

Shropshire Council  
Legal and Democratic Services  
Shirehall  
Abbey Foregate  
Shrewsbury  
SY2 6ND

Date: Thursday, 24<sup>th</sup> November 2022

**Committee:**  
**Pensions Committee**

**Date:** Friday, 2 December 2022  
**Time:** 10.00 am  
**Venue:** Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury,  
Shropshire, SY2 6ND

You are requested to attend the above meeting.  
The Agenda is attached.

**There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting, please email [democracy@shropshire.gov.uk](mailto:democracy@shropshire.gov.uk) to check that a seat will be available for you.**

Please click [here](#) to view the livestream of the meeting on the date and time stated above.

The recording of the event will also be made available shortly after the meeting on the Shropshire Council YouTube Channel: [Here](#)

Tim Collard  
Assistant Director – Legal and Governance

**Members of the Committee:**

Thomas Biggins (Chairman)  
Roger Evans  
Simon Harris  
Brian Williams

**Co-opted Members (Voting):**

Rae Evans (Vice Chairman)  
Carolyn Healy

**Co-opted Members (Non-Voting):**

Jean Smith (Pensioner Representative)  
Byron Cooke (Employee Representative Telford & Wrekin Council)  
Lindsay Short (Employee Representative Shropshire Council)

**Substitute Members of the Committee:**

Mary Davies (SC)  
Chris Schofield (SC)  
Adrian Lawrence (T&W)  
Bob Wennington (T&W)  
Nigel Neat (T&W Employee Rep)  
Vacancy (SC Employee Rep)  
Vacancy (Pensioner Rep)

Your Committee Officer is:

**Sarah Townsend** Committee Officer

Tel: 01743 257721

Email: [sarah.townsend@shropshire.gov.uk](mailto:sarah.townsend@shropshire.gov.uk)

# AGENDA

## **1 Apologies and Substitutions**

To receive apologies for absence and notification of any substitutions.

## **2 Disclosable Interests**

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

## **3 Minutes of the Previous Meeting (Pages 1 - 8)**

The minutes of the meeting held on 16 September 2022 are attached for confirmation, marked 3.

Contact: Sarah Townsend (01743 257721)

## **4 Public Questions**

To receive any questions or petitions from members of the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 5.00 p.m. on Monday, 28 November 2022.

## **5 Actuarial Valuation and Funding Strategy Statement (FSS) Update (Pages 9 - 66)**

The presentation of Mr Mark Wilson, Mercer, is attached, marked 5.

## **6 Climate Risk Report (Pages 67 - 114)**

The report and presentation of Mr Patrick O'Hara, Mr Matthew Jones, Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, is attached, marked 6.

## **7 TCFD (Taskforce for Climate Related Financial Disclosures) (Pages 115 - 134)**

The report of Mr Patrick O'Hara, Mr Matthew Jones, Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, is attached, marked 7.

**8 Corporate Governance Monitoring (Pages 135 - 218)**

The report of the Investment Officer is attached, marked 8.

Contact: Ben Driscoll (01743 252079)

**9 Stewardship Code Update (Pages 219 - 224)**

The report of the Pensions Investment and Responsible Investment Manager is attached, marked 9.

Contact: Peter Chadderton (07990 086399)

**10 Pensions Administration Monitoring (Pages 225 - 292)**

The report of the Pensions Administration Manager is attached, marked 10.

Contact: Debbie Sharp (01743 252192)

**11 Exclusion of Press and Public**

To consider a resolution under paragraph 10.2 of the Council's Access to Information Procedure Rules that the proceedings of the Committee in relation to Agenda Items 12 to 17 shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the categories specified against them.

**12 Exempt Minutes of the Previous Meeting (Exempted by Category 3) (Pages 293 - 296)**

The exempt minutes of the meeting held on 16 September 2022 are attached for confirmation, marked 12.

Contact: Sarah Townsend (01743 257721)

**13 Climate Risk Report (Exempted by Category 3)**

Mr Patrick O'Hara, Mr Matthew Jones, Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, will be in attendance to present this item.

**14 Equity Protection and Financial Markets Update and Introduction to Investment Strategy Review (Exempted by Category 3)**

Mr Colin Cartwright and Mr Louis-Paul Hill, Aon, will be in attendance to present this item.



**15 Investment Monitoring - Quarter to 30 September 2022 (Exempted by Category 3)** (Pages 297 - 348)

The exempt report of the Head of Pensions – LGPS Senior Officer is attached, marked 16.

Contact: Justin Bridges (01743 252072)

**16 Governance (Exempted by Category 3)** (Pages 349 - 372)

The exempt report of the Pensions Administration Manager is attached, marked 17.

Contact: Debbie Sharp (01743 252192)

**17 New Employers (Exempted by Category 3)** (Pages 373 - 376)

The exempt report of the Pensions Administration Manager is attached, marked 18.

Contact: Debbie Sharp (01743 252192)

This page is intentionally left blank



Pensions Committee

2 December 2022

10.00 a.m.

## **MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 16 SEPTEMBER 2022**

**10.00 AM - 1.50 PM**

**Responsible Officer:** Sarah Townsend

Email: sarah.townsend@shropshire.gov.uk Tel: 01743 257721

### **Present:**

#### Members of the Committee:

Councillor Thomas Biggins (Chairman)

Councillors Roger Evans, Simon Harris and Brian Williams

#### Co-Opted Members (Voting):

Councillors Rae Evans

#### Co-Opted Members (Non-Voting):

Byron Cooke

### **17 Apologies and Substitutions**

Apologies were received from Councillor Carolyn Healy, Lindsay Short and Jean Smith. There were no substitutes in attendance.

### **18 Disclosable Interests**

None were declared.

### **19 Minutes of the Previous Meeting**

#### **RESOLVED:**

That the minutes of the meeting held on 24 June 2022 be approved and signed by the Chairman as a correct record.

### **20 Public Questions**

Five questions had been received from members of the public. The fourth public questioner was in attendance to ask her question. The other public questioners were not in attendance to ask their questions and they were read out on their behalf by the Head of Pensions – LGPS Senior Officer. There was one response that covered all of the five questions and this was read out by the Executive Director of Resources

(Section 151 Officer). A full copy of the questions and response provided are attached to the web page for the meeting and also attached to the signed minutes.

**21 Third Line of Assurance: Internal Audit Outturn Report for Shropshire County Pension Fund 2021/22**

The Committee were introduced to Mark Seddon, Auditor, who would shortly be taking over from Peter Chadderton as Peter would be leaving Internal Audit and commencing in his new role as Pension Investment and Responsible Investment Manager.

The Committee received the report of the Head of Audit which provided them with a summary of the work undertaken by Internal Audit for the year ended 31 March 2022. It reported on progress against the annual audit plan agreed with the Head of Pensions – LGPS Senior Officer and also provided the Head of Audit's opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control processes when considering the Public Sector Internal Audit Standards or Guidance, as required by the Accounts and Audit Regulations 2015.

**RESOLVED:**

- a) That Performance against the Audit Plan for the year ended 31 March 2022 be endorsed.
- b) That the Head of Audit's substantial year end opinion on the Fund's internal control environment for 2021/22 based on the work undertaken and Pension Fund management responses received, be endorsed.

**22 External Audit - The Audit Findings for Shropshire County Pension Fund 2021/22**

The Committee received the report of the External Auditor, Grant Thornton, which summarised the key findings and other matters arising from the statutory audit of Shropshire County Pension Fund and the preparation of the Pensions Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

Mr Grant Patterson (Key Audit Partner) and Mr Keith Chaisewa (Audit Manager) were in attendance from Grant Thornton to present the report. They confirmed that work on the audit had been substantially completed and that no material differences had been identified. Attention was drawn to £19.246m of differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2022 and the valuation statements received from the third-party investment managers that had been identified. Management were proposing not to amend the financial statements on the basis that the differences are not material (0.8% of investment assets) and confirmation of this agreement from both the Pensions Committee and the Audit Committee was required.

Regarding the outstanding matter of IT arrangements and the IT systems used by the Fund and the Council, a draft report had been issued to management yesterday and no significant deficiencies had been identified.

The Committee's attention was drawn to the two recommendations for the Pension Fund (page 16 of the report) as a result of issues identified during the course of the audit. The recommendations had been agreed with management and progress on the recommendations would be reported during the course of the 2022/23 audit.

In responding to a question, it was confirmed that in terms of the Pension Fund, Grant Thornton would be in a position to provide an unmodified auditors report by the Committee's next meeting on the 2<sup>nd</sup> December 2022. However, the issuing of a signed modified opinion was dependant on the auditing of the Council's accounts.

**RESOLVED:**

That the contents of the report be noted.

**23 Pension Fund Annual Accounts 2021/22**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) which provided Members with the Shropshire County Pension Fund Annual Report 2021/22 and an update on the annual audit. It was noted that Grant Thornton had substantially completed its annual audit and it was expected that an unqualified opinion would be given.

The Executive Director of Resources advised that overall, it had been a successful year and that in the year to the end of March 2022, the Fund increased in value by £145 million to £2.339 billion.

Members' attention was drawn to the fund being recognised as a tier 1 signatory to the Stewardship Code, the highest rating given by the Financial Reporting Council, which was very positive news and how the fund is currently working on becoming a signatory to the revised Stewardship Code. This confirms how seriously the fund takes responsible investment and environmental, social and governance issues. Reference was also made to the fund publishing its first Task Force on Climate-related Financial Disclosures (TCFD) aligned report in November 2020. The fund was one of the first LGPS funds in the UK to publish its public TCFD report, this included a number of recommendations which the fund then implemented during 2021/22.

In response to a question regarding the Fund's Climate Change Strategy and the Governance of Climate Change Risk, the Head of Pensions – LGPS Senior Officer stated that the Fund had approved the Climate Change Strategy less than a year ago and at the Pensions Committee next meeting in December, updates would be provided with the Fund's third Climate Risk report and the second TCFD report being presented.

A Member commented that when the Committee had agreed to set a net zero target by 2050, they had expected regular monitoring of the journey to achieving this and showing how it had developed to be undertaken. They did not get the sense that this was being properly addressed, so that it was completely understood, and had expected a report on this to be considered at this meeting. The Head of Pensions – LGPS Senior Officer responded that this information would be provided within the Climate Risk report at the December Pensions Committee's meeting. The impact on the carbon footprint and the Fund's carbon emissions and how they have reduced over the last twelve months particularly, following the two recent decisions of the

Fund to transition into a sustainable equity fund and low carbon net zero aligned passive equity fund in May/March 2022, would be detailed within this report. It was also confirmed that carbon emissions would be on an absolute basis along with the incremental basis.

**RESOLVED:**

- a) That the Pension Fund Annual Report 2021/22 be approved.
- b) That the Chair and Executive Director of Resources sign the letter of representation for Grant Thornton.

**24 Responsible Engagement Overlay Service (REO)**

The Committee received a presentation from Ms Anais Cothureau and Ms Moira Gorman, Columbia Threadneedle Investments (formerly BMO), on the Responsible Engagement Overlay Service (REO).

Members were reminded that the Responsible Engagement Overlay Service (REO) allows investors to receive market leading corporate engagement on equity and corporate bond holdings and proxy voting services. The presentation covered engagement on Shropshire County Pension Fund holdings from 01 July 2021 – 30 June 2022, their approach to climate change which was a stewardship-led approach, Shropshire County Pension Fund's Climate Stewardship Plan and engagement updates and finally, engagement case studies on companies such as Duke Energy, Glencore and Compass Group.

Regarding Glencore, Columbia Threadneedle Investments had five engagement activities with them in the past twelve months and were meeting with them again on Monday. They had voted against the company's climate plan and some of the issues to be raised with them during Monday's meeting were outlined. The outcome of this meeting would be reported to the Head of Pensions – LGPS Senior Officer.

Columbia Threadneedle Investments explained that they used their expertise and experience to engage in dialogue with companies in order to bring about positive changes. If companies did not respond or make the necessary changes, there were a number of escalation tactics that were used.

It was requested that an update be received at the December Pensions Committee meeting as to when Columbia Threadneedle Investments report to The Head of Pensions – LGPS Senior Officer where the work they are doing is clearly not getting the traction that is required and divestment would be recommended. In responding, Ms Cothureau commented that as part of the REO Service, they did not make recommendations on whether or not to divest from companies. Rather, they would provide data points, the transparency on the engagement activities and the progression of engagement. Investment managers have delegated authority to make investment decisions on the Funds behalf and significant due diligence is undertaken into all the companies they invest in and they are regularly monitored to inform their investment decisions. A further update on Glencore will be included in the Funds third climate risk report being presented at Committee in December.

A comment was made that whilst Members had a responsibility to increase the pension fund, this had to be done responsibly and correctly.

## 25 Corporate Governance Monitoring

The Committee received the report of the Investment Officer which informed them of Corporate Governance and socially responsible investment issues arising in the quarter period 1st April 2022 to 30th June 2022.

The Committee requested that their thanks be placed on record to the staff involved in pulling the Corporate Governance Monitoring report together each quarter and commented that it involved an immense amount of work.

### **RESOLVED:**

That the position as set out in the report of the Investment Officer, Manager Voting Reports at Appendix A (A1 & A2), Columbia Threadneedle Investments (formerly BMO Global Asset Management) Responsible Engagement Overlay Activity Report at Appendix B (B1 & B2) and LGPS Central Stewardship Update at Appendix C be accepted.

## 26 LGPS Central Company Update

The Committee received a presentation from Mr Matthew Jones and Mr Mike Weston, LGPS Central, on an LGPS Central Company update which covered the following areas:

- Pooling and Company update
- Investment Funds:
  - SCPF's investments in LGPS Central Funds
  - SCPF's investment performance
  - Product Development
  - Responsible Investment and Engagement
- Staffing and Recruitment

In responding to a question regarding staff recruitment and retention faced by many Pools, including LGPS Central, Mr Weston explained that whilst their level of staff turnover was higher than they would like it to be, they were committed to bringing it down. This was a key challenge, but one that they were very focused on solving and they were managing to recruit people. Reasons such as the quality and skills of staff making them attractive to alternative employers, remote working resulting in people no longer required to work in an office every day, career progression and a review of work / life balance following Covid-19 were many of the explanations cited as to reasons for people leaving LGPS Central.

In responding to a question, it was commented that all staff within LGPS Central were all focused on similar things and particularly regarding climate related issues and investment.

In responding to a question regarding the ultimate aim of LGPS Central, it was noted that ideally, LGPS Central were trying to provide the single investment function for all of the various partner funds and were in constant dialogue regarding the products and services that were required from them.

## 27 Pensions Administration Monitoring

The Committee received the report of the Pensions Administration Manager which provided them with monitoring information on the performance of and issues affecting the pensions administration team.

It was reported that Pensions Awareness Week which was a national initiative aimed at making all individuals aware of pensions and retirement issues had been rescheduled and would now be running from Monday, 31 October 2022 to Friday, 4 November 2022.

A question was asked regarding whether a decision had been made yet regarding the holding of the Fund's usual in-person annual meeting and if so, whether this would be held virtually or in person. The Head of Pensions – LGPS Senior Officer confirmed that discussions were still ongoing in conjunction with the Chairman of the Pensions Committee. However, the Communications Policy had been updated due to the new ways of working, there was a lot of information available to members on the Fund's website, Pension Fund Officers could be contacted with any queries that they might have and the Pensions Committee had a Pensioner Representative and Employee Representatives. It was further explained that the level of communications had expanded when compared to previous years and Pensions Fund Officers were happy to hold both one to one meetings and group meetings with individuals of the scheme and employers, if needs be and particularly if they did not have access to digital technology or, were unfamiliar with it.

The Pensions Administration Manager confirmed that they had not been contacted by any member requesting an in-person meeting and commented that they had recently targeted some big employers and had gone out to them, to provide them with a presentation and discuss pensions issues.

It was commented that a decision needed to be made as to whether or not a meeting would be held, either in-person or virtually, and that the decision should be clearly communicated to all members of the Fund.

### **RESOLVED:**

1. That the position as set out in the report of the Pensions Administration Manager be accepted.
2. That the revised Communications Policy Statement at Appendix C of the report be approved.

## 28 Exclusion of Press and Public

### **RESOLVED:**

That under paragraph 10.2 of the Council's Access to Information Procedure Rules, the proceedings of the Committee in relation to Agenda Items 13 to 18, be not conducted in public on the grounds that they might involve the likely disclosure of exempt information as defined by the categories specified against them.



**29 Exempt Minutes of the Previous Meeting (Exempted by Category 3)**

**RESOLVED:**

That the exempt minutes of the meeting held on 24 June 2022 be approved and signed by the Chairman as a correct record.

**30 Investment Strategy / Equity Protection Update (Exempted by Category 3)**

The Committee received a presentation from Mr Colin Cartwright, Aon, on Investment Strategy which covered a Market update, Equity Protection, Targeted Return and Next Steps.

**31 Targeted Return Fund (Exempted by Category 3)**

The Committee received a presentation from Mr Colin Pratt and Ms Ana Cukic, LGPS Central, on Targeted Return and the LGPS Central Targeted Return Fund.

**32 Investment Monitoring - Quarter to 30 June 2022 (Exempted by Category 3)**

The Committee received the exempt report of the Head of Pensions – LGPS Senior Officer which provided them with monitoring information on investment performance and managers for the quarter period to 30 June 2022 and reported on the technical meetings held with managers since the quarter end.

**RESOLVED:**

That the recommendations as set out in the exempt report by the Head of Pensions – LGPS Senior Officer be approved.

**33 Governance (Exempted by Category 3)**

The Committee received the exempt report of the Pensions Administration Manager which informed them of regulatory breaches arising in the quarter 1 April 2022 to 31 June 2022 that had been recorded in the breaches log. The report also reported on any stage 1 or stage 2 appeals which had been received under the internal dispute resolution procedure (IDRP).

**RESOLVED:**

That the recommendations as set out in the exempt report by the Pensions Administration Manager be approved.

**34 New Employers (Exempted by Category 3)**

The Committee received the exempt report of the Pensions Administration Manager which provided them with details regarding new employer admissions to the Fund under Schedule 2 Part 3 Regulation 1(d) (i) of the Local Government Pension Scheme Regulations 2013, New Schedule 1 Part 1 Scheme Employers (academies) and New Schedule 2 Part 2 Scheme Employers (designated bodies).

**RESOLVED:**

That the recommendations as set out in the exempt report by the Pensions Administration Manager be approved.

Signed ..... (Chairman)

Date: .....

**DRAFT – SUBJECT TO CONSULTATION**

# **FUNDING STRATEGY STATEMENT**

## **SHROPSHIRE COUNTY PENSION FUND**

The information enclosed in this statement and the accompanying policies have a financial and operational impact on all participating employers in the Shropshire County Pension Fund. It is imperative that all existing and potential employers are aware of the details set out herein.

November 2022

This Funding Strategy Statement has been prepared by the Shropshire Council (the Administering Authority) to set out the funding strategy for the Shropshire County Pension Fund (the “Fund”), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

# 1. Guide to the FSS and Policies

The information required by overarching guidance and Regulations is included in [Section 2](#) and [Section 3](#) of the Funding Strategy Statement. This document also sets out the Fund's policies in the following key areas:

## 1. Actuarial Method and Assumptions (Appendix A)

The actuarial assumptions and approach used for assessing the funding position of the Fund and the individual employers. This includes the contribution rates – the “Primary” contribution rate covering new benefits earned, and any contribution variations due to underlying surpluses or deficits, known as the “Secondary” rate. The assumptions, together with other factors that may impact an employer's contribution outcomes, are set out [here](#).

## 2. Deficit Recovery and Surplus Offset Plans (Appendix B)

The key principles when considering deficit recovery and surplus offset plans as part of the valuation are set out [here](#).

## 3. Ill Health Insurance Arrangements (Appendix C)

The Fund has implemented a captive insurance arrangement which pools the risks associated with ill health retirement costs for employers whose financial position could be materially affected by the ill health retirement of one of their members. The captive arrangement is reflected in the employer contribution rates (including on termination) for the eligible employers. More details are set out [here](#).

## 4. Employer Events Framework Policy Document

The Fund's Employer Events Framework Policy provides detail on the following key areas of an employer's participation in the Fund and the relevant sections of the Policy Document will be deemed to be part of this Funding Strategy Statement:

- Joining the Fund.
- Covenant monitoring and employer risk framework
- Inter-valuation contribution rate reviews.
- Exiting the Fund

A copy of the Policy Document can be provided on request by the administering authority and can also be found on the Fund's website [here](#).

## 5. Glossary (Appendix D)

A glossary of the key terms used throughout is available at the end of this document [here](#).

## 2. Background

[Return to Contents](#)

Ensuring that the Shropshire County Pension Fund (the “Fund”) has sufficient assets to meet its pension liabilities in the long-term is the fiduciary responsibility of the Administering Authority (Shropshire Council). The Funding Strategy adopted by the Shropshire County Pension Fund will therefore be critical in achieving this. The Administering Authority has taken advice from the actuary in preparing this Statement.

The purpose of this Funding Strategy Statement (“FSS”) is to set out a clear and transparent funding strategy that will identify how each Fund employer’s pension liabilities are to be met going forward.

The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the Shropshire County Pension Fund.

It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with the Shropshire County Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

### Integrated Risk Management Strategy

The funding strategy set out in this document has been developed alongside the Fund’s investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund to meet the objective for all employers over different periods. The funding strategy includes appropriate margins to allow for the possibility of adverse events (e.g. material reduction in investment returns, economic downturn and higher inflation outlook) leading to a worsening of the funding position which would result in greater volatility of contribution rates at future valuations if these margins were not included. This prudence is required by the Regulations and guidance issued by professional bodies and Government agencies to assist the Fund in meeting its primary solvency and long term cost efficiency objectives. Individual employer results will also have regard to their covenant strength, where deemed appropriate by the Administering Authority.

### The Regulations

The Local Government Pension Scheme Regulations 2013 (“the 2013 Regulations”), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the 2014 Transitional Regulations”) and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (all as amended) (collectively; “the Regulations”) provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS).

### **The Solvency Objective**

The Administering Authority's long-term objective is for the Fund to achieve a 100% solvency level over a reasonable time period. Contributions are set in relation to this objective which means that once 100% solvency is achieved, if assumptions are borne out in practice, there would be sufficient assets to pay all benefits earned up to the valuation date as they fall due.

However, because financial and market conditions/outlook change between valuations, the assumptions used at one valuation may need to be amended at the next in order to meet the Fund's objective. This in turn means that contributions will be subject to change from one valuation to another. This objective translates to an employer specific level when setting individual contribution rates so each employer has the same fundamental objective in relation to their liabilities.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen with sufficient prudence for this objective to be reasonably achieved in the long term at each valuation.

### **Long Term Cost Efficiency**

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise. Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Local Government Pension Scheme (the "LGPS") so far as relating to the Fund.

### **Employer Contributions**

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the "primary" and "secondary" rate of the employer's contribution.

# 3. Key Funding Principles

[Return to Contents](#)

## Purpose of the FSS

Funding is making advance provision to meet the cost of pension and other benefit promises. Decisions taken on the funding approach therefore determine the pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

| The aims of the fund are to:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | The purpose of the fund is to:                                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due</li><li>• enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes</li><li>• maximise the returns from investments within reasonable risk parameters taking into account the above aims.</li></ul> | <ul style="list-style-type: none"><li>• receive monies in respect of contributions, transfer values and investment income, and</li><li>• pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the Regulations.</li></ul> |

## Responsibilities of the key parties

The efficient and effective management of the Fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key

parties for the purposes of the FSS are the Administering Authority (and, in particular the Pensions Sub-Committee), the individual employers and the Fund Actuary and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

## Key parties to the FSS

| <b>The Administering Authority should:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>The Individual Employer should:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• operate the pension fund</li> <li>• collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations</li> <li>• pay from the pension fund the relevant entitlements as stipulated in the Regulations</li> <li>• invest surplus monies in accordance with the Regulations</li> <li>• ensure that cash is available to meet liabilities as and when they fall due</li> <li>• take measures as set out in the Regulations to safeguard the fund against the consequences of employer default</li> <li>• manage the valuation process in consultation with the Fund's actuary</li> <li>• prepare and maintain a FSS and an Investment Strategy Statement ("ISS"), both after proper consultation with interested parties</li> <li>• monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary</li> <li>• effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a scheme employer, and</li> <li>• establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.</li> </ul> | <ul style="list-style-type: none"> <li>• deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations), unless they are a Deferred Employer</li> <li>• pay all contributions, including their own, as determined by the actuary, promptly by the due date</li> <li>• undertake administration duties in accordance with the Pension Administration Strategy.</li> <li>• develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework</li> <li>• make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits, early retirement strain</li> <li>• have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context</li> <li>• notify the Administering Authority promptly of any changes to membership which may affect future funding.</li> <li>• understand the pension impacts of any changes to their organisational structure and service delivery model, and</li> <li>• understand that the quality of the data provided to the Fund will directly impact on the assessment of the liabilities and contributions. In particular, any deficiencies in the data would normally result in the employer paying higher contributions than otherwise would be the case if the data was of high quality.</li> </ul> |



| The Fund Actuary should:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | A Guarantor should:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to its FSS and the Regulations</li> <li>• prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc.</li> <li>• provide advice and valuations on the termination of admission agreements</li> <li>• provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default</li> <li>• assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations</li> <li>• advise the Administering Authority on the funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and</li> <li>• ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.</li> </ul> | <ul style="list-style-type: none"> <li>• notify the Administering Authority promptly of any changes to its guarantee status, as this may impact on the treatment of the employer in the valuation process or upon termination</li> <li>• provide details of the agreement, and any changes to the agreement, between the employer and the guarantor to ensure appropriate treatment is applied to any calculations</li> <li>• be aware of all guarantees that are currently in place</li> <li>• work with the Fund and the employer in the context of the guarantee, and</li> <li>• receive relevant information on the employer and their funding position in order to fulfil its obligations as a guarantor.</li> </ul> |

## Solvency Funding Target

Securing the “solvency” and “long term cost efficiency” is a regulatory requirement. To meet these requirements, the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the “funding target”) assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer's total contribution rate would ultimately revert to its Primary rate of contribution.

Each employer's contributions are set at such a level to achieve long-term cost efficiency and full solvency in a reasonable timeframe.

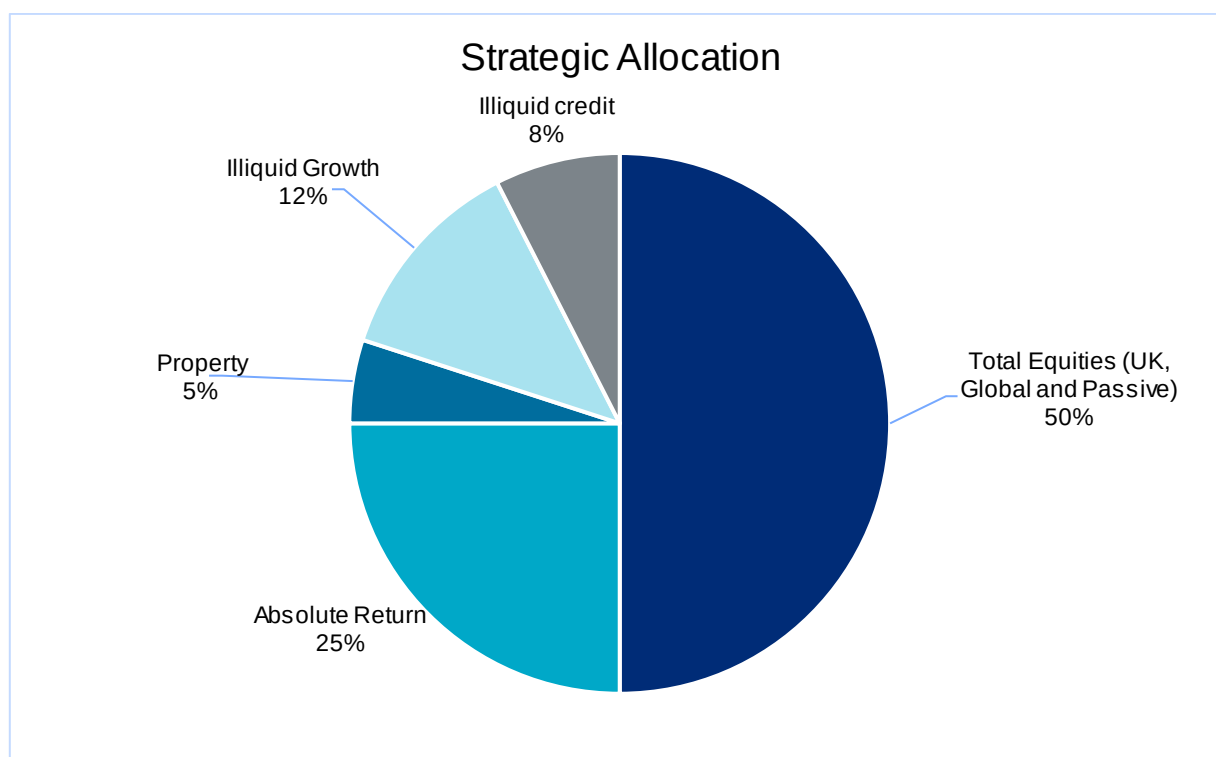
The results of the 2022 valuation show the liabilities to be nearly **[100%]** covered by the assets, with a funding deficit of **[£10m]** with the funding deficit being covered by future deficit contributions.

## Link to Investment Policy and the Investment Strategy Statement (ISS)

[Note this section is subject to finalisation following the upcoming strategy review]

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

The overall strategic asset allocation is set out in the ISS. The current strategy is included below.



| ASSET CLASS                                         | ALLOCATION | CONTROL RANGES |
|-----------------------------------------------------|------------|----------------|
| Total Equities (UK, Global and Passive)             | 50.0%      | 45.0% - 55.0%  |
| Absolute Return                                     | 25.0%      | 20.0% - 30.0%  |
| Property                                            | 5.0%       | 2.5% - 7.5%    |
| Illiquid Growth (Infrastructure and Private Equity) | 12.5%      | 10.0% - 15.0%  |
| Illiquid credit                                     | 7.5%       | 5.0% - 10.0%   |

The investment strategy set out above and individual return expectations on those asset classes equate to an overall best estimate average expected return of 2.7% per annum in excess of CPI inflation as at 31 March 2022 i.e. a 50/50 chance of achieving this real return. For the purposes of setting a funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations (see further comment in **Appendix A**).

**Risk Management Strategy** [Note this section is subject to finalisation following the upcoming strategy review]

In the context of managing various aspects of the Fund's financial risks, the Administering Authority will consider implementing investment risk management techniques where appropriate.

In particular, the Fund has implemented an equity derivatives program with Legal and General Investment Management in order to manage the Fund's exposure to equity markets over the short to medium term. In particular, the Fund has implemented an equity derivatives program with Legal and General Investment Management in order to manage the Fund's exposure to equity markets over the short to medium term. The strategy currently protects c£310m of equities with £160m of protection expiring in December 2022 which is expected to be maintained, with a further c£150m expiring in June 2023. The protection was funded by selling potential upside returns on the equity protected, with the amount of return retained by the Fund varying by region. The position will be kept under review in the interim to the next valuation and beyond.

Further details will be set out in the ISS.

## **Climate Change** [Note this section is subject to finalisation once the guidance has been provided]

[An important part of the risk analysis underpinning the funding strategy will be to identify the impact of climate change transition risk (shorter term) and physical risks (longer term) on the potential funding outcomes. In terms of the current valuation there will be an analysis of different climate change scenarios at the Whole Fund level relative to the baseline position (i.e. assuming that the funding assumptions are played out). The output will be used, for example, to test whether the funding strategy is sufficiently robust in the context of the scenario analysis considered and therefore any potential contribution impacts. Where risks to the funding strategy are identified these will be highlighted and a judgement made as to how these risks can be mitigated.

The analysis will consider as a minimum the impact on investment returns and inflation under the scenarios considered. One of the scenarios will be consistent with global temperature increases of between 1.5 and 2 degrees C above pre-industrial levels. Results will be considered over a period of at least 20 years to ensure there is sufficient recognition of the transition and physical risks of climate change. The output of the analysis will be considered in the context of investment strategy and employer covenant risk in an integrated way.]

## **Identification of Risks and Counter-Measures**

The funding of defined benefits is by its nature uncertain. Funding of the Fund is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted, a surplus or shortfall will emerge at the next actuarial assessment and may require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the Fund Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes quantification of some of the major risk factors.

| Financial                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Demographic                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The financial risks include:-</p> <ul style="list-style-type: none"> <li>• Investment markets fail to perform in line with expectations</li> <li>• Protection and risk management policies fail to perform in line with expectations</li> <li>• Market outlook moves at variance with assumptions</li> <li>• Investment Fund Managers fail to achieve performance targets over the longer term</li> <li>• Asset re-allocations in volatile markets may lock in past losses</li> <li>• Pay and price inflation significantly more than anticipated</li> <li>• Future underperformance arising as a result of participating in the larger asset pooling vehicle</li> <li>• An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements.</li> </ul> <p>Any increase in employer contribution rates (as a result of these risks) may in turn impact on the service delivery of that employer and their financial position.</p> <p>In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored.</p> | <p>The demographic risks include:-</p> <ul style="list-style-type: none"> <li>• Future changes in life expectancy (longevity) that cannot be predicted with any certainty. Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, potentially result in a greater liability for pension funds.</li> <li>• Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions for employers (although the introduction of the ill health captive insurance arrangement will help to reduce this risk going forwards)</li> <li>• Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations. The Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy</li> </ul> <p>Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.</p> |

| Governance                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Regulatory                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Fund has done as much as it believes it reasonably can to enable employing bodies and Fund members (via their representatives on the Local Pension Board) to make their views known to the Fund and to participate in the decision-making process.</p> <p>Governance risks include the following:-</p> <ul style="list-style-type: none"> <li>• The quality of membership data deteriorates materially due to breakdown in processes for updating the information</li> </ul> | <p>The key regulatory risks include the following:-</p> <ul style="list-style-type: none"> <li>• Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to the Fund, Typically these would be via the Cost Management Process although in light of the McCloud discrimination case, there can be exceptional circumstances which give rise to unexpected changes in Regulations.</li> </ul> |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>resulting in liabilities being under or overstated</p> <ul style="list-style-type: none"> <li>• Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level</li> <li>• Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates</li> <li>• An employer ceasing to exist with insufficient funding or adequacy of a bond.</li> <li>• An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements.</li> <li>• Changes in the Committee membership.</li> </ul> <p>For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored but in most cases the employer, rather than the Fund as a whole, bears the risk.</p> | <ul style="list-style-type: none"> <li>• Changes to national pension requirements and/or HMRC Rules</li> <li>• Political risk that the guarantee from the Department for Education for academies is removed or modified along with the operational risks as a consequence of the potential for a large increase in the number of academies in the Fund due to Government policy.</li> </ul> <p>Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.</p> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## Monitoring and Review

A full review of this Statement will occur no less frequently than every 3 years, to coincide with completion of a full statutory actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Scheme membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund
- if there have been material changes in the ISS

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employers will be contacted. Further details on the circumstances in which the Administering Authority will review individual employer contribution rates in between actuarial valuations can be found in the Employer Events Framework Policy Document on the Fund's website [here](#).

# Appendix A –

## Actuarial method and assumptions

[Return to Contents](#)

The key whole Fund assumptions used for calculating the funding target and the cost of future accrual for the 2022 actuarial valuation are set out below.

| Financial Assumptions                    |                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                          | 2022 valuation assumption                                                                                                                | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Investment return / discount rate</b> | <p>Standard approach: 4.8% p.a. (past) and 5.2% p.a. (future)</p> <p>Reduced risk approach: 4.55% p.a. (past) and 4.7% p.a. (future)</p> | <p>Derived from the expected return on the Fund assets based on the long term strategy set out in the ISS, including appropriate margins for prudence. For the 2022 valuation, the standard approach is based on an assumed return of 1.7% p.a. above CPI inflation (past) and 2.1% p.a. above CPI inflation (future).</p> <p>The reduced risk approach adopts a lower discount rate (0.25% lower for past service and 0.5% lower for future service) and applies for employers that are not (directly or indirectly) tax payer backed and opt not to provide a bond based on the termination shortfall.</p> <p>Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole.</p> |
| <b>Inflation (Retail Prices Index)</b>   | 3.90% p.a.                                                                                                                               | The investment market's expectation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date (reflecting the profile and duration of the whole Fund's accrued liabilities).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Inflation (Consumer Prices Index)</b> | 3.10% p.a. (includes an adjustment of 0.80% p.a.)                                                                                        | RPI inflation (above) reduced to reflect the expected long-term difference between RPI and CPI measures of inflation (reflecting the profile and duration of the whole Fund's accrued liabilities and 2030 RPI reform) and adjusted to incorporate an Inflation Risk Premium ("IRP"). The adjustment to the RPI inflation assumption will be reviewed from time to time to take into account any market factors which affect the estimate of CPI inflation.                                                                                                                                                                                                                                                                                                                                                                                 |

|                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Salary increases (long-term)</b>               | 4.35% p.a.                                                                                                                                                                                                                                                                                                                                                                                                                                        | Pre 1 April 2014 benefits (and 2014 to 2022 McCloud underpin) - the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.25% p.a. over the CPI assumption as described above. This includes allowance for promotional increases. |
| <b>Pension Increases and Deferred Revaluation</b> | Assumed to be in line with the CPI inflation assumption above (noting that pension increases cannot be negative as pensions cannot be reduced). At the 2022 valuation, an adjustment has been made to the liabilities to allow for the known inflation for the period 30 September 2021 to 31 March 2022, and where material, allowance will continue to be made for inflation as it emerges when assessing funding positions between valuations. |                                                                                                                                                                                                                                                                                                          |
| <b>Indexation of CARE benefits</b>                | Assumed to be in line with the CPI inflation assumption above. For members in pensionable employment, indexation of CARE benefits can be less than zero (i.e. a reduction in benefits).                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                          |

## Demographic Assumptions

### Mortality/Life Expectancy

The derivation of the mortality assumption is set out in separate advice as supplied by the Actuary. The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), including a loading reflecting Fund specific experience, and will make allowance for future improvements in longevity and the experience of the scheme. A specific mortality assumption has also been adopted for current members who retire on the grounds of ill health.

For all members, it is assumed that the trend in longevity seen over recent time periods (as evidenced in the 2021 CMI analysis) will continue in the longer term and as such, the assumptions build in a level of longevity 'improvement' year on year in the future in line with the CMI 2021 projections and a long term improvement trend of 1.5% per annum.

As an indication of impact, we have set out the life expectancies at age 65 based on the 2019 and 2022 assumptions:

|                              | Male Life Expectancy at 65 |      | Female Life Expectancy at 65 |      |
|------------------------------|----------------------------|------|------------------------------|------|
|                              | 2019                       | 2022 | 2019                         | 2022 |
| <b>Pensioners</b>            | 23.1                       | 22.1 | 25.2                         | 24.4 |
| <b>Actives aged 45 now</b>   | 24.4                       | 23.4 | 26.8                         | 26.2 |
| <b>Deferreds aged 45 now</b> | 23.1                       | 23.1 | 25.8                         | 25.7 |



For example, a male pensioner, currently aged 65, would be expected to live to age 87.1. Whereas a male active member aged 45 would be expected to live until age 88.4. The difference reflects the expected increase in life expectancy over the next 20 years in the assumptions above.

The mortality before retirement has also been reviewed based on LGPS wide experience.

The post retirement mortality tables adopted for this valuation are set out below:

| <b>Current Status</b>                                       | <b>Retirement Type</b> | <b>Mortality Table</b>                                     |
|-------------------------------------------------------------|------------------------|------------------------------------------------------------|
| <b>Annuitant</b>                                            | Normal Health          | 103% S3PMA_CMI_2021 [1.5%]<br>96% S3PFA_M_CMI_2021 [1.5%]  |
|                                                             | Dependant              | 123% S3PMA_CMI_2021 [1.5%]<br>110% S3DFA_CMI_2021 [1.5%]   |
|                                                             | Ill Health             | 121% S3IMA_CMI_2021 [1.5%]<br>147% S3IFA_CMI_2021 [1.5%]   |
|                                                             | Future Dependant       | 123% S3PMA_CMI_2021 [1.5%]<br>110% S3DFA_CMI_2021 [1.5%]   |
| <b>Active</b>                                               | Normal Health          | 107% S3PMA_CMI_2021 [1.5%]<br>96% S3PFA_M_CMI_2021 [1.5%]  |
|                                                             | Ill Health             | 231% S3IMA_CMI_2021 [1.5%]<br>305% S3IFA_CMI_2021 [1.5%]   |
| <b>Deferred</b>                                             | All                    | 112% S3PMA_CMI_2021 [1.5%]<br>103% S3PFA_M_CMI_2021 [1.5%] |
| <b>Future Dependant<br/>(current active &amp; deferred)</b> | Dependant              | 121% S3PMA_CMI_2021 [1.5%]<br>111% S3DFA_CMI_2021 [1.5%]   |

*using sk=7.5, zero initial improvements and no allowance for 2020 or 2021 data*



| <b>Other Demographic Assumptions</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Commutation                          | Following analysis undertaken by the Actuary, it has been assumed that all retiring members will take 75% of the maximum tax-free cash available at retirement. The option which members have to commute part of their pension at retirement in return for a lump sum, is a rate of £12 cash for each £1 p.a. of pension given up.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Other Demographics                   | <p>Alongside commutation, as part of the 31 March 2022 valuation, the Actuary has carried out analysis to review the assumptions relating to the incidence of ill health retirements; withdrawal rates; the proportions married/civil partnership assumption; and also the probability of member's dying prior to retirement.</p> <p>Following the outcomes of this analysis, the assumptions for proportions married/civil partnerships and the pre-retirement mortality have been updated in line with the recommendations from the Actuary. All other assumptions remain in line with the assumptions adopted for the last valuation.</p> <p>In addition, no allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years.</p> |
| Expenses                             | Expenses are met out of the Fund, in accordance with the Regulations. This is allowed for by adding 0.8% of pensionable pay to the contributions from participating employers. This is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Discretionary Benefits               | The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

Further details on the demographic assumptions are set out in the Actuary's formal report.

## Method

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the Fund on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, alternative methods are adopted, which make advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

The assumptions to be used in the calculation of the funding target are set out above. Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

There will be a funding plan for each employer. In determining contribution requirements the Administering Authority, based on the advice of the Actuary, will consider whether the funding plan adopted for an employer is reasonably likely to be successful having regard to the particular circumstances of that employer (potentially taking into account any material changes after the valuation date up to 31 March 2023).

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. As indicated above, these rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers in the Fund.

## **Method and Assumptions Used in Calculating the Cost of Future Accrual (or Primary Rate)**

The future service liabilities are calculated using the same assumptions as the solvency funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the “Primary Rate” (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the Primary Rate should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition, the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

## **Termination Assumptions**

For terminating employers where their liabilities will be subsumed by another Fund employer, the termination position will be assessed using the standard funding assumptions described above.

A lower risk approach will apply on termination where liabilities are not being subsumed, to appropriately reflect the transfer of pension risk from the exiting employer to the Fund as a whole. The assumptions applying under this lower risk approach are as follows:

- **Default discount rate (employers who joined the Fund before 1 July 2012 ):** based on long dated Sterling AA Corporate Bond yield of appropriate duration for the employer, but with a cap of the employer’s nominal discount rate for funding purposes (as laid out above)
- **Default discount rate (employers who joined the Fund from 1 July 2012 ):** based on government bonds of appropriate duration for the employer, but with a

cap of the employer's nominal discount rate for funding purposes (as laid out above)

- **CPI inflation:** market RPI inflation (of appropriate duration for the employer), reduced by 0.3% p.a. to reflect the average difference between RPI and CPI (allowing for RPI reform in 2030). No adjustment will be made for an "inflation risk premium" reflecting the fully hedged nature of the notional low-risk portfolio. This adjustment will be kept under review over time.
- **Mortality:** in line with the standard funding assumptions above, but with an adjustment to the assumed long term improvements over time from 1.5% to 2% p.a. (to protect against future adverse demographic experience)
- **Other demographic assumptions:** in line with the standard funding assumptions above

The lower risk termination financial assumptions that applied at the actuarial valuation date (31 March 2022) are set out below, based on the Fund's overall profile. These will be updated on a case-by-case basis, with reference to prevailing market conditions at the relevant employing body's cessation date.

| Low risk termination assumptions              | 31 March 2022 |
|-----------------------------------------------|---------------|
| Discount Rate (pre 01/07/2012 employers)      | 2.75% p.a.    |
| Discount Rate (post 30/06/2012 employers)     | 1.70% p.a.    |
| CPI price inflation                           | 3.60% p.a.    |
| Pension increases/indexation of CARE benefits | 3.60% p.a.    |

## Administering Authority Discretion on Low-Risk Termination Assumptions

For all terminations, where the above lower risk basis applies, the Administering Authority reserves the right to review the assumptions applied at the employing body's cessation date and adopt an alternative approach where individual circumstances warrant this, for example, in times of extreme market conditions and volatility. This is in order to ensure the assumptions adequately reflect the transfer of pension risk from the exiting employer to the Fund. The investment return assumption will be no greater than the prudent expected return on the actual portfolio in which the Fund is reasonably expected to invest the assets of the terminating employer.

## Employer asset shares

The Fund is a multi-employer pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Fund as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return

earned on the asset share, are allowed for when calculating asset shares at each valuation. In addition, the asset share maybe restated for changes in data or other policies.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

## **Other factors affecting employer contribution outcomes**

Notwithstanding the policies below, the Administering Authority, in consultation with the actuary where necessary, reserves the right to consider whether any exceptional arrangements should apply in particular cases.

**Covenant:** The strength of employer covenant will be considered as part of the funding approach, as detailed in the Employer Events Policy which can be found [here](#).

**Stability:** Subject to affordability considerations (and any change emerging to the Primary Rate) a key principle will be, where the Fund's overall situation at a given valuation dictates, to maintain the deficit contributions at least at the expected monetary levels from the preceding valuation (including any indexation in these monetary payments over the recovery period) where deficits remain, unless there is a specific reason not to do so. As set out in Appendix B, for those employers in surplus, surplus offset secondary contributions will only be permitted in certain circumstances.

### **Contribution Increases and Phasing:**

Where total contributions are increasing, employers can choose to continue paying total contributions at the existing rate for 2023/24 before stepping up to the higher rate contributions from 2024/25. In certain circumstances, the employer may then be able to "phase in" the contributions over a maximum period of the next 2 years in a pattern agreed with the Administering Authority.

Where increases in contributions are material, the Administering Authority may in some cases be willing to use its discretion to accept an evidence based affordable level of contributions for the three years 2023/2026. Any application of this option is at the ultimate discretion of the Fund in order to effectively manage risk. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment (where applicable) and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

**Pooling** Where agreed by the Administering Authority, the contribution rate outcomes for certain employers may be pooled together, with a single contribution rate being certified by the Actuary in the Rates and Adjustments Certificate e.g. for Multi-Academy Trusts who have a number of different constituent academies within the Fund. Further details are set out in Employer Events Framework Policy Document, which can be found on the Fund's website [here](#).

**Insurance:** The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund.

**Prepayments:** Employers may also wish to make prepayments of contributions in exchange for a cash saving over the valuation certificate period. Further details of the potential savings will be set out in the Rates and Adjustments Certificate produced by the Actuary. Any employers who prepay Primary Rate contributions will also be required to make “top-up” payments should actual payroll be higher than that assumed when making the prepayment to ensure no underpayment emerges.

**Early Retirement Strain Costs:** Any “strain” costs generated as a result of redundancy, efficiency or flexible retirements will be recovered by additional capital payments to the Fund by the employer. These will be paid in full at the point of retirement.

**Deaths:** The extent to which any funding strain/profit emerges on the death of a member will depend on the profile of the member (status / age / whether any dependant’s benefits become payable) and impacts can be material. Any funding strain/profit will typically emerge at the next actuarial valuation through increased/reduced deficit contributions, except where the employer is terminating, when it will be taken into account when the Actuary determines the termination position.

# Appendix B – Deficit recovery and surplus offset plans

[Return to Contents](#)

## Employer Recovery Plans – Key Principles

If the funding level of an employer is below 100% at the valuation date (i.e. the assets of the employer are less than the liabilities), a deficit recovery plan needs to be implemented so that additional contributions are paid into the Fund to meet the shortfall.

For open employers in deficit, the target recovery period will be 3 years shorter than the target recovery period from the previous valuation – i.e. a continuation of the current plan. For closed employers, the recovery period will be based on the average future working life of the membership. For new employers, the default recovery period will be as follows:

| Category            | Target Recovery Period                             |
|---------------------|----------------------------------------------------|
| Academy / MAT       | In line with ceding Council                        |
| Closed employers    | Based on average future working life of membership |
| All other employers | 10 years                                           |

For those employers in deficit, Secondary Rate contributions for each employer will be expressed as £s amounts increasing at 4.35% per annum (in line with the Fund's long-term pay growth assumption). It is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures, based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish. Individual employer circumstances may dictate that a different recovery period is applied in specific cases.

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

### **Surplus offset plans**

For those employers assessed to be in surplus at the valuation date, surplus offsets will be allowed only where there is no deficit on the termination basis. The recovery period will be as described above.

For those employers in surplus, the Secondary Rate contribution will be expressed as a percentage of pay.

### **Administering Authority Discretion**

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases when determining deficit recovery/surplus offset plans.



# Appendix C – Ill-health insurance arrangements

[Return to Contents](#)

## Overview of arrangement

Ill health retirements can be expensive for employers, particularly small employers where one or two costly ill health retirements can take materially worsen the funding position and so increase contributions.

To address this, for certain employers in the Fund (following discussions with the Fund Actuary) a captive insurance arrangement has been established to cover ill-health retirement costs arising from retirements from 1 April 2022. It applies only to ill-health retirements involving the early payment of pension and to the associated benefit costs.

The captive arrangement operates as follows:

- “Premiums” are paid by the eligible employers into the captive arrangement which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer’s primary rate (in place of the individual ill-health allowance that is included in the rate for employers not in the captive). The premium for 2023/26 is 0.5% of pay per annum
- The captive is then used to meet strain costs emerging from ill-health retirements in respect of active members i.e. there is no initial impact on the deficit position for employers within the captive and any subsequent impact should be manageable.
- The premiums are set with the expectation that they will be sufficient to cover the costs in the 3 years following the valuation date. If any excess premiums over costs are built up in the Captive, these will be used to offset future adverse experience and/or result in lower premiums at the discretion of the Administering Authority based on the advice of the Actuary.
- In the event of poor experience over a valuation period, any shortfall in the captive fund is effectively underwritten by the Fund. However, the future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for employers. Over time the captive arrangement should therefore be self-funding and smooth out fluctuations in the contribution requirements for those employers in the captive arrangement.
- Premiums payable are subject to review from valuation to valuation depending on experience and the expected ill health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers.

## Employers covered by the arrangement

The Fund has set an initial eligibility criteria of employers having less than 200 active members at the valuation date.

These employers have been notified of their participation. New employers entering the Fund will also be included if they meet this criteria. In certain circumstances, the



Administering Authority retains the discretion to include/exclude any employer from the arrangement.

For employers outside the captive arrangement, the current treatment of ill-health retirements will still apply, whereby an assumption for ill-health retirements is made within the calculation of employer contributions and any excess costs associated with ill-health retirements will emerge as part of the subsequent actuarial valuation assessment, and in any subsequent secondary rate contributions payable into the Fund.

## **Employer responsibilities**

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, employing bodies should be doing everything in their power to ensure robust processes are in place to determine eligibility for ill health retirements.

The Fund and the Actuary will monitor the number of retirements that each captive employer is granting over time. If any employer has an unusually high incidence of ill health retirements, consideration will be given to the governance around the eligibility criteria applied by the employer and it is possible that some or all of the costs would fall on that employer if the governance was not deemed strong enough.

# Appendix D – Glossary of terms

[Return to Contents](#)

## **Actuarial Valuation**

An investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

## **Administering Authority**

The council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

## **Admission bodies**

A specific type of employer under the Local Government Pension Scheme (the “LGPS”) who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

## **Benchmark**

A measure against which fund performance is to be judged.

## **Benefits**

The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to within the FSS. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members. The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings (“CARE”) benefits earned thereafter. There is also a “50:50 Scheme Option”, where members can elect to accrue 50% of the full scheme benefits in relation to the member only and pay 50% of the normal member contribution.

## **Best Estimate Assumption**

An assumption where the outcome has a 50/50 chance of being achieved.

## **Bonds**

Loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

## **Career Average Revalued Earnings Scheme (CARE)**

With effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

## **CPI**

Acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ

from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

### **CPIH**

An alternative measure of CPI which includes owner occupiers' housing costs and Council Tax (which are excluded from CPI).

### **Contingent Assets**

Assets held by employers in the Fund that can be called upon by the Fund in the event of the employer not being able to cover the debt due upon termination. The terms will be set out in a separate agreement between the Fund and employer

### **Covenant**

The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

### **Deferred Debt Agreement (DDA)**

A written agreement between the Administering Authority and an exiting Fund employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the assessed Secondary rate until the termination of the DDA.

### **Deferred Employer**

An employer that has entered into a DDA with the Fund.

### **Deficit**

The extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

### **Deficit recovery period**

The target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

### **Derivatives**

Financial instruments linked to the performance of specific assets which can be used to magnify or reduce exposure to those assets

### **Discount Rate**

The rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

### **Early Retirement Strain**

The additional cost incurred by a scheme employer as a result of allowing a Scheme Member aged 55 or over to retire before Normal Retirement Age and to receive a full pension based on accrued service at the date of retirement without full actuarial reduction.

### **Employer's Future Service Contribution Rate ("Primary Rate")**

The contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses. See also "Primary Rate" below.

**Employing bodies**

Any organisation that participates in the LGPS, including admission bodies and Fund employers.

**Equities**

Shares in a company which are bought and sold on a stock exchange.

**Equity Protection**

An insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

**Exit Credit**

The amount payable from the Fund to an exiting employer where the exiting employer is determined to be in surplus at the point of cessation based on a termination assessment by the Fund Actuary.

**Fund / Scheme Employers**

Employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Fund Employers. For example, these include councils, colleges, universities and academies

**Funding or solvency Level**

The ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

**Funding Strategy Statement**

This is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

**Government Actuary's Department (GAD)**

The GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

**Guarantee / guarantor**

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

**Guarantee of Last Resort**

For the purposes of the FSS, a guarantee of last resort refers to the situation where an employer has exhausted all alternative options for payment of an exit debt and so the debt is recovered from another employer in the Fund, however the liabilities are not subsumed in this case.

**Ill-Health Captive**

This is a notional fund designed to protect certain employers against excessive ill health costs in return for an agreed insurance premium.

**Investment Strategy**

The long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

**Letting employer**

An employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

**LGPS**

The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

**Liabilities**

The actuarially calculated present value of all benefit entitlements i.e. Fund cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

**Long-term cost efficiency**

This is a measure of the extent to which the Fund's policies properly address the need to balance immediate budgetary pressures with the undesirability of imposing an excessive debt burden on future generations.

**Maturity**

A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

**McCloud Judgment**

This refers to the linked legal cases of Sargeant and McCloud, and which found that the transitional protections (which were afforded to older members when the public service pension schemes were reformed in 2014/15) constituted unlawful age discrimination.

**Members**

The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

**Minimum risk basis**

An approach where the discount rate used to assess the liabilities is determined based on the market yields of Government bond investments based on the appropriate duration of the liabilities being assessed. This is usually adopted when an employer is exiting the Fund.

**Orphan liabilities**

Liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

**Percentiles**

Relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

**Phasing/stepping of contributions**

When there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

**Pooling**

Employers may be grouped together for the purpose of calculating contribution rates, (i.e. a single contribution rate applicable to all employers in the pool). A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

**Prepayment**

The payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

**Present Value**

The value of projected benefit payments, discounted back to the valuation date.

**Primary Contribution Rate**

The contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant. The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates. For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates. See also "Employer's future service contribution rate" above.

**Profile**

The profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

**Prudent Assumption**

An assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

**Rates and Adjustments Certificate**

A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three-year period until the next valuation is completed.

**Real Return or Real Discount Rate**

A rate of return or discount rate net of inflation.

## **Recovery Plan**

A strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

## **SAB Funding Basis or SAB Basis**

A set of actuarial assumptions determined by the LGPS Scheme Advisory Board (SAB). Its purposes are to set out the funding position on a standardised approach so that comparisons can be made with other LGPS Funds, and to assist with the "Section 13 review" as carried out by the Government Actuary's Department. As an example, the real discount rate over and above CPI used in the SAB Basis as at 31 March 2022 was [2.4% p.a.], so it can be substantially different from the actuarial assumptions used to calculate the Fund's solvency funding position and contribution outcomes for employers.

## **Scheduled bodies**

Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc., other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

## **Secondary Rate of the Employer's Contribution**

An adjustment to the Primary rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls. The Secondary rate is specified in the rates and adjustments certificate. For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates.

## **Section 13 Valuation**

In accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2019 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

## **Solvency Funding Target**

An assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

## **Strain Costs**

The costs arising when members retire before their normal retirement date and receive their pensions immediately without actuarial reduction. So far as the Fund is concerned, where the retirements are not caused by ill-health, these costs are invoiced directly to the retiring member's employer at the retirement date and treated by the Fund as additional contributions, unless agreed with the administering authority. The costs are calculated by the Actuary.

## **Valuation funding basis**

The financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments, expressed as an expected out-performance over CPI in the long term by the Fund's assets i.e. the "real rate".

**50/50 Scheme**

In the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.



# 2022 Actuarial Valuation and FSS consultation

Shropshire County Pension Fund

December 2022

Mark Wilson FIA

welcome to brighter

Valuation training recap

2019 review & what's happened since

Funding strategy statement

2022 valuation results

Employer risk

Next Steps

Questions

# Valuation training recap

# Valuation training recap

Page 42

## WHY

- Legislative requirement
- Good practice and governance
- Review performance
- Adjust strategy

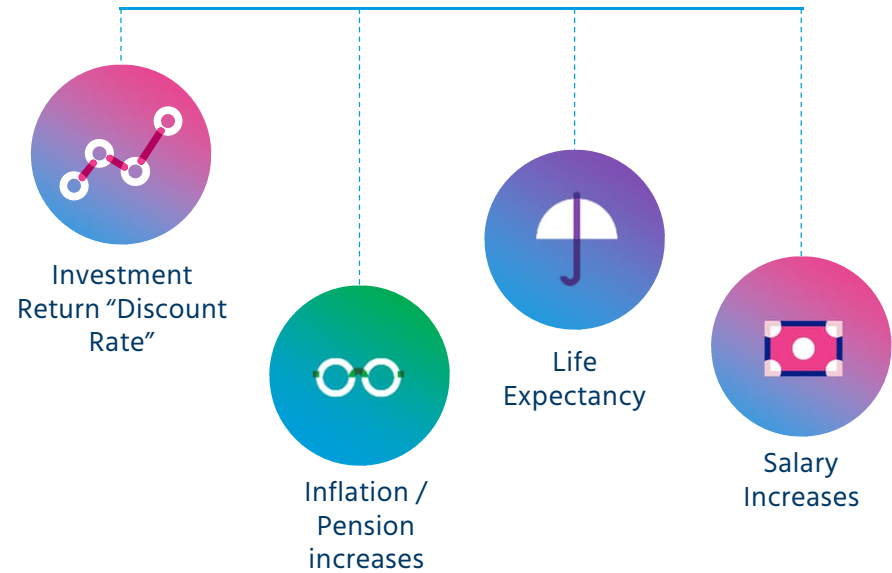
## INPUTS

- Member data
- Asset / financial information
- Funding strategy
- Assumptions

## OUTCOMES

- Funding positions
- Future service contributions
- Deficit contributions / surplus offsets...
- ...for every employer

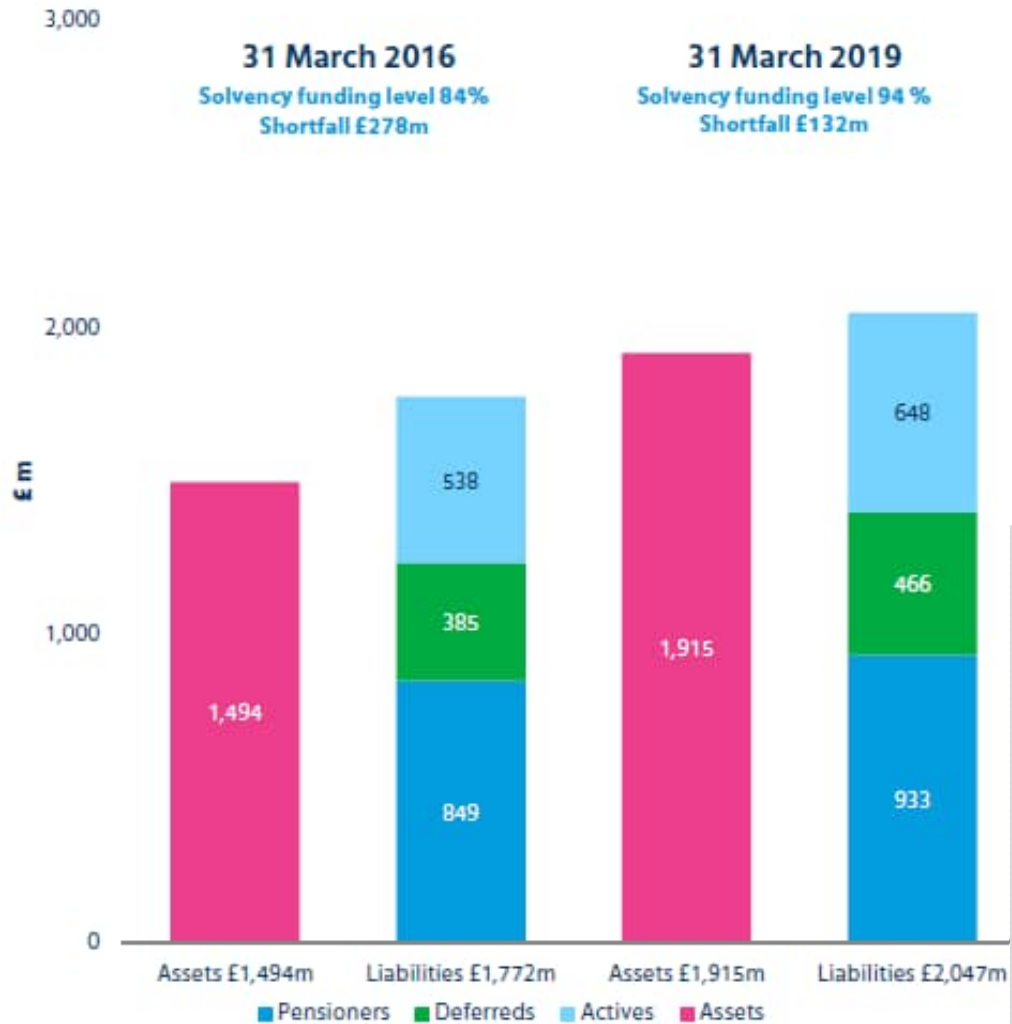
## Key Assumptions



# 2019 review & what's happened since

# 2019 valuation review

## Whole Fund results as at 31 March 2019



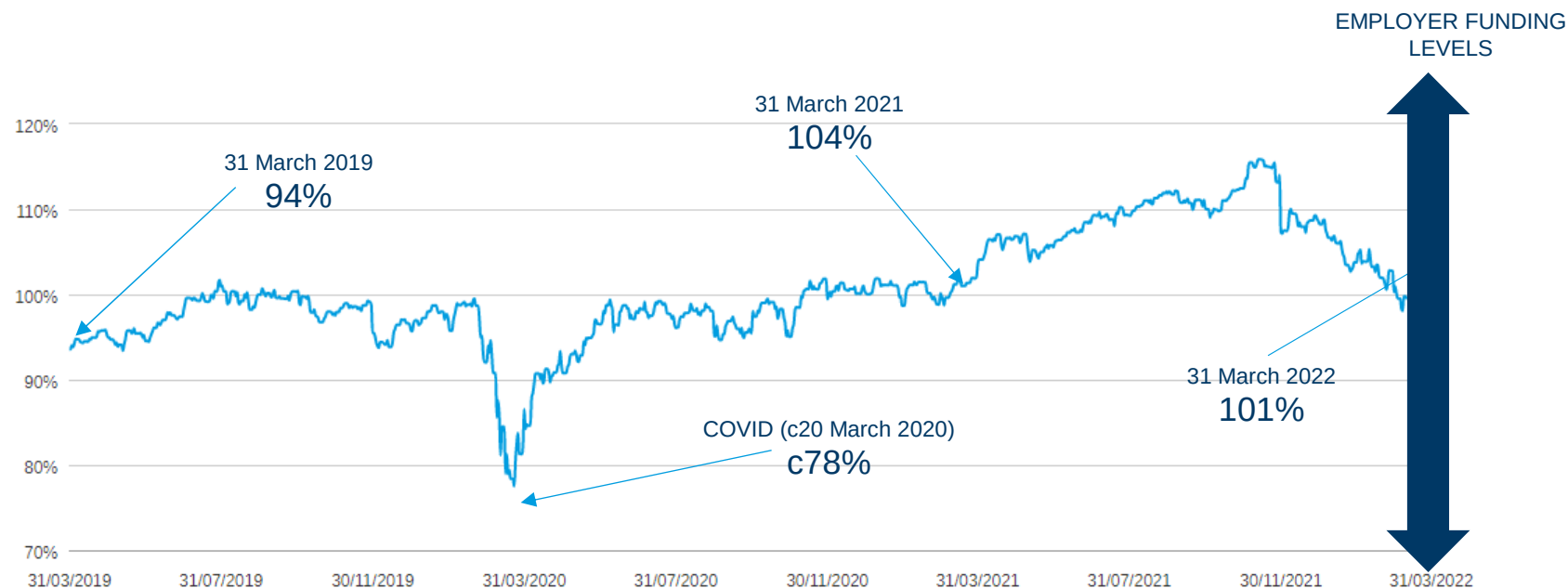
Average Future Service / Primary Rate for the Fund was **16.6%** of pay

Deficit / Secondary contributions of **c£9m p.a.**



# Funding progression

“Like for like” assumptions and membership data



The Fund has seen strong investment performance since 2019. This has caused the like for like (i.e. ignoring potential assumption changes and McCloud) funding level to improve significantly.

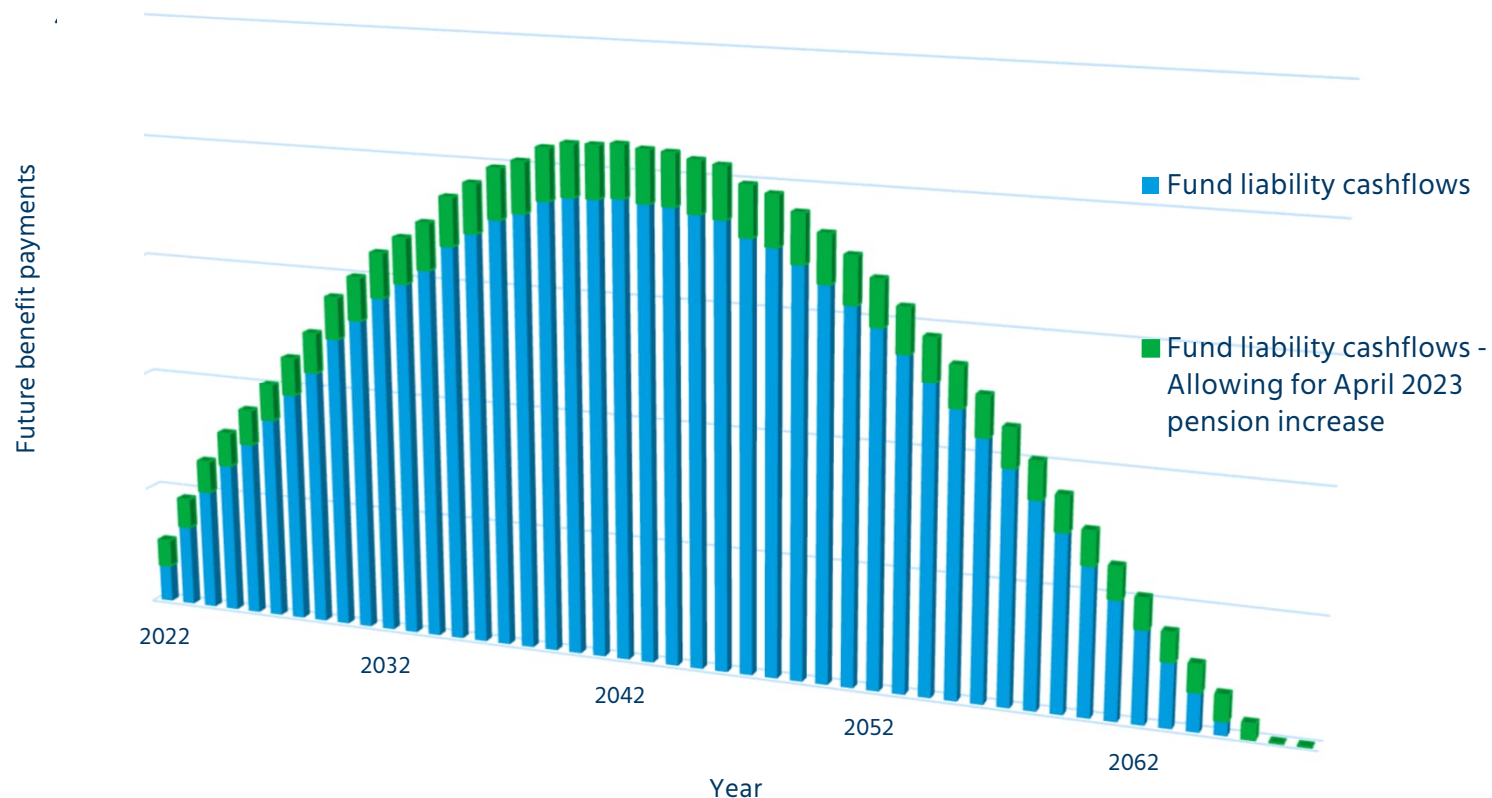
At employer level the impact of this will vary significantly – better funded employers have more assets and so get more investment return

# Demographic analysis impact

|                                   | Liabilities |        | Future service rate |        |
|-----------------------------------|-------------|--------|---------------------|--------|
| Mortality post ret – base         | ↓           | -c2.0% | ↓                   | -c0.6% |
| Mortality post ret – improvements | →           | +c0.0% | →                   | +c0.0% |
| Commutation                       | ↑           | +0.3%  | ↑                   | +c0.3% |
| Proportions married               | →           | +0.1%  | →                   | +0.0%  |
| Mortality pre retirement          | →           | -0.2%  | →                   | +0.1%  |
| Ill-health                        | →           | 0.0%   | →                   | +0.0%  |
| Total                             | ↓           | -1.8%  | →                   | -0.2%  |



# Inflation risk – 2023 pension increase



The 2023 pension increase is expected to be 10.1%, almost the same as the total of the last 5 years' increases. This means higher pension payments in every future year for all Scheme members

# Funding Strategy Statement (FSS)

# Funding Strategy Statement (FSS)

## Key assumption changes since 2019

| Assumption               | 2019                                                                                          | 2022                                                                   | Comments                                                                                                                                                                              |
|--------------------------|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ongoing Discount Rate    | 4.25% p.a. (past)<br>4.65% p.a. (future)                                                      | 4.80% p.a. (past)<br>5.20% p.a. (future)                               | Higher than in 2019 by 0.55% (0.15% p.a. reduction in real return above inflation)                                                                                                    |
| Lower Risk Discount Rate | n/a                                                                                           | 4.55% p.a. (past)<br>4.70% p.a. (future)                               | 0.25%/0.5% reduction in discount rate compared with ongoing rate above, for employers without a bond or taxpayer guarantee (see later)                                                |
| Future Inflation         | 2.40% p.a.                                                                                    | 3.10% p.a.                                                             | The 2022 assumption increased by 0.7% p.a. takes account of both market expectations and Bank of England targets.                                                                     |
| Observed CPI Inflation   | No allowance                                                                                  | Allowance for the 6 month period to 31 March 2022                      | Experience after March will be incorporated into the 2025 valuation or earlier update                                                                                                 |
| Life Expectancy          | CMI 2018 with 1.5% long term improvements – base table as per 2019 actuarial valuation report | CMI 2021 with 1.5% long term improvements –base table as per draft FSS | The overall liability impact is a small reduction in liabilities and future service rates, but with some variation by employer                                                        |
| McCloud                  | No allowance (unless employers elected to pre-fund)                                           | Individual member calculations for actives                             | Regulations aren't finalised yet but this is on the basis that they will be finalised by 31 March 2023 and Fund guidance issued. This reduces funding level (all other things equal). |
| Other demographics       | As per 2019 actuarial valuation report                                                        | Updated as per draft FSS                                               | Full demographic analysis showed some adjustments required – small increase in liabilities / contributions.                                                                           |

# Funding Strategy Statement (FSS)

## 2022 Key points and changes

Page 50

- 1** The existing recovery period target is reduced by 3 years (or change in average future working lifetime if closed). Where in surplus, off-sets applied if there is no shortfall on the termination basis.
- 2** Non guaranteed / non tax raising employers will have a choice of paying a risk premium (funding on the lower risk basis) or supply a bond based on the termination shortfall to support their covenant
- 3** The FSS is structured to provide flexibility so employers can manage the balance between affordability and sustainability of contributions and determines the **minimum** contributions payable
- 4** With Fund agreement, employers may be given the option to prepay deficit contributions. In limited circumstances employers can prepay employer future service contributions (net of surplus offsets if applicable) but the Fund **will not** allow employers to prepay employee contributions
- 5** Ill health captive arrangement for smaller employers introduced to provide protection against potentially material ill health early retirement costs
- 6** Where contributions are increasing, employers will have the option of paying the existing rate over 23/24 before stepping up to the higher contributions. Further phasing options also available.

**The Funding Strategy Statement has been revamped in 2022 to make it easier to read and communicate to employers**

# 2022 valuation results

# Whole Fund results

|                                              | 31/03/2019 (exc<br>McCloud) | 31/03/2022<br>results | Illustration -<br>stagflation<br>"cost" of 0.25%<br>pa |
|----------------------------------------------|-----------------------------|-----------------------|--------------------------------------------------------|
| Discount rate (past service) (CPI +)         | 1.85%                       | 1.70%                 | 1.45%                                                  |
| Discount rate (future service) (CPI +)       | 2.25%                       | 2.10%                 | 1.85%                                                  |
| Mortality                                    | CMI 2018 1.5%               | CMI 2021 1.5%         | CMI 2021 1.5%                                          |
| Real salary / deficit contribution increases | 1.25% / 1.5%                | 1.25%                 | 1.25%                                                  |
| Recovery period                              | 19                          | 16                    | 16                                                     |
| Expenses (% of pay)                          | 0.6%                        | 0.8%                  | 0.8%                                                   |
| Surplus / (deficit)                          | -£132m                      | -£10m                 | -£111m                                                 |
| Funding level                                | 94%                         | 100%                  | 95%                                                    |
| Primary contributions                        | 16.6%                       | 18.0%                 | 19.5%                                                  |
| Secondary contributions (p.a.)               | £10m                        | £1m                   | £7m                                                    |
| Secondary contributions as % of pay*         | 3.5%                        | 0.2%                  | 2.6%                                                   |
| Pay                                          | £288m                       | £288m                 | £288m                                                  |
| <b>Total employer contributions (%)</b>      | <b>20.1%</b>                | <b>18.2%</b>          | <b>22.1%</b>                                           |

1. Assets from draft accounts as at 31 March 2022

2. The final declared whole Fund results will be based on the sum of each individual employers results after all parameters are finalised.

# Post valuation experience

Since the valuation date we have seen:

- **Assets down** – the Fund's assets fell by c6% to £2.2bn over the seven months to end of October
- **High inflation** – inflation between March and October was 7.8% (so equivalent to c14% pa). This directly increases the liabilities

In isolation, these two factors would reduce the like for like funding level from 100% **to below 90% at the end of October.**

In practice, there has been a corresponding reduction in assumed future inflation (of around 0.5%) over the same period, as the seven months of very high inflation is now removed from the future assumption. If we were to rerun the discount rate analysis at 31 October, the **expected real returns may well be higher** than as at 31 March on account of this, in isolation of other impacts, absorbing the increase in liabilities due to the seven months high inflation. The position would still be very uncertain though, with any improvement in expected returns being **accompanied by significant uncertainty.**

This volatility highlights the risks that need to be managed and the challenges in striving for stable but affordable contribution rates.

# Employer risk



# Employer risk

## The risk

- Wide variety of employers in the Fund. Only some have **taxpayer guarantee**.
- **c10%** of Fund liabilities are not guaranteed. Here the Fund relies on the strength of the employer.
- To protect the other employers, **a higher exit debt is paid** (to leave a buffer of assets as protection).
- **The risk** is that those with no taxpayer guarantee can't meet their obligations – i.e. **can't pay their exit debt** – and so it falls to other employers.

## What to do?

- **Do nothing?** Leaves the remaining **employers exposed to the risk of unfunded exit debts**, and the Fund has a responsibility to consider this.
- **Focus on the highest risk employers only?** Some targeting is built in. But **no private employer covenant matches a Government guarantee**. So there is a strong argument that this should be reflected in Fund policy.
- **Why do this now?** Many Funds implemented a similar policy in 2019 valuation (or before). GAD has since raised issues related to the increased size of covenant risk (relative to overall payroll funding). And the current economic climate increases the chance of employers falling into difficulty.
- **What form should any policy take?**
  - **bonds / security** – direct protection in full against the unfunded exit debts, or
  - **increased contributions** – gradually reduce the potential unfunded debt

# Proposed funding approach

- The funding strategy will be updated for the non-taxpayer backed employers to request either:
  - a bond provided by the employer. This will be based on the value of the unfunded exit debt, or
  - “stronger” funding assumptions, meaning potentially higher contributions, to gradually build up assets and so reduce the unfunded exit debt
- The employer will be able to select their preferred approach with the default approach being stronger funding assumptions
- The Fund will have discretion for high risk employers or those close to exit to seek higher contributions/a bond beyond the above if required
- Any increases in contributions can be phased in over three years

|                                                                    | Taxpayer backed | Non-taxpayer backed<br>Full bond provided | Non-taxpayer backed<br>Lower or nil bond |
|--------------------------------------------------------------------|-----------------|-------------------------------------------|------------------------------------------|
| Bond / security provided                                           | N/A             | Yes                                       | No                                       |
| Funding target (i.e. liability value and so deficit contributions) | Standard        | Standard                                  | Higher (reduced discount rate)           |
| Future service rate                                                | Standard        | Standard                                  | Higher (reduced discount rate)           |
| Deficit recovery period                                            | Standard        | Standard                                  | Potentially shorter                      |
| Surplus offset allowed?                                            | Yes             | No                                        | No                                       |
| Alter funding approach if close to exit                            | No              | Optional                                  | Optional                                 |

# Comparison With Other Funds

Funding Strategy Statements can be fairly opaque. But a review of a sample of other (non-Mercer) Funds who addressed this issues showed that for non-taxpayer backed employers:

- no Funds gave exactly the same treatment as Councils – all allowed for some level of “stronger” treatment (e.g. no surplus offsets, shorter recovery period)
- Many (below) have an approach that will produce significantly higher contributions than a corresponding Council – lower discount rates / higher funding target
- Note that if we factor in exit terms as well, the current SCPF approach is more generous than the majority of LGPS Funds. We aren't aware of any LGPS Funds that currently have a more generous combined approach to non tax payer backed employers than SCPF

## Examples:

|                                                                                                                               |                                                                                                         |                                                                                            |                                                                                   |
|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <b>Staffordshire</b><br>No surplus offsets<br>Higher funding target<br>Shorter recovery period<br>More volatile contributions | <b>West Mids</b><br>Loading to liabilities<br>(even higher if weak covenant)<br>Shorter recovery period | <b>Warks</b><br>No surplus offsets<br>Higher funding target<br>More volatile contributions | <b>Hertfordshire</b><br>No surplus offsets<br>Higher funding target<br>(CAB only) |
|                                                                                                                               | <b>Cardiff</b><br>Lower discount rate                                                                   | <b>Durham</b><br>Lower discount rate                                                       |                                                                                   |

Funds will review their approach at this valuation. We are expecting that many of those who did not have a materially stronger funding approach for non-guaranteed employers in 2019 will increase their measures in 2022.

# Ill health “captive” arrangement

## In-house insurance for smaller employers

- Ill-health (IH) retirements see benefit enhancements that result in one off increases in liability – these can be very large.
- Previously, the expected cost of ill-health retirements was included in the future service contributions. For larger employers this covers costs quite well.
- But for smaller employers, experience can be very volatile and costs relative to total liabilities can be very high when an ill health retirement occurs. Post Covid-19, there is even more uncertainty associated with ill health

|                                   | Large employer | Small employer (no IH) | Small employer (1 IH) |
|-----------------------------------|----------------|------------------------|-----------------------|
| Deficit pre IH                    | £50m           | £50k                   | £50k                  |
| Deficit contributions pa          | £3.3m          | £3k                    | £3k                   |
| IH contributions pa (0.6% of pay) | £0.5m          | £1k                    | £1k                   |
| IH costs pa (c£50k* per case)     | £0.5m          | Nil                    | £50k                  |
| IH strain / deficit increase      | Nil            | Nil                    | £49k                  |
| Increase in contributions         | Nil            | Nil                    | £3k (100% increase)   |

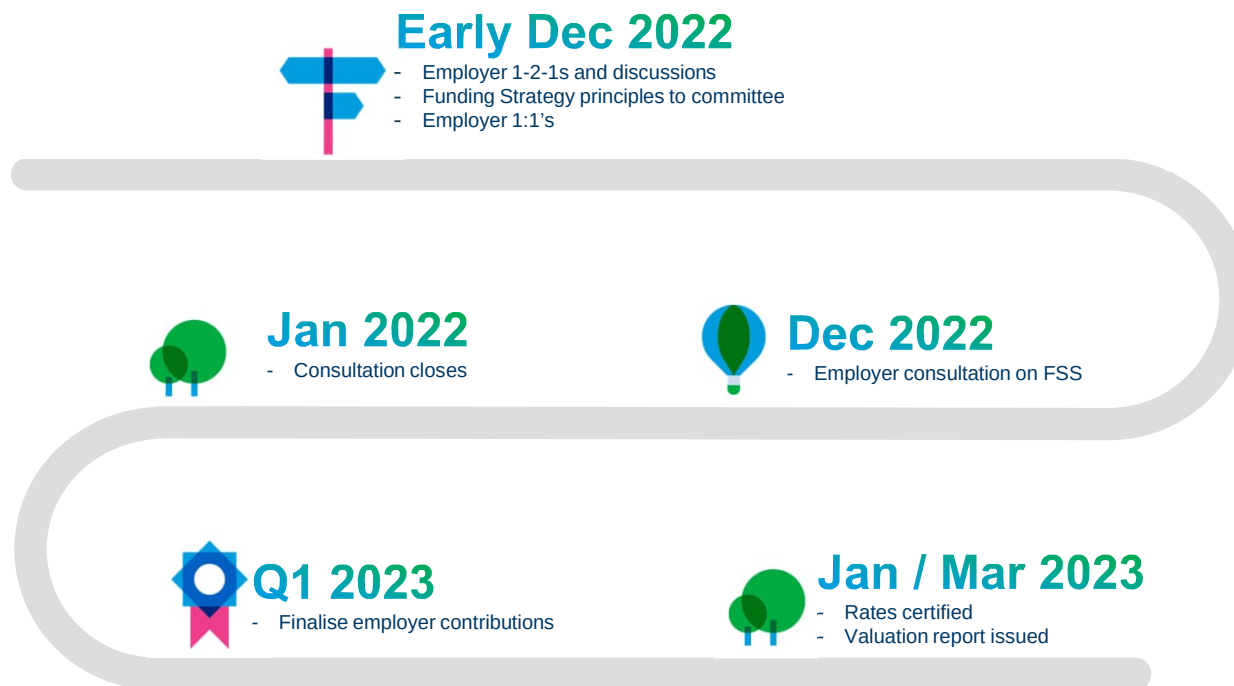
\*This was the average over 2016-2019

The intention is to introduce an **ill-health captive insurance arrangement from 1 April 2022**. This is akin to insurance, but is provided internally by the Fund, and so avoids transferring profits to insurers, so costs employers less for the protection.

# Next steps

# Looking Forward – 2022 Valuation Timescales

Page 60



# Questions?

# Supporting information



# Funding Strategy Statement

## LGPS Regulatory Requirements

### LGPS Regulations

#### Reg. 62(6)(b)

“The actuary must have regard ..... to the desirability of maintaining as nearly **constant a primary rate** as possible”.

#### Reg. 62(6)(d)

“The actuary must have regard to the requirement to **secure the solvency of the pension fund** and the **long term cost efficiency** of the Scheme...”

#### Reg. 64(2)

“(2) When a person becomes an **exiting employer**, the appropriate administering authority must obtain-  
(a) **an actuarial valuation** as at the exit date...; and  
(b) **a revised... certificate** showing the exit payment due...”

### Public Service Pensions Act 2013

#### Section 13(4)(c)

“A person appointed... is to report on whether... the rate of employer contributions is set... at an appropriate level to ensure

- (a) the **solvency of the pension fund**, and
- (b) the **long-term cost efficiency** of the Scheme...”

# Data summary

## Whole Fund

|                                                    | 31 March 2022 |
|----------------------------------------------------|---------------|
| <b>Active members</b>                              |               |
| Number                                             | 16,616        |
| Total Pensionable Salaries                         | £275m p.a.    |
| Average Pensionable Salary                         | £16,576 p.a.  |
| <b>Deferred pensioners</b>                         |               |
| Number                                             | 21,659        |
| Total deferred pensions revalued to valuation date | £27.8m p.a.   |
| Average deferred pension                           | £1,282 p.a.   |
| <b>Pensioners (including dependants)</b>           |               |
| Number                                             | 13,749        |
| Total pensions payable                             | £67.2m p.a.   |
| Average pension                                    | £4,890 p.a.   |

# Actuarial Advice

- We have prepared this document for the Administering Authority for the purpose of assisting employers with planning ahead of the 2022 valuation of the Fund
- “Technical Actuarial Standard 100: Principles for Technical Actuarial Work” issued by the Financial Reporting Council applies to this presentation and the associated work, and we confirm compliance with this standard. This presentation should be read in conjunction with our report on the actuarial valuation of the Fund as at 31 March 2019.
- Unless otherwise stated, we have relied on the information and 2022 member data plus other data supplied to us in preparing the information, without independent verification. We will not be responsible for any inaccuracy in the advice that is a result of any incorrect information provided to us.
- Mercer does not accept any liability or responsibility to any third party in respect of this report.
- This presentation is confidential and may not be disclosed in whole or part to any third party without Mercer’s prior written consent, unless required by law or order of a court or regulatory body.
- Mercer retains all copyright and other intellectual property rights in this presentation.
- We are not lawyers, tax specialists or accountants. We are unable to give legal/tax/accountancy advice. If you think such advice is appropriate, you are responsible for obtaining your own professional advice.
- This presentation is correct as at November 2022. It will not be updated unless requested.









PREPARED BY LGPS CENTRAL

# Shropshire Pension Fund 2022 Climate Risk Report

NOVEMBER 2022

PREPARED BY LGPS CENTRAL

# Shropshire Pension Fund 2022 Climate Risk Report

NOVEMBER 2022

**Basyar Salleh**

*Responsible Investment and  
Engagement Manager*

E: Basyar.Salleh@  
lgpscentral.co.uk

**Alex Galbraith**

*Responsible Investment and  
Engagement Junior Analyst*

E: Alex.Galbraith@  
lgpscentral.co.uk

**Jack Yonge**

*Responsible Investment and  
Engagement Junior Analyst*

E: Jack.Yonge@  
lgpscentral.co.uk



# Contents

|                                               |           |
|-----------------------------------------------|-----------|
| <b>1.0 EXECUTIVE SUMMARY</b>                  | <b>04</b> |
| <b>2.0 RECOMMENDATIONS AND CONSIDERATIONS</b> | <b>06</b> |
| 2.1 GOVERNANCE                                | 06        |
| 2.2 STRATEGY                                  | 06        |
| 2.3 RISK MANAGEMENT                           | 06        |
| 2.4 METRICS & TARGETS                         | 06        |
| <b>3.0 INTRODUCTION</b>                       | <b>07</b> |
| 3.1 SCOPE OF THE REPORT                       | 07        |
| 3.2 CLIMATE ACTION TO DATE                    | 07        |
| <b>4.0 ANALYSIS</b>                           | <b>09</b> |
| 4.1 GOVERNANCE                                | 09        |
| 4.1.1 SCOPE                                   | 09        |
| 4.1.2 SCPF'S CLIMATE MANAGEMENT TIMELINE      | 09        |
| 4.1.3 KEY FINDINGS                            | 10        |
| 4.1.4 FURTHER ACTIONS                         | 10        |
| 4.2 STRATEGY                                  | 11        |
| 4.2.1 CLIMATE SCENARIO ANALYSIS               | 11        |
| 4.3 RISK MANAGEMENT                           | 20        |
| 4.3.1 CLIMATE STEWARDSHIP PLAN SCOPE          | 20        |
| 4.3.2 PROGRESS UPDATE                         | 21        |
| 4.4 METRICS AND TARGETS                       | 22        |
| 4.4.1 SCOPE AND DEFINITIONS OF TERMS          | 22        |
| 4.4.2 TOTAL EQUITIES                          | 24        |
| <b>5.0 CONCLUSION</b>                         | <b>29</b> |
| <b>6.0 GLOSSARY</b>                           | <b>30</b> |
| <b>7.0 REFERENCES</b>                         | <b>31</b> |
| <b>8.0 IMPORTANT INFORMATION</b>              | <b>32</b> |

# 1.0 Executive Summary

## Key Highlights from 2022:

AS OF JUNE 2022

the carbon intensity of total equities has decreased by

▼ **46%**

FROM MARCH 2020

AS OF JUNE 2022

the financed emissions of the portfolio has decreased by

▼ **42.96%**

FROM MARCH 2020

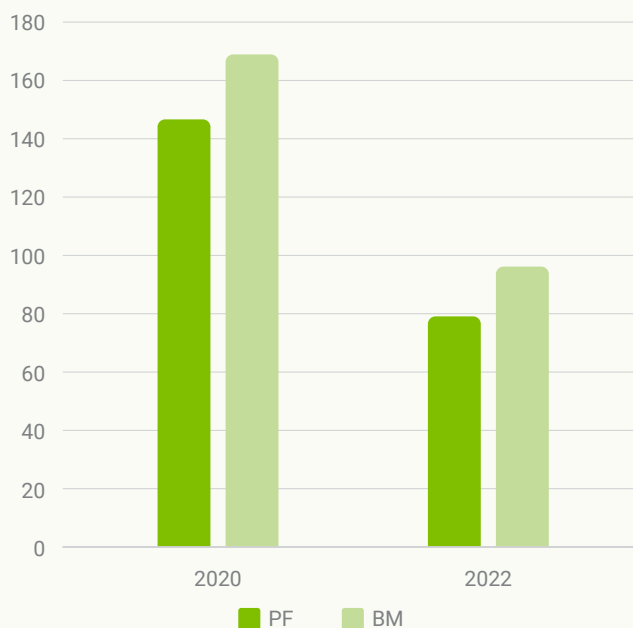
**The decreases in the portfolio's carbon intensity and financed emissions have been driven by the portfolio's shift**

FROM THE  
LGIM World  
Developed Equity Index  
and Majedie

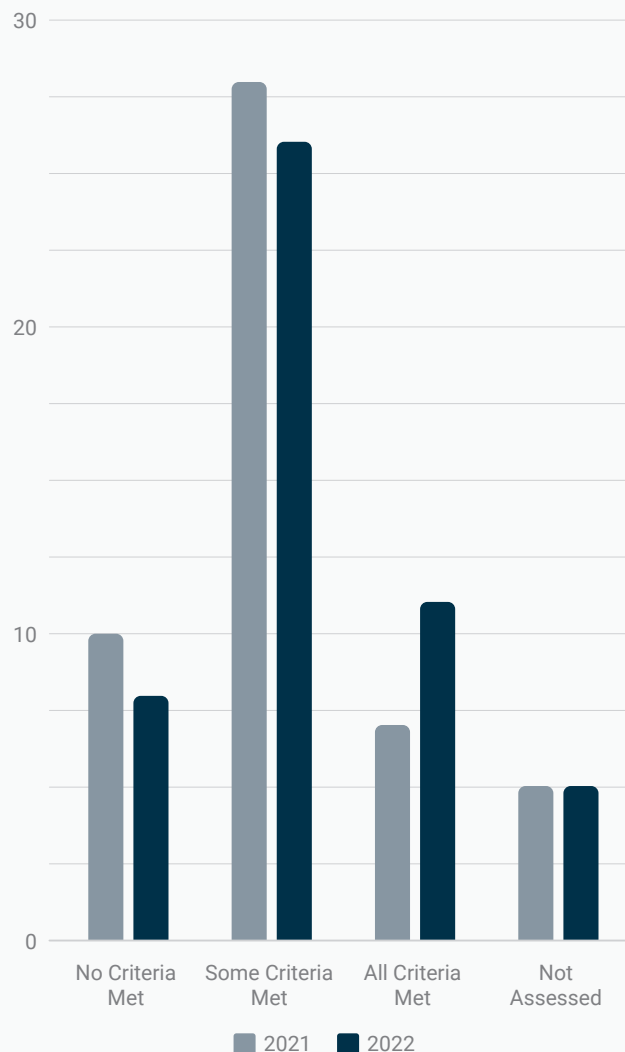
TO THE  
Solactive and Global  
Sustainable Equity  
(GSE) funds

THIS PORTFOLIO AMENDMENT HAS ALSO RESULTED IN A CHANGE OF THE BLENDED BENCHMARK

**Total Equities Carbon Footprint**



**Total CA100+ NZB Indicators Met by CSP Companies**



AS OF JUNE 2022

total equities carbon intensity was

▼ **17.83%**

lower than that of the benchmark

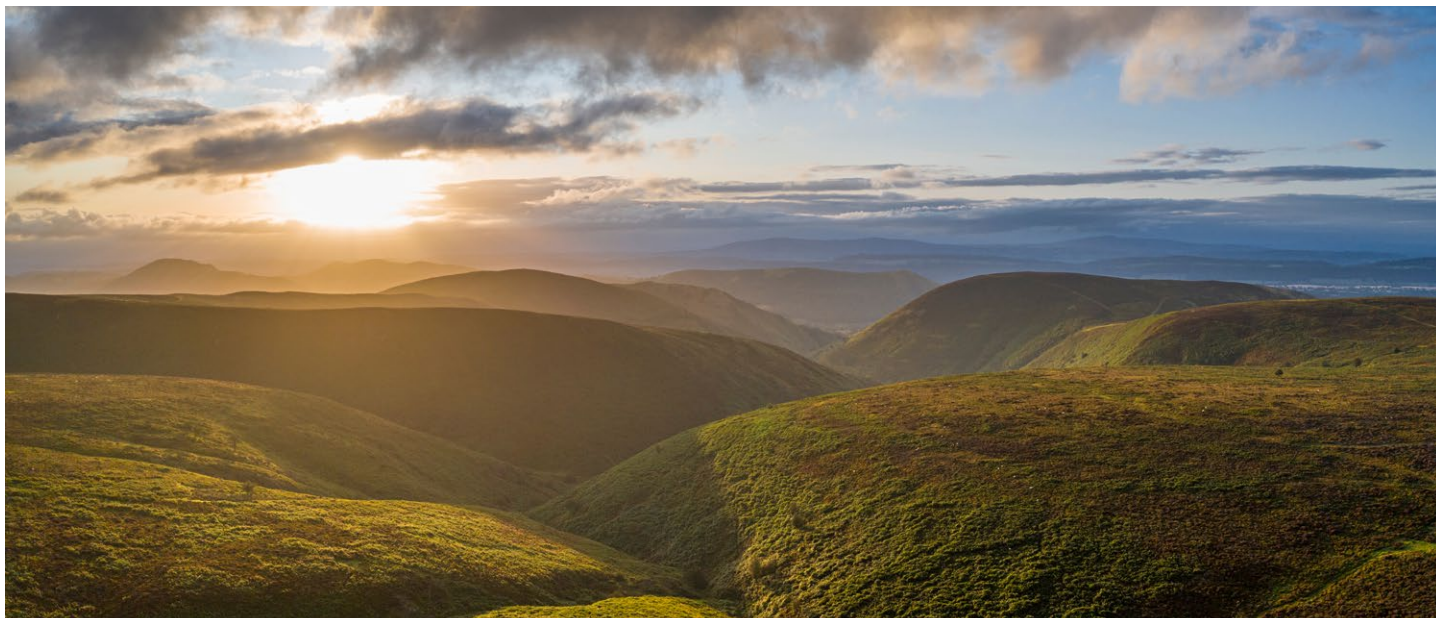
**66.67%**

OF COMPANIES IN THE CLIMATE STEWARDSHIP PLAN

achieved a Transition Pathway Initiative<sup>1</sup> Management Quality rating of 4 or 4\*

<sup>1</sup> The Transition Pathway Initiative (TPI) framework evaluates companies based on their climate risk management quality and their carbon performance.





We provide below a summary of the salient findings from each section in the report.

### GOVERNANCE

The Fund has made progress in enhancing its responsible investment and climate change practice. Examples of these enhancements include integrating climate change as a regular item within Pensions Committee meetings, developing and publishing its documents such as the Stewardship Plan, Climate Change Strategy and second TCFD Report. From 2020 significant progress has been made in terms of completing and progressing through recommendations provided.

### STRATEGY

Section 4.2 provides a Climate Scenario Analysis (CSA), which estimates the effects on key financial parameters (such as risk and return) that could result from plausible climate scenarios. The findings from Mercer's climate scenario analysis highlights the possible impact from transition and physical risks of climate change. The Fund will likely perform better in an Orderly or Rapid transition scenario. In a Failed transition scenario, physical impact from climate change will likely affect longer-term investment return.

### RISK MANAGEMENT

We have reviewed ongoing engagements with the six companies in the Fund's Climate Stewardship Plan. Currently, none of these companies have attained all the indicators within the CA100+ benchmark assessment, and only two companies (Holcim and Shell) are aligned with a 1.5°C scenario by 2050. However, most of the companies are making clear progress in their climate strategies, which is evidenced through several measures of success.

### METRICS AND TARGETS

Carbon Risk Metrics demonstrate that carbon intensity of total equities have decreased from March 2020 to June 2022 by 46.04%. At both March 2020 and June 2022, the carbon intensity of the total equities remained below that of the benchmark, but over this period the carbon intensity of the portfolio has decreased by a greater magnitude than that of the benchmark. During March 2020 total equities has a carbon intensity which was 13.20% lower than the benchmark, during June 2022 this value became 17.83%.

# 2.0 Recommendations and Considerations

## 2.1 Governance

| CATEGORY   | PORTFOLIO  | RECOMMENDED ACTION                                                                                                                                                                                                                                     | REPORT REFERENCE |
|------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Governance | Total Fund | <ul style="list-style-type: none"> <li><b>R:</b> Continue to report decarbonisation progress on an annual basis, comparing results with previous values.</li> <li><b>R:</b> Continue the implementation of the portfolio's net zero policy.</li> </ul> | 4.1              |

## 2.2 Strategy

| CATEGORY | PORTFOLIO  | RECOMMENDED ACTION                                                                                                                                                                                                                                                                                                                                                                                  | REPORT REFERENCE |
|----------|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Strategy | Total Fund | <ul style="list-style-type: none"> <li><b>R:</b> We recommend the Fund continue with actions which are positively correlated with broader Net Zero strategies through its various collaborations with LGPSC and other external managers. This is to ensure that climate transition and physical risks are identified and managed through stewardship and/or asset allocation activities.</li> </ul> | 4.2              |

## 2.3 Risk Management

| CATEGORY            | PORTFOLIO      | RECOMMENDED ACTION                                                                                                                                                                                                                                                                                                                                             | REPORT REFERENCE |
|---------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Company Stewardship | Total Equities | <ul style="list-style-type: none"> <li><b>R:</b> Continue to engage the companies highlighted in the Climate Stewardship plan through selected stewardship partners.</li> <li><b>R:</b> Report progress in the next Climate Risk Report.</li> <li><b>C:</b> Consider adding RWE, Linde, CRH PLC, and CF Industries to the Climate Stewardship Plan.</li> </ul> | 4.4.3            |

## 2.4 Metrics & Targets

| CATEGORY | PORTFOLIO      | RECOMMENDED ACTION                                                                                                                                                                                                                                                                                                                                                                                                                                                 | REPORT REFERENCE |
|----------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Metrics  | Total Equities | <ul style="list-style-type: none"> <li><b>R:</b> Continue to monitor the carbon intensity and financed emissions of this portfolio.</li> <li><b>R:</b> Continue to monitor key carbon intensive and fossil fuel holdings via the Fund's Climate Stewardship Plan.</li> <li><b>C:</b> Consider adding RWE, CRH PLC., Linde and CF Industries to the CSP. This is due to their significant contributions to both carbon intensity and financed emissions.</li> </ul> | 4.4.3            |

# 3.0 Introduction

## 3.1 Scope of the Report

This report is SCPF's third Climate Risk Report. It follows previous iterations delivered in August 2020 and November 2021. The purpose of this report is to:



Our mode of analysis continues to be consistent with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Each section in chapter 4 corresponds to one of the TCFD pillars.

## 3.2 Climate Action to Date

To demonstrate the urgency surrounding climate change, and why it is necessary for Pension Funds to act now to mitigate climate risks, we provide below a summary of the key climate updates which have occurred since the start of 2021.

The evidence is clear that climate change could be the largest systemic risk, and largest example of market failure, faced by human society. Whilst concern is being voiced, the current trajectory of 3°C could have catastrophic consequences within 30 years. This is sub-optimal for pension funds, even accounting for their ability to diversify idiosyncratic risk. The climate scenario with the lowest estimated economic damages and most favourable to long-term investors is a scenario that aligns with the Paris Agreement. Since climate risks could affect all asset classes, sectors, and regions, it is unlikely that climate-risks can be mitigated completely through diversification alone.

For investors, climate change is a fiduciary issue. Local authority pension funds typically have multidecadal time horizons, with both their investment beliefs and liability profiles thoroughly long-term. Significant uncertainty remains, and no single tool can provide an accurate and complete observation on a pension fund's climate risk. For responsible investors looking to proactively manage climate risk, a combination of metrics and methodologies, paired with targeted engagement, represents the best possible information set currently available.

## MAY 2021

## IEA 1.5°C SCENARIO

The International Energy Agency (IEA) publishes its 1.5°C 'Net Zero' Scenario. It argues the new scenario is the most technically feasible, cost-effective and socially acceptable way to stay below the 1.5°C limit. Stipulations of the scenario include: no new investments in fossil fuel supply as of 2021; a 75% decline in methane emissions; a radical shift towards renewable energy; an increase in Carbon Capture and Storage (CCS) capacity of 4000%; no sales of new combustion engines in cars by 2035; and net zero emissions from the power sector by 2040.

## AUGUST 2021

## IPCC SIXTH ASSESSMENT PART ONE

The Intergovernmental Panel on Climate Change (IPCC) releases Part One "Physical Science Basis" of its Sixth Assessment Report. The report reconfirms that human activity is the cause of global warming, and that much of the damage caused by climate change is now irreversible. The report warns that mankind has emitted 2,560bn tons of CO<sub>2e</sub> since 1750 and we only have a budget of 500bn tons more if we want to limit warming to 1.5°C. The report focuses on three modelled scenarios (1.5°C, 2°C and 4°C). The first scenario implies a drastic reduction in global emissions. The second assumes the commitment of effective, ambitious, and coordinated climate policies. The first two scenarios both assume that most fossil fuels will no longer be used. According to the report, the probable temperature rise is 3°C by the end of the Century, with 1.5°C reached before 2040.

## OCTOBER 2021

## WMO STATE OF GLOBAL CLIMATE REPORT

The World Meteorological Organisation (WMO) releases its 2021 State of Global Climate Report which combines inputs from multiple UN agencies, national meteorological and hydrological services, and scientific experts. The report reveals that:

- 2021 was among the seven hottest years on record. Global average temperatures were 1.1°C–1.2°C above the preindustrial average.
- Levels of atmospheric CO<sub>2</sub> reached 414ppm, their highest average in the modern record. This represents an increase of 50% compared to pre-industrial levels. Sea level rise reached 1.4mm/yr between 2013 and 2021. Global mean sea level reached a record high in 2021.
- Sea level rise reached 1.4mm/yr between 2013 and 2021. Global mean sea level reached a record high in 2021.
- Ocean heat content reached a new record high in 2020.

## OCTOBER 2021

## UN EMISSIONS GAP REPORT 2021

The UN released its Emissions Gap Report 2021. The report shows that countries' 2030 climate targets would lead to a global temperature rise of 2.7°C by the end of the century. This is above the goals of the Paris Agreement and would lead to catastrophic changes in the Earth's climate.

## NOVEMBER 2021

## COP26

The outcomes of COP26 included the following:

1. 197 countries agreed to adopt the Glasgow Climate Pact. This commits countries to review and strengthen their NDCs at COP27, and to accelerate efforts towards the phase-down of unabated coal power.
2. 100 countries signed a pledge to cut methane emissions by 30% by 2030. The pledge includes six of the world's ten largest emitters.
3. Joint US-China climate declaration centred around principles for climate cooperation, ranging from methane reduction to protecting forests.
4. UK-led initiative of 190 countries and organisations agreeing to phase out the use of coal-fired power for major economies in the 2030s.
5. Article Six was finalised, ensuring rules for a global carbon offset market.
6. Agreement between 141 countries to end deforestation by 2030.

## DECEMBER 2021

## IEA ANNUAL REPORTS

The 2021 IEA Renewables Forecast revealed that a record amount of renewable energy was added to energy systems globally in 2021, but it remains half of what is needed annually to be on track to reach net zero emissions by 2050. Additionally, within their Coal Forecast, the IEA called for strong and immediate action from governments to tackle emissions from coal as it predicted the amount of electricity generated from burning the fuel would jump by 9%.

## FEBRUARY 2022

## IPCC SIXTH ASSESSMENT PART TWO

The IPCC releases Part Two "Impacts, Adaptation and Vulnerability" of its Sixth Assessment Report. The report warns that climate change risks are greater than previously thought. The world has a brief and rapidly closing window to adapt to climate change. Some losses are already irreversible, and ecosystems are reaching the limits of their ability to adapt to the changing climate. Hazards such as the rise in sea level were unavoidable and "any further delay" to mitigate and adapt to warning would miss the "window of opportunity to secure a liveable and sustainable future for all".

## APRIL 2022

## IPCC SIXTH ASSESSMENT PART THREE

The IPCC releases Part Three "Mitigation of Climate Change" of its Sixth Assessment Report. The Report covers efforts to mitigate the effects of climate change and finds that the world can still achieve 1.5°C if radical action is taken. Net carbon emissions must peak within the next three years and be eliminated by the early 2050s. On our current trajectory, we are heading for a temperature rise of 3°C. The main finding for investors is that financial flows are currently 3-6 times lower than the level needed by 2030 to limit global warming. While there is sufficient capital to close investment gaps, increasing flows relies on clearer signalling from governments.

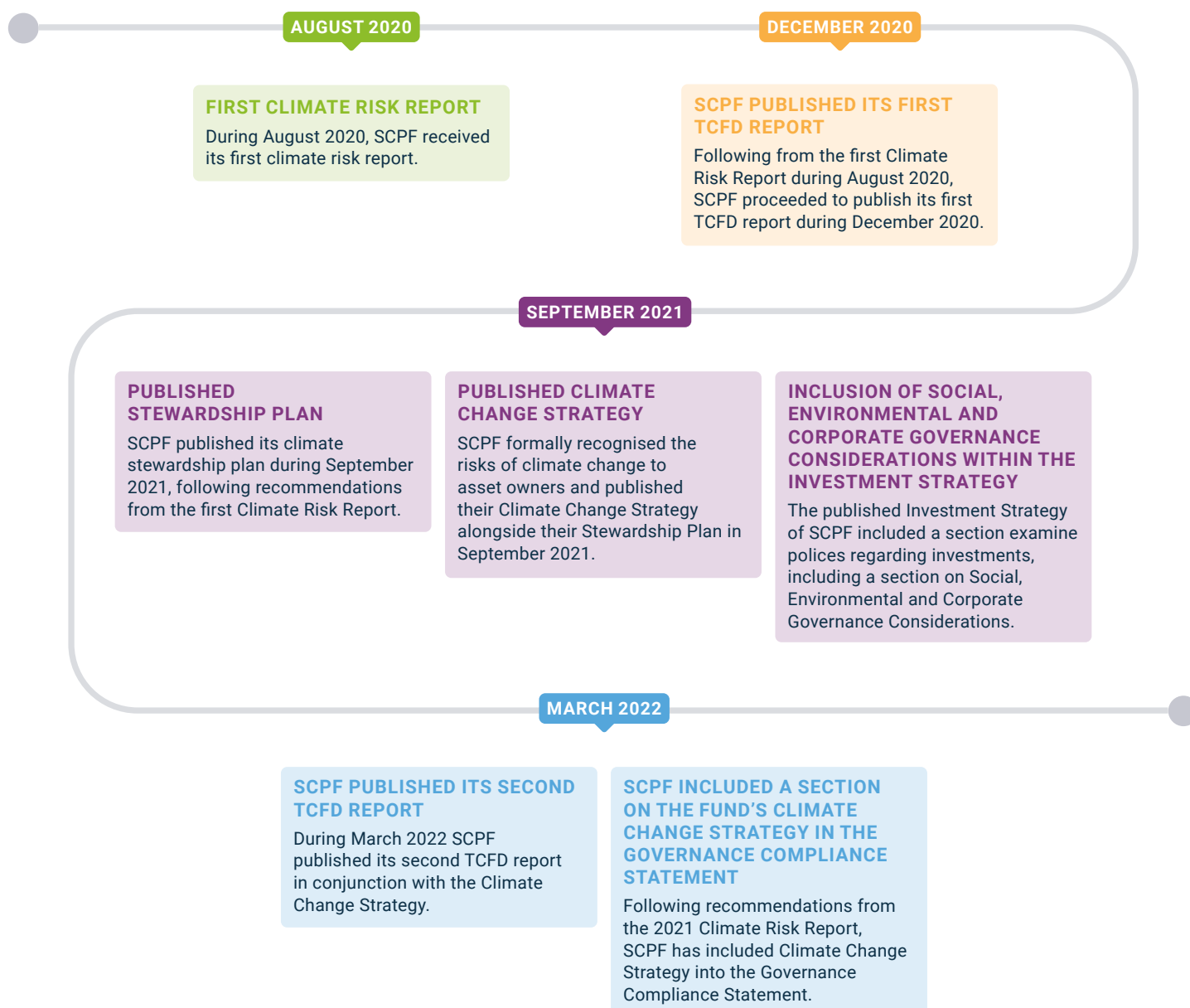
# 4.0 Analysis

## 4.1 Governance

### 4.1.1 SCOPE

In the Fund's 2020 Climate Risk Report we reviewed the Fund's published documentation and governance arrangements from the perspective of climate strategy setting. In the subsequent 2021 Climate Risk Report we provided a progress update and refresh to this review. Both reports identified areas in which the Fund's governance and policies could further embed and normalise the management of climate risk. We provide a progress update against the recommendations and considerations issued in the previous report and suggest further policy extensions the Fund could consider. We recognise that the Fund's existing climate governance is already to a high standard, and our perspectives offered below are suggestive only.

### 4.1.2 SCPF'S CLIMATE MANAGEMENT TIMELINE



### 4.1.3 KEY FINDINGS

Climate risk within the Fund is overseen by the Head of Pensions – LGPS Senior Officer who works alongside the Pensions Investment and Responsible Investment Manager. The Fund has made considerable progress in terms of its responsible investment and climate change practice. Since 2021, SCPF has published a Stewardship Plan, Climate Change Strategy and its second TCFD aligned report. SCPF has included climate change considerations in the Investment Strategy.

### 4.1.4 FURTHER ACTIONS

#### RECOMMENDATIONS AND CONSIDERATIONS

The following recommendations were successfully achieved in 2021 but due to their ongoing nature we recommend they continue as regular practice in future years.

- Continue to schedule time at Pension Fund Committee meetings for the discussion of climate-related risks and climate strategy. Schedule training on RI and climate risk for members of the Pension Fund Committee.

We recommend that the following recommendations and considerations are carried over from the 2021 Climate Risk Report.

- Continue the implementation of the portfolio's net zero policy, with the inclusion of a short-term target of financed emissions.
- Review as part of the Funding Strategy Statement (FSS) the extent to which climate risks could affect other risks noted in the FSS.



## 4.2 Strategy

### 4.2.1 CLIMATE SCENARIO ANALYSIS

#### CLIMATE SCENARIO ANALYSIS INTRODUCTION

In the Fund's 2020 Climate Risk Report, we utilised the services of Mercer LLC (Mercer) to conduct Climate Scenario Analysis of the Fund. Climate Scenario Analysis estimates the effects on key financial parameters (such as risk and return) that could result from plausible climate scenarios. In these reports the scenarios are defined according to the change since pre-industrial times in mean global surface temperatures, and we considered three scenarios (2°C, 3°C and 4°C) across three timescales (2030, 2050 and 2100).

For 2022, Mercer has partnered with Ortec Finance and Cambridge Econometrics to develop climate scenarios that are grounded in the latest climate and economic research and give practical insights. The partnership brings together Mercer's investment and climate expertise with Ortec's research and scenario generator.

This report will summarise the key changes in the model and discuss the results of this analysis, focusing on annualised and cumulative impacts against a baseline assumption, and comparison between the two asset allocations.

#### WHY SHOULD A PENSION FUND CONDUCT CLIMATE SCENARIO ANALYSIS?

Investors often use scenario analysis to support Strategic Asset Allocation (SAA) and portfolio construction decisions, as it helps to model potential risks and returns.

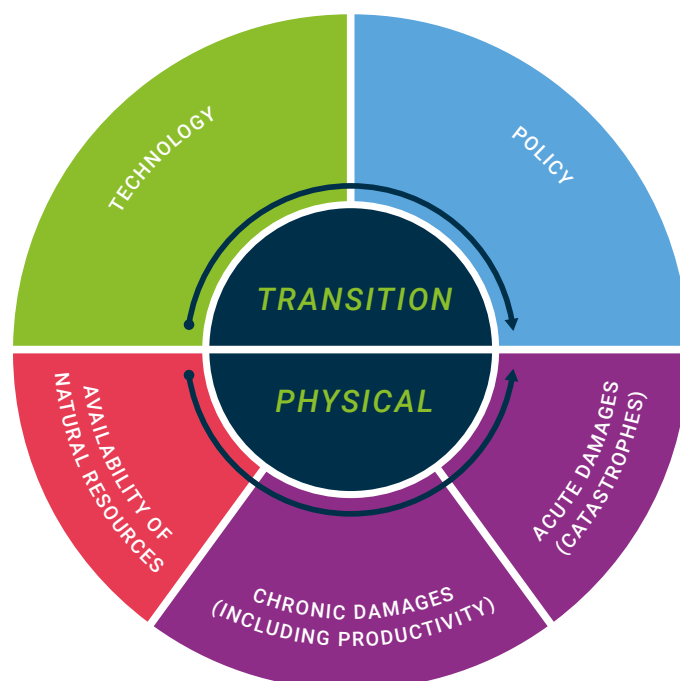
With a growing (but still early) understanding of the potential impacts of climate change on investment performance (see above) and following the recommendations of the TCFD, more pension funds are electing to conduct Climate Scenario Analysis. Climate Scenario Analysis helps investors to better understand the short-, medium- and long-term climate change risks and opportunities associated with plausible climate change scenarios, to understand the portfolio's sensitivities to such scenarios, and to build more resilient portfolios.

As we argue above, although the predictions made by climate scientists have gained overwhelming consensus, there remains a great deal of uncertainty for investors around the market reaction to climate risks and changing climate policies. This creates a strong argument for Climate Scenario Analysis to understand the different possible eventualities across a range of scenarios. It is important that investors assess their portfolio's resilience to different climate scenarios and consider the impact of their portfolios on future climate trajectories.

We remain conscious that scenario analysis (of any kind) requires by necessity the use of assumptions about inherently unpredictable phenomena. Climate Scenario Analysis is no different in this regard. We believe, however, that investors looking to manage climate risk proactively ought to attempt an 'inference to the best explanation' and we think the Mercer's model and approach to Climate Scenario Analysis is the best available.

Mercer's climate scenarios are constructed to explore three climate scenarios (Rapid Transition, Orderly Transition and Failed Transition) are constructed to explore a range of plausible futures over 5 to 40 years, rather than exploring tail risks. Mercer's analysis considers two risk factors: transition risk and physical risk. Although Mercer's analysis focusses on these two principal sources of transition and physical risk, SCPF are also aware of other risks which may emerge in various climate scenarios. These include impacts from the wider market and associated reputational risks connected to the energy transition. There is also the possibility of litigation risk in cases where businesses and investors fail to meaningfully account for climate risk. As each of these risks could present a material financial impact for the Fund, they are each considered in investment decisions through integration of ESG factors.

#### RISK FACTORS

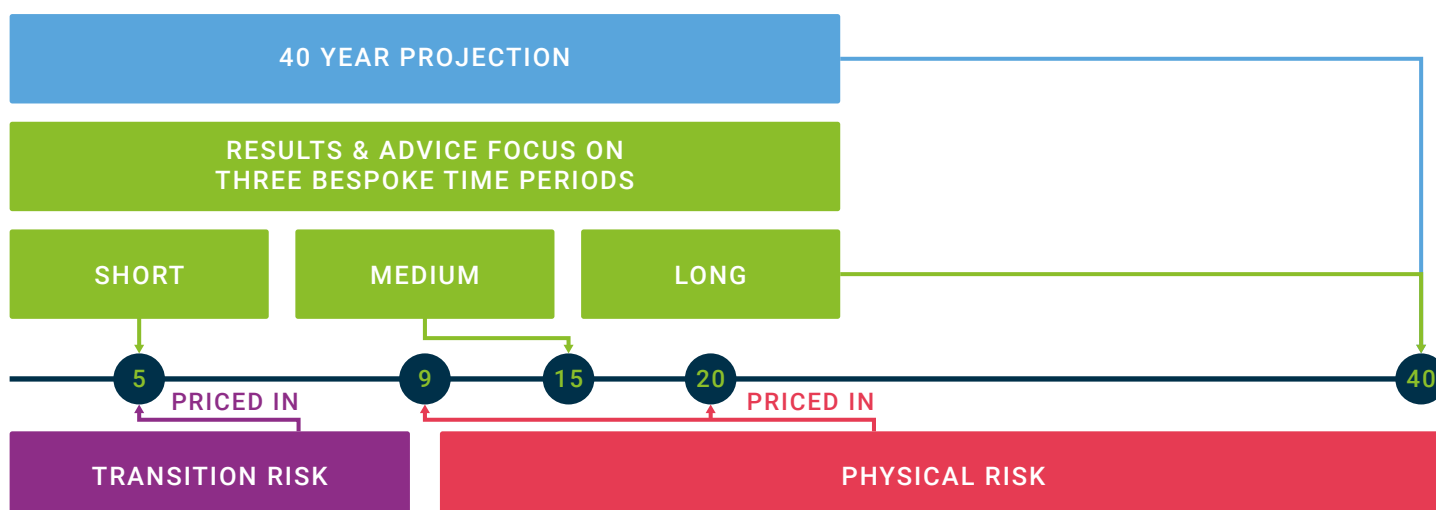


## MERCER'S CLIMATE SCENARIOS

Mercer's three climate scenarios are developed by building the investment modelling on top of the economic impacts of different climate change scenarios within the Cambridge Econometric's E3ME climate model. Each climate scenario analyses the policies enacted and the technologies developed to manage climate risks. An implied temperature score is calculated to indicate the level of warming which occurred as a result of these climate actions and is driven by levels of carbon dioxide (CO<sub>2</sub>) and other greenhouse gases. The impacts of the warming are shown in the physical damages. The three scenarios used in the modelling are outlined below.

| 1.5°C RAPID TRANSITION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 1.6°C ORDERLY TRANSITION                                                                                                                                                                                                                                                                                                    | 4°C FAILED TRANSITION                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>AVERAGE TEMPERATURE INCREASE OF 1.5°C BY 2100 IN LINE WITH THE PARIS AGREEMENT</b><br>This scenario assumes sudden large-scale downward re-pricing across multiple securities in 2025. This could be driven by a change in policy or realisation that policy change is inevitable, consideration of stranded assets or expected cost. To a degree the shock is sentiment driven and therefore followed by a partial recovery across markets. The physical damages are most limited under this scenario. | <b>AVERAGE TEMPERATURE INCREASE OF 1.6°C BY 2100</b><br>This scenario assumes political and social organisations act in a co-ordinated way to implement the recommendations of the Paris Agreement to limit global warming to well below 2°C. Transition impacts do occur but are relatively muted across the broad market. | <b>AVERAGE TEMPERATURE INCREASE ABOVE 4°C BY 2100</b><br>This scenario assumes the world fails to co-ordinate a transition to a low carbon economy and global warming exceeds 4°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasingly negative impacts from extreme weather events. These are reflected in re-pricing events in the late 2020s and late 2030s. |
| RAPID TRANSITION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | ORDERLY TRANSITION                                                                                                                                                                                                                                                                                                          | FAILED TRANSITION                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <ul style="list-style-type: none"> <li>Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have <b>disruptive effects on financial markets</b> with sudden repricing followed by stranded assets and a sentiment shock</li> <li><b>Locked-in</b> physical impacts</li> </ul>                                                                                                                                                                                                       | <ul style="list-style-type: none"> <li><b>Early and smooth</b> transition</li> <li><b>Market pricing-in</b> dynamics occur smoothed out in the first 4 years</li> <li><b>Locked-in</b> physical impacts</li> </ul>                                                                                                          | <ul style="list-style-type: none"> <li>The world <b>fails to meet the Paris Agreement goals</b> and global warming reaches 4.3°C above pre-industrial levels by 2100</li> <li><b>Severe</b> gradual physical &amp; extreme weather impacts</li> <li><b>Markets price in physical risks</b> of the coming 40 years over 2026-2030, and risks of 40-80 years over 2036-2040</li> </ul>                                                      |
| Average temperature increase of<br><b>1.5°C</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Average temperature increase of<br><b>1.6°C</b>                                                                                                                                                                                                                                                                             | Average temperature increase of<br><b>4.3°C</b>                                                                                                                                                                                                                                                                                                                                                                                           |
| Shows the resilience of the portfolio to sudden repricing, triggering a market dislocation centred on high-emitting stocks                                                                                                                                                                                                                                                                                                                                                                                 | Tests exposure to the risks/opportunities from the systemic drivers of an ideal transition and locked-in physical risk                                                                                                                                                                                                      | The main focus of this pathway is physical risk, results show the exposure to plausible, severe climate change impacts                                                                                                                                                                                                                                                                                                                    |

In the analysis, Mercer focused on short-, medium- and long-term time frames of 5, 15 and 40 years. In shorter time frames, transition risk tends to dominate while over longer time frames physical risk is expected to be the key driver of climate impacts. Transition risks are priced in around 2026 and future physical damages are priced in around the end of 2020s and 2030s. These pricing in shocks reflect likely market dynamics and mean climate impacts are more likely to fit within investment timeframes.





INTERPRETATION OF THE MAIN RESULTS

The main results produced by Mercer’s model is an estimated impact on investment returns, given some particular pair of (a) climate scenario and (b) time horizon, expressed either as annualised (%) or cumulative (£) returns. This should be interpreted as the climate-related impact on the estimated returns for a portfolio or asset class, i.e., it is additional to the expected mean return – which Mercer depicts as the baseline – for that portfolio or asset class.

Mercer modelled scenarios relative to a climate aware baseline, based on the assumption that climate impacts are currently priced-in to some extent. The main assumptions include:

- At a market level transition risks are reasonably priced in; however longer-term physical risks are more likely to be mispriced.
- Transition risks remain at sector level and at the market level due to the potential for more extreme transition scenarios to occur.

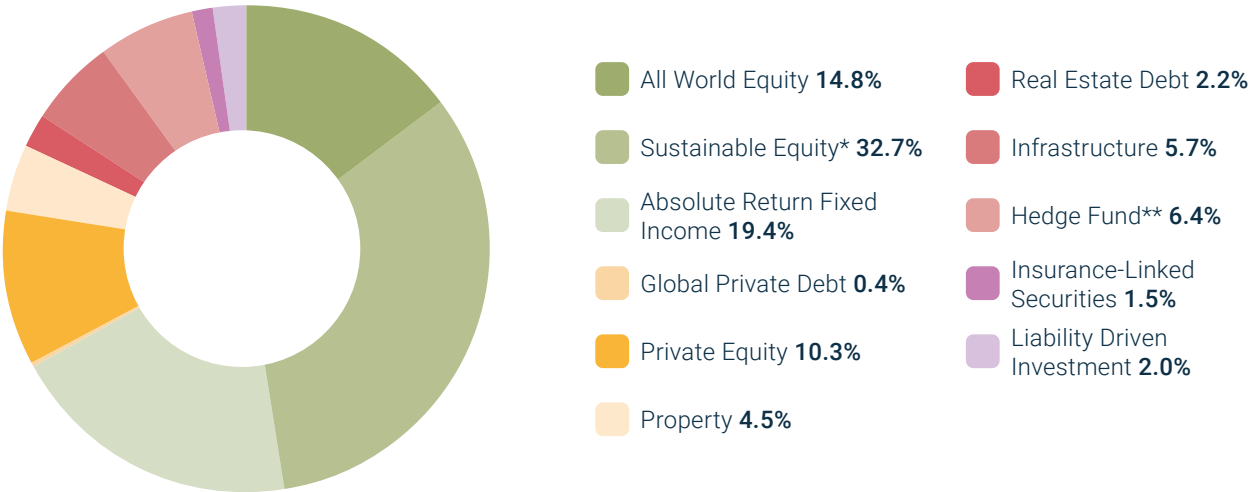
CLIMATE SCENARIO ANALYSIS SCOPE

The analysis includes the whole of SCPF’s investment portfolio. The analysis is top-down, mapping each of SCPF’s underlying portfolios to an asset class that is featured within Mercer’s model. The projections utilise asset allocations as of the 30th of June 2022, assume £2.24 billion initial asset value and contributions income matches benefit outgo. Two variations of SCPF’s investment portfolio are analysed by Mercer:

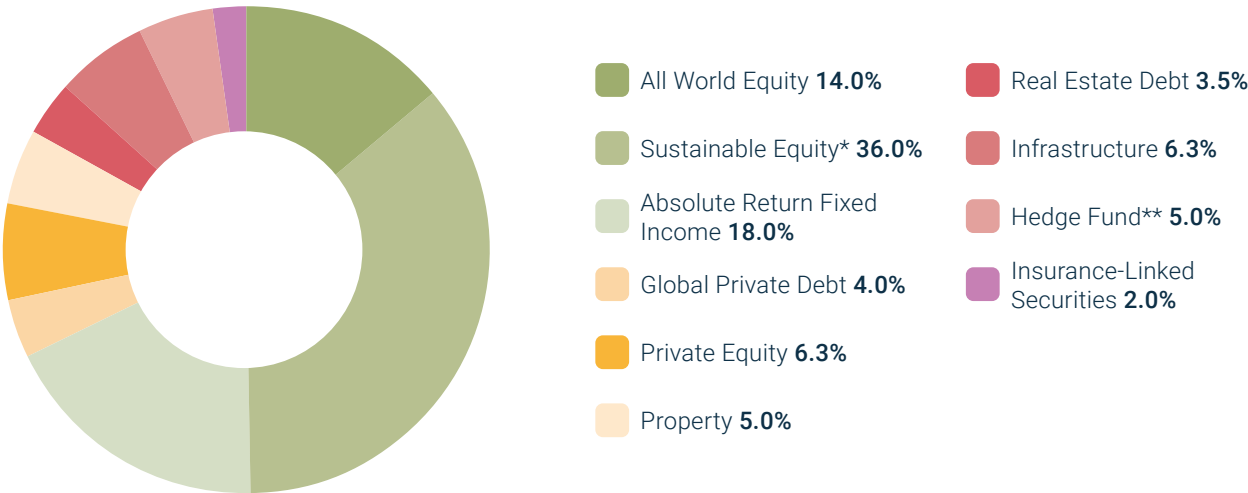
1. The Current Asset Allocation  
(invested as of 30st June 2022)
2. The Alternative Asset Allocation

TABLE 4.2.1.1 ASSET ALLOCATION VARIANTS ANALYSED

CURRENT ASSET ALLOCATION



ALTERNATIVE ASSET ALLOCATION



## CLIMATE SCENARIO ANALYSIS FINDINGS

### KEY CONCLUSION ONE: A SUCCESSFUL TRANSITION IS AN IMPERATIVE

Over medium- to long-term, a successful transition is imperative for SCPF as both asset allocations fare better under rapid and orderly transition scenarios versus the failed transition. Over the long term for nearly all investors a successful transition leads to enhanced projected returns when compared to scenarios associated with higher temperature outcomes due to lower physical damages.

Under a failed transition scenario, both asset allocations are affected by a greater degree of physical impact which drive underperformance in the long-term. Cumulative losses under the failed transition scenario over 40 years could amount to c.32% of the portfolio's value relative to the baseline.

According to Mercer's model, over the long term both asset allocations fare materially better under the orderly transition and rapid transition in comparison to the failed transition. In the orderly transition and rapid transition physical risks are lower due to temperature rises being limited.

Over 40 years, Mercer's model suggests an orderly transition leads to marginally superior economic outcomes in comparison to a rapid transition for both asset allocations.

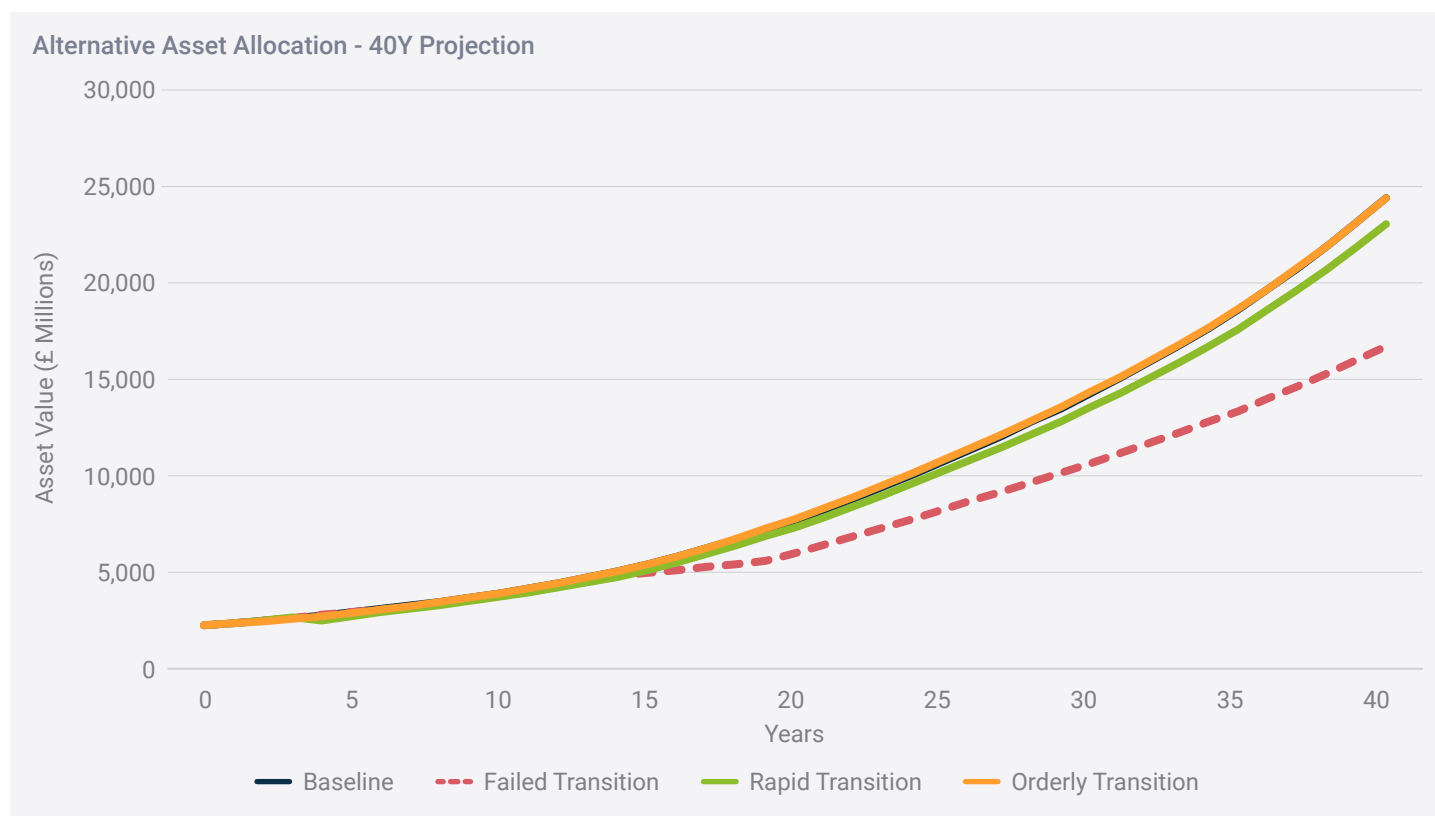
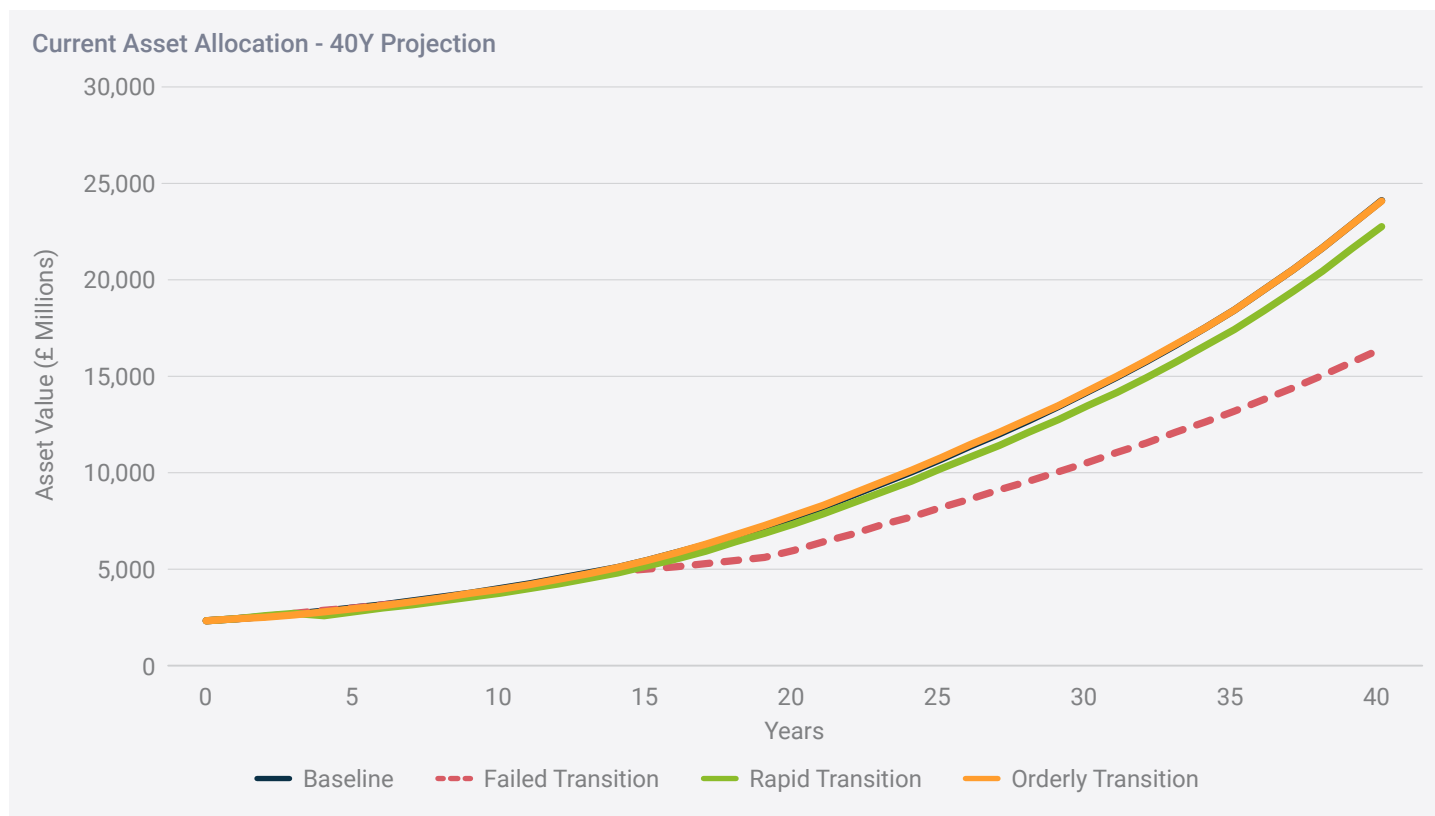
There is little material difference between how the two asset allocations are impacted by climate because the two strategies are relatively similar in respect of sustainability tilts and broader allocations.

TABLE 4.2.1.2 ANNUALISED CLIMATE CHANGE IMPACT ON PORTFOLIO RETURNS – TO 5, 15 AND 40 YEARS.

|         |          | CURRENT ASSET ALLOCATION | ALTERNATIVE ASSET ALLOCATION |
|---------|----------|--------------------------|------------------------------|
| RAPID   | 5 years  | -1.5%                    | -1.5%                        |
|         | 15 years | -0.4%                    | -0.4%                        |
|         | 40 years | -0.2%                    | -0.2%                        |
| ORDERLY | 5 years  | -0.2%                    | -0.2%                        |
|         | 15 years | 0.0%                     | 0.0%                         |
|         | 40 years | 0.0%                     | 0.0%                         |
| FAILED  | 5 years  | 0.2%                     | 0.1%                         |
|         | 15 years | -0.6%                    | -0.6%                        |
|         | 40 years | -1.0%                    | -1.0%                        |

■ ≤ - 10 bps   
 ■ > -10 bps, < 10bps   
 ■ ≥ 10 bps

FIGURE 4.2.1.1 CUMULATIVE RETURN PROJECTIONS BY CLIMATE CHANGE SCENARIO

**RECOMMENDATIONS:**

We recommend the Fund continue with the development of the net zero strategy through its various collaborations including with LGPSC and other external managers. This is to ensure that climate transition and physical risks are identified and managed through stewardship and/or asset allocation activities.

**KEY CONCLUSION TWO: 2. SUSTAINABLE ALLOCATIONS PROTECT AGAINST TRANSITION RISK, GROWTH ASSETS ARE HIGHLY VULNERABLE TO PHYSICAL RISK**

Asset class returns vary significantly by scenario depending on their respective exposure to transition and physical risks. SCPF has a large allocation of growth assets, which are generally more exposed to transition and physical risks. Increased allocations to sustainable equity would provide additional protection from transition and physical risks in the event of a rapid transition.

**TABLE 4.2.1.3 CUMULATIVE RETURN IMPACTS FOR CURRENT ASSET ALLOCATION, BY ASSET CLASS ACROSS THREE CLIMATE CHANGE SCENARIO**

| CURRENT SAA                  | MODELLING ASSET CLASS        | CURRENT ALLOCATION (%) | 5 YEARS           |                  |                    | 40 YEARS          |                  |                    |
|------------------------------|------------------------------|------------------------|-------------------|------------------|--------------------|-------------------|------------------|--------------------|
|                              |                              |                        | FAILED TRANSITION | RAPID TRANSITION | ORDERLY TRANSITION | FAILED TRANSITION | RAPID TRANSITION | ORDERLY TRANSITION |
| Listed Global Equity         | MSCI ACWI Equity             | 14.8%                  | 2%                | -13%             | -1%                | -43%              | -12%             | -1%                |
| Listed Sustainable Equity    | Active Sustainable Equity*   | 30.3%                  | 0%                | -6%              | -1%                | -45%              | -3%              | 2%                 |
|                              | Passive Sustainable Equity*  | 2.4%                   | 1%                | -9%              | -2%                | -44%              | -7%              | 0%                 |
| Absolute Return Fixed Income | Absolute Return Fixed Income | 19.4%                  | 0%                | -2%              | 0%                 | -3%               | -2%              | 0%                 |
| Global Private Debt          | Global Private Debt          | 0.4%                   | 0%                | -4%              | 0%                 | -11%              | -4%              | -1%                |
| Private Equity               | Private Equity               | 10.3%                  | 2%                | -12%             | -3%                | -52%              | -9%              | -1%                |
| Property                     | UK Real Estate               | 4.5%                   | -1%               | -8%              | 0%                 | -41%              | -4%              | 3%                 |
| Real Estate Debt             | Global Private Debt          | 2.2%                   | 0%                | -4%              | 0%                 | -11%              | -4%              | -1%                |
| Infrastructure               | Infrastructure               | 5.7%                   | 1%                | -9%              | 0%                 | -37%              | -9%              | -1%                |
| Hedge Fund***                | Absolute Return Fixed Income | 6.4%                   | 0%                | -2%              | 0%                 | -3%               | -2%              | 0%                 |
| Insurance-Linked Securities  | Cash                         | 1.5%                   | 0%                | 0%               | 0%                 | -7%               | 1%               | 1%                 |
| Liability Driven Investment  | Cash                         | 2.0%                   | 0%                | 0%               | 0%                 | -7%               | 1%               | 1%                 |

\*The passive sustainable equity fund (LGIM Solactive Low Carbon Transition Developed Markets Fund) has been modelled as 100% Broad Paris Aligned and the active equity fund (LGPS Central Global Sustainable Equity Active Fund) as 50% Broad Paris Aligned 50% Complete Paris Aligned.

\*\*\*Hedge fund relate to BlackRock: QIP Ltd fund.

Please note the colour scaling is specific to the timeframe and scenario and cannot be compared across columns. Red indicates a negative value, whereas green indicates a positive value.

**RECOMMENDATIONS:**

SCPF could consider reducing portfolio weighting of growth assets and increasing the portfolio weighting of sustainable equity to mitigate potential transition impact in the short- to medium-term. It is also important to work with managers with existing net zero commitments and potentially find alternative benchmarks for its passive strategy to tilt the portfolios further towards climate alignment.

### KEY CONCLUSION THREE: MONITOR SECTOR AND REGIONAL EXPOSURES

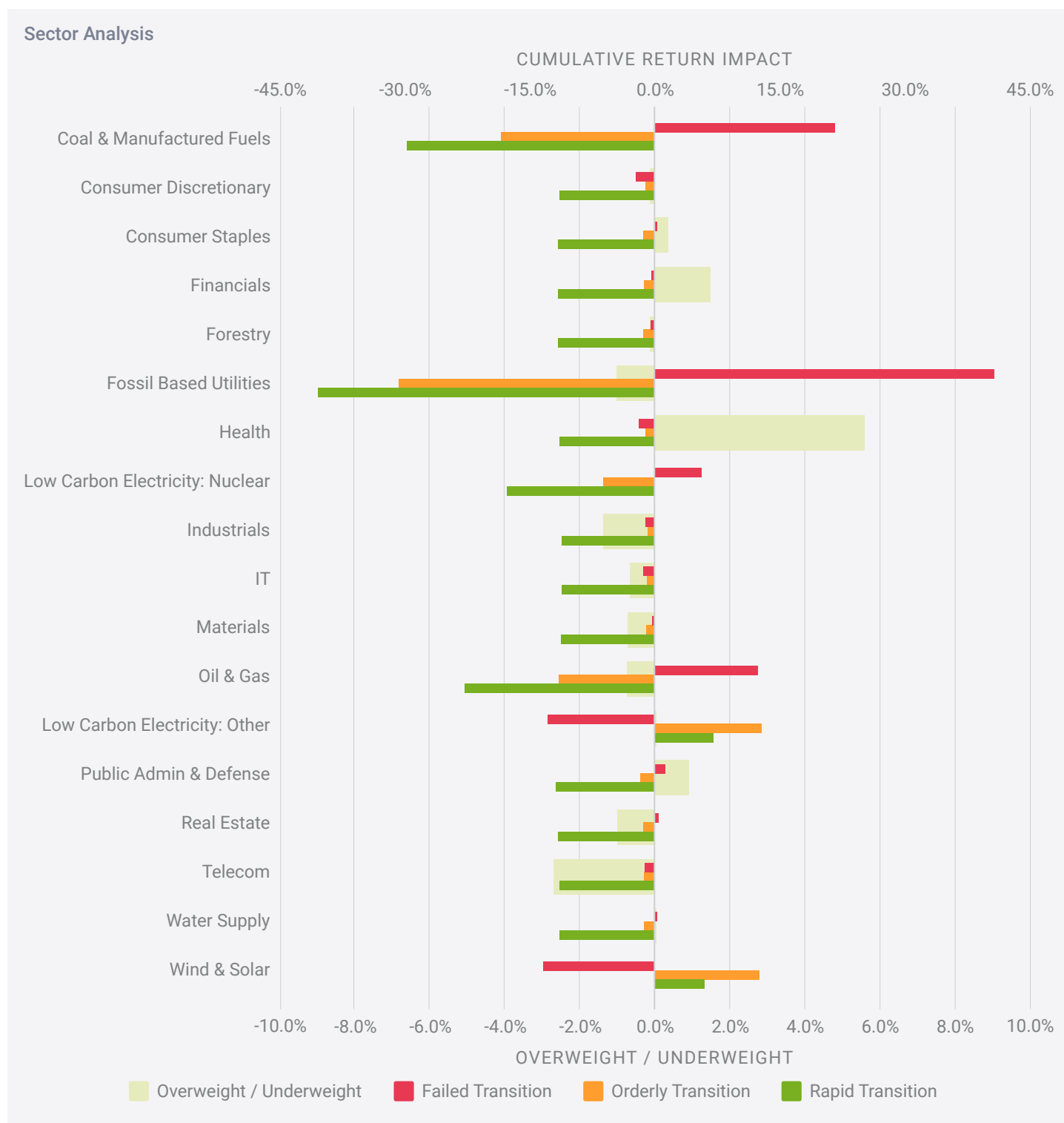
Differences in return impact are most visible at an industry sector level, with significant divergence between scenarios. Oil and Gas, Fossil Fuel Based Utilities and Renewables are most impacted by the transition.

Figure 4.2.1.2 shows the relative under/overweight positions of SCPF's overall equity portfolio versus MSCI ACWI (light grey bar), as well as cumulative return impact experienced by different sectors within an equity portfolio over a 5 year-period, when transition risks dominate.

SCPF's equity portfolios is marginally underweight to two sectors that are particularly exposed to transition risk, oil and gas and fossil fuel-based utilities. Both of these sectors are negatively impacted by a Rapid and Orderly Transition.

In the rapid and orderly transition scenarios, low carbon electricity and renewable energy (Wind & Solar) are the only two sectors to generate positive returns.

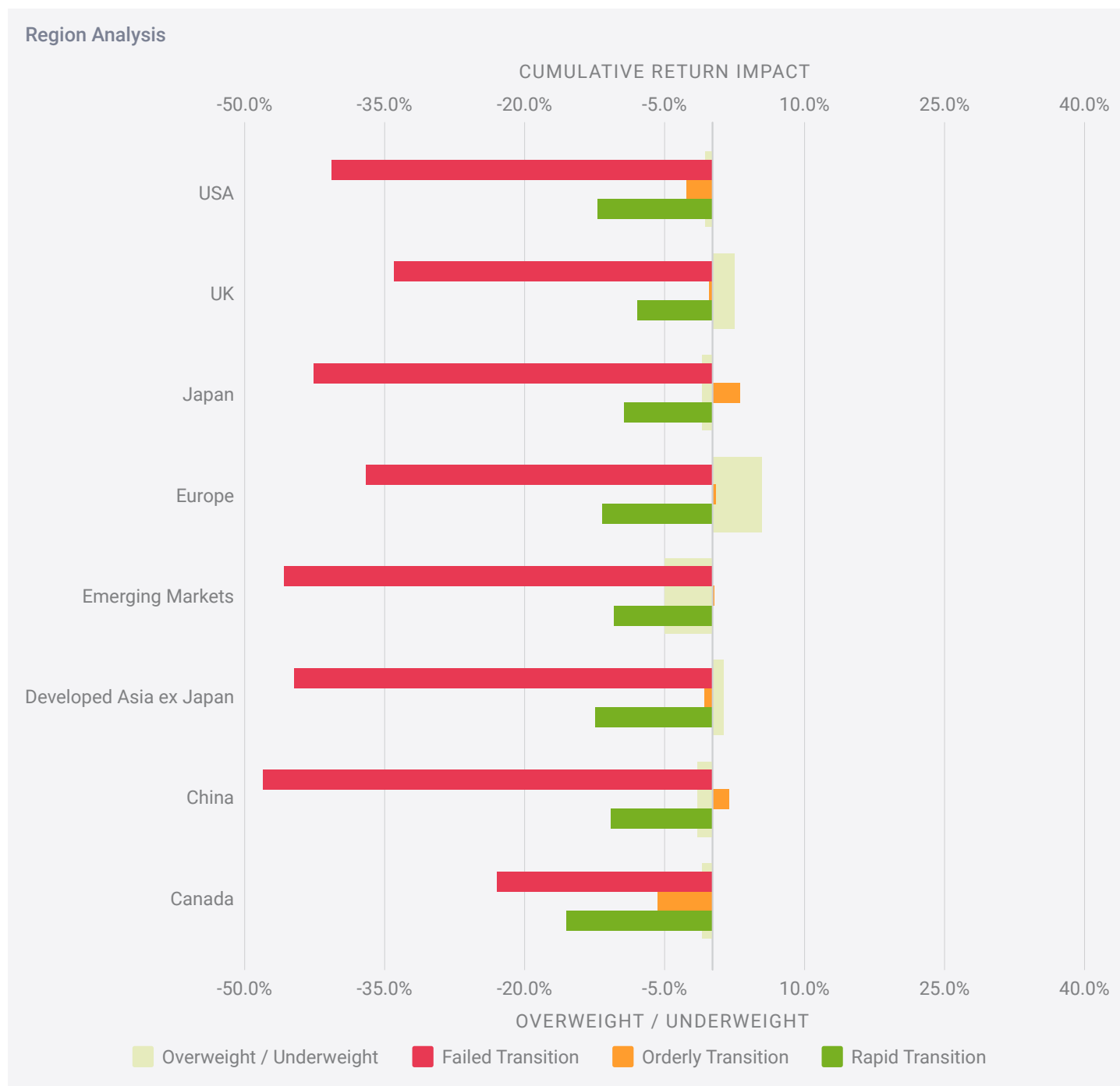
FIGURE 4.2.1.2 SECTORAL CUMULATIVE RETURN IMPACT AND SCPF CURRENT EQUITIES SECTOR ALLOCATION



In terms of regional impact, China, Emerging Markets and Developed Asia ex. Japan are the most exposed to climate risks. Figure 4.2.1.3 shows the relative overweight/under positions of SCPF's overall equity portfolio versus MSCI ACWI (light grey bar), as well as cumulative return impact experienced by different region within an equity portfolio over a 40 year-period, when physical risks dominate.

The portfolio is overweight to Europe and UK equities which are less impacted under a failed transition when compared to most other regions, and underweight to Emerging Market equities and China which experience significant negative outcomes under a failed transition scenario. However, the portfolio is marginally overweight to Developed Asia ex. Japan which also experiences significant negative outcomes under a Failed Transition Scenario.

FIGURE 4.2.1.3 REGIONAL CUMULATIVE RETURN IMPACT AND SCPF CURRENT EQUITIES SECTOR ALLOCATION



#### RECOMMENDATIONS:

We recommend SCPF work with its appointed fund managers to understand how they are assessing, monitoring, and mitigating key transition and physical risks within the high-impact sectors. Regional exposures should be kept under review.

**KEY CONCLUSION FOUR: BE AWARE OF FUTURE PRICING SHOCKS**

As markets react to new information because of changing physical and policy / transition risks, investors will be vulnerable to rapid repricing shocks. Exploring the potential impact that repricing events can have on investment strategy and positioning portfolios ahead of time is critical.

Investors look to predict future events and price these events before they occur. This means that longer-term impacts, including transition and physical risks could impact portfolios earlier than the time these events occur.

Mercer's rapid transition includes a shock around 2025 pricing in (and overreacting to a degree) to transition costs. The failed transition includes shocks towards the end of the 2020s and 2030s pricing in future damage. While the exact timing of such shocks is unknowable, considering such shocks is important to risk analysis.

As discussed in key conclusion two, SCPF could reduce the portfolio's exposure to growth assets and increase the allocation of sustainable equities to provide some transition risk protection in the event of a rapid repricing event.

**RECOMMENDATIONS:**

Using the analysis from this Climate Scenario Analysis and the overall Climate Risk Report, SCPF is on track to get a better understanding of the portfolio's capacity to transition into a low carbon economy. We recommend using these analyses to evolve SCPF's sustainable investment targets to include more ambitious climate objectives.

## 4.3 Risk Management

### 4.3.1 CLIMATE STEWARDSHIP PLAN SCOPE

Based on the findings of its previous Climate Risk Reports, the Fund has developed a Climate Stewardship Plan (CSP). The CSP identifies the areas in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the Fund.

The CSP identifies a focus list of ten companies for prioritised engagement. Reflecting the externally managed nature of SCPF,

the Fund's portfolio managers and suppliers are engaging with these companies on behalf of the Fund.

We have reviewed ongoing engagements with these companies and provide below a progress update on the outcomes of the engagement. The Climate Action 100+ Net Zero Benchmark and Transition Pathway Initiative are used as key tools to monitor progress within the Fund's CSP.

#### TRANSITION PATHWAY INITIATIVE

The Transition Pathway Initiative (TPI) framework evaluates companies based on their climate risk management quality and their carbon performance. The former includes an assessment of policies, strategy, risk management and targets. There are six management quality levels a company can be assigned to:

- **Level 0** – Unaware of (or not Acknowledging) Climate Change as a Business Issue
- **Level 1** – Acknowledging Climate Change as a Business Issue
- **Level 2** – Building Capacity
- **Level 3** – Integrated into Operational Decision-making
- **Level 4** – Strategic Assessment
- **Level 4\*** – Satisfies all management quality criteria

Companies expected future emissions intensity pathways – labelled carbon performance – is assessed against international targets and national pledges made as part of the 2015 Paris Agreement. Alignment is tested on different timeframes, including 2030 and 2050. There are eight carbon performance trajectories:

- No or unsuitable disclosure
- Not aligned
- International pledges
- National pledges
- Paris pledges
- 2 Degrees
- Below 2 Degrees
- 1.5 Degrees

#### CLIMATE ACTION 100+ NET ZERO BENCHMARK

The CA100+ Net Zero benchmark is designed to assess the performance of the world's 166 largest corporate greenhouse gas emitters against ten key indicators. These indicators are all measures of success for business alignment with a net zero emissions future and with the goals of the Paris Agreement. The ten indicators 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 (Target Delivery)
- 6 Capital Alignment
- 7 Climate Policy Engagement
- 8 Climate Governance
- 9 Just Transition
- 10 TCFD Disclosure

The first assessments for each CA100+ company against the ten indicators were published on 22nd March 2021 and refreshed on 30th March 2022. These assessments offer comparative assessments of individual focus company performance against the goals of the initiative. The Benchmark will be reviewed in 2022 with an aim to provide sector-specific transition pathway parameters that companies respectively are compared to.



### 4.3.2 PROGRESS UPDATE

TABLE 4.3.2.1 COMPANIES INCLUDED IN THE CLIMATE STEWARDSHIP PLAN

| COMPANY  | SECTOR    | ACTIVE / PASSIVE | CA100+                                                                              | STRATEGY                                                                                                               | ENGAGEMENT OBJECTIVES                                                                                                                                                                                                                                      | TPI MANAGEMENT QUALITY                                                                                            | TPI CARBON PERFORMANCE |                 |                  |
|----------|-----------|------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|------------------------|-----------------|------------------|
|          |           |                  |                                                                                     |                                                                                                                        |                                                                                                                                                                                                                                                            |                                                                                                                   | TO 2025                | TO 2035         | TO 2050          |
| BP       | Energy    | Active           |    | CA100+ collaborative engagement with EOS as co-lead.                                                                   | <ul style="list-style-type: none"><li>Achievements of the high-level objectives of the CA100+ initiative</li><li>Duly account for climate risks in financial reporting</li></ul>                                                                           | 4*                                                                                                                | Not Aligned            | Not Aligned     | Not Aligned      |
| Glencore | Materials | Active           |    | Engagement by LGPSC as co-lead for the CA100+ Glencore Focus Group.                                                    | <ul style="list-style-type: none"><li>Achievements of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ benchmark</li></ul>                                                                 | 4                                                                                                                 | 1.5 Degrees            | Below 2 Degrees | National Pledges |
| Page 87  | Holcim    | Cement           | Active                                                                              | Collaborative engagement by the CA100+ Focus Group and through Paris-aligned financial accounting investor initiative. | <ul style="list-style-type: none"><li>Paris-aligned accounts in line with IIGCC's Investor Expectations</li><li>Achievement of the high-level objectives of the CA100+ Initiative</li></ul>                                                                | 4                                                                                                                 | Below 2 Degrees        | Below 2 Degrees | 1.5 Degrees      |
|          | NextEra   | Energy           | Active                                                                              | CA100+ collaborative engagement with LGPSC in the focus group.                                                         | <ul style="list-style-type: none"><li>Net Zero GHG emissions by 2050 or sooner ambition</li><li>Capital allocation alignment with the Paris Agreement</li><li>Commitment to clear medium and long-term GHG reduction targets</li></ul>                     | 4*                                                                                                                | Not Aligned            | Not Aligned     | Not Aligned      |
|          | RyanAir   | Airlines         | Active                                                                              | N/A                                                                                                                    | Direct engagement by Baillie Gifford.                                                                                                                                                                                                                      | <ul style="list-style-type: none"><li>Discussing the progress of the company's decarbonisation strategy</li></ul> | 4                      | 1.5 Degrees     | Below 2 Degrees  |
|          | Shell     | Active           |  | CA100+ collaborative engagement with LGPSC involved in the focus group.                                                | <ul style="list-style-type: none"><li>To set and publish targets which are Paris-aligned</li><li>To fully reflect its Net Zero ambition in its operational plans and budgets</li><li>To set a transparent strategy on achieving net zero by 2050</li></ul> | 4                                                                                                                 | Below 2 Degrees        | Below 2 Degrees | 1.5 Degrees      |

## 4.4 Metrics and Targets

### 4.4.1 SCOPE AND DEFINITIONS OF TERMS

The following Carbon Risk Metrics section is a bottom-up analysis conducted at the company and portfolio level. The purposes of this analysis are:

- To observe climate transition risks and opportunities in the portfolio
- To identify company engagement opportunities
- To support manager monitoring of climate risk management

The scope of the analysis comprises the portfolios as of the 30th June 2022. The results are compared to data from 31st March 2020. The analysis seeks to identify and assess how the portfolio carbon risk metrics have changed within this timeframe.

The analysis is limited to equities and corporate bonds as unlisted asset classes do not have sufficiently complete and comparable data to facilitate carbon risk metrics analysis at this time.

TABLE 4.4.1.1: SCOPE OF CARBON RISK METRICS ANALYSIS AS OF 30TH JUNE 2022

|                               | PORTFOLIOS ANALYSED |
|-------------------------------|---------------------|
| NUMBER OF STRATEGIES ANALYSED | 6                   |
| INDIVIDUAL COMPANIES INCLUDED | 1,451               |

The analysis is based on a dataset provided by MSCI ESG Research LLC (MSCI)<sup>2</sup>. Table 4.4.1.2 provides an overview of the types of carbon risk metrics utilised. While these raw numbers should not be treated as a complete guide to climate risk, we do believe that this kind of bottom-up quantitative analysis can assist an asset owner in identifying the parts of the portfolio to prioritise, and in framing relevant questions to put to investee companies and external fund managers.

<sup>2</sup> Certain information @ 2022 MSCI ESG Research LLC. Reproduced by permission. Attention is drawn to Section 8.0 Important Information.

TABLE 4.4.1.2: CARBON RISK METRICS USED

| CARBON RISK METRIC                                                           | DEFINITION                                                                                                                                                                                                    | USE CASE                                                                                                                                                                                                                                          | LIMITATIONS                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>PORTFOLIO CARBON FOOTPRINT (WEIGHTED AVERAGE CARBON INTENSITY (WACI))</b> | Is calculated by working out the carbon intensity (Scope 1+2 Emissions / \$M sales) for each portfolio company and calculating the weighted average by portfolio weight.                                      | A proxy for carbon price risk. Were a global carbon price to be introduced in the form of a carbon tax, this would (ceteris paribus) be more financially detrimental to carbon intensive companies than to carbon efficient companies.            | This metric includes scope 1 and 2 emissions but not scope 3 emissions. This means that for some companies the assessment of their carbon footprint could be considered an 'understatement'.                                                                                                                                                                                                                          |
| <b>EXPOSURE TO FOSSIL FUEL RESERVES</b>                                      | The weight of a portfolio invested in companies that (i) own fossil fuel reserves (ii) thermal coal reserves (iii) utilities deriving more than 30% of their energy mix from coal power.                      | A higher exposure to fossil fuel reserves is an indicator of higher exposure to stranded asset risk.                                                                                                                                              | It does not consider the amount of revenue a company generates from fossil fuel activities. Consequently, diversified businesses (e.g. those that own a range of underlying companies, one of which owns reserves) would be included when calculating this metric. In reality, these companies may not bear as much stranded asset risk as companies that do generate a high proportion of revenue from fossil fuels. |
| <b>EXPOSURE TO CLEAN TECHNOLOGY</b>                                          | The weight of a portfolio invested in companies whose products and services include clean technology (Alternative Energy, Energy Efficiency, Green Buildings, Pollution Prevention, and Sustainable Water).   | Provides an assessment of climate-related opportunities so that an organisation can review its preparedness for anticipated shifts in demand.                                                                                                     | There is no universal standard or definitive list of green revenues; the EU has been developing such a taxonomy for several years. Even the EU's taxonomy is not likely to be a complete and exhaustive list of technologies relevant for a lower-carbon economy.                                                                                                                                                     |
| <b>CARBON RISK MANAGEMENT VIA THE TPI</b>                                    | The TPI framework evaluates companies based on their climate risk management quality and their carbon performance. The former includes an assessment of policies, strategy, risk management and targets.      | Contextualises the companies contributing to a portfolio's carbon footprint or fossil fuel exposure. Can be used to track how companies are managing climate risk and whether their strategies are aligned with the goals of the Paris Agreement. | Does not assess every company, only the world's largest high-emitting companies. The data are also not updated very frequently, which can make some assessments outdated.                                                                                                                                                                                                                                             |
| <b>FINANCED EMISSIONS</b>                                                    | Is calculated by multiplying an attribution factor by a company's emissions. The attribution factor is the ratio between an investor's outstanding amount in a company and the value of the financed company. | Measures the absolute tons of CO <sub>2</sub> for which an investor is responsible.                                                                                                                                                               | Limited usefulness for benchmarking and comparison to other portfolios due to the link to portfolio size.                                                                                                                                                                                                                                                                                                             |
| <b>NET ZERO TARGET COVERAGE</b>                                              | The weight of the portfolio invested in companies that have set a "net zero" emissions target, as defined by the company.                                                                                     | Provides an insight into the alignment of a portfolio with Net Zero based on the commitments of the underlying companies.                                                                                                                         | Does not provide any insight into how likely the companies are to meet their targets. Does not provide any insight into the quality of the targets set.                                                                                                                                                                                                                                                               |

## 4.4.2 TOTAL EQUITIES

Recommendations will not be included for total equities, but instead will be included in the sections which provide a closer examination of the individual portfolios.

TABLE 4.4.2.1 TOTAL EQUITIES DESCRIPTIVE STATISTICS

| STRATEGY       | BENCHMARK           | CLIENT AUM (£, AS OF 30TH JUNE 2022) | STRATEGIES ANALYSED | NO. COMPANIES |
|----------------|---------------------|--------------------------------------|---------------------|---------------|
| Total Equities | Blended Equities BM | £889,742,998                         | 5/5                 | 1324          |

### CARBON FOOTPRINT

TABLE 4.4.2.2 TOTAL EQUITIES CARBON FOOTPRINT METRICS

|                                                      | 2020   |        |         | 2022   |        |        | % DIFFERENCE BETWEEN 2020 AND 2022 |         |
|------------------------------------------------------|--------|--------|---------|--------|--------|--------|------------------------------------|---------|
|                                                      | PF     | BM     | % DIFF  | PF     | BM     | % DIFF | PF                                 | BM      |
| Portfolio Carbon Footprint (tCO <sub>2</sub> e/ \$m) | 146.78 | 169.10 | -13.20% | 79.20  | 96.38  | -17.83 | -46.04%                            | -43.00% |
| Weight in fossil fuel reserves (%)                   | 6.23%  | 7.26%  | -1.03%  | 3.35%  | 4.07%  | -0.72% | -2.88%                             | -3.19%  |
| Weight in thermal coal reserves (%)                  | 0.00%  | 0.00%  | 0.00%   | 0.00%  | 0.00%  | 0.00%  | 0.00%                              | 0.00%   |
| Weight in coal power (%)                             | 0.00%  | 0.00%  | 0.00%   | 0.00%  | 0.00%  | 0.00%  | 0.00%                              | 0.00%   |
| Weight in clean tech (%)                             | 35.36% | 35.25% | 0.11%   | 36.52% | 35.88% | 0.64%  | 1.16%                              | 0.63%   |

Figure 4.4.2.1 Total Equities Carbon Footprint

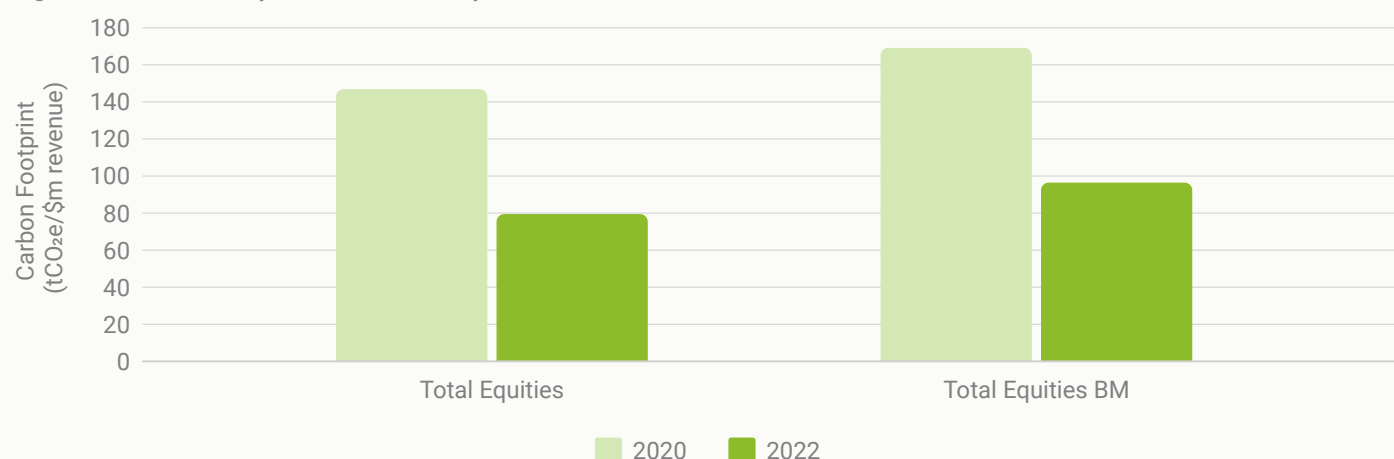


Figure 4.4.2.2 Total Equities Financed Emissions

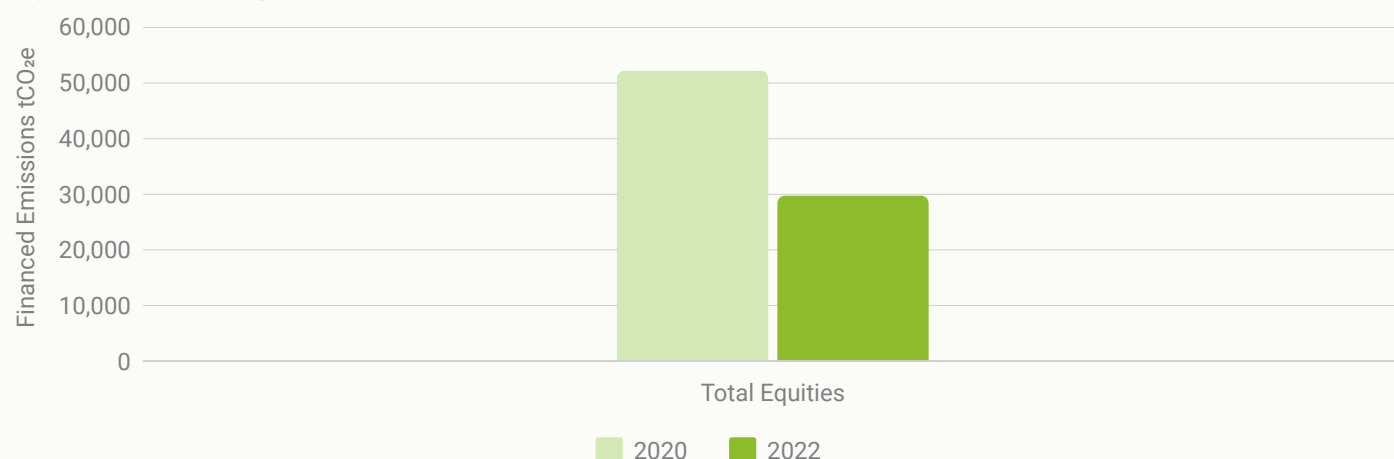


TABLE 4.4.2.3 TOTAL EQUITES LARGEST CONTRIBUTORS TO PORTFOLIO CARBON FOOTPRINT

| COMPANY                      | PORTFOLIO WEIGHT | CARBON INTENSITY | CONTRIBUTION TO PORTFOLIO CARBON FOOTPRINT |
|------------------------------|------------------|------------------|--------------------------------------------|
| NEXTERA ENERGY, INC.         | 0.43%            | 2407.4           | 13.18%                                     |
| HOLCIM AG                    | 0.19%            | 4278.3           | 10.12%                                     |
| LINDE PUBLIC LIMITED COMPANY | 0.45%            | 1332.8           | 7.70%                                      |
| RWE AKTIENGESELLSCHAFT       | 0.18%            | 3212.5           | 7.27%                                      |
| CF INDUSTRIES HOLDINGS, INC. | 0.13%            | 2644.3           | 4.20%                                      |

TABLE 4.4.2.4 TOTAL EQUITES LARGEST CONTRIBUTORS TO PORTFOLIO FINANCED EMISSIONS

| COMPANY                    | PORTFOLIO WEIGHT | SCOPE 1&2 EMISSIONS | CONTRIBUTION TO PORTFOLIO FINANCED EMISSIONS |
|----------------------------|------------------|---------------------|----------------------------------------------|
| RWE AG                     | 0.17%            | 89,600,000          | 19.41%                                       |
| HOLCIM LTD                 | 0.18%            | 126,000,000         | 17.14%                                       |
| CRH PLC                    | 0.24%            | 36,000,000          | 6.29%                                        |
| CF INDUSTRIES HOLDINGS INC | 0.12%            | 17,288,228          | 3.89%                                        |
| GLENCORE PLC               | 0.24%            | 25,724,000          | 3.46%                                        |

The carbon intensity of the total equities decreased by 46% between 2020 and 2022, while the blended benchmark decreased by 43%. Accordingly, the portfolio's carbon intensity is now 17.83% lower than the benchmark, compared with 13.20% in 2020. This reduction has been driven by the portfolio's shift from the LGIM World Developed Equity Index and Majedie to the Solactive and GSE funds. As with the carbon footprint, the financed emissions of the total equities significantly decreased

by 42.96%, which is again driven by the portfolio's shift from the LGIM World Developed Equity Index and Majedie to the Solactive and GSE funds. The magnitude of this decrease was mitigated by a significant increase in the financed emissions of GEAMMF.

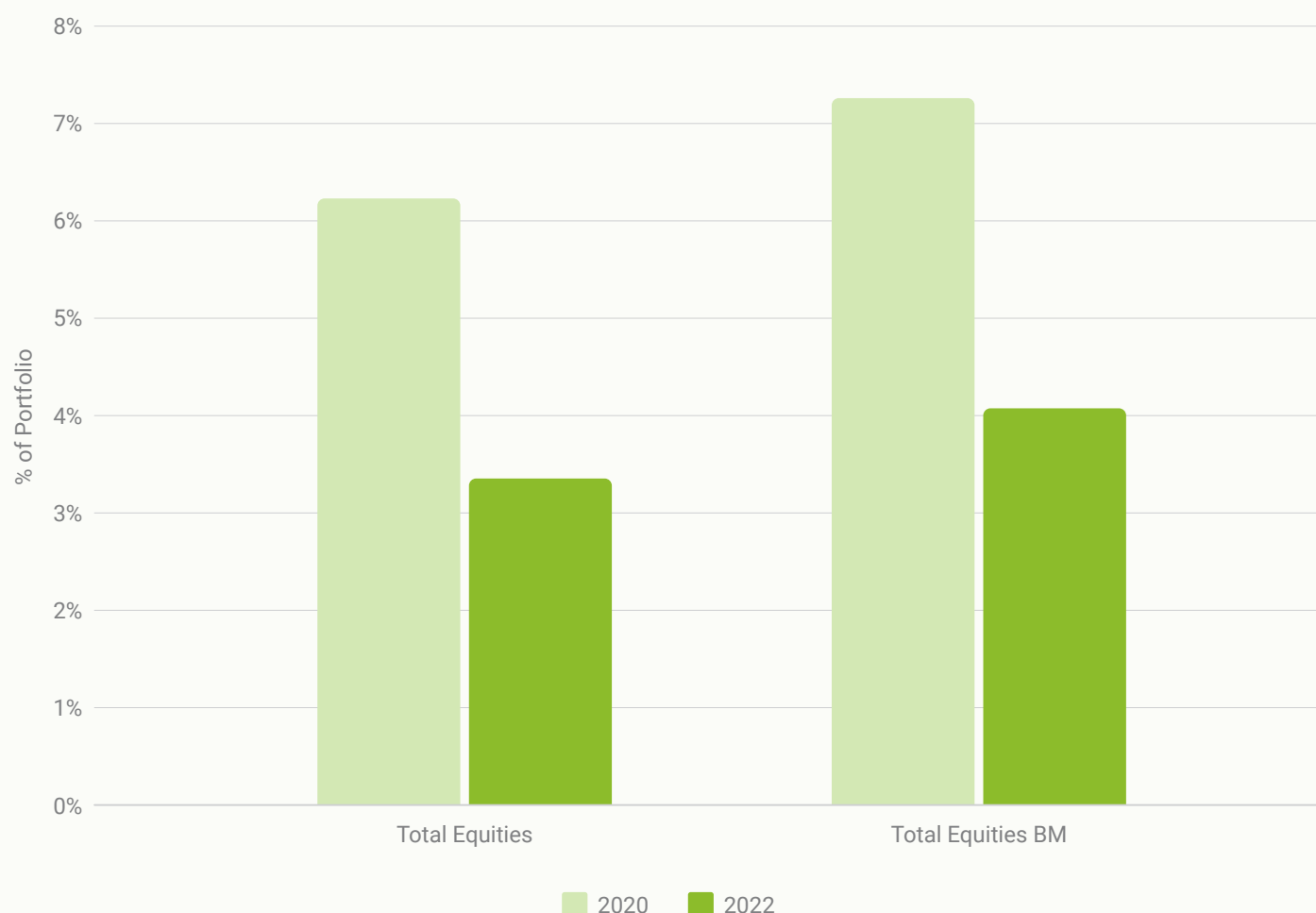
The increase in the carbon footprint and financed emissions of GEAMMF is associated with the abnormally low levels of carbon emissions during 2020 as a result of the Covid-19 lockdowns.

## FOSSIL FUELS

TABLE 4.4.2.5 TOTAL EQUITES FUND FOSSIL FUEL METRICS

|                                        | 2020  | 2022  | % DIFFERENCE |
|----------------------------------------|-------|-------|--------------|
| <b>Weight in fossil fuel reserves</b>  | 6.23% | 3.35% | -2.88%       |
| <i>By Revenue</i>                      |       | 1.01% |              |
| <b>Weight in thermal coal reserves</b> | 2.61% | 1.21% | -1.40%       |
| <i>By Revenue</i>                      |       | 0.01% |              |
| <b>Weight in coal power (%)</b>        | 1.88% | 0.63% | -1.25%       |

Figure 4.4.2.3 Total Equites Fund Fossil Fuel Exposure

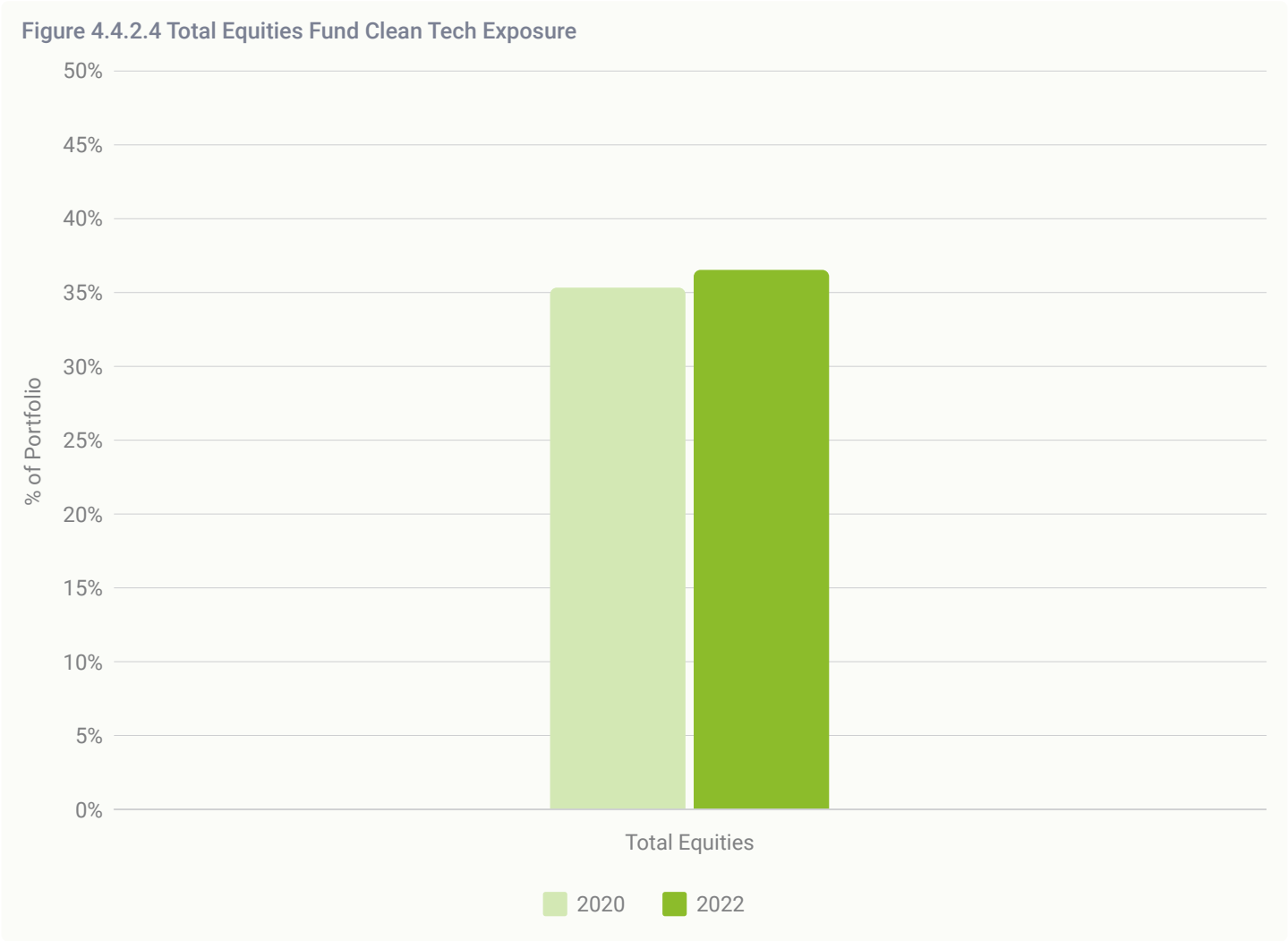


Exposure to fossil fuel reserves, thermal coal reserves and coal power has decreased by 2.88%, 1.40%, and 1.25% respectively. The shift from Majedie and LGIM to Solactive and GSE saw a significant reduction in the total portfolio's fossil fuel exposure. While the benchmark also dropped significantly over the same period, total equities in the portfolio have remained less exposed to fossil fuels than the benchmark.

CLEAN TECH

TABLE 4.4.2.6 TOTAL EQUITES CLEAN TECHNOLOGY EXPOSURE

|                            | 2020   | 2022   | % DIFFERENCE BETWEEN 2020 AND 2022 |
|----------------------------|--------|--------|------------------------------------|
| Weight in Clean Technology | 35.36% | 36.52% | -1.16%                             |
| By Revenue                 |        | 5.77%  |                                    |



The exposure of the total equities to clean technology has remained relatively stable since 2020, experiencing a marginal decrease of 1.16%. Apportioned by revenue, the portfolio has only 5.77% exposure to clean technology solutions, suggesting that the majority of companies with clean technology exposure do not derive a significant proportion of their revenue from this area.

## CLIMATE GOVERNANCE

TABLE 4.4.2.7: TOTAL EQUITIES % OF COMPANIES WITH A NET ZERO TARGET

|                                    |        |
|------------------------------------|--------|
| % of Total Portfolio               | 50.70% |
| % of Companies in Material Sectors | 53.87% |
| % Financed Emissions               | 79.03% |

TABLE 4.4.2.8: TOTAL EQUITIES FUND TPI ASSESSMENT

|                    | RANKING                                | 2022   |
|--------------------|----------------------------------------|--------|
| Management Quality | 4*, 4                                  | 58.79% |
|                    | 3, 2                                   | 29.42% |
|                    | 1, 0                                   | 11.79% |
| Paris Alignment    | 1.5 Degrees                            | 9.00%  |
|                    | 2 Degrees or below                     | 27.30% |
|                    | International/ National/ Paris Pledges | 14.69% |
|                    | Not Aligned                            | 49.01% |

202 companies within total equity funds (covering approximately 18.00% of total holdings) were assessed and ranked by the Transition Pathway Initiative (TPI). Of the assessed companies, approximately 58.79% were given a management quality rating of 4-4\*. The results for Paris Alignment show that 36.30% of companies are aligned to 2 degrees or less, while 49.01% are not aligned or don't have suitable disclosures. It should be noted that only 9.12% of companies within the portfolio were assessed. This suggests that the majority of companies are yet to release targets aligned with the Paris Agreement.

Just over half (50.70%) of the companies within total equity funds are committed to achieving Net Zero by 2050. 79.03% of the portfolio's financed emissions are generated by companies which have set Net Zero targets, which suggests that these commitments are being made by the right companies. However, a significant proportion of companies are yet to set a Net Zero target, emphasising the need for engagement within this critical decade.

## RECOMMENDATIONS:

- Continue to monitor the carbon intensity and financed emissions of the portfolio.



## 5.0 Conclusion

In this SCPF's third Climate Risk Report, we continue to argue that climate-related risks can be financially material, and that the management of climate risk is a fiduciary issue. Through physical events, policy or market changes, climate risks are likely to affect almost all asset classes, sectors and regions. While there remains a great deal of uncertainty, it is not likely that climate risks can be mitigated through diversification alone.

In the Fund's first Climate Risk Report we used a combination of top-down and bottom-up analyses to explore the nature and magnitude of the Fund's climate-related risks. The report established a baseline for SCPF's climate risk management and supported the Fund in shaping its strategic approach to climate risk. In this third report we focus on providing the Fund with a progress update.

### KEY TAKEAWAYS:

The key takeaways from the report are:

- 1 Since 2020, SCPF have a significantly improved climate risk management through publishing several important reports, including the Stewardship Plan, Climate Change Strategy and TCFD report. SCPF have also successfully integrated ESG considerations into other reports such as the Investment Strategy and Governance Compliance Statement.
- 2 The fund carbon's portfolio carbon intensity has significantly decreased by 46%.
  - This has been driven by the portfolio's shift from the LGIM World Developed Equity Index and Majedie to the Solactive and GSE funds.
  - The Total Equities benchmark has also been amended in line with the portfolio changes, despite this the carbon intensity of total equities remains 17.83% lower than the benchmark.
  - This change is also reflected in the decreased exposure to fossil fuels reserves, thermal coal reserves and coal power from March 2020 to June 2022.
- 3 The proportion of companies which (were assessed and) achieved a score of 4 or 4\* in TPI management quality increased from 36.31% to 58.79%.
- 4 5 out of the 6 companies in the CSP have committed to a net zero target.

# 6.0 Glossary

**Carbon Risk Management:** How well a company is managing ESG risks and opportunities. A higher score is indicative of better management.

**Clean Technology/ Weight in Clean Technology:** the weight of a portfolio invested in companies whose products and services include clean technology. Products and services eligible for inclusion include Alternative Energy, Energy Efficiency, Green Building, Pollution Prevention, Sustainable Water.

**Coal Power Generation/ Portfolio exposure to coal power generation:** the weight of a portfolio invested in electricity utilities where more than 30% of the fuel mix derives from coal power.

**Coal Reserves/ Portfolio exposure to thermal coal reserves:** the weight of a portfolio invested in companies that own thermal coal reserves.

**Divestