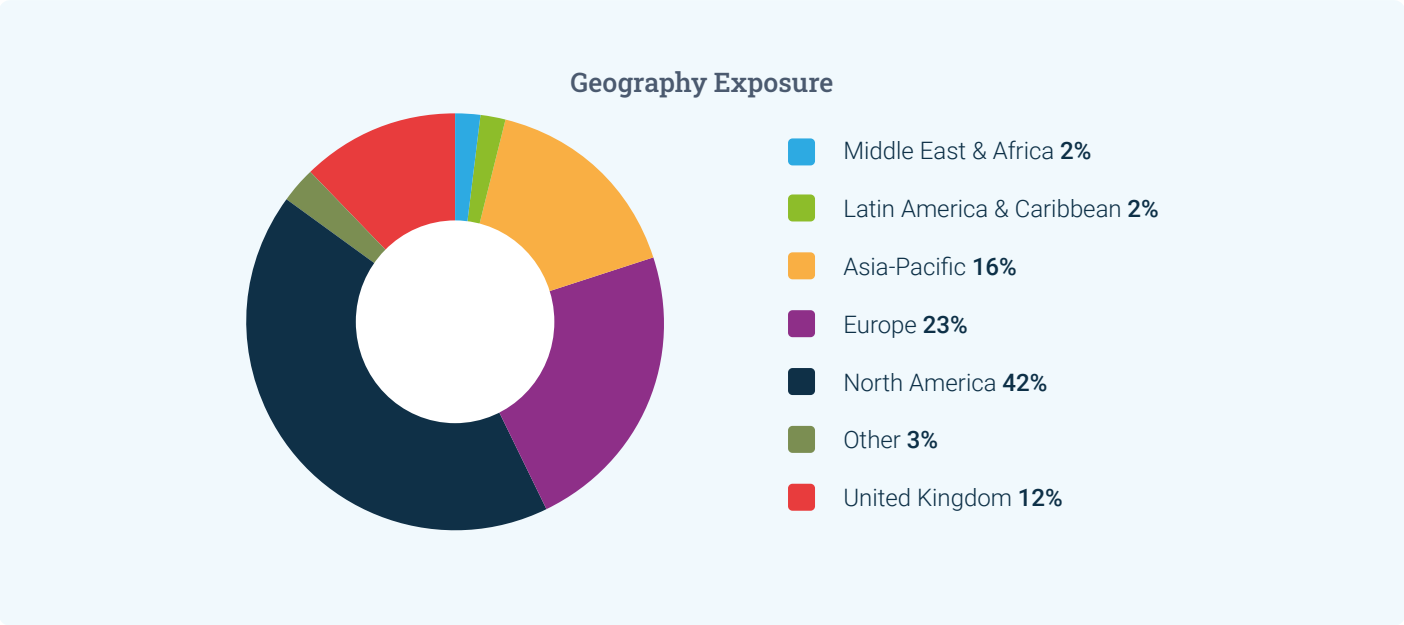
Figure 3.1.1: Breakdown of LGPSC Assets under Management as at 31 December 2021



* Infrastructure is 0.02% of AUM

Figure 3.1.1 shows a breakdown of LGPSC ACS Fund which have been set up to meet Partner Fund investment needs. LGPSC is in continuous dialogue with its Partner Funds on both the development of new investment funds and reviewing existing funds to ensure that RI is clearly visible both at inception and throughout the life of the fund offerings. The primary tool to ensure this, is LGPSC's RI Integrated Status approach (see Section 3.2 below).

Figure 3.1.2: Breakdown of exposure by geography[3]



[3] Includes listed equities, fixed income, private equity and infrastructure. Data for the listed equities and fixed income as at 31st December 2021 and private equity and infrastructure as at 31st September 2021. Total AUM represented is £16.3bn.'

Development of new funds

As investors increasingly take account of climate considerations, index providers continue to launch indexes that help investors align their funds with net zero and the transition to a low carbon economy. Initially, climate index products had a simple focus on reducing carbon emissions and fossil fuel reserves. These considerations were implemented successfully in the design of the **LGPSC AW Equity Climate Multi Factor Fund** launched in October 2019 and have helped considerably reduce the level of reserves and emissions compared to the traditional market cap index. However, more recent index launches make use of forward-looking data to reflect the commitments that companies are taking to become aligned to the Paris Climate Agreement.

There are two main types of benchmarks, Climate Transition Benchmarks (CTB) and Paris Aligned Benchmarks (PAB). The benchmarks are both designed to achieve net zero by 2050 and operate in line with the regulations and minimum standards laid out for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks. The aim of these benchmarks is to achieve an immediate and an annual reduction in emissions, achieving net zero by 2050.

The Team at LGPSC are currently consulting with index providers and examining these index products to review and compare the offerings. The aim is to find a solution that would be attractive to our Partner Funds, be consistent with net zero commitments and allow us to develop a benchmark suitable for a future fund launch.

LGPSC's Active Equities Team continued to develop a **Global Sustainable Equity Investment solution** comprising three funds throughout the course of 2021. The funds are now expected to launch in Q2 2022. The Team has investigated different tools which could be used for measuring impact of the funds and looked at several different secondary benchmarks which could be used for internal measurement purposes. See further detail on the tendering process in Section 3.2 below.

Ongoing dialogue with Partner Funds on application of the RI&E Framework

- LGPSC seeks Partner Fund views when identifying and revising Stewardship Themes
- Quarterly RI Working Group (RIWG) meetings allow for knowledge sharing and scrutiny
- Annual RI Days have been held over the last three years to allow a deeper debate on key topics (divest/engage; climate change; net zero alignment)
- Increasing attention to RI at the AGM and at Client Joint Committee Meetings with all Partner Funds
- PAF meetings: RI included as a standing item at the start of 2021, in response to increased interest in this area from Partner Fund Pension Committee members and the broader stakeholder group

Ongoing Stewardship reporting

- Regular Stewardship Updates including engagement and voting examples (progress, outcomes)
- Vote by vote disclosure on LGPSC website
- Quarterly Performance Reporting including RI narrative
- Quarterly Media Roundup which gives highlights of RI-related news and developments
- Measures of Success against the Annual Stewardship Plan are presented to Partner Funds at RIWG meetings
- PRI report
- Annual Stewardship Report

Bespoke assistance to Partner Funds

The bulk of the time for the LGPSC RI&E Team is intended for Mandate services which benefit all Partner Funds and ensures that existing LGPSC Funds are managed according to the Fund's RI Integrated Status. We also provide Call-off Services in the form of:

- Communications (ad-hoc ethical queries, Freedom of Information requests)
- Training
- Policy development
- Presentations
- Climate Risk Monitoring Service (see Section 2.4.2 above)
- Compliance with the UK Stewardship Code 2020

PRINCIPLE 7 3.2 Integration of material ESG issues including climate change

3.2.1 ESG Integration during Manager Selection

An assessment of RI&E is a core part of LGPSC's manager selection process. Typically, manager selection processes are done in three broad stages: standard questionnaire, request for proposal, and manager meetings, of which RI&E assessments feature in all three. In stages one and two, the RI&E Team draft questions for insertion and then score the managers based on their responses. In both stages, a 10-15% weighting is attached to the RI&E questions to reflect the importance that LGPSC places on full ESG integration. A representative from the RI&E Team then attends all the manager meetings. A key objective in the assessment of a manager is whether the ultimate decision maker is engaged in the integration of ESG factors into his or her decision-making process. Managers will not be appointed unless they can demonstrate sufficient awareness of and ability to manage the risks posed by ESG factors.

CASE STUDY

Tendering for Global Sustainable Equities Mandates

In close dialogue with our Partner Funds, we decided that the tendering for Global Sustainable Equities Mandates would take the form of a three-sleeve approach encompassing Broad, Thematic and Targeted offerings. LGPSC's Active Investment Team conducted a three-stage selection process, having advertised for potential managers in June 2021. The first stage, The Selection Questionnaire, attracted 77 applications across the three sleeves. Applications were all read and marked by members of the Team in a fair, transparent and consistent manner with support from the RI&E Director and the Investment Risk Manager. 22 applications were selected to progress to the next stage, The Request for Proposal. Submissions were read and marked by the Team in the same manner. Nine applications, comprising three for each sleeve, were taken through to the final Due Diligence Stage. This took place in September 2021 and consisted of 3-hour meetings for each manager. Due to Covid-19 restrictions, this took place online. Meetings included a 1.5-2-hour presentation followed by breakout sessions in separate virtual meeting rooms which provided the Team with further insight on focused areas such as RI&E and Risk. The presentations and interviews were scored by the Team and resulted in three managers being selected, one for each sleeve. Following the selection of the successful managers, the Team has received expressions of interest totalling around £1bn from Partner Funds. The funds are now expected to launch in Q2 2022. The Team has investigated different tools which could be used for measuring impact of the funds and also looked at a number of different secondary benchmarks which could be used for internal measurement purposes.

3.2.2 LGPSC's RI Integrated Status for all ACS Funds

Since April 2018, LGPSC has been integrating RI&E into all (relevant) asset classes[4]. We have established an overarching KPI that 100% of product launches must receive our RI Integrated Status (RIIS). The RIIS is accorded to a product if a document explaining how RI will be integrated into the day-to-day management of the product has been approved by the Investment Committee. The process is designed to give internal and external stakeholders full assurance that RI is being integrated with the breadth and quality they desire.

The proposal for RIIS within particular investment products is communicated via an RIIS Document, which is co-sponsored by the Director of RI&E and the relevant Investment Director for the product(s). By requiring co-sponsoring of the RIIS documents, we ensure that RI&E is an integrated process, not a siloed affair. The RIIS proposal will be approved by the Investment Committee if they are satisfied that the combination of processes, techniques, activities and reporting achieve, in a manner suitable to the asset class, product, or mandate in question, the Company's agreed RI aims: (1) primarily, to support investment objectives; (2) secondarily, to be an exemplar for RI within the financial services industry, promote collaboration and raise standards across the marketplace. RIIS is given to a fund once the Investment Committee approve the following criteria:

- Our RI beliefs relevant to that asset class are being followed
- Relevant RI related documentation support the decision to invest e.g., policies and procedures at external managers or co-investment companies
- Fund managers factor RI into their selection of portfolio assets
- RI reviews are carried out by the fund managers frequently and at appropriate levels

[4] Relevance is judged case by case but only in exceptional circumstances would it be deemed not relevant to integrate RI. In one case, UK Gilts, have we deemed RI and ESG integration as irrelevant.

- Our delegated stewardship responsibilities are carried out thoroughly e.g., engaging with companies, shareholder voting, manager monitoring, industry participation
- Fund managers are transparent in their reporting to clients and the wider public

We provide some examples below of how the RIIS differs for different funds and asset classes in question.

ACTIVE EQUITIES	LGPSC has several investment beliefs specific to active equities which guide our integration of ESG within this asset class. These beliefs include, amongst others, that ESG risk is not always effectively priced (both in developed and emerging markets), the extent to which ESG factors apply to a particular stock or sector varies, and that engagement with companies is an active part of portfolio management. We place a lot of value on the manager selection process to ensure that these beliefs are being followed by the manager. Post-investment, monitoring in active equities is primarily achieved by analysing the portfolios in Bloomberg, inspecting managers' responses to quarterly data requests, and questioning managers during quarterly calls. We expect managers to be able to justify any new positions with a detailed analysis of the ESG risks and opportunities facing that company.
PASSIVE EQUITIES	For passive and factor-based equity funds we place a greater emphasis on stewardship and voting as our main tool for ESG integration. This reflects our belief that while index tracking funds can diversify away idiosyncratic ESG risk, long-term systemic ESG risk cannot be diversified. As a result, long-term investors should utilise thematic stewardship to mitigate long-term market risks and positively influence corporate practices. Reflecting this, LGPS Central focuses its engagement and voting activity on four Stewardship Themes which are agreed with our Partner Funds (See section 4.1.1 below).
FIXED INCOME	We believe that the extent to which, and the way, ESG is integrated into fixed income investing varies significantly by the type of issuer (corporate, sovereign, supranational, municipal, etc) and a one-size fits all approach is unlikely to be optimal. We reflect this belief in our selection process for Fixed Income mandates. During the selection of LGPSC's Multi Asset Credit Fund (launched in April 2021), we asked managers to provide three examples each pertaining to a different type of issuer to ensure that RI was being fully incorporated into all aspects of the portfolio.
PRIVATE EQUITY	Within Private Markets, RI is integrated into due diligence on a five-pillar scoring framework that covers: policy, people, process, performance, and transparency & disclosure. If a fund is considered high risk, either due to its sector or geographical location, a more rigorous due diligence assessment is conducted. The findings of the due diligence report are considered as part of the Private Markets Investment Committee approval process. Following appointment, we request that the manager report on material ESG incidents. For co-investments an RI risks report which is bespoke to the investment in question is issued.

3.2.3 LGPSC's monitoring of managers' ESG integration and engagement (ESG questionnaires etc.)

Active Equities and Fixed Income

Once appointed, we require external Public Market fund managers to complete a quarterly ESG questionnaire. Some disclosure items are "by exception" (for example alerting us to changes in ESG process or personnel) and others are mandatory. LGPSC receives quarterly data from external fund managers on the number of engagements undertaken and the weight in portfolio. We set expectations regarding the volume and quality of engagement, and we assess climate risk including portfolio carbon footprint, and exposure to oil, gas and coal producers. To send a unique voting signal to investee companies LGPSC votes its shares - whether externally or internally managed - according to one set of Voting Principles. While the ultimate voting decision rests with LGPSC, we have a procedure through which we capture intelligence and recommendations from external fund managers (See section 5.2 below).

The RI&E Team attend quarterly monitoring meetings with external managers. The purposes of RI&E monitoring are to analyse the level of ESG risk and climate risk in the portfolio, determine whether the manager is successfully applying the ESG process that was pitched, and assess whether that ESG process is proving successful. Monitoring is achieved through a combination of our own internal portfolio analysis, inspection of the manager's responses to quarterly data requests, and via dialogue at the quarterly meetings.

LGPSC has developed a Red, Amber, Yellow, Green (RAYG) rating for manager monitoring, of which RI&E is a core component. These ratings get updated each quarter based on the discussion at the manager meetings. The RAYG rating is split into four possible ratings: red (manager fails to convince, warrants formal review with potential manager exit), amber (manager warrants closer scrutiny with potential for going on "watch"), yellow (manager is fulfilling role but with minor areas of concern) and green (manager shows clear strengths tailored to requirement). We score managers on four components of their RI&E approach:

1. philosophy, people and process
2. evidence of integration
3. engagement with portfolio companies
4. climate risk management.

Reflecting its importance, the RI&E component carries 13% of the weight in the overall score.

Private Equity

For our primary private equity funds, LGPSC conducts a review, every 2 to 3 years, of each fund's RI&E processes. We utilise the same five-pillar scoring framework (policy, people, process, performance, and transparency & collaboration) that we assess during the original due diligence. The review is based on literature provided by the fund and on responses to specific RI&E questions put to the manager. Following this, we rescore the manager on each pillar and assess whether they have improved since the initial due diligence. In 2021 LGPSC completed RI&E reviews for all the Funds within our 2018 Fund Vintage.

For our private equity co-investments, the RI&E Team worked closely with the Private Equity Team in 2021 to implement a KPI ESG programme. As part of this process, we established a set of RI&E KPIs, covering both generic metrics to be collected from all co-investments irrespective of sector, as well as metrics specific to the co-investment in question. On the latter, it was important to us that the KPIs were bespoke and covered the material ESG risks specific to the business model of the company in question. It is our intention to receive annual disclosures against the KPIs from each of our co-investments, allowing us to track their ESG performance on a regular basis. Examples of generic KPI metrics that are being collected on an annual basis include Scope 1 and 2 GHG emissions, staff turnover rate and lost-time incident rate. This will provide confidence that the companies we invest in are managing their ESG-related risks effectively.

3.2.4 Cross-team interaction in development of new LGPSC funds

Proposals for product development are discussed and challenged at the Investment Committee (IC) and the Private Markets Investment Committee (PMIC), which derives its authority from the IC and the Board. The Director of RI&E is a voting member of IC and PMIC. These committees scrutinise investment proposals at a preliminary stage and authorise appropriate expenditure in connection with full due diligence and negotiation of investments. The RI and Stewardship implications are first discussed and scrutinised during this initial preliminary review. A due diligence report, including due diligence by the RI&E Team, is presented to the IC or PMIC for scrutiny and final approval.

CASE STUDY

Launch of Infrastructure Fund

A recent example of cross-team interaction is provided by the Q1 2021 launch of the LGPSC Infrastructure Fund which invests in a variety of renewable energy solutions. The RI&E Team had full access to all the deal documentation and met with the ESG teams of the shortlisted managers. Due diligence showed that overall ESG integration and stewardship were strong at both managers, however areas for improvement were identified around supply chain management and one of the company's human rights' policies. We will re-assess and discuss the situation related to human rights risk oversight and management at the first review in 2022.

CASE STUDY

Due diligence for Targeted Return funds

LGPSC are looking at targeted return funds, i.e., funds that aim to achieve a positive total return in all market conditions over a specific timeframe. The intention is to create a pooled investment fund for targeted return to be launched in H2 of 2022. These fund types present challenges from an ESG integration perspective as they cover a range of strategies (to obtain a return across both falling and rising markets), and contain an asset mix that includes hedging strategies, bank loans and other securities for which ESG integration methodologies are still nascent. The RI&E Team conducted initial due diligence on the responses submitted by the asset managers, leveraging knowledge around leading practice when assessing various strategies used. For instance, looking at incorporation of specific ESG signals and data analytics into managers' quant models and investment analysis as well as other approaches such as using ESG Futures, where the weightings within the index are based on ESG scores. Further diligence was done via meetings with the senior representatives of the respective managers, where the LGPSC RI&E Team were able to clarify any points around their integration, monitoring and stewardship. Special regard was given to intent and forward-looking plans to build out their current KPIs and metrics across all the ESG pillars. It was interesting to note that the managers were using an ESG overlay not just to mitigate risk but also in many instances as a value creation lever for generating better returns.

PRINCIPLE 8 3.3 Signatories monitor and hold to account managers and/ or service providers

3.3.1 Monitoring of external managers

Active Equities

External fund managers are monitored in order to ensure the ongoing application and efficacy of their approaches to RI and stewardship. Managers report on a regular basis to LGPSC in respect of how engagement activities have been discharged during the period in review.

In 2021, LGPSC's external managers conducted 203 direct engagements with companies held in the Global Equity Active Multi-Manager Fund and Emerging Market Equity Active Multi-Manager Fund. We provide below some case studies of engagements undertaken by our managers.

Deere & Co, Union, LGPSC Global Equity Active Multi-Manager Fund

OBJECTIVE:
Disclosure improvements and implementation of a climate policy

SECTOR:
Industrials

ESG TOPICS ADDRESSED:
Transparency & Disclosure; Management Remuneration

ISSUE/ REASON FOR ENGAGEMENT:
The company was a middling ESG candidate, lacking a net-zero policy and general transparency on a number of ESG measures.

SCOPE AND PROCESS / ACTION TAKEN:
Union conducted repeated engagements with the company since Biden's election (which served as an impetus to develop their sustainability competencies before regulation forced them to do so).

OUTCOMES AND NEXT STEPS:
While the company does not use ESG KPIs as a criterion for manager remuneration, engagement efforts on this topic have been successful, and the company has committed to introducing these by 2023. Additionally, they are drafting a net-zero policy and have shown openness to integrating the UN SDGs into their practices. Union sees these actions as promising 'first steps' and hope to continue acting in an advisory role to help encourage Deere's continued ESG growth.

China Mengniu Dairy Company, UBS, LGPSC Emerging Market Equity Active Multi Manager Fund

OBJECTIVE:
Disclosure improvements

SECTOR:
Consumer Staples

ESG TOPICS ADDRESSED:
Strategy and Business Model; Transparency & Disclosure; Nutrition

ISSUE/ REASON FOR ENGAGEMENT:
China Mengniu scored poorly on the Access to Nutrition Index. This appeared to be due to the sole use of publicly disclosed information. In the past, other companies have had the opportunity to engage with the Access to Nutrition Foundation to share additional information and work towards enhanced practices and disclosures.

SCOPE AND PROCESS / ACTION TAKEN:
UBS co-led a collaborative engagement as part of their membership of the Access to Nutrition Network. There were a total of 30 investors supporting the engagement and 10 participating in the engagement meeting itself.

OUTCOMES AND NEXT STEPS:
The company has proved to be very receptive to the engagement and has requested a follow-up meeting with UBS and the Access to Nutrition Foundation to better understand best practices as well as the methodology of the Index. They have committed to enhance disclosure on existing practices and to enhance practices.

Engagement undertaken by LGPSC's external managers in 2021 has been comprehensive and robust. These managers are all long-term investors with sizeable positions in their highest conviction portfolio holdings, giving them excellent access to company management which they used effectively to drive company change. There were a few occasions where the level of engagement disclosure was unsatisfactory, or where the link between an engagement and subsequent investment decision-making was not clear. In these instances,

fund managers were marked down during our RAYG rating (red – amber – yellow – green) review and LGPSC discussed its concerns in the quarterly meetings.

An example of LGPSC changing the RAYG rating occurred in Q3 2021. Going into 2021, one of our managers achieved only a 'yellow' status due to concerns around the level of engagement being conducted. Compared to other managers, the number of engagements appeared low, and the accompanying description was poor. LGPSC initiated a dialogue with the manager around this issue and reiterated our expectations for managers' stewardship activities. Following this, the level of disclosure greatly improved. The manager now provides a full summary of their interactions with investee companies, and we are able to gain greater confidence that the manager is using their ownership position to maximum effect. We subsequently upgraded the managers engagement rating from a 'yellow' to a 'green'.

Fixed Income

LGPSC views engagement with fixed income issuers as essential and value accretive, both via information gains and via the potential to influence company management. LGPSC observes this belief when selecting and onboarding managers. We look for evidence of robust issuer engagement and any manager unable to provide this is marked down. Once appointed, LGPSC monitors engagements undertaken by fixed income managers during quarterly meetings. We seek to determine whether the manager is fulfilling the level of engagement that was pitched, and challenge accordingly if the response is unsatisfactory. These discussions subsequently feed into LGPSC's manager scoring system.

We consider our fixed income managers to have conducted meaningful and effective engagement in 2021. Throughout the year, LGPSC's external managers conducted 349 direct engagements with companies held in the Global Active Investment Grade Corporate Bond Multi Manager Fund, Global Active Emerging Market Bond Multi Manager Fund and Multi Asset Credit Fund. We provide below two case studies of engagements our managers have undertaken on our behalf.

HDFC Bank, M&G, LGPSC Emerging Market Debt Fund

OBJECTIVE:
To encourage better clarity on HDFC's policy on coal

SECTOR:
Financials

ESG TOPICS ADDRESSED:
Coal lending

ISSUE/ REASON FOR ENGAGEMENT:
To gain a better insight into the group's coal exposure and look for clearer disclosure on its policies around lending to coal companies.

SCOPE AND PROCESS / ACTION TAKEN:
M&G met with the company twice to discuss this issue.

OUTCOMES AND NEXT STEPS:
Following M&G's meeting, HDFC Bank committed to becoming carbon neutral by 2031/2032. As part of this initiative, the Bank is looking at reducing its emissions, energy and water consumption. While this is a step in the right direction, M&G still believe there is little visibility on whether the bank will be more direct in its communications around lending to the coal sector. M&G intend to monitor the situation for further progress.

National Grid, Neuberger Berman, LGPSC Global Active Investment Grade Corporate Bond Multi Manager Fund

OBJECTIVE:
(1) To gain a greater understanding of how the company is managing the physical climate risk facing parts of its asset base and;

(2) to encourage a repositioning towards electrical infrastructure assets and away from gas assets.

SECTOR:
Utilities

ESG TOPICS ADDRESSED:
Energy transition

ISSUE/ REASON FOR ENGAGEMENT:
Neuberger Berman have concerns over the long-term stranded asset risk and limited growth potential exhibited in the firm's gas transportation assets.

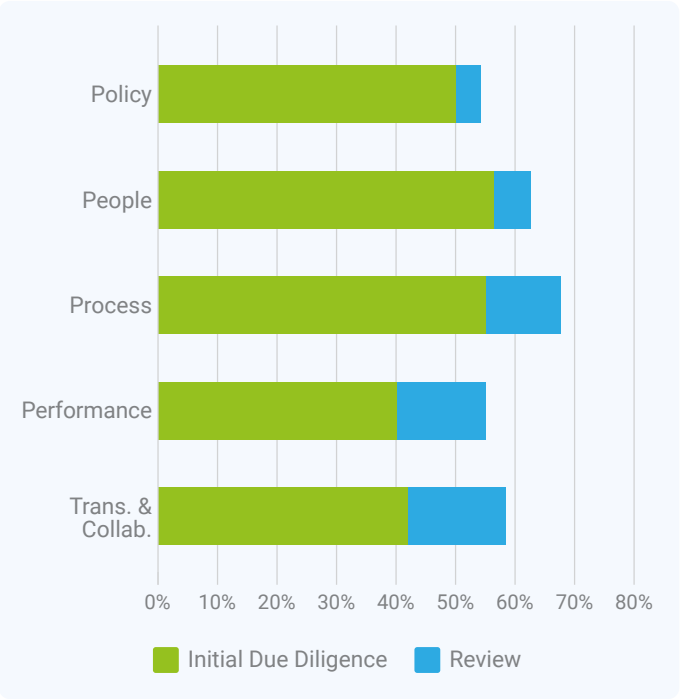
SCOPE AND PROCESS / ACTION TAKEN:
Neuberger Berman have been conducting engagement with the National Grid over several years, a programme which has included regular discussions with the issuer's management team, investor relations team, segmental managers, industry competitors, and regulators.

OUTCOMES AND NEXT STEPS:
As a result of the engagement, National Grid have agreed to an asset swap which significantly increases their exposure to fast growing infrastructure assets. The deal strengthens the company's role in building and operating the infrastructure required to meet the rising demand and changing energy mix that accompanies the low carbon transition. Neuberger Berman are encouraged by the capital allocation shift.

Private Markets

Private equity fund managers are monitored through regular RI&E reviews every 2-3 years. In 2021, all of our private equity funds took steps to improve their RI&E processes, reflected in improved ratings against our five-pillar scoring framework. Figure 3.3.1.1 provides a summary of the areas where our private equity managers made improvements in 2021.

Figure 3.3.1.1 RI&E improvements between the initial due diligence and review



At a high level, we observed the following trends within our 2021 Private Equity RI&E Reviews. GPs are rapidly expanding their RI&E resource. A number of our managers are hiring dedicated ESG professionals, initiating ESG working groups and utilising external advisors to provide RI training for all staff members. In turn, we've seen an increase in the number of GPs collecting ESG data from their portfolio companies. Transparency has also improved, with more GPs offering annual ESG reports and material incident reporting to LPs. While these trends are positive, we are conscious that private markets continue to lag public markets in several aspects, so we will continue to engage with our private equity managers on these areas. A particular focus point for LGPSC in 2022 includes pushing for even greater transparency as we would like to see greater standardisation in the metrics reported across different PE funds.

As part of our KPI monitoring programme we reached out to 80% of our co-investment GPs in 2021. During meetings with the GPs, we noted that collecting comparable and standardised data on our co-investments would prove challenging due to the different RI&E programmes and approaches that each GP employs. To overcome this challenge, we worked closely with each GP to identify areas where we can currently collect data, and areas which would require further work and engagement with the co-investment firm to bring relevant information to light. In addition, we will challenge the GP if we believe they are not engaging enough with the co-investment firm on issues we deem material. Currently we are satisfied with the GP's monitoring efforts but will continue to work with them on any areas we believe require enhancements in the future. We provide our Partner Funds detailed reporting on each co-investment's RI&E KPIs.

In Q1 2021 we reached out to one of our GPs to establish RI&E KPIs for a co-investment firm. The GP provided an overview of its current monitoring efforts, which included an ESG dashboard and impact KPIs. LGPSC found the monitoring and KPI programme to be highly comprehensive and detailed, exceeding our expectations. Through its due diligence and KPI monitoring, the GP identified several areas that the co-investment could improve. As a result, the GP engaged with the firm to create an action plan, which included a 5-year ESG journey strategy and an environmental impact assessment. The GP was very transparent, sharing metrics and underlying data and welcomed LGPSC's input on KPI development. Moving forward, LGPSC will receive updated disclosure against the dashboard and KPIs on an annual basis, allowing us to track the progress of the Firm. In addition, we will continue to meet with the GP on an annual basis to discuss any areas we believe require enhancements in the future.

Future developments to the manager monitoring

We plan to undertake a three-yearly review in 2022 of our Active Equity and Fixed Income managers. While we attend regular monitoring meetings, these reviews will include a deep dive of the managers RI processes so LGPSC can ensure their ESG integration remains best practice.

In the private markets space, we intend to continue our private equity RI&E reviews. We also envisage that this practice will be rolled out to our private debt, infrastructure and property investments once these are finalised. In the co-investments space, we intend to work with our GPs to improve the quality of data being disclosed. As part of this, LGPSC has recently become a supporter of the ESG Data Convergence Project, an initiative which aims to standardise ESG data across the private equity industry, and eventually private debt industry, by providing one set of metrics for companies to report against. We contacted all of our GPs to identify whether they have joined or intend to join this project and will work with our GPs over the next year to encourage participation.

This structure is further evidence of LCPSC's commitment to integrating RI across Investment Teams and our belief that RI is not just a prerogative of the RI&E Team, it is something that all colleagues need to embrace if we are to realise the benefits in full.

3.3.2 Review of EOS' services

LGPSC holds, at minimum, one client service review meeting per year with EOS to discuss our overall satisfaction with their services, any issues over the last period; alongside engagement and voting trends and voting policy reviews. However, we meet more frequently during the year to discuss specific votes and engagements and we find this ongoing dialogue to be extremely helpful particularly during proxy voting season. The EOS Team also attend our quarterly PAF RI WG meetings, which gives our Partner Funds the opportunity to ask specific questions about engagements and prioritisation. Further to this, there are multiple touchpoints for clients to review EOS' activities, by way of regular reporting (client portal, quarterly and annual reporting) and opportunities to provide feedback, for instance through EOS' semi-annual client conference which hosts client-only discussion forum.

The RI&E Team undertakes an annual review of EOS' services to provide assurance to the Investment Committee that the Stewardship Provider, EOS at Federated Hermes, is delivering sufficiently against the terms of the contract. This document is issued to and approved by the Investment Committee on an annual basis. See below an extract from the 2021 review, which highlights Q3 engagement and voting data as full-year data at this point was not yet available.

Summary for 2021 review:

- Provider has given generally strong and value-adding services to LGPSC, including close dialogue during voting season related to LGPSC's Voting Watch List
- Provider has given direct support to Partner Funds through participation at virtual RI Day in October 2021 and at all PAF RI Working Group meetings during the year.

KPI AREA	*KPI REVIEW*
Global engagement	Engaged 212 companies, with a regional and thematic breakdown shown in Appendix 1.
Engagement quality	At least one milestone was moved forward for 39% of current engagement objectives (year to end Q3 2021).
Voting coverage	Made voting recommendations at 332 meetings, with a regional breakdown shown in Appendix 3.
Client service	Majority of queries to EOS were dealt with in less than 24 hours, but with some timeliness issues during the last months of 2021 (see immediately below).
Complaint handling	Head of Stewardship has had dialogue with EOS' Director of Business and Client Development following a change of client relationship manager in October 2021, to discuss concerns around timeliness in responses to LGSPC queries. EOS has come up with a solution whereby any email to EOS will go to both our client relationship manager and to an email account set up specifically for LGPSC, to avoid any requests not being picked up.
Client service meeting	Several meetings held pre, during and post voting season 2021 relating to planning of voting season, overall feedback on EOS' services, hand-over meeting between previous and new client relationship manager, and a separate meeting with Head of EOS' Client Relations.
Reporting punctuality	Reporting on schedule for Q1, Q2 and Q3 2021. Data for the Global Multifactor Fund was initially missing for Q1, but there was quick turnaround on EOS' side when the missing data was discovered so no impact on our delivery to PFs.
Reporting quality	Overall good quality.
Team stability	Staff turnover during 2021 was just below 32%. This is a much higher number than previous years (10% for 2020 and 19% for 2019). EOS says this increase in turnover is due to unprecedented demand and competition for ESG/stewardship experience and talent in the market, particularly in the UK. They remain confident of their ability to attract the best engagers, currently EOS' employs 40 engagers, and that the situation will normalise going forward.

04 Engagement

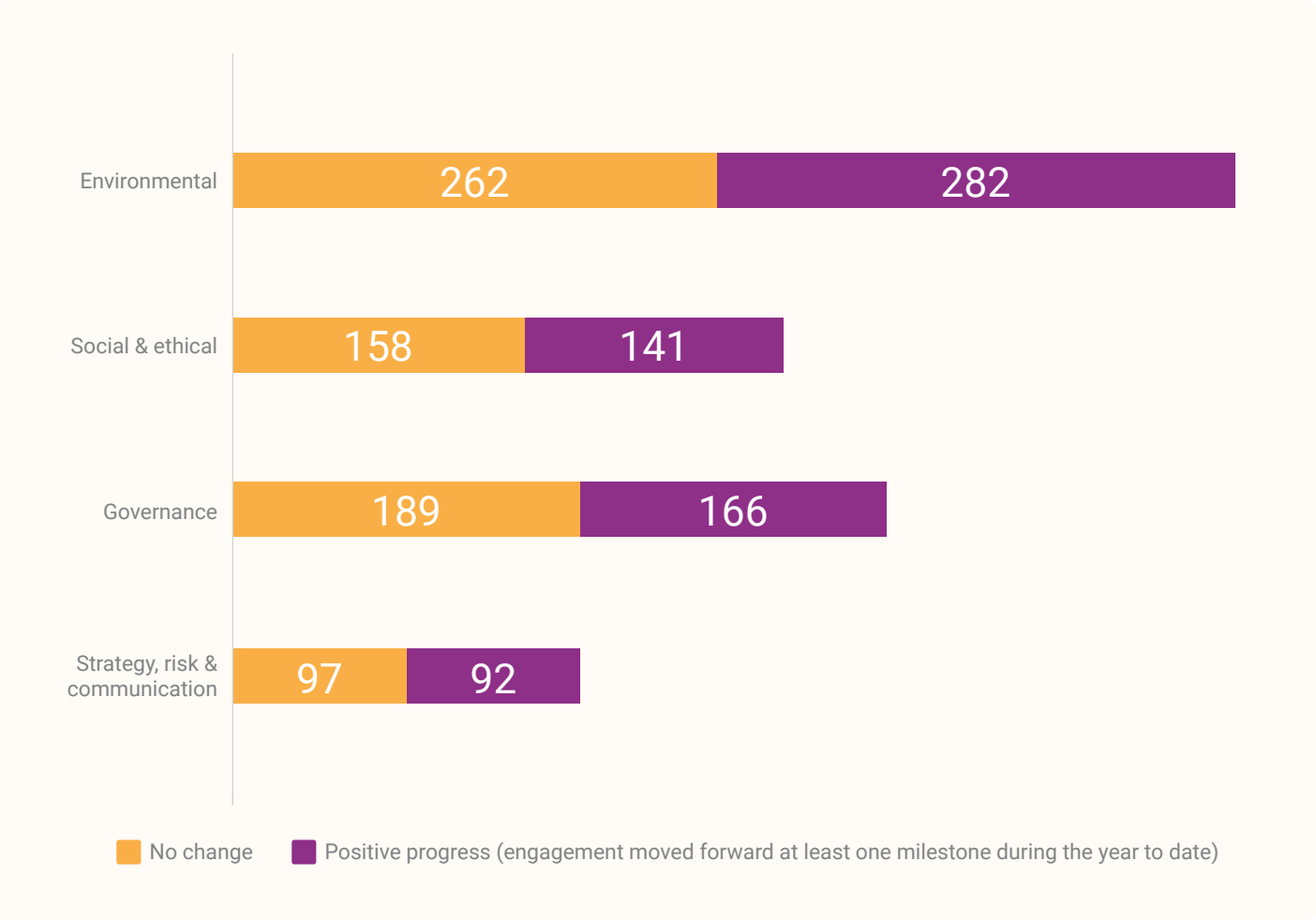
PRINCIPLES 9-11

PRINCIPLE 9 4.1 Engagement with issuers

Alongside our own direct engagements, we have partners that engage companies on our behalf: EOS at Federated Hermes (Stewardship provider to LGPSC) and the Local Authority Pension Fund Forum (LAPFF). Through these partnerships, LGPSC was able to engage more than 1000 companies on material ESG related issues in the course of 2021. Below we give further detail to a selection of engagements, how they are progressing and what outcomes have been achieved during the reporting period.

Most of these engagements were conducted by EOS who engaged with 888 companies on 3,375 environmental, social, governance, strategy, risk and communication issues and objectives[5]. EOS takes a holistic approach to engagement and typically engage with companies on more than one topic simultaneously. Near 40% of engagements centred around governance issues, and close to 30% involved discussions on environmental issues. 1,951 of the issues and objectives engaged in 2021 were linked to one or more of the UN Sustainable Development Goals (see Figure 4.1.2 below). **At least one milestone[6] was moved forward for about 49% of EOS' engagement objectives during the year.** Figure 4.1.1 below describes how much progress has been made in achieving the milestones set for each engagement.

Figure 4.1.1 Progress against engagement objectives in 2021

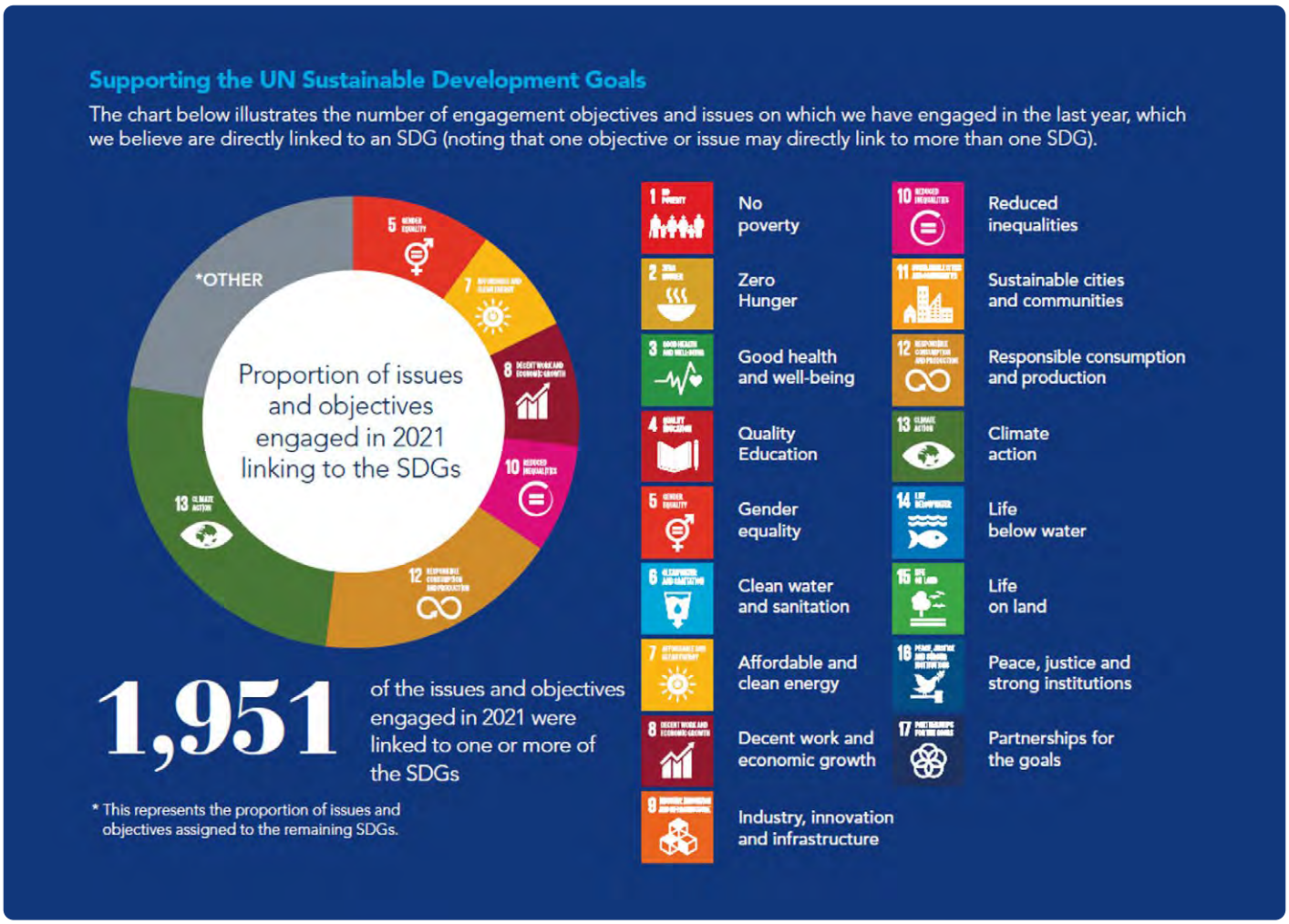


[5] Our Stewardship provider EOS distinguishes between engagement issue and engagement objective. Specific engagement objectives will be set at the beginning of company dialogue and progress is measured on these through a proprietary milestone system. An issue is a topic EOS has raised with a company in engagement, for instance around the time of an AGM, but where a precisely defined outcome for the engagement has not been set in advance. This can be more appropriate if the issue is of lower materiality and EOS would not anticipate engaging with the frequency required to pursue an engagement objective.

[6] EOS' proprietary milestone system allows tracking of engagement progress relative to the objectives set at the beginning of interactions with companies. The specific milestones used to measure progress in an engagement vary depending on each concern and its related objective. They can broadly be defined as follows:

- **Milestone 1** Concern raised with the company at the appropriate level
- **Milestone 2** The company acknowledges the issue as a serious investor concern
- **Milestone 3** Development of a credible strategy/Stretching targets set to address the concern
- **Milestone 4** Implementation of a strategy or measures to address the concern

Figure 4.1.2 Engagement supporting the UN Sustainable Development Goals



LGPSC and all our Partner Funds are members of the Local Authority Pension Fund Forum (LAPFF). LAPFF conducts engagements with companies on behalf of local authority pension funds. In 2021, LAPFF engaged 165 companies through more than 97 meetings across a spectrum of 299 material ESG issues. In these engagements, LAPFF saw 123 instances of improvements or change in progress.

During 2021, LGPSC's external managers conducted 203 direct engagements with companies held in active equity funds, and 349 engagements with companies held in fixed income funds on our behalf. Overall, we view these engagements as comprehensive and robust. Our external managers are all long-term investors with sizeable positions in their highest conviction portfolio holdings, and we expect them to use this lever to effectively drive company change on a material ESG issues. Topics covered during 2021 include, amongst others, environmental management and climate change, energy transition, greater focus and disclosure of health and safety within ESG priorities, data protection and information security risk, and forced labour issues in supply chains. See further detail and examples under Section 3.3 above, and Section 4.3 below.

4.1.1 Stewardship Themes

It is not feasible to engage all companies we hold through ACS portfolios (currently c2,900 companies held across equity portfolios), even with the assistance of a high-calibre external stewardship specialist. Identifying core themes that are material to our investment objectives and time horizon, and that are perceived to be of relevance to stakeholders, helps prioritise and direct engagement.

In collaboration with our Partner Funds, we have continued engagement on four themes that are in scope for engagement over rolling three-year periods, subject to annual review. For the reporting period 2021 these were:

- Climate Change,
- Plastics,
- Fair and Transparent Tax Behaviour, and
- Technology and Disruptive Industries Risks.

4.1.2 Stewardship Theme engagements - progress and outcomes

4.1.2.a Climate Change

STEWARDSHIP STRATEGY:

Engagement is done through key collaborative initiatives including CA100+, Institutional Investor Group on Climate Change (IIGCC) and the Transition Pathway Initiative (TPI).

MEASURES OF SUCCESS:

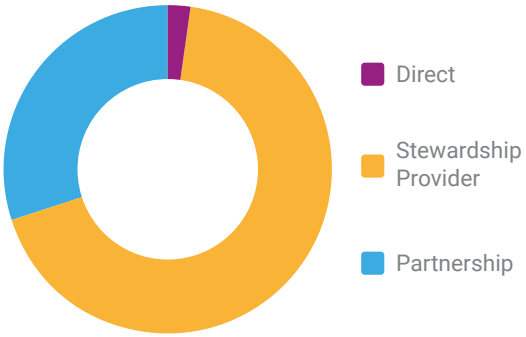
We assess progress against the underlying objectives of the CA100+ engagement project, and against improvements on TPI score for management quality and carbon performance. Our aims are:

- To lead or be in the focus group of at least five CA100+ company engagements over the next year, prioritising engagements that overlap with companies that are identified as high risk within Partner Fund Climate Risk Reports
- To see progress in the CA100+ Benchmark Framework (launched March 2021)
- To see improvements on TPI score for management quality in key engagements
- To see improvements on TPI score for carbon performance in key engagements

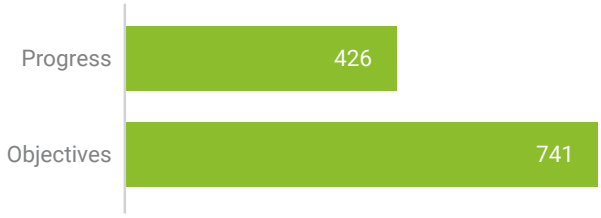
ENGAGEMENT HIGHLIGHTS DURING 2021:

- 627 companies engaged on 978 climate-related issues and objectives with progress on 426 specific objectives out of 741 total objectives set.
- Ongoing engagement with 68 banks on Paris-alignment and protection of biodiversity. 50 banks have responded and 19 confirmed they will publish new climate targets in connection with COP26, the end of the year, and/or their 2022 AGM. This includes **BBVA**, **BNP Paribas**, **Citigroup**, and **Standard Chartered**. See more detail in Section 4.3 below.
- Investor expectations on **Paris-aligned accounting** were communicated to 36 European energy, material and transportation companies in 2020, and again reiterated in letters to 29 of the same companies in November 2021 as we have not seen sufficient progress. See more detail in Section 4.2 below.
- **Progress on TPI score**: EOS on our behalf engaged over 250 companies that fall short on TPI score (against an expectation that European companies, coal mining and oil & gas companies need to be at level 4 in climate management quality), with a high level of response. During 2021 we opposed the election of the responsible director for climate change (usually the Chair) at over 100 companies, including **Canadian Natural Resources** and **China Resources Cement Holdings**.
- **Progress against CA100+ benchmark**: Data as of March 2021 from CA100+ shows that 52% of the world's largest emitters have net-zero goals, but only 20% have short and medium-term emissions reduction targets, and only 7% have targets aligned with the Paris Agreement. Gaps also remain in aligning capital expenditure plans with net-zero ambitions and in linking delivery of climate targets with remuneration. Climate policy lobbying also remains an area of concern, where most companies need to improve processes and transparency around how they ensure alignment with their own climate positions and the advocacy done on their behalf through industry associations.
- In 2021, we voted against directors at companies that were failing to address deforestation risks, including at **Yakult Honsha**, **Li Ning Company**, and **WH Group**. Going into 2022, we will specifically include biodiversity in our engagement efforts related to climate change. We will amongst others initiate engagements to fulfil a commitment to tackle agricultural commodity-driven deforestation and help drive the shift towards sustainable production and nature-based climate solutions (see further detail in Section 4.2 below).

ENGAGEMENT VOLUME BY TYPE:



ENGAGEMENT VOLUME BY OUTCOME:



CLIMATE ENGAGEMENT CASE:

In the role of co-lead for CA100+ engagement with **Centrica**, we have been in frequent and constructive dialogue with the company to discuss their climate strategy and to provide views on its climate transition plan.

We were pleased to see the company set a clear net-zero by 2045 commitment accompanied by short- and medium-term targets in the transition plan. We also welcome the company's clear ambition to help customers decarbonise by 2050, e.g., through decarbonisation of heat. We explained our expectations relating to the indicators of the CA100+ benchmark and pointed to areas where the company would need to make further commitments to align with the benchmark. This includes short-term target setting (up to 2025) that substantiates a clear Net-Zero pathway this decade. Investors would also like to see a commitment from the company to decarbonise its electric utility power generation by 2035.

The company is enhancing transparency on climate policy lobbying in the climate transition plan, which we welcome. We encourage further transparency around policy barriers so that investors can support specific policy action that will help achieve net-zero for the company and its sector.

4.1.2.b Plastic pollution

STEWARDSHIP STRATEGY:

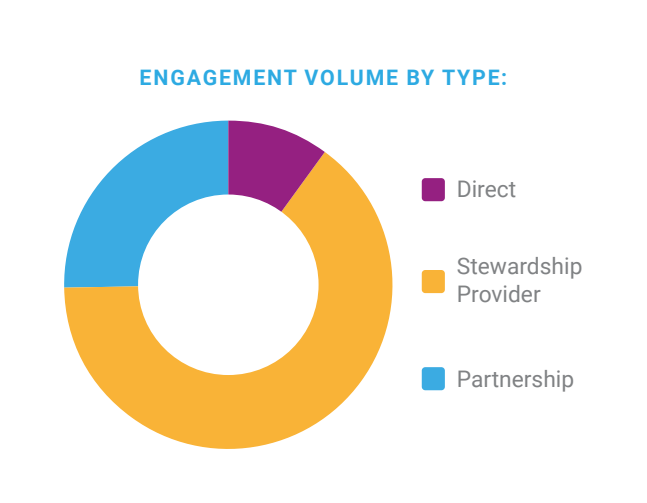
We will leverage investor collaboration opportunities for instance through the PRI Plastics Working Group and Investor Forum's Marine Plastic Pollution project. Voting will be engagement led, and we will consider co-filing or supporting shareholder resolutions that relate to better risk management (reduce plastic use, reduce plastic waste, increase recycling, invest in relevant R&D).

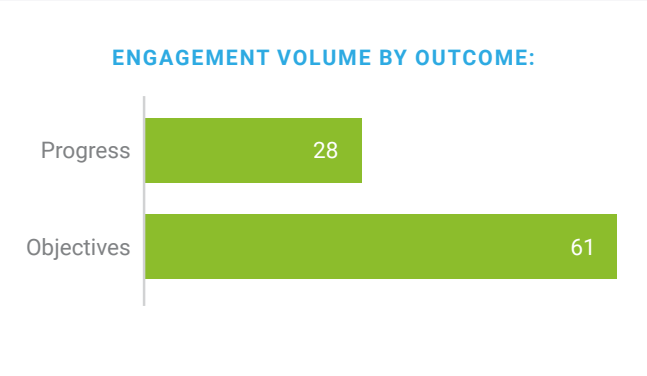
MEASURES OF SUCCESS:

- We aim for positive interactions at senior levels of target companies and acknowledgement of plastic as a business risk, along with commitments to strategies or targets to manage those risks
- We aim to lead or be part of at least five plastics-related company engagements over the next financial year
- We aim to support investor expectations – e.g., as expressed by the PRI Working Group – in dialogue with companies

ENGAGEMENT HIGHLIGHTS DURING 2021:

- 57 companies engaged on 71 plastics and circular economy related issues and objectives, with progress on 28 specific objectives out of 61 total objectives set
- LGPSC member of collaborative engagement led by Dutch investor Achmea Investment Management with seven **packaging companies**, to reduce, re-use and replace fossil-fuel based plastics
- 2-3 meetings have been held with each of the packaging companies in 2020-2021 asking for more transparency on materials used, (more ambitious) targets for the use of more sustainable and circular materials, and ESG performance indicators in executive remuneration. **Companies respond positively to our asks e.g., by introducing SASB reporting standards providing more insight into materials used.** Most companies focus on increasing the use of recycled plastics, although pace and ambitions vary. **We see progress with companies on adding ESG related KPIs in remuneration**
- Collaborative engagement led by First Sentier Investors engaging 13 companies to help **combat microplastics pollution** to the environment (see case study below)
- Launch of first **industry specification to prevent plastic pellet pollution** co-sponsored by LGPSC alongside nine other institutional investors through an Investor Forum led multi-stakeholder project
- Businesses and investors, including LGPSC, have called for **UN treaty on plastic pollution** (plasticpollutiontreaty.org – agreement has since been found to negotiate a treaty (See further detail below in Section 4.2)).





CASE STUDY:

Through a **micro-plastics engagement project** led by First Sentier Investors, we seek to encourage domestic and commercial washing machine manufacturers to add filter technology as standard to all new washing machines produced by the end of 2023. This is to help combat microplastics pollution to the environment, a problem caused in large proportion by synthetic textiles which release microfibres (a type of microplastic) when washed. A first round of engagements with 13 target companies[7] have been concluded by the investor group this year.

At the AGM of **Sainsbury's** and through subsequent dialogue with the investor group, **the company is taking positive steps to engage its washing machine manufacturers and aims to introduce products with microplastic filters within the next 18 months.** We also welcome recommendations from the "All Party Parliamentary Group on Microplastics" issued in 2021, which could be influential in determining the direction of government policy in this area. The key recommendation in relation to microfiber filtration is to: *"Introduce legislation and standards which require microfibre filters to be fitted into all new domestic and commercial washing machines from 2025."*

[7] Arcelic, Dixons Carphone, Electrolux, Haier Group, Hitachi, Koc Holdings, LG Electronics, Midea, Panasonic, Sainsbury's, Samsung, Sharp and Whirlpool

4.1.2.c Responsible Tax Behaviour

STEWARDSHIP STRATEGY:

We will leverage investor collaboration opportunities for instance through PRI Tax Investor Working Group and a Tax Roundtable (led by NBIM (Norway) and APG (Netherlands). Voting will be engagement led, and we will e.g., consider co-filing or supporting shareholder resolutions that relate to better risk management (through tax policy, board oversight, country-by-country reporting).

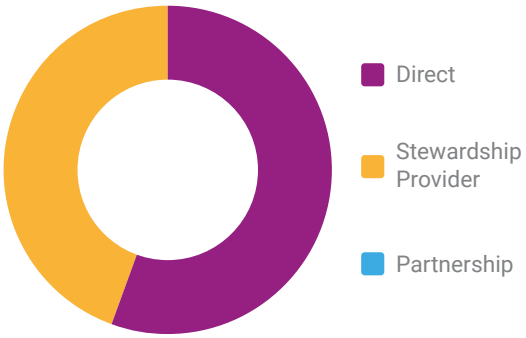
MEASURES OF SUCCESS:

- We aim for positive interactions at senior levels of target companies and acknowledgement of lack of tax transparency as a business risk, along with commitments to strategies or targets to manage those risks
- We aim to lead or be part of at least five tax-related company engagements over the next financial year
- We aim to support investor expectations – e.g., as expressed by the GRI tax standard and the UK Fair Tax Mark – in dialogue with companies

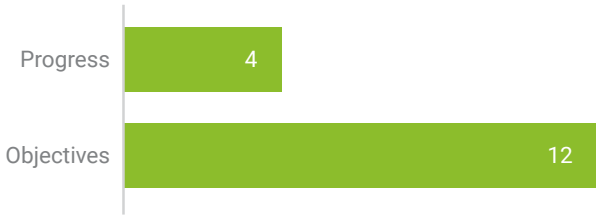
ENGAGEMENT HIGHLIGHTS DURING 2021:

- 14 companies engaged on 16 tax related issues and objectives, with progress on four specific objectives out of 12 total objectives set
- LGPSC has continued collaboration with four other, European investors which is a sub-group to a broader Tax Roundtable led by Norges Bank Investment Management and APG
- Group has sought **engagement with six companies across technology, telecommunications, finance and mining sectors where a low effective tax rate was an initial concern with several of these**
- Key asks: Board oversight of tax policy and risk assessment; disclosure of tax strategy and policy; robust management of tax related risks, including preferably a country-by-country tax disclosure; link between company's purpose, sustainability goals and tax strategy; engagement with tax policy makers and other stakeholders
- **Two out of the six companies have during this engagement signalled an intention to publish a stand-alone tax report which will provide country-by-country tax-relevant information**, and thus increase transparency in line with our expectations
- Co-signed a letter to the European Parliament supporting a draft directive on **public country-by-country reporting (CBCR)** in the EU.

ENGAGEMENT VOLUME BY TYPE:



ENGAGEMENT VOLUME BY OUTCOME:



CASE STUDY:

Together with three fellow European institutional investors we have had constructive engagement with a **global business services company** to discuss tax transparency and responsible tax behaviour. A core expectation from investors is that the company share tax-relevant Country-by-Country Reporting (CBCR) with shareholders so that we can make a meaningful assessment of their tax behaviour. We were pleased to hear that **the company is considering publishing a stand-alone tax report that would enhance the disclosure of the company's approach to tax and its tax policies and may also give greater granularity on where tax is paid.** In addition to its corporation tax contributions, the company makes significant tax contributions via its employee taxes (reflecting the company's highly skilled employee base). The company is considering ways of enhancing transparency for instance by providing information on where employees are based alongside where taxes are paid. We also encourage the company to explain its use of low-tax jurisdictions and to provide assurance that this correlates well to the company's business and strategy. The company explained that the Board takes a keen interest and receives regular reports on long term strategic tax issues.

It seems clear that the company wishes to understand best practice for tax transparency and is embarking on a benchmarking exercise for that purpose. The investor group welcome these developments, alongside the company's ongoing revision of its Tax Policy. We will continue dialogue with the company to understand how its tax transparency work is progressing and to what degree industry standards like the Global Reporting Initiative tax standard[8] can be used in this regard.

[8] The Global Reporting Initiative (GRI) Tax Standard is the first global standard for comprehensive tax disclosure at the country-by-country level. It supports public reporting of a company's business activities and payments within tax jurisdictions, as well as their approach to tax strategy and governance.

4.1.2.d Technology and disruptive industries risk

STEWARDSHIP STRATEGY:

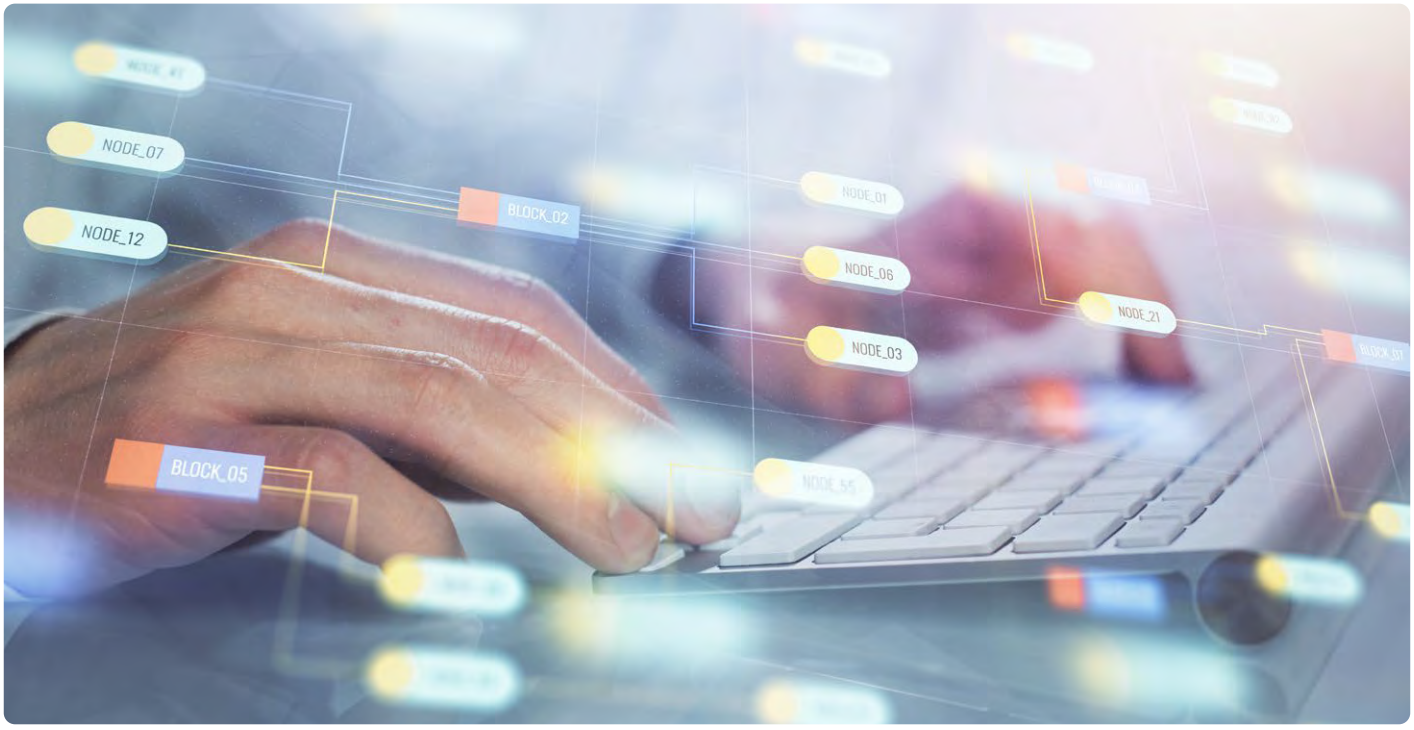
We will leverage investor collaboration opportunities for instance the New Zealand Crown-owned investors' coalition aimed at eliminating terrorist and violent extremist content online. Voting will be engagement led, and we will e.g., consider co-filing or supporting shareholder resolutions that relate to better risk management on social media content control and human rights risks.

MEASURES OF SUCCESS:

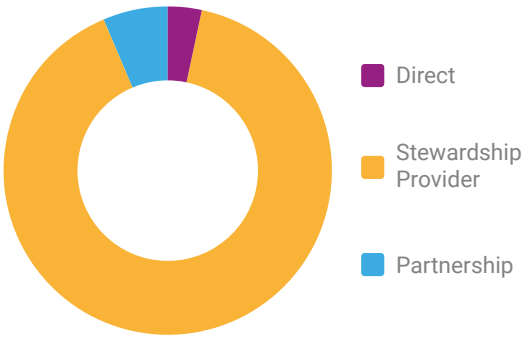
- We aim for positive interactions at senior levels of target companies and acknowledgement of the above-mentioned risks faced by many tech companies.
- We aim to lead or be part of at least five engagements with tech companies over the next financial year.
- We aim to support benchmarks such as Ranking Digital Rights, the Workforce Disclosure Initiative and SASB's Content Moderation taxonomy.

ENGAGEMENT HIGHLIGHTS DURING 2021:

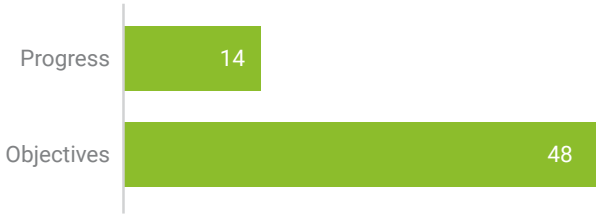
- 37 technology companies engaged on a range of 79 ESG risks including governance, cyber security, supply chain risks, social media content control and broader human rights risks. Progress was seen in 14 cases against a total of 48 specific objectives
- **LGPSC has been part of two collaborative initiatives: one focusing on social media content control, and one addressing human rights more broadly**
- In the face of COVID19 and a highly polarised US presidential election November 2020, the social media content control engagements garnered momentum through pressure from advertisers and other stakeholders (including World Federation of Advertisers) on harmful content including hate speech and aggression
- While initially hard to engage, the three companies in scope of social media content control engagement (**Facebook**, **Twitter** and **Alphabet**) have taken steps during 2020 – 2021 to strengthen controls and to prevent the live streaming and distribution of objectionable content
- Human rights risks engagement initiative has built momentum after Investor Expectations were published, including engagement with **Facebook** on their newly launched Human Rights Policy, and **Amazon** on their recent Human Rights Impact assessment



ENGAGEMENT VOLUME BY TYPE:



ENGAGEMENT VOLUME BY OUTCOME:



CASE STUDY:

We have over the last two and a half years engaged the world's three largest social media companies, **Facebook**, **Twitter** and **Alphabet**, specifically on the issue of social media content moderation. This engagement has been led by the Guardians of New Zealand Superannuation (Guardians) alongside the New Zealand government-owned investors and supported by more than 100 investors globally. This project, which as of H2 2021 is drawn to a close having seen some significant progress, adds to growing investor scrutiny on the critically important role of social and traditional media in our societies. **The platforms have all moved to strengthen controls to prevent the live streaming and distribution of objectional content.** However, it is a difficult job for investors to assess if these changes are appropriate for the scale of the problem and a continued focus on the evolution of preventative safeguards will be needed.

The issue of content moderation is becoming one of the defining legal and socio-political issues of our time. It deserves its own body of specialist expertise stretching across a range of academia, law and policy. Our expectation is that these companies carry out their duty of care with absolute resolve, and while we've seen some good progress throughout our engagement – the goal posts keep moving and the companies need to remain focused on managing this. **The engagement project received Stewardship Initiative of the Year award at the UN PRI 2021 Awards for its success in engaging these multinational giants.** Key elements of its success lie in building a large investor coalition, escalating the engagement, and discussing specific steps companies can take to tighten controls as well encouraging more transparency about their ongoing work and interaction with various stakeholders.

4.1.3 Engagement on themes and issues outside of Stewardship Themes

Engagement case: Diversity

Japanese boards have one of the lowest proportions of female representation in developed markets and as a member of the 30% Investor Club we very much welcome recent developments with the 30% Investor Club opening a 30% Investor Club Chapter in Japan in May 2019. Over the last 18 months, we have together with fellow 30% Investor Club members, and led by Royal London Asset Management, engaged a **Japanese bank** to encourage better diversity and to seek more disclosure on diversity-related policies. A general hurdle to achieving greater diversity at board level in the Japanese market is the fact that historically, Japanese women in their 40's and 50's gave up their careers to raise families. **It is therefore particularly welcome that the company recently appointed a woman to the Board** who had been on the management team since 2019, and with the company since 1987. This brings female representation at the Board to 13%. This move does not seem to have entailed broader changes to the Board's nomination policies and the low number of female executives remains an obstacle to greater diversity. An objective for this engagement was to encourage the company to join the 30% Club, and we were pleased to see the company take this step during H1 of 2021. While we would like the company to set more ambitious targets for diversity at all levels of the organisation, we note that the company aims to achieve increase in diversity by looking at recruitment and supporting women in career positions from early on. This engagement will continue alongside new engagements with a selection of other Japanese companies based on our exposure and/or their less than 10% gender diversity at board level in 2020, to be commenced in Q2 2022.

Combatting modern slavery

Over the last two years, LGPSC has been a member of a collaborative investor-initiative convened by Rathbones Group Plc (Rathbones) that has successfully encouraged laggard **FTSE 350 companies** to meet the reporting requirements of Section 54 of the Modern Slavery Act 2015. According to the Act, companies with a turnover of more than £36 million per year must publish a modern slavery statement and ensure that the statement is approved by the board; signed by a director; and reviewed annually and published on the company's UK website. During 2021, we engaged 61 FTSE350 companies asking for Modern Slavery Act compliance. **As per end 2021, all companies have responded and are now compliant.** Initial positive responses have given an opening for meetings to discuss companies' approaches to modern slavery. This is an important step beyond the initial ask of compliance with the Modern Slavery Act, to focus on the content of the statement and to enable investors an understanding of the key risks facing individual companies.

In June 2021, we joined Rathbones in engagement with a **UK retailer** who has chosen to broaden its net zero climate strategy to include social risks, aiming to capture the interlinkages that exist between environmental and social factors. Human rights as a theme gets specific attention through a working group with a direct line to the company Board. In 2017, **the company established a Modern Slavery Risk tool which has since been extended to include all human rights risks**. The tool is both product and region specific and it is possible to select specific risks (for instance gender, forced labour, child labour) but also assess the broader risk picture. The company strives to continue embedding the tool further in its business functions. Areas of increasing concern in relation to modern slavery are transport and haulage, as well as sea freight. **We commended the company for its detailed modern slavery statement and for the high level of transparency around high-risk areas.**

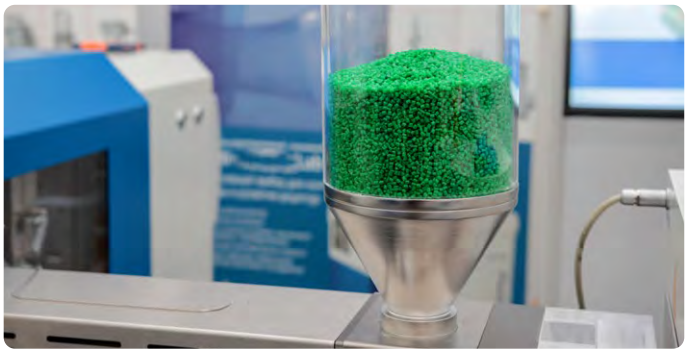
PRINCIPLE 10 4.2 Participation in collaborative engagement to influence issuers

LGPSC has continued active involvement in several strong investor collaborations that pursue better corporate standards across ESG issues, including for several Stewardship Themes[9], during 2021. The pool has also supported theme-relevant industry standards and benchmarks, which clarify investor expectations of companies and provide a mechanism for measurement of progress. For a list of initiatives that LGPSC actively supports and engages with, we refer to Section 2.4 above.

Examples of collaborative initiatives of particular importance to LGPSC's stewardship effort in 2021:

Accounting and Audit of climate risk

LGPSC has over the last two years been a member of an investor coalition, led by Sarasin and Partners LLP, engaging both auditors and companies asking for the provision of Paris-aligned accounting. **Investors expect that directors of companies that face material climate risk consider these risks in their financial statements and make disclosures accordingly.** If climate risk is not considered, the longevity and value of assets held by the company may be over-estimated, which could lead to capital being misdirected. The IIGCC Investor expectations for Paris-aligned Accounts that were communicated to 36 European energy, material and transportation companies in November 2020, were again reiterated in **letters to 17 of the same companies in late 2021/early 2022 as we have not seen sufficient progress.** An increasing number of investors are setting a net-zero by 2050 ambition at portfolio level, including LGPSC. It is critical that we have the component building blocks including full clarity on climate risk held at individual company level, how this risk is being managed and companies' transition trajectories. Companies themselves are also setting net-zero by 2050 targets and we expect them to make net zero accounting adjustments in line with such an ambition. Should a company not use a 2050 net-zero pathway as their base case for their financial statements – for instance, because they do not believe this is the most likely outcome – we are still asking them to disclose how the entity's financial position would likely be impacted by such a pathway in the notes to the accounts. Our strategy is to maximise engagement leverage with investee companies to ensure a transition that can achieve net-zero. In the letters sent out most recently, companies are made aware that **an increasing number of investors may be voting against Audit Committee directors' reappointment, the financial statements or the company auditor, where high-risk companies fail to meet the expectations for Paris-aligned accounting.**



Plastic pellet industry standard and UN treaty on plastic pollution

Billions of plastic pellets or "nurdles" make their way into the natural environment each year, which poses a serious threat to the ecosystem and potentially also a health threat to people. LGPSC has collaborated with the Investor Forum, peer investors and other stakeholders including Marine Scotland, the British Plastics Federation and the British Standards Institute to sponsor and create the first **industry specification to prevent plastic pellet pollution**. The new specification, a so-called Publicly Available Specification (PAS), was formally launched in July 2021 after nine months of preparation by an expert group. We consider the publication of this standard as positive progress which will start to direct corporate behaviour. We intend to use the plastic pellet PAS as a direct reference in engagement with relevant industries, for example in ongoing engagements with packaging companies and plastics manufacturers. Another interesting industry development is businesses and investors, including LGPSC, calling for **UN treaty on plastic pollution** (plasticpollutiontreaty.org – agreement has since been found to negotiate a treaty[10]). The aim of a treaty would be to establish a coordinated international response that aligns businesses and governments behind a shared understanding of the causes of plastic pollution, and a clear approach to addressing them.

[9] Confer with response to Section 4.1.2 above for further detail on LPGS Central Stewardship Themes

[10] On 2 March 2022, Heads of State, Ministers of environment and other representatives from 175 nations endorsed a historic resolution at the UN Environment Assembly (UNEA-5) today in Nairobi to End Plastic Pollution and forge an international legally binding agreement by 2024. The resolution addresses the full lifecycle of plastic, including its production, design and disposal.

Tax transparency

We have co-signed a letter to the European Parliament supporting **public country-by-country reporting (CBCR)** in the EU coordinated by the PRI[11]. We view it as vital that multinational companies provide disaggregated information on taxes paid in all countries and across operations. **The EU legislation was adopted in November 2021** and will require public reporting of certain information such as revenues, number of employees, profit or loss before tax, tax accrued and paid, accumulated earnings, stated capital and tangible assets. Many multinationals already report revenue, profit and tax paid by territory to tax authorities as part of a requirement under the OECD Base Erosion and Profit Shifting guidelines. These large multinationals therefore already collect CBCR data and could readily report it to stakeholders more broadly. CBCR is crystallising as best practice in tax transparency. The most widely used sustainability reporting framework, the Global Reporting Initiative, has launched a Tax Standard which includes CBCR. This provides companies with a ready-made and consistent format. While only a minority of multinationals currently provide shareholders and other stakeholders with CBCR, those that do view it as an opportunity to "demystify" tax and have expressed to us that it has largely been well received by stakeholders.

Deforestation given heightened attention during COP26

During COP26 negotiations in Glasgow in November last year, LGPSC alongside 30 financial institutions, made a commitment to tackle agricultural commodity-driven deforestation and help drive the shift towards sustainable production and nature-based climate solutions. **This commitment encourages a focus on active ownership and ongoing stewardship as the principle means to work towards portfolios that are free from forest-risk agricultural commodity-driven deforestation activities**, as part of a global transition towards sustainable production, supply chains and associated investment and financing opportunities. The aim is to achieve "real world" impact in halting some of the most common causes of deforestation and, and will focus on high-risk sectors beef, soy, palm oil, pulp and paper. We are cognisant that the timeframe is tight and will require joint effort among investors to strive for elimination of deforestation caused by sourcing for those agricultural commodities from investment and lending portfolios by 2025. **We continue our policy engagement with the Brazilian government**, and along with lead engagers of the Investor Policy Dialogue on Deforestation (IPDD), have met with federal representatives, state representatives, congress members, and civil society in Brazil. IPDD has also held educational and knowledge sharing sessions, both in and outside of Brazil, and conducted outreach with investor coalitions, foreign representatives, and other relevant stakeholders.

[11] 35 investors representing US$5.6trn in AUM signed the PRI letter on public CBPCR in the EU

PRINCIPLE 11 4.3 Escalation of stewardship activities to influence issuers

The stewardship themes that we have identified as priority areas for engagement are all long-term and systemic in nature. Against that backdrop, we will often use escalation tactics to enhance the chances of achieving long-term engagement outcomes. However, a decision to escalate, and the form or sequence of subsequent escalation will be particular to the engagement in question.

Examples of how we might escalate include, but are not limited to:

- Additional meetings with the management or the directors of an investee company
- Escalating the dialogue from the executive to the board of directors or from one board member to the Chair and/or a more amenable board member
- Collaboration with fellow investors and/or with partnership organisations
- Public statement
- Voting against management, e.g., against the annual report, the appointment of directors or the auditors
- Co-filing shareholder resolutions
- Attendance and raising questions at the company AGM

Through our involvement in collaborative engagement projects, like Climate Action 100+ (CA100+), we are continuously assessing the need for escalation depending on individual companies' response to expectations from investors. Due to the nature and complexity of the transition challenge, there is also an element of "moving target" which means that both investors and companies need to be ready to step up ambition. Going into 2021, CA100+ had established a Benchmark Framework which allows evaluation of company progress against Paris alignment on key parameters (short/medium/long-term targets, decarbonisation strategy, capex plans, remuneration, disclosures).

Through our role of co-lead in CA100+ engagement with Glencore, we have held constructive discussions ahead of their 2021 AGM and encouraged the company to put forward a Climate Transition Plan to shareholders for an advisory vote. While the company still has some gaps relative to the CA100+ Benchmark Framework, we consider that they have taken strong steps toward Paris alignment. This includes setting absolute GHG emissions reduction targets across all scopes against a net-zero by 2050 ambition, including a medium-term target of 50% reduction by 2035 and a 15% reduction target by 2026, which will largely come from decline in coal exposure. **LGPSC would like Glencore to set more ambitious short-term targets, including a specific 2030 target, that marries up with the long-term ambition and ensures a steady decline in emissions in line with Paris over this next, critical decade.** Furthermore, we will continue to push the company to proactively and transparently lobby for Paris-aligned climate policies in key markets, including Australia, both directly and through industry associations they are a member of. Positive advocacy is a material action that Glencore can take in support of its own decarbonisation commitments and to drive demand in minerals segments, such as copper, cobalt, nickel, zink, silver and vanadium which they want to grow.

Engagement with banks

Together with more than 100 investors and coordinated by ShareAction, LGPSC co-signed letters to **68 banks** setting out expectations for Paris-alignment and protection and restoration of biodiversity. **Banks play a critical role in provision of finance to support transition to a low-carbon economy.** While we have previously asked banks to set targets in line with Paris, this letter specifically addresses biodiversity, alongside climate, as an area that banks are expected to assess in their risk management and in their dialogue with clients. We consider that asking banks to include biodiversity in their broader climate mitigation effort, is in and of itself a form of escalation. **Encouragingly, 45 banks have responded to the letter and dialogue is ongoing with a selection of these banks.** Our first ask is for banks to publish climate targets covering all relevant financial services that are aligned with global efforts to hold temperature rise below 1.5 degrees Celsius. **19 confirmed they will publish new climate targets ahead of COP26, the end of the year, and/or their 2022 AGM.** This includes BBVA, BNP Paribas, Citigroup, and Standard Chartered. A critical next step for the investor group is to assess whether these targets put banks on a clear path to net zero.

Escalation of engagement with Motorola

We expect businesses that operate in areas of war and conflict to take particular care to respect human rights. The Israeli-Palestinian conflict poses clear human rights risks for companies, but the sensitive political situation makes engagement challenging. During 2020 we initiated engagement with Motorola Solutions Inc. on human rights risks in operations through the wholly owned subsidiary Motorola Solutions Israel Ltd. We sought this engagement to bolster ongoing engagement that the Local Authority Pension Fund Forum (LAPFF) is undertaking with a selection of companies on human rights risks that stem from operating in Occupied Palestinian Territories (OPT). In our initial letter, **we asked that the company carry out human rights impact assessments in line with the UN Guiding Principles on Business and Human Rights.** We also stated that we would take the company's response into account as we formulate voting decisions at the next AGM. The initial response from Motorola did not provide us with enough detail to understand how the company manages and mitigates human rights risks that are specific to operations in the OPT. Hence, we voted against the Chair at the 2021 AGM to send a clear message that the initial response had been unsatisfactory. We also followed up with further letters, the latest signed by our CIO, to explain why this remains a concern and emphasising our willingness to engage. We were pleased when the company agreed to meet and discuss these issues, **a meeting that took place in January 2022, and we will continue this engagement with the company.**

Expectations on external managers to escalate on our behalf

We expect managers to be ready to escalate any engagement where there is lack of progress relative to engagement objectives, on any material ESG topic. During 2021, we have asked managers to give particular attention to companies' climate transition, or lack thereof, in line with the Paris Accord. This is part of a broader discussion with external managers around the implementation of our net zero targets.

US utility company, Schroders, LGPSC Global Equity Active Multi Manager Fund

OBJECTIVE:
For company to set a clear decarbonisation strategy

ESG TOPICS ADDRESSED:
Climate change

ISSUE/ REASON FOR ENGAGEMENT:
The company does not have an overarching net zero commitment or quantitative targets to reduce emissions.

SCOPE AND PROCESS/ ACTION TAKEN:
Schroders engaged with the company in September 2021, with an expectations letter to the company's chair requesting a commitment to achieve net zero emissions by 2050 or sooner, alongside short-, medium-, and long-term targets aligned to a 1.5°C scenario.

ESCALATION:
Following the initial letter, Schroders sent a tailored letter to the CEO of the utility and followed this up with a one-to-one call with Investor Relations.

OUTCOMES AND NEXT STEPS:
The company has been receptive to Schroder's requests, making valid points about the importance of having shorter term targets that the current management team can be held to, rather than long-term targets which have to be achieved by future teams. Schroders agree with this, but don't believe this prevents the company having a long-term target. In 2022 if the company fails to announce 2030 and/or 2050 targets, Schroders will re-engage.

European Bank, Fidelity, LGPSC Global Active Investment Grade Corporate Bond Multi Manager Fund

OBJECTIVE:
Improved financial product safety

SECTOR:
Financials

ESG TOPICS ADDRESSED:
Strategy

ISSUE/ REASON FOR ENGAGEMENT:
Fidelity's ESG rating for the bank highlighted the bank's weak financial product safety efforts which can be a financially material issue for banks.

SCOPE AND PROCESS/ ACTION TAKEN:
Fidelity's ESG analyst initially raised this issue with the bank in an engagement meeting.

ESCALATION:
Fidelity had a second specific meeting on this topic in which their analyst was joined by a portfolio manager alongside the Bank's Head of Compliance and Group AMLO and Head of Advisory and Solutions. Fidelity highlighted that the bank's reporting could be improved.

OUTCOMES AND NEXT STEPS:
After the meeting, Fidelity received more information and became more comfortable with this risk.

05 Exercise of rights and responsibilities

PRINCIPLE 12

It remains critical to LGPSC that we utilise all levers to influence corporate behaviour across our equity and fixed income investments. Voting is a core part of our overall Stewardship effort as a shareholder (see sections 5.1 – 5.3 below). Equally, exercising rights and responsibilities as bond holders is of key importance (see section 5.4 below). During 2021, we have increased our exposure to private markets. We have worked with private market partners to identify key performance indicators that are relevant for the underlying asset, and which we would request reporting against (see section 5.5 below).

5.1 Voting approach and objectives

High-level objectives:

LGPSC views voting as a core component of our Stewardship efforts. In a long-term perspective, all voting activities we undertake aim to:

1) support the long-term economic interests of our stakeholders

2) ensure boards of directors are accountable to shareholders

3) encourage sustainable market behaviour across companies and sectors

Principles-based approach:

We take a principles-based approach to voting and are guided by LGPSC's established Voting Principles.

At high level, we expect companies to:

- Adhere to essential standards of good governance for board composition and oversight
- Be transparent in their communication with shareholders
- Remunerate executives fairly
- Protect shareholder rights and align interests with shareholders
- Promote sustainable business practices and consider the interests of other stakeholders

In situations where companies are faced with a market-wide crisis that cause unprecedented disruption, uncertainty and challenges to their business models, operations, workforce and finances – such as the Coronavirus pandemic – we will consider applying a more flexible voting approach. We would in these situations explain to our Partner Funds and other stakeholders, including external managers, how we may deviate from our Voting Principles, on what issues and relative to which sectors (if different sectors are affected differently).

Scope of voting:

To send a unique voting signal to investee companies LGPSC votes all its shares - whether externally or internally managed - according to one set of Voting Principles. While the ultimate voting decision rests with LGPSC, we have a procedure through which we capture intelligence and recommendations from external fund managers.

Stock-lending:

LGPSC has an active securities lending programme. During 2021, we considered options for restriction on securities lending to bolster our overall stewardship and voting impact. The securities lending policy that has been in place since inception of LGPSC ensures that we hold some securities back, a portion not on loan, to ensure that we can vote at all AGMs of investee companies. We also have the option of recalling securities out on loan e.g., in the case of filing a shareholder proposal. Based on dialogue with our Partner Funds, alongside discussions in-house at Investment Committee and Operations, Risk, Compliance and Administration, **we have now revised the securities lending policy with effect from 2022**. The revision means that we fully restrict certain securities from lending at the start of voting season. This is to ensure that we maximise our voting impact, e.g., in relation to critical, ongoing engagements that we expect to escalate through shareholder resolutions or other forms of voting (e.g., votes against Board members). Among critical engagements are companies identified as high risk relative to climate change through Partner Fund Climate Risk Reports and that sit within the scope of Climate Action 100+. We considered the cost implications of excluding all companies in our Voting Watch List from lending and concluded that a more targeted approach would be the most proportionate and efficient response. **This targeted approach entails a restriction of lending on a sub-set of companies that we view as critical engagements ahead of each voting season.** Ahead of voting season 2022, 12 companies on our Voting Watch List (of 50 companies) are restricted from lending. The restriction will be lifted once relevant AGMs are held. This change guarantees that we are able to vote all the shares we hold for certain companies in the portfolio.

Voting reinforcing engagement:

As far as possible, we aim to use voting to reinforce and promote ongoing engagements, whether carried out directly through LGPSC, through collaborative initiatives or through our external stewardship provider EOS at Federated Hermes. This means that we regularly raise issues concerning environmental sustainability, including climate change, and broader social issue like human rights risk oversight and management through our voting. Many votes against management concern good governance (board composition, board oversight and skill sets, remuneration etc.) – these votes are often an expression of underlying concerns with lack of expertise and or/oversight at board level on issues like climate change or human rights. We also know that strong governance increases the likelihood of companies dealing well with environmental and social risks. During April – June 2021

(high voting season) many ESG-related shareholder proposals got very strong or even majority support.

Transparency:

LGPSC's disclosure of its Voting Principles, and its voting outcomes, supports the Company's ambition of full transparency. With regards to voting outcomes, disclosures are made in three formats. Firstly, a report summarising our voting activities is provided in Stewardship Updates three times a year (covering the first three quarters of the calendar year). Secondly, we provide an annual summary of our voting activities, as part of the Annual Stewardship Report, and thirdly, we disclose our voting decision for every resolution at every eligible company meeting via an online portal. Each of these disclosures is available to the public.

5.2 Voting strategy

Ensuring that Voting Principles are applied:

We have set up a structure whereby EOS at Federated Hermes provides us with voting recommendations based on our Voting Principles which are input on the ISS voting platform prior to the vote deadline. The voting recommendations are then cast as voting instructions if there is no further intervention, except in the case of share-blocking votes. We currently hold approximately 2,900 companies through our ACS equities funds. With this voting structure, we have confidence that votes are cast according to LGPSC Voting Principles across a voting universe that under no circumstance could be checked manually at each individual company level. In minority cases where a company we are engaging and/or that the Local Authority Pension Fund Forum has issued a voting alert for falls outside EOS' main engagement, we often consult ISS research directly.

Voting Watch List:

It is not feasible to do in-depth research into all proxies that will be voted at each of the companies we hold through our ACS equity funds. To prioritise, we establish a "Voting Watch List" annually that consists of approximately 50 companies which cover larger holdings and/or core engagements in and outside of Stewardship Themes. Votes at these companies will be given particular scrutiny ahead of the AGM. While it is not feasible to attend all these companies' AGMs, we would aim to attend AGMs virtually (if permissible) for core Climate Action 100+ engagements and for any company with which we have filed a shareholder resolution. Watch List companies are a combination of larger holdings across our equity universe and/or core engagement companies and/or ongoing controversies. The Voting Watch List serves a further purpose, in allowing us to test whether our votes are generally cast in alignment with our Voting Principles.

Interaction with EOS at Federated Hermes:

Ahead of each voting season, we share our Voting Watch List with EOS to ensure that we receive a more detailed analysis to substantiate their voting recommendations for companies on this list ahead of relevant AGMs. We will seek ad-hoc interactions/ meetings with EOS regarding core engagements, where either they or we would like further input from the other ahead of a vote.

As an example, we had in-depth discussions with EOS ahead of the vote at **Barclays AGM** 2021 on a climate-related shareholder proposal. The resolution requested the company to set short-, medium and long-term emissions reduction targets and to phase out the provision of financial services to fossil fuel projects and companies, in timeframes consistent with the Paris Agreement. LGPSC has engaged Barclays actively through a ShareAction-led collaboration during 2020 centred around the asks in a shareholder proposal which we co-filed in January 2020. The January 2020 shareholder proposal makes explicit reference to phasing out of finance to *non-Paris aligned* energy and utility companies. Dialogue has been constructive, and the company seems receptive to and appreciative of investor input and dialogue.

> The bank has made progress in developing its climate strategy, putting forward a new methodology for determining alignment with the goals of the Paris Agreement for the energy and power sectors, including relevant 2025 targets. It has also accepted the principle of the need to withdraw finance from misaligned activities over time (for example in its current coal policy).

While we fully support the underlying sentiment of the 2021 shareholder proposal in terms of Paris alignment, we asked ourselves what would at this point be more conducive to engagement and to further progress? After careful consideration we found that the 2021 resolution was premature in light of very recent progress made by the company and the prospect of ongoing engagement. We were also concerned about the wording of the resolution which could be interpreted to mean that certain projects and companies from the outset are not considered to be in line with Paris. As such, it appeared to be missing nuance around the potential and ability for transition also within the fossil fuel sector, which is both complex and dynamic.

Looking to the 2022 AGM, we will carefully consider Barclays' climate transition plan, in particular their coal policy and commitments to phase out from thermal coal mining and whether these support a 1.5C trajectory in line with Paris.

Interaction with external managers:

It is our intention to capture intelligence and recommendations from active equity fund managers relative to key holdings and/or contentious voting issues, as well as influence managers' wider voting on key issues like climate risk management:

- LGPSC meets with each external manager annually ahead of the voting season for a dedicated voting-related discussion.
- External Managers will be kept up to date on any changes to LGPSC Voting Principles, and vice-versa.
- We will share with each external manager our Voting Watch List with an explicit incentive to communicate their views on companies on this list that are held in their portfolio.
- The RI&E Team may reach out on an ad-hoc basis in cases where we would like to elicit views on contentious issues in core holdings or key engagements that can supplement views from EOS.

As an example, we had detailed discussions with one of our external managers ahead of the vote at **Berkshire Hathaway** on a **shareholder proposal requesting that the company report on its management of physical and transitional climate-related risks and opportunities**. We consider that reporting on climate related risks and opportunities is a critical first step for the company to manage these risks and allowing shareholders the ability to assess whether it does so effectively. **60% voted in favour of the proposal, adjusted for non-insiders.** Berkshire Hathaway is the second largest power company in the US without a net-zero goal and we note that the company achieves the lowest score on TPI's climate risk management ladder. We considered arguments made by our external manager to vote against the resolution, although ultimately the decision rests with us. These included the fact that Berkshire's autonomous subsidiaries already report on operational risk, including climate risk, which makes a centralised report less appropriate. Furthermore, that the reporting from subsidiaries make it possible to assess climate risk exposure for Berkshire Hathaway.

In our view, the current reporting at subsidiary level is not decision useful nor sufficiently complete for investors to fully appraise material climate-related risks. It is concerning that the company's board believe such disclosure to be unnecessary for investor interest. Shareholder interest lies with the parent company, not individual subsidiaries. **We think it appropriate to ask this of a holding company like Berkshire Hathaway, which is a situation akin to asset owners and asset managers reporting on climate risks throughout their portfolios.** While in this case, we did not see eye-to-eye with the manager in question, we will continue dialogue on amongst others climate-related votes which are only increasing in importance against LGPSC's newly announced net-zero ambition.

5.3 Voting highlights and outcomes 2021

Proportion of shares voted during 2021

Based on our voting set-up with EOS at Federated Hermes – whereby EOS' voting recommendations (aligned with LGPSC Voting Principles) are cast as voting instructions for all shares – we can ensure that all shares are indeed voted. There are occasions where a vote is not cast due to for instance share blocking or a non-standard voting procedure. However, these are very limited instances. Based on checks done by EOS on unvoted ballots due to an error (e.g., a missed deadline in an instance of share blocking) during voting seasons 2013 – 2021, the % of errors lie between 0.591% and 0.04% of votes not being cast. We consider this an acceptable level of error, and we also note the downward trend in terms of errors.

5.3.1 Voting highlights

While the health pandemic understandably took centre stage in 2020 and to a degree overshadowed the climate crisis, the latter clearly came to the fore in 2021. The 2021 voting season saw a new development in climate transparency and dialogue with shareholders through 18 votes on climate transition across oil and gas, construction, aviation and consumer goods. All of these passed with support ranging from 88% to 99%. Some plans met notable opposition, including Shell and BHP, and we expect investors to scrutinise these plans at a more detailed level against evolving climate risk management standards such as the Climate Action 100+ Benchmark assessment over the next years.

2021 Voting Statistics

- Voted at 3,344 meetings
- 40,288 resolutions
- Attended virtual AGM of Glencore
- EOS attended 66 AGMs on our behalf, including Deutsche Bank, BP, Google owner Alphabet, Novartis, Amazon and Facebook
- Voted against management for one or more resolutions at 58.6% of meetings

Tipping point for investor engagement and voting on climate change

- 18 votes on climate transition across oil and gas, construction, aviation and consumer goods – all passed with support ranging from 88% to 99%.
- Shell's transition plan was opposed by a notable number of shareholders (ca. 12%), including LGPSC, while a shareholder proposal asking the company to set and publish targets for GHG emissions reduction in line with Paris received a healthy 30% support.
- We supported a shareholder resolution at Chevron requiring Scope 3 targets which gained 61% support.
- LGPSC supported minority shareholders in proxy battle at Exxon resulting in three climate-savvy directors appointed to Exxon's board against management advice.
- We supported a shareholder proposal at Berkshire Hathaway on management of physical and transitional climate-related risks and opportunities. Company is the largest power company without a net-zero goal. 60% voted in favour of the proposal (adjusted for non-insiders).

Diversity and inclusion higher up the agenda

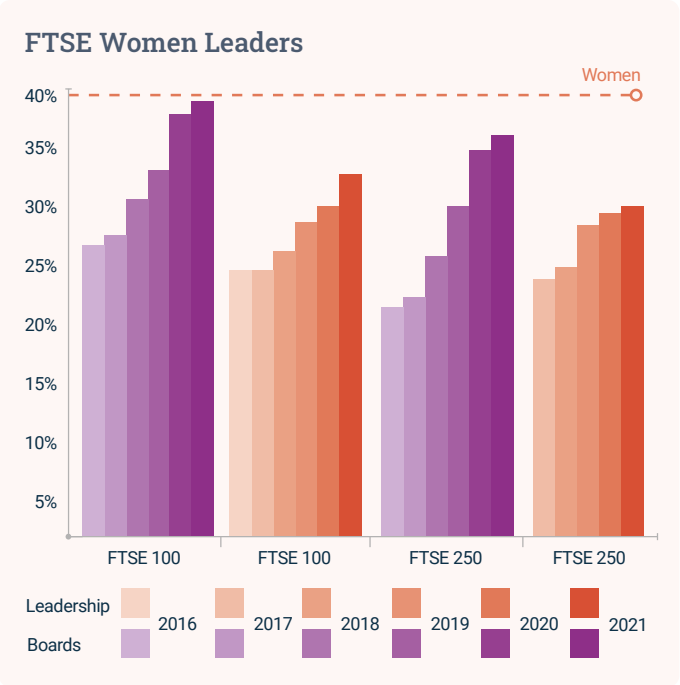
- We opposed FTSE 100 chairs in the UK at five meetings for failing to meet minimum expectations for racial diversity on boards.
- We opposed the directors responsible (typically the board chair) at companies that fell below our expectation on UK FTSE 100 companies to have at least one woman on the executive committee. Examples include Ocado, Imperial Brands and Glencore.
- In the US, we opposed 39% of nominating committee chairs, including at Kinder Morgan, Thermo Fisher Scientific and Discovery against an expectation that women and ethnic minorities make up at least 40% of the board at large companies.
- Lack of progress on gender diversity in China, Hong Kong and Taiwan.
- Japanese companies express support for the concept of board gender diversity, but this has not translated to more women on boards.

Remuneration during the pandemic

- Executive pay should be justified in the context of the experience of other stakeholders, particularly companies that had made redundancies, benefited from government support, or otherwise in distress.
- Some good practices among UK companies repaying money received from the government to furlough employees and/or business rates relief. Generally accepted that companies not able to do so would not pay bonuses to executives.
- At publisher Informa, we opposed the rem report (alongside 62% of investors), considering pay-outs to executives from a long-term incentive scheme that would have lapsed, in the face of significant negative impact from Covid-19.
- We opposed 80% of "say-on-pay" proposals in the US. Our concerns were exacerbated by decisions to insulate executives from the impacts of Covid-19, relative to other stakeholders.
- Rio Tinto suffered 60% opposition to the rem report due to heavy focus on shareholder returns, with limited consideration of other strategic stakeholders, and pay-outs to departing executives, which did not reflect Juukan Gorge failures.

5.3.2 Voting outcomes

In the UK, where the Hampton-Alexander Review established 2020 targets for 33% female representation on boards and in leadership roles, we have consistently opposed director proposals over concerns about insufficient diversity, including gender diversity, at board level and below. In 2021, we opposed 37 proposals due to lack of diversity, versus 35 and 45 proposals in 2020 and 2019, respectively. While the progress detailed in the latest FTSE Women Leaders Review released in February 2022 is encouraging, we agree with the report's notion that more work still needs to be done to achieve gender balance in leadership teams. As such we will monitor companies with a view to opposing director proposals at offending companies.



Source: *FTSE Women Leaders Review, February 2022* (FTSE Women Leaders - February 2022)

CASE STUDY

AVEVA Group Plc

THEME:

Board gender diversity

OBJECTIVE:

We believe the most effective boards include a diversity of skills, experiences and perspectives. Through our voting decisions (and otherwise) we support the Davies Review, the Hampton-Alexander Review and the Parker Review.

PROCESS:

EOS at Federated Hermes, on our behalf informed the company of our intention to vote against the re-election of the chair of the board who is also the nominations committee chair due to insufficient gender diversity on the board. As per our voting principles, we expect FTSE 100 and 250 companies to have at least 33% women on their Boards and will consider voting against the Chair of companies with materially less female representation unless there are clear and justifiable reasons why 33% is not achievable in an interim period.

ESCALATION THROUGH VOTING:

During the 2021 annual general meeting, LGPSC voted against Chair Philip Aiken when the company failed to respond to our concerns.

OUTCOME:

The company has since appointed two female directors to its board in 2021. The two appointments lift the company above the gender diversity guideline threshold.

CASE STUDY

TotalEnergies SE

THEME:
Climate change

OBJECTIVE:
We expect companies to consider relevant, material social and environmental risk factors in their long-term strategic business planning. We will consider voting against the Chair, and other relevant directors or resolutions, at companies where we consider a company's response to the risks and opportunities presented by climate change to be materially misaligned with the goals of the Paris Accord.

PROCESS:
EOS at Federated Hermes, on our behalf, has co-led engagement efforts with TotalEnergies SE as part of the Climate Action 100+ initiative since 2017. Throughout its tenure as co-lead, EOS has corresponded with TotalEnergies on issues including investor expectations on scope 1, 2 and 3 greenhouse gas emissions reduction, Paris-aligned accounting, and TotalEnergies's energy transition plan.

ESCALATION THROUGH VOTING:
During the 2021 annual general meeting, LGPSC voted against TotalEnergies energy transition plan due to the lack of alignment with Paris Agreement goals, while being clear in a letter to the company that engagements should continue.

OUTCOME:
In December 2021 TotalEnergies indicated that the company would enhance its disclosure in its next sustainability and climate report including publishing a short-term target for Scope 3 emissions which will entail a 10% reduction of the average carbon intensity of its energy products.

NEXT STEPS:
Monitor implementation of energy transition plan and sustainability disclosures. Engage with company to get commitment on three-year say on climate votes.

CASE STUDY

Amazon.com, Inc

THEME:
Executive remuneration

OBJECTIVE:
To encourage company to align executive remuneration with long-term performance through the cycle. Incentive schemes should be transparent, understandable, long-term and appropriate to the circumstances and strategy of the company. In order to achieve alignment with shareholders, executives should make a material, long-term investment in company shares and these shares should be subject to a suitable holding period following an executive's departure. Companies should disclose the time by which new executives should reach the target level share ownership.

PROCESS:
In 2018, EOS, on our behalf, informed the company on its recommendation to vote against the say-on-pay proposal due to the lack of or poor disclosure of explicit share ownership requirements. In 2020, the company acknowledged that it should disclose policies on share ownership requirements.

ESCALATION THROUGH VOTING:
During the 2021 annual general meeting, LGPSC voted against Amazon's say-on-pay proposal due to the lack of pledging policy, clawback policy, and minimum share ownership requirement.

OUTCOME:
The company has instituted a ban on executives being able to make hedging transactions against share-based-equity awards and implemented a clawback policy. We continue to monitor the company for updates relating to share ownership requirement.

CASE STUDY

DuPont de Nemours, Inc. (DuPont)

THEME:
Plastic

OBJECTIVE:
Plastics pollution is one of LGPSC's Stewardship Themes and we leverage collaboration opportunities to deliver progress in the subject. Voting is engagement led, and we will consider co-filing or supporting shareholder resolutions that relate to better risk management (reduce plastic use, reduce plastic waste, increase recycling, invest in relevant R&D).

PROCESS:
EOS Hermes on our behalf engaged DuPont on sustainability issues including plastics. We thanked DuPont for producing a 10-year sustainability roadmap with scope 1 and 2 targets in 2020. We reiterated the need for transparency and alignment with Paris Accord. Prior to the 2021 annual general meeting, EOS communicated our intention to support a shareholder proposal asking the company to issue a report on plastic pollution. We believe the company is lagging its peers who have committed to disclosing this information and currently the company produces no metrics on plastic pellet spills and the report will improve disclosure on how the company is mitigating plastic pollution related risks.

ESCALATION THROUGH VOTING:
During the 2021 annual general meeting, LGPSC voted for the shareholder proposal requesting the company to publish an annual report on plastic pollution.

OUTCOME:
In September 2021, DuPont announced that it has become a member of Operation Clean Sweep® Blue, a campaign dedicated to helping every plastic resin handling operation achieve zero plastic resin loss. OCS blue enhances the commitment to management, measurement, and reporting of unrecovered plastic releases into the environment from resin handling facilities. The company reported that there have been no releases in the third quarter 2021.

5.4 Fixed income – exercise of rights and responsibilities

We expect all our Fixed Income managers to fully exercise their rights and responsibilities. We provide below an example of how our external managers approach this.

Neuberger Berman, a manager in our Corporate Bond Fund, engages with capital markets participants in respect to new issue documentation and pushes back on weaknesses identified in the documentation, when possible. Neuberger Berman believes engagement with management teams is also critical in identifying material ESG factors as credit documentation generally provides a range of flexibility to an issuer in respect to capital allocation and business strategy.

For example, Neuberger Berman recently identified an issuer in which credit documentation flexibility, coupled with governance concerns at the issuer's parent, led to weakness in the issuer's trading levels due to market concern the equity owners would extract value from the issuer. Based on Neuberger Berman's ongoing engagement with the management team and the company's commitment to conservative capital allocation policies and a strong ratings profile, they encouraged the issuer to proactively strengthen the credit documentation in its indentures to alleviate market concerns. The issuer ultimately enhanced structural bondholder protections and its governance framework, which was a positive development for the issuer's credit profile.

5.5 Private markets

When one of our primary managers took a controlling stake in a **genealogy and gene testing business**, questions were raised in the media around **data protection and information security risk**. Questions around the evolution of the investee companies' business model and the potential monetisation of the company's DNA database were also raised. In recognition of the potential risks and sensitivities associated with the transaction, the RI&E Team at LGPSC worked with colleagues in the Private Equity Team to engage with the manager to raise these concerns. The manager recognised the significance of data privacy to the investee company and provided assurance around the capabilities of their own data team outlining the extensive involvement of the team in the deal from the outset. It was clear that due consideration was given to key regulations such as GDPR. Assurances were also given that the company's commitment to transparency and disclosure around data processing would remain post-acquisition and that policies and procedures would remain best in class. Through this engagement, LGPSC was able to establish that the specific risks raised were managed appropriately thus mitigating the risk of litigation and reputational damage.

An allegation was made by a US capital management company that the CEO of a **diversified environmental services company** (held by LGPSC through a co-investment vehicle) had **connections to organised crime**. This raised significant concerns around the leadership and governance of the company, particularly as the CEO was a founder of the company. The LGPSC Private Equity Team raised the issue with the primary manager who refuted the allegations robustly pointing to the extensive due diligence undertaken by themselves and other investors during the deal process. A number of other sources of information were also referenced including broker research. Credible question marks were also raised around the motivation of the capital manager who raised the allegations.

Through this interaction with our co-investment manager, LGPSC was able to get comfort that these allegations posed no risk to the value of our investment, nor did they raise concerns around culture and governance. We remain confident that the company is able to execute its strategy and continue to provide critical sustainable environmental solutions to its clients.

One of our primary managers notified us of an issue with a potential co-investment opportunity in a **medical supplies company**. The company had found **evidence of forced labour issues in the supply chain of one of their largest medical glove suppliers.** Issues that had come to the attention of US Border Protection authorities. We took comfort that the manager notified us of the issue. However, we still challenged them hard on their due diligence and their efforts to ensure that the company addressed the issue as a matter of urgency. We communicated to the manager that we have a zero-tolerance for forced labour issues regardless of the jurisdiction in which they arise.

We consider that supply chain disruption can be a material risk for corporations and can cause reputational damage that is hard to quantify and difficult to rectify. In this case regulatory censure was also a potential issue.

Therefore, by pursuing the matter to a satisfactory conclusion we were acting in the best financial interests of our beneficiaries as well as acting as a responsible steward on their behalf.

Following an article in the Financial Times, the Private Markets Team at LGPSC raised concerns about one of our Primary managers handling of an **alleged harassment case involving a leading media and technology company** which was a subsidiary of a conglomerate they held a significant stake in. While LGPSC is not a direct investor in the media and technology company, we were concerned about the implications of the case in terms of the Primary managers' handling of ESG issues more broadly. Following discussions with the manager we recognised their role on the supervisory board of the parent company afforded them limited involvement in the direct handling of the case beyond the appointment of an independent law firm to investigate.

We took comfort that once the true nature of events was understood, swift action was taken to remove the member of staff involved and to implement a programme of cultural change within the firm which included diversity training. We provided robust challenge but concluded that the manager acted appropriately in the circumstances and that they took the issue very seriously. Our understanding of the company's approach to ESG matters gleaned during the initial due diligence process was ultimately reinforced. We concluded that the rating applied to the manager during the initial due diligence process in terms of their ESG capabilities remained valid.

LGPS Central Limited

LGPS Central Responsible Investment & Engagement Team

Patrick O'Hara
Director, Responsible Investment & Engagement

E: Patrick.O'Hara@lgpscentral.co.uk
T: +44 (0)1902 916193

Valborg Lie
Head of Stewardship

E: Valborg.Lie@lgpscentral.co.uk
T: +44 (0)1902 916345

Basyar Salleh
Responsible Investment & Engagement Senior Analyst (Stewardship)

E: Basyar.Salleh@lgpscentral.co.uk
T: +44 (0)1902 916164

Amelia Gaston
Responsible Investment and Engagement Analyst

E: Amelia.Gaston@lgpscentral.co.uk
T: +44 (0)1902 916304

Laura Michie
Responsible Investment and Engagement Analyst

E: Laura.Michie@lgpscentral.co.uk
T: +44 (0)1902 916213

All information is prepared as of **25 April 2022**.

This document is intended for **PROFESSIONAL CLIENTS** only.

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LGPS Central Limited

Stewardship Update

FOURTH QUARTER, 2021-22 (JANUARY – MARCH 2022)

CHESHIRE PENSION FUND

Derbyshire Pension Fund

Leicestershire County Council PENSION FUND

Nottinghamshire County Council

SHROPSHIRE COUNTY PENSION FUND

Staffordshire Pension Fund
Local Government Pension Scheme

West Midlands Pension Fund

Worcestershire Pension Fund

Responsible Investment & Engagement:

LGPS Central's approach

LGPS Central's approach to Responsible Investment & Engagement carries two objectives:

OBJECTIVE #1

Support investment objectives

OBJECTIVE #2

Be an exemplar for RI within the financial services industry, promote collaboration and raise standards across the marketplace

These are met through three pillars:

Our **Selection** of assets

Our **Stewardship** of assets

Our commitment to **Transparency & Disclosure**

This update covers LGPS Central's (LGPSC) stewardship activity. Our stewardship efforts are supplemented by global engagement and voting services provided by EOS at Federated Hermes (EOS). For more information, please refer to our Responsible Investment & Engagement Framework and Annual Stewardship Report.

ADDITIONAL DISCLOSURES

- Responsible Investment & Engagement Framework
- Annual Stewardship Report
- Voting Principles
- Voting Disclosure
- Voting Statistics

Signatory of: PRI Principles for Responsible Investment

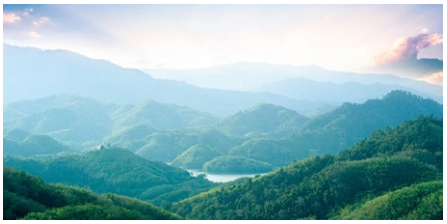
Signatory of: UK STEWARDSHIP CODE | 2021

employers' network for equality and inclusion Member

LGPS ADVISORY BOARD CODE OF TRANSPARENCY

01 Summary of engagement and voting activity

Below is a high-level summary of key engagements and voting that have taken place during Q4 of the financial year 2021-22. These and other engagements and voting examples will be covered in more detail later in this update.



ENVIRONMENTAL

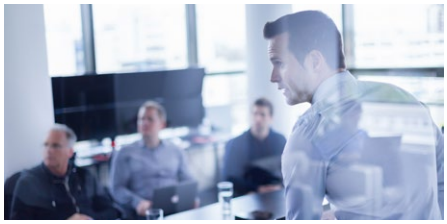
Glencore has made progress, but short/ medium term targets fall short: LGPS Central has continued as co-lead of CA100+ engagement with Glencore on their plans and progress to decarbonise in line with Paris and its own net zero by 2050 ambition. We expect more ambitious short-and medium-term targets, as well as capex planning that does not go beyond sustaining existing coal activities.

175 nations endorsed a historic resolution at the **UN Environment Assembly to negotiate a UN treaty on plastic pollution.** This is in part a result of businesses and investors, including LGPSC, calling for such a treaty.

SOCIAL

We held a meeting with **Motorola Solutions, Inc.** during the quarter to discuss their management of human rights risks in Occupied Palestinian Territories (OPT). In the meeting, we emphasised the need for the company to carry out human rights impact assessments in line with the UN Guiding Principles on Business and Human Rights.

Over the last two years, LGPSC has been a member of a collaborative investor-initiative that has successfully encouraged laggard **FTSE 350 companies** to meet the reporting requirements of Section 54 of the **Modern Slavery Act 2015**. Last quarter, we co-signed letters to 44 companies that have failed to meet the minimum reporting standards of the Act.



GOVERNANCE

In March, we signed a letter to the US Securities and Exchange Commission (SEC), alongside over 100 other investors, in support of a shareholder proposal **asking for tax transparency at Amazon**. In a letter to Amazon in April, SEC ruled in favour of the shareholders who demanded a vote on the issue. The shareholder resolution, which will now be allowed to go to a vote at Amazon's AGM on 25 May represents one of the first times the regulator has granted a shareholder request on tax matters. This helps fortify a view that **responsible tax behaviour is inextricably linked to overall good governance** and to ensuring sustainable, long-term value creation.

Voting highlights:

APPLE INC.

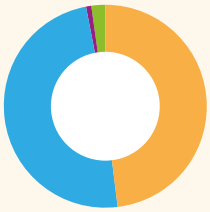
We voted against management on seven proposals. We **opposed Apple's executive compensation proposal** as we viewed the CEO's $75 million equity award as excessive and inconsistent with the company's stated focus on addressing inequities in society. A significant proportion, 35.6%, of shareholders opposed the executive remuneration proposal. We also voted for five human rights related shareholder proposals. See further detail on page 12.

WH SMITH

We **voted against the company's proposed annual bonuses** of £550,000 and £357,500 to CEO Carl Cowling and CFO Robert Moorhead, respectively. These represent 100% and 81.3% of their annual base salaries. WH Smith, in light of the ongoing impact of the coronavirus (COVID-19) pandemic, has suspended dividends to investors for the financial year. See further detail on page 12.

GLOBAL VOTING

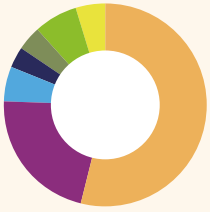
We voted at **493** meetings (**5,327** resolutions) over the last quarter.



- Total meetings in favour **48.1%**
- Meeting against (or against AND abstain) **49.1%**
- Meetings abstained **0.6%**
- Meetings with management by exception **2.2%**

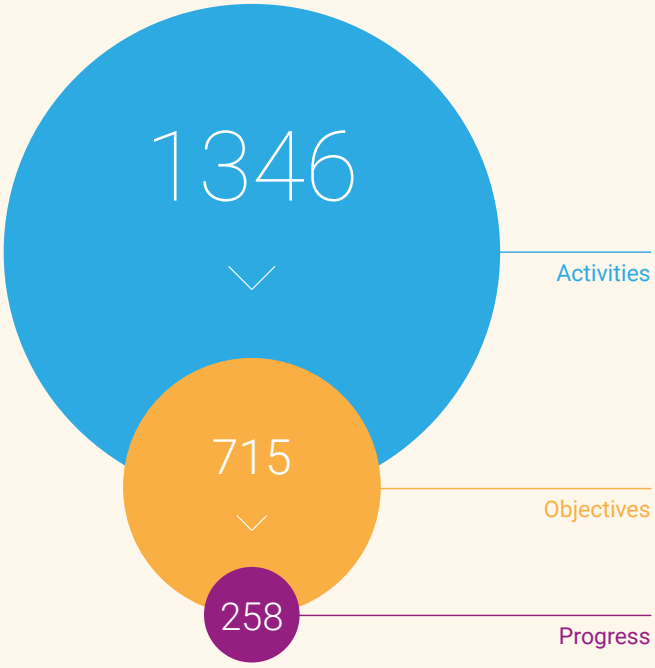
GLOBAL VOTING

We voted against or abstained **695** resolutions over the last quarter.



- Board structure **54.0%**
- Remuneration **21.7%**
- Shareholder resolution **5.6%**
- Capital structure and dividends **3.2%**
- Amend articles **4.0%**
- Audit and accounts **6.9%**
- Other **4.6%**

ENGAGEMENT ACTIVITY DURING THE QUARTER



02 Engagement Case Studies

Below, we give more detailed examples of ongoing or new engagements which relate to the four Stewardship Themes that have been identified in collaboration with our Partner Funds.

Our Stewardship Themes, based on the latest revision in 2021, are:

- Climate change
- Plastic
- Fair tax payment and tax transparency
- Human rights risks

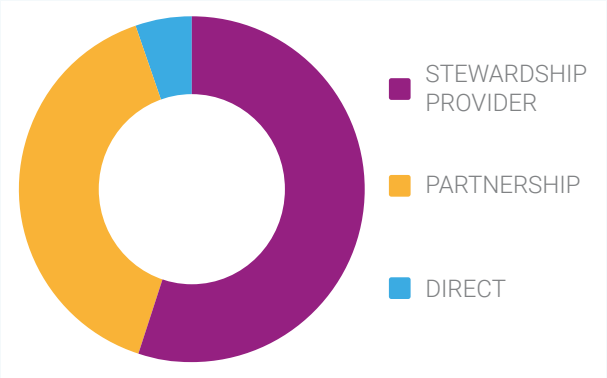
This quarter our engagement set[1] comprised 570 companies. There was engagement activity on 1,346 engagement issues and objectives[2]. Against 715 specific objectives, there was achievement of some or all on 258 occasions. Most engagements were conducted through letter issuance or remote company meetings, where we, our partners or our stewardship provider in a majority of cases met or wrote to the Chair, a Board member or a member of senior management.

[1] This includes engagements undertaken directly, in collaboration, and via our contracted Stewardship Provider.
[2] There can be more than one engagement issue per company, for example board diversity and climate change.

CLIMATE CHANGE ENGAGEMENTS

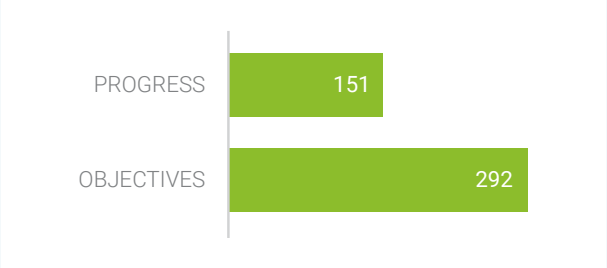
This quarter, our climate change engagement set comprised 292 companies with 380 engagement issues and objectives[3]. There was progress on 151 specific engagement objectives against a total of 292 objectives.

ENGAGEMENT VOLUME BY TYPE



- 380 engagements during the quarter
- Majority of engagements undertaken via CA100+
- Shareholder proposal on climate filed at Credit Suisse

ENGAGEMENT VOLUME BY OUTCOME



GLENCORE PLC

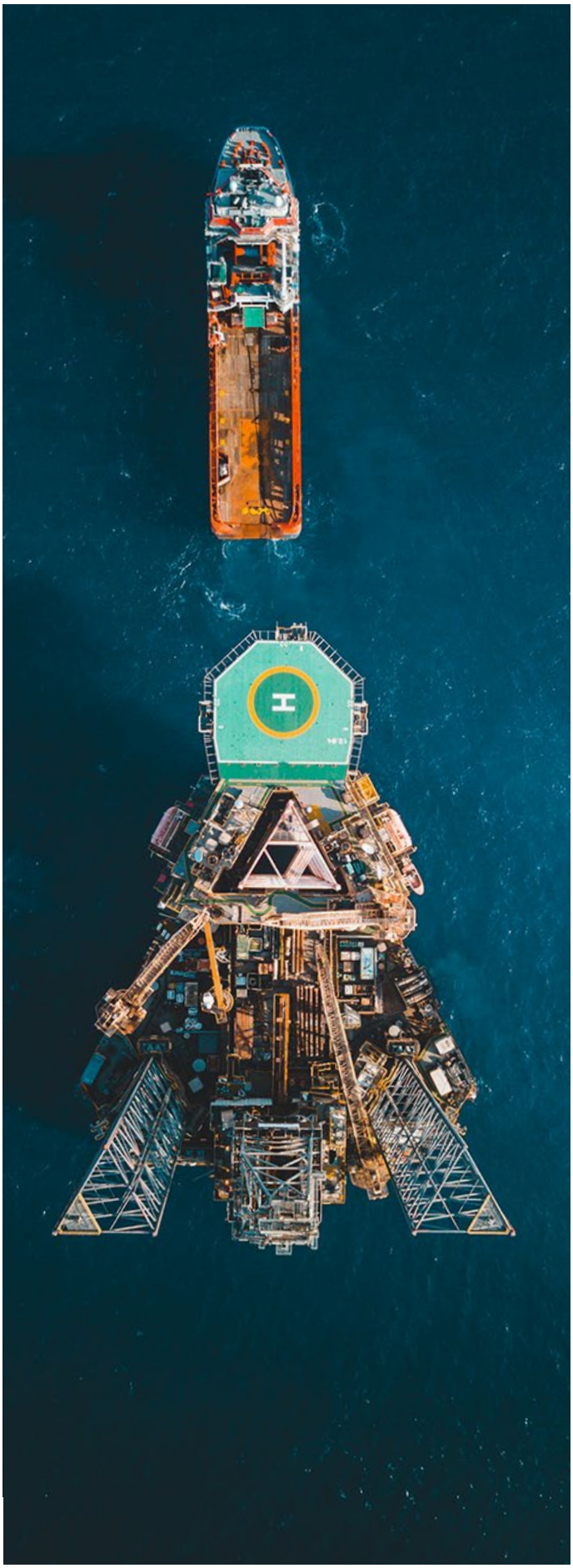
Theme: Climate change

Objective: We expect companies to consider relevant, material social and environmental risk factors in their long-term strategic business planning. Since assuming the role of co-lead in CA100+ engagement with Glencore, we have held multiple constructive dialogues with the company relating to the company's climate action plan.

Engagement: We met with Glencore's CEO to discuss the company's climate progress report, which is on the AGM agenda as an advisory vote to measure Glencore's progress against its Climate Transition Plan (approved by shareholders at the 2021 AGM). When the plan was passed by shareholders in 2021, short-term targets had not yet been published. At the meeting, we raised concerns around their short-term targets – 15% GHG emissions reduction by 2026 which will largely come from decline in coal exposure. It is our view that the short-term target does not provide assurance of alignment with the International Energy Agency Net Zero by 2050 Scenario (NZE) and the Intergovernmental Panel on Climate Change (IPCC) 1.5C scenarios pathways for coal reduction. The IPCC has identified the use of coal to power electricity as the single biggest inhibitor to achieving Paris objectives. We therefore view it as particularly important that a company like Glencore provide clear and robust targets that show a Paris-aligned trajectory in the next 10 years. Furthermore, we strongly encourage Glencore to proactively lobby (directly and indirectly) in a manner that supports its decarbonisation commitment.

Outcome: Glencore received 23.72% opposition, including from LGPSC, to the Transition Plan Report and will be expected to engage its shareholders to understand their concerns. We commend Glencore for taking positive steps toward Paris-alignment and for being one of the first companies to provide shareholders a Say on Climate. We have explained our vote rationale to the company and expect to continue constructive engagement with Glencore alongside the other co-leads of CA100+.

[3] There can be more than one climate-related engagement issue and/or objective per company.



CREDIT SUISSE GROUP AG

Theme: Climate Change

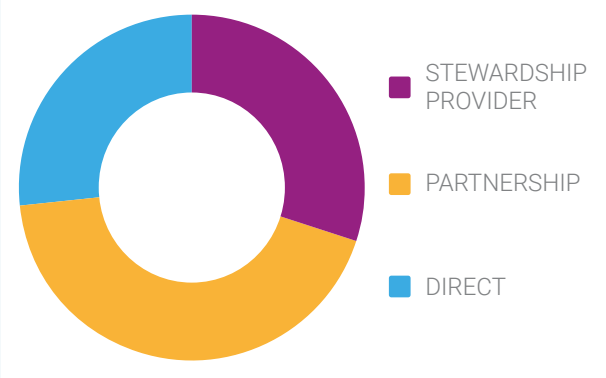
Objective: We expect companies to consider relevant, material social and environmental risk factors in their long-term strategic business planning. Credit Suisse is one of the first banks to commit to align its activities with the Paris Agreement but continues to be one of the top financiers of fossil fuels. We would need to see targets and action in the short and medium term that ensures achievement of the banks own NZ ambition.

Engagement: LGPSC, alongside eleven institutional investors managing €2.18 trillion have filed a climate resolution at Credit Suisse. Through a proposed amendment to the bank's articles of association, the coalition of shareholders ask that Credit Suisse improve its climate risk disclosures, bring its coal, oil and gas policies in line with leading practice in the sector, and publish short- and long-term targets to reduce its exposure to coal, oil and gas assets, on a timeline consistent with the 1.5°C goal of the Paris Agreement. Ahead of COP26 last year, Credit Suisse was one of the banks which received a letter co-signed by LGPSC with more than 100 investors, setting out expectations for Paris-alignment and protection and restoration of biodiversity.

Outcome: Several rounds of engagement with Credit Suisse, led by co-filers ShareAction and Ethos Foundation, has led to the bank making several commitments in the weeks ahead of its AGM. However, LGPSC believed the bank did not address several requests that were made in the resolution, including disclosing its capital markets fossil fuel activities. The co-filers unanimously decided to keep the resolution on the AGM ballot, making it the first climate-related shareholder resolution at a Swiss bank. The resolution received support from 18.52% of shareholders and a further 4.27% abstained.

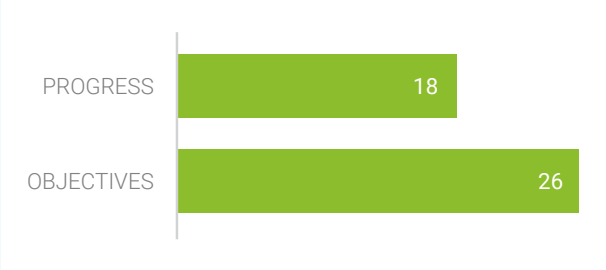
PLASTIC ENGAGEMENTS

ENGAGEMENT VOLUME BY TYPE



- 30 engagements during the quarter
- Historic resolution at the UN Environment Assembly to negotiate a UN treaty on plastic pollution, advocated in advance by businesses and investors
- Shareholder proposal at Tyson Foods to reduce plastic packaging supported by 59% of independent shareholders

ENGAGEMENT VOLUME BY OUTCOME



This quarter our single-use plastics engagement set comprised 29 companies with 30 engagement issues and objectives[4]. There was progress on 18 specific engagement objectives against a total of 26 objectives.

Businesses and investors, including LGPS Central, calling for **UN treaty on plastic pollution** (www.plasticpollutiontreaty.org) during 2021 has helped bring about a historic resolution at the UN Environment Assembly to negotiate such a treaty. The aim of a treaty is to establish a coordinated international response that aligns businesses and governments behind a shared understanding of the causes of plastic pollution, and a clear approach to addressing them. The treaty will address the full lifecycle of plastic from source to sea.

TYSON FOODS, INC.

Theme: Plastic

Objective: As one of LGPSC's core stewardship themes, we look to support resolutions that encourage better plastic-related risk management (reduce plastic use, reduce plastic waste, increase recycling, invest in relevant R&D).

Rationale: We supported a shareholder resolution which urged the company to reduce its use of plastic packaging. Analysis shows that Tyson does not disclose the amount of plastic packaging it uses or any targets it has for reducing plastic use. Tyson's actions lagged the practices of other supply-chain efforts to reduce plastic use and packaging waste, including at competitors Pilgrim's Pride, Hormel Foods, and Smithfield Foods.

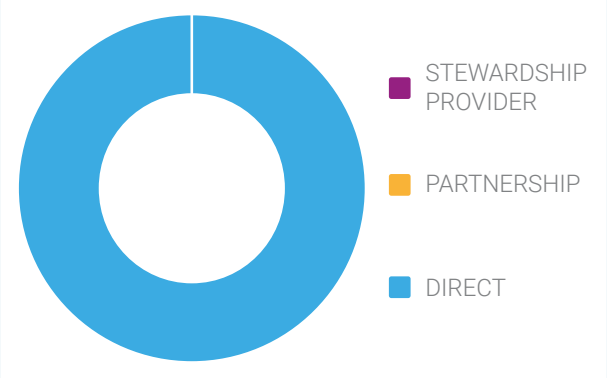
Result: Although ultimately unsuccessful, this proposal was supported by 59% of independent shareholders that are not held by Tyson Limited Partnership or Tyson's directors or executive officers. In our view, proposals such as this can bring attention to the continued use of plastic packaging – a critical issue for both the environment and the company's future. EOS at Federated Hermes, our Stewardship Provider, has a long-standing engagement with Tyson and will continue dialogue with the company on various ESG-related issues including circular economy and plastic-related risk management.

[4] There can be more than one plastic-related engagement issue and/or objective per company.

FAIR TAX PAYMENT AND TAX TRANSPARENCY ENGAGEMENTS

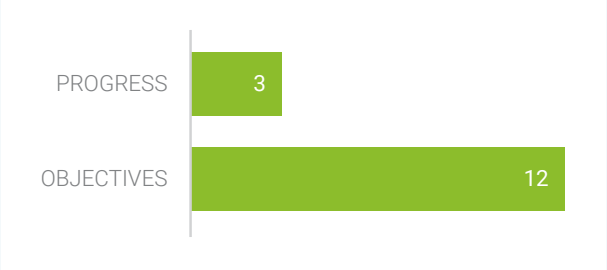
This quarter, our tax transparency engagement set comprised 12 companies with 12 engagement issues and objectives. There was progress on three specific engagement objectives against a total of 12 objectives.

ENGAGEMENT VOLUME BY TYPE



- Seven engagements during the quarter
- Investor letter to the US Securities and Exchange Commission (SEC), in support of a shareholder proposal at Amazon asking for tax transparency

ENGAGEMENT VOLUME BY OUTCOME



AMAZON.COM, INC.

Theme: Responsible Tax Behaviour

Objective: The trust an organisation builds with its stakeholders is of critical (though intangible) value. As a measure of an organisation's contribution to the economies it operates in, tax is a key dimension in building that trust. We therefore expect companies to pay their fair share of tax. In past engagement with other companies, we have asked for board oversight of tax policy and risk assessment; greater disclosure of tax strategy and policy; robust management of tax related risks, including preferably a country-by-country tax disclosure; link between company's purpose, sustainability goals and tax strategy; and engagement with tax policy makers and other stakeholders.

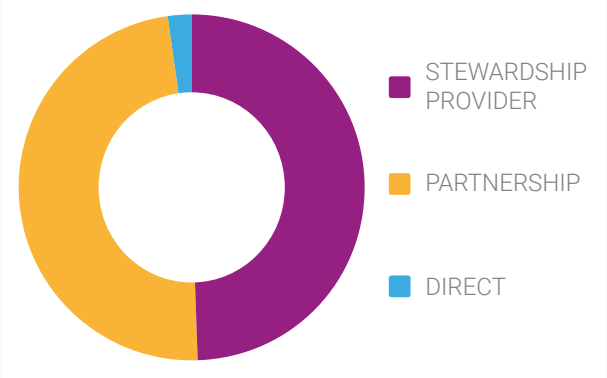
Engagement: In March 2022, we signed a letter to the US Securities and Exchange Commission (SEC), alongside over 100 other investors, in support of a shareholder proposal at Amazon asking for tax transparency. The company had earlier in January wrote to the SEC requesting approval for a shareholder resolution on the topic to be excluded from voting at its next AGM, arguing that tax was an ordinary business matter and therefore subject to a shareholder resolution exemption. The resolution demanding Amazon adopt a new reporting standard on tax practices was originally brought by a Catholic investment fund and UK public retirement scheme in December. The shareholder proposal reads: "The Board of Directors issue a tax transparency report to shareholders, at reasonable expense and excluding confidential information, prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard". Through our engagement with companies on tax, we aim to support investor expectations – e.g., as expressed by the GRI tax standard and the UK Fair Tax Mark – in dialogue with companies.

Outcome: In a letter to Amazon in April, SEC ruled in favour of the shareholders who demanded a vote on the issue. The shareholder resolution, which will now be allowed to go to a vote at Amazon's AGM on May 25 represents one of the first times the regulator has granted a shareholder request on tax matters.

HUMAN RIGHTS RISKS ENGAGEMENTS

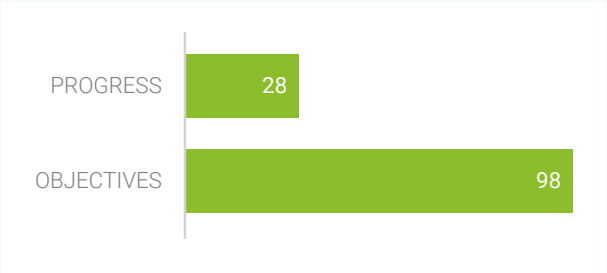
This quarter our human rights related engagements comprised 117 companies with 143 engagements issues and objectives. There was progress on 28 specific engagement objectives against a total of 98 objectives.

ENGAGEMENT VOLUME BY TYPE



- 143 engagements during the quarter
- Phase III of ongoing engagement project on modern slavery initiated, asking 44 FTSE 350 laggard companies to comply with the UK Modern Slavery Act
- Engagement with Motorola on human rights risks in Occupied Palestinian Territories

ENGAGEMENT VOLUME BY OUTCOME



44 FTSE 350 COMPANIES

Theme: Human Rights (Modern Slavery)

Objective: Over the last two years, LGPSC has been a member of a collaborative investor-initiative convened by Rathbones Group Plc (Rathbones) that has successfully encouraged laggard **FTSE 350 companies** to meet the reporting requirements of Section 54 of the Modern Slavery Act 2015. According to the Act, companies with a turnover of more than £36 million per year must publish a modern slavery statement and ensure that the statement is approved by the board; signed by a director; and reviewed annually and published on the company's UK website.

Engagement: During 2021, we engaged 61 FTSE350 companies asking for Modern Slavery Act compliance. As per end 2021, all companies have responded and are now compliant. Initial positive responses have given an opening for meetings to discuss companies' approaches to modern slavery. Following up on that success, we co-signed letters that are sent to 44 companies that have failed to meet the minimum reporting standards of the Modern Slavery Act 2015.

Outcome: The letters were sent in February 2022, and we will follow-up with further engagement and monitoring of progress. LGPSC will consider voting against the report and accounts should the companies remain in a non-compliant state.

MOTOROLA SOLUTIONS, INC.

Theme: Human Rights (Conflict Areas)

Objective: We expect businesses that operate in areas of war and conflict to take particular care to respect human rights. The Israeli-Palestinian conflict poses clear human rights risks for companies, but the sensitive political situation makes engagement challenging.

Engagement: LGPSC initiated dialogue with Motorola Solutions, Inc. in 2020. We engaged the company on human rights risks from its operations in the Occupied Palestinian Territories (OPT). Since engagement began, we have communicated with the company through several written correspondences and voted against the Chair at the 2021 AGM. These culminated in a meeting that took place in January 2022. In the meeting, we emphasised the need for the company to carry out human rights impact assessments in line with the UN Guiding Principles on Business and Human Rights. We have also provided the company with a list of potential third-party providers who can assist in carrying out such an assessment.

Outcome: We were pleased when the company agreed to meet and discuss these issues at the January 2022 meeting and will continue this engagement with the company.

03 Voting

POLICY

For UK listed companies, we vote our shares in accordance with a set of bespoke LGPSC UK Voting Principles. For other markets, we consider the recommendations and advice of our third-party proxy advisor, EOS at Federated Hermes.

COMMENTARY

Between January – March 2022, we:

- Voted at 493 meetings (5,327 resolutions) globally
- Opposed one or more resolutions at 242 meetings
- Voted with management by exception at 11 meetings
- Supported management on all resolutions at the remaining 237 meetings.

A full overview of voting decisions for securities held in portfolios within the Company's Authorised Contractual Scheme (ACS) – broken down by market, issues and reflecting number of votes against and abstentions – can be found here.

EXAMPLES OF VOTING DECISIONS

APPLE INC.

Theme: Executive remuneration, human rights

Rationale: LGPSC voted against management on seven proposals. We opposed Apple's executive compensation proposal as we viewed the CEO's $75 million equity award as excessive and inconsistent with the company's stated focus on addressing inequities in society. We also disagreed on the structure of the award, of which half is purely time-based. The time-based grant will vest in three equal tranches; the first of which will vest on 1 April 2023, with the remainder vesting annually over the following two years. The equity award will continue to vest in full based on their original time or performance conditions should he retire on or after the first anniversary of the grant date. It is our view that this award is not adequately aligned with the long-term interest of shareholders. In line with LGPS Central Voting Principles, we will oppose remuneration proposals where levels of remuneration are perceived to be excessive and unfair which can be demotivating to staff and reputationally damaging to the company.

We also voted for five shareholder proposals. We note that human rights frequently feature in these shareholder proposals, with resolutions asking for transparency in issues such as forced labour, censorship, work culture, gender and racial pay gap and civil rights. In our view, investors would benefit from the increased transparency these resolutions asked for.

Result: 35.6% of shareholders opposed the executive remuneration proposal. This is significant opposition, and we would expect the company to consider investor concerns. Apple has confirmed to our stewardship provider EOS that they will deliver EOS' feedback to the compensation committee. The shareholder proposals requesting Apple to conduct a civil rights audit and to investigate the company's use of clauses that prevent employees from speaking out about harassment and discrimination were passed by shareholders.

WH SMITH

Theme: Executive remuneration

Rationale: The company proposed to pay annual bonuses of £550,000 and £357,500 to CEO Carl Cowling and CFO Robert Moorhead, respectively. These represent 100% and 81.3% of their annual base salaries. WH Smith, in light of the ongoing impact of the coronavirus (COVID-19) pandemic, has suspended dividends to investors for the financial year. The company also took £40 million in business rates relief and £11 million in payments from furlough schemes in the UK and elsewhere in the year to September 2021 according to its annual report. We therefore question the appropriateness of these bonus outcomes which do not appear to adequately align with the company's performance and overall stakeholder experience during the financial year. We also question the selection of performance metrics which were used to calculate the bonus outcomes. The company has historically utilised Group PBT as a financial metric, but this was changed to headline EBITDA during the FY2021 – even though headline EBITDA is not identified as a company KPI and has not been historically disclosed. In this context, it was difficult to assess the targets attached to the metric. The optics of this move was also questionable, especially since the company reverted to Group PBT for FY2022.

Result: Dissent from shareholders was considerable as 45.6% of shareholders voted against this proposal. According to the UK Corporate Governance Code, a company that receives shareholder opposition of more than 20% to a resolution is expected to open a dialog with the shareholders to understand the shareholder's views and reasons for the opposition.

WALGREENS BOOTS ALLIANCE, INC.

Theme: Executive compensation, shareholder rights and other ESG topics

Rationale: LGPSC voted against management on four resolutions. We voted against ratifying executive compensation and against the re-election of the Chair of the compensation committee. The company's say-on-pay vote received the support of only 47.5% of shareholders in 2021. We reviewed the compensation committee's shareholder engagement efforts and improvements on the pay program and concluded that the changes do not fully address concerns that were raised in last year's AGM. Considering the failed vote result from 2021, we believe support is not warranted for this year's say-on-pay proposal nor the election of the compensation committee chair.

We also voted against management recommendation for two shareholder resolutions: 1) proposal requesting amendment to the appropriate company governing documents to give the owners of a combined 10% of outstanding common stock the power to call a special shareholder meeting, and 2) proposal requesting that the board disclose a report on the public health costs created by the sale of tobacco products. In our view, the proposal which seeks a reduction of the required ownership threshold for shareholders to call a special meeting from 20% to 10% will further empower investors and promotes shareholder rights. The proposal on tobacco sales promotes better management of opportunities and risks on a topic which many investors will categorise alongside other material ESG topics.

Result: Dissent on the remuneration report and compensation committee chair were 38.5% and 24.4% respectively. 12.7% of shareholders backed the proposal to report on tobacco sales. Walgreens is scaling back its focus on tobacco, ending all promotional programs for tobacco products in 2021. Walgreens CEO Rosalind Brewer is also considering tobacco's future for the company.

LGPS CENTRAL LIMITED'S

Partner Organisations

LGPS Central actively contributes to the following investor groups

30% Club
GROWTH THROUGH DIVERSITY

BVCA British Private Equity & Venture Capital Association

CDP
DISCLOSURE INSIGHT ACTION

Climate Action 100+
Global Investors Driving Business Transition

Federated Hermes

IIGCC
Institutional Investors Group on Climate Change

ICGN
International Corporate Governance Network

Local Authority Pension Fund Forum

PENSIONS FOR PURPOSE

PRI Principles for Responsible Investment

Transition Pathway Initiative

THE INVESTOR FORUM

LGPS Central Limited

All information is prepared as of **10/05/2022**.

This document is intended for **PROFESSIONAL CLIENTS** only.

LGPS Central Limited is authorised and regulated by the Financial Conduct Authority.
Registered in England. Registered No: 10425159.
Registered Office: First Floor, i9 Wolverhampton Interchange, Wolverhampton WV1 1LD

PENSIONS PANEL – 8 JUNE 2022

Report of the Director for Corporate Services

COMPETITION & MARKETS AUTHORITY INVESTMENT CONSULTANT OBJECTIVES

Recommendation of the Chair

1. That the Pensions Panel concur with the view of the Director for Corporate Services; that the desired outcomes from the Investment Consultant Objectives for 2021/22 have been met, where these can be considered in the short term;

2. That the Pensions Panel confirm their assessment of the objective '*Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested*'; and

3. That the Pensions Panel approves the Investment Consultant Objectives provided in Appendix 2, noting the specific focus for the 2022/23 financial year.

Background

4. At its meeting on 3 December 2019, the Pensions Panel received a briefing paper from Hymans Robertson LLP (Hymans) advising of the findings of the December 2018 report of the Competition and Markets Authority (CMA), and their subsequent order, in respect of the need for Pension Scheme Trustees to set annual objectives for their investment consultants.

5. In response to the CMA Order, the Panel agreed a high-level set of objectives with Hymans for 2020/21 and these were developed further in 2021/22 to incorporate more focussed objectives and detail about how the objectives were to be measured. The 2021/22 objectives were signed off by the Panel at their meeting in July 2021.

Monitoring of Objectives

6. The Panel also agreed that they would assess / measure and report on the performance of the Investment Consultant against the objectives set, by way of a collective annual review, with a report submitted to the Panel each year, at their March or June meeting.

7. Appendix 1 has been annotated with comments (in parentheses) which reflect the Director for Corporate Services' view, as to whether the desired outcome has been achieved in the short term, and the Panel are asked to consider and concur with this view. It is reassuring that in all cases, bar one, where partial achievement has been stated, that the outcome and thus the objective has been met.

8. One assessment remains outstanding and, given they are best placed to comment, the Panel is requested to confirm their assessment of the objective

'*Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested*' at the meeting.

Setting of 2022/23 Financial Year Objectives

9. Many of the objective's set will continue to be at a high level and will reflect the long-term nature of the Fund's Investment Strategy; they will not change year on year. Following their reappointment in February 2021, Hymans suggested that it may be appropriate to be more specific with the focus of the objectives and, wherever possible, to link these to the workplan for the year ahead. The focussed objectives for the 2022/23 Financial Year are detailed in Appendix 2.

10. Proposed changes to the objectives are highlighted but given the workplan for 2022/23 is concerned with the implementation of the recommendations from the Strategic Asset Allocation Review and the Funds' Climate Change Strategy, both of which were approved in 2021/22, there are very few changes to the previous years' focussed objectives.

John Tradewell
Director for Corporate Services

Contact: Melanie Stokes,
Assistant Director for Treasury & Pensions
Telephone No. (01785) 276330

Equalities Implications: There are no direct equalities implications.

Legal Implications: The legal are covered in the body of the report implications.

Resources and Value for Money Implications: There are no direct resources and value for money implications.

Risk Implications: There is risk that inappropriate advice can result in an inappropriate investment strategy and inappropriate investment decisions being taken by the Fund. These could have significant financial implications on the value of the Fund's assets over the long term.

Climate Change Implications: Whilst there are no direct climate change implications arising from this report, any investment advice needs to take into account the Fund's Climate Change Strategy and net zero ambitions together with the Fund's Investment Principles on Responsible Investment and Engagement.

Health Impact Assessment screening – There are no health impact assessment implications arising from this report.

Staffordshire Pension Fund – Investment Consultant Objectives – 2021/22 Appendix 1

Pension Fund Requirement	Investment Consultant Objective	Desired Outcome / Measurement	2021/22 Focused Objective
Ensure members' benefits are met as they fall due. Support a long-term funding approach that is consistent with a stable and affordable contribution approach from the employers.	Advise on a suitable investment strategy, and amendments to the strategy, to deliver the Fund's required investment returns in order to support progress towards a long-term steady state of funding. Deliver an investment approach that reflects the Fund's cash flow position, and likely evolution, and minimises the risk of forced divestment.	Returns from the investment strategy, over time, are in line with or exceed the investment return assumptions in the Fund's Funding Strategy Statement; subject to market conditions and strategy implementation. (ACHIEVED – actual returns over the 1, 3, 5 and 10-year periods exceed Actuarial Assumptions) The Fund has sufficient liquid cash flow to allow members benefits to be paid as they fall due. (ACHIEVED – all members' benefits due in year have been paid, without the need to sell investments)	Facilitate a review of the Fund's investment strategy to ensure it remains fit-for-purpose as the Fund approaches full funding and in the context of market changes. (ACHIEVED – Strategic Asset Allocation (SAA) Review carried out H22021 in conjunction with upfront Actuarial modelling work and development of Climate Change Strategy) Monitor, and alert the Fund, to new investment opportunities that would improve the likelihood of the Fund achieving its objectives. (ACHIEVED – new investment opportunities considered as part of SAA review. E.g., Multi Asset Credit. Ensure investment advice takes the whole Fund position into account, including the impact on funding and contribution rates. (ACHIEVED – SAA Review considered different contribution rate scenarios to ensure contribution rates were not impacted by any proposed changes in the SAA)
Ensure the Fund's approach is aligned with the objectives of pooling and associated guidance.	Advise on the cost-efficient implementation of the Fund's investment strategy, as required, taking into account the evolution of the LGPS Central pool.	Advice has a focus on key risk / return priorities. Any areas of misalignment with the Fund's objectives and/or poor	Ensure investment decisions taken by the Fund are informed by a full analysis of the key risks, return expectations and costs of available investment options. (ACHIEVED – Pensions Panel receives quarterly market update highlighting macro

Ensure cost efficient implementation of the Fund's investment strategy		performance highlighted are challenged and solutions identified. (ACHIEVED – Investment decisions always consider the LGPS Central Limited product offering. Early engagement with LGPS Central Limited to ensure products being developed are suitable for the Fund to invest in and aligned with Fund's risk / return priorities)	risks and individual investment decisions are supported by a suitability note. E.g., Private Equity, which takes account of the various investment options) Advise the Fund on the attractiveness of third-party investment options and the benefits/potential opportunity cost of investing via the pool. (ACHIEVED – E.g. Infrastructure paper considered LGPSC Ltd pooled fund offering alongside those of third-party mangers. Recommended allocations incorporated both) Assist the Fund in enhancing arrangements for monitoring implementation of its investment strategy. (PARTIALLY ACHIEVED – whilst the Pensions Panel receives a quarterly Strategic Asset Allocation update with any potential market impact on the Fund's strategy highlighted, the intention was to develop an investment dashboard to help focus the Panel on key issues and potential remedies)
Ensure the Fund's approach reflects regulatory and legislative requirements Develop the Committee's Responsible Investment policy and ensure this is reflected in ongoing governance and decision-making processes	Ensure that the advice provided to the Fund complies with relevant pensions regulations, legislation and supporting guidance.	No instances of non-compliance with relevant regulations or internal policies. (ACHIEVED – no breaches identified) Guidance is provided on any matters, in respect of which the Fund is required by law to seek advice, particularly in relation to the preparation or revision of the Fund's Investment Strategy Statement. (COMMENT – current ISS (March 2021) to be updated with full review	Advise the Fund on the investment implications of new regulations/ guidelines notably the Pension Schemes Act 2021, the forthcoming TPR Single Code of Practice, TCFD, UK Stewardship Code 2020, Good Governance review and DLUHC guidance on pooling. Ensure any investment advice is consistent with these and existing regulations/ guidelines. (ACHIEVED – whist many new regulations / guidelines are still pending, changes and/or existing regulations / guidelines are taken into account E.g., TCFD. Pooling guidance.

		following approval of SAA implementation plan in 2022/23)	
	Develop the Committee and Panel's policies and beliefs, including those in relation to Responsible Investment and ensure that any advice provided is consistent with such.	Policies and beliefs are developed with appropriate input from the Investment Advisor and any advice provided is consistent with those policies and beliefs, including those in relation to Responsible Investment. (ACHIEVED – The Fund's overarching Investment Beliefs were reviewed in 2021 prior to the SAA Review and the development of the Climate Change Strategy)	Assist the Fund in revising its RI beliefs, setting its Net Zero carbon goal and developing a supporting roadmap. (ACHIEVED – specific RI beliefs were reviewed as part of the wider review of the Fund's Investment Beliefs; a Climate Change Strategy was approved by the Pensions Committee in February 2022) Ensure any changes to investment strategy take into account the Fund's RI beliefs and goals. (ACHIEVED – the Fund's revised RI beliefs and goals were approved ahead of the SAA Review and will provide a framework for the detailed SAA implementation plan) Advise the Fund on changes to its Investment Strategy Statement and related policies in light of the above. (COMMENT – current ISS (March 2021) to be updated with full review following approval of SAA implementation plan in 2022/23)

Staffordshire Pension Fund – Investment Consultant Objectives – 2021/22 Appendix 1

Ensure the Fund's investment objectives are supported by an effective governance framework.	Provide relevant and timely advice.	Advice which is appropriate to the matter being considered is clear, targeted and delivered on time (ACHIEVED – Investment Consultant has been present at all Panel meetings and has been able to deliver timely advice)	Assist the Fund in strengthening its oversight of the products and services provided by LGPS Central. (ACHIEVED - Early engagement with LGPS Central Limited to ensure products being developed are suitable for the Fund to invest in E.g., Private Debt and ongoing monitoring through manager knowledge, shared performance reports and ad-hoc meetings with managers appointed by LGPS Central Limited)
	Help the Panel develop knowledge and understanding of investment matters.	The Fund is supported with training, through general communications and presentations to the Pensions Committee and Panel where required. (ACHIEVED – Panel have received advice notes and training as requested plus purchase of Hymans Robertson Learning Online Application (LOLA)) Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested. **(COMMENT – For the Pensions Panel to comment on directly)**	Provide training, through general communications and presentations, on relevant topics including Climate Change and new investment regulations/ guidelines. (ACHIEVED – E.g., just in time training delivered on Climate Change prior to Pensions Committee approval of Climate Change Strategy)
	Provide services to support ongoing governance which are proportionate and competitive in terms of costs relative to our peer group.	Services provided in support of Governance are considered proportionate and represent value for money.	Ensure all items of advice are scoped, budgeted for within tendered fee scales, and executed, so as to deliver value for money. (ACHIEVED – in short term all review work scoped with indicative costs provided. Longer term impact not currently measurable)

Staffordshire Pension Fund – Investment Consultant Objectives – 2022/23 Appendix 2

Pension Fund Requirement	Investment Consultant Objective	Desired Outcome / Measurement	2022/23 Focused Objective
Ensure members' benefits are met as they fall due. Support a long-term funding approach that is consistent with a stable and affordable contribution approach from the employers.	Advise on a suitable investment strategy, and amendments to the strategy, to deliver the Fund's required investment returns in order to support progress towards a long-term steady state of funding. Deliver an investment approach that reflects the Fund's cash flow position, and likely evolution, and minimises the risk of forced divestment.	Returns from the investment strategy, over time, are in line with or exceed the investment return assumptions in the Fund's Funding Strategy Statement; subject to market conditions and strategy implementation. The Fund has sufficient liquid cash flow to allow members benefits to be paid as they fall due.	*Continue to* facilitate the review of the Fund's investment strategy, *focusing on key aspects of investment structure*, to ensure it remains fit-for-purpose as the Fund approaches full funding and in the context of market changes. Monitor, and alert the Fund, to new investment opportunities that would improve the likelihood of the Fund achieving its objectives. Ensure investment advice takes the whole Fund position into account, including the impact on funding and contribution rates.
Ensure the Fund's approach is aligned with the objectives of pooling and associated guidance. Ensure cost efficient implementation of the Fund's investment strategy	Advise on the cost-efficient implementation of the Fund's investment strategy, as required, taking into account the evolution of the LGPS Central pool.	Advice has a focus on key risk / return priorities. Any areas of misalignment with the Fund's objectives and/or poor performance highlighted are challenged and solutions identified.	Ensure investment decisions taken by the Fund are informed by a full analysis of the key risks, return expectations and costs of available investment options. Advise the Fund on the attractiveness of third-party investment options and the benefits/potential opportunity cost of investing via the pool. Assist the Fund in enhancing arrangements for monitoring implementation of its investment strategy.
Ensure the Fund's approach reflects regulatory and legislative requirements Develop the Committee's Responsible Investment policy and ensure this is reflected in ongoing	Ensure that the advice provided to the Fund complies with relevant pensions regulations, legislation and supporting guidance.	No instances of non-compliance with relevant regulations or internal policies. Guidance is provided on any matters, in respect of which the Fund is required by law to seek advice,	Advise the Fund on the investment implications of new regulations/ guidelines notably the Pension Schemes Act 2021, the forthcoming TPR Single Code of Practice, TCFD, UK Stewardship Code 2020, Good Governance review and DLUHC guidance on pooling.

governance and decision-making processes	Develop the Committee and Panel's policies and beliefs, including those in relation to Responsible Investment and ensure that any advice provided is consistent with such.	particularly in relation to the preparation or revision of the Fund's Investment Strategy Statement. Policies and beliefs are developed with appropriate input from the Investment Advisor and any advice provided is consistent with those policies and beliefs, including those in relation to Responsible Investment.	Ensure any investment advice is consistent with these and existing regulations/ guidelines. Assist the Fund in *evaluating potential changes to the Fund's investment portfolio in support of its climate strategy and wider RI beliefs and goals.* Ensure any changes to investment strategy take into account the Fund's RI beliefs and goals. Advise the Fund on changes to its Investment Strategy Statement and related policies in light of the above.
Ensure the Fund's investment objectives are supported by an effective governance framework.	Provide relevant and timely advice. Help the Panel develop knowledge and understanding of investment matters. Provide services to support ongoing governance which are proportionate and competitive in terms of costs relative to our peer group.	Advice which is appropriate to the matter being considered is clear, targeted and delivered on time The Fund is supported with training, through general communications and presentations to the Pensions Committee and Panel where required. Pensions Committee and Panel are satisfied with the quality, presentation and content of any training requested. Services provided in support of Governance are considered proportionate and represent value for money.	Assist the Fund in strengthening its oversight of the products and services provided by LGPS Central. Provide training, through general communications and presentations, on relevant topics including Climate Change and new investment regulations/ guidelines. Ensure all items of advice are scoped, budgeted for within tendered fee scales, and executed, so as to deliver value for money.

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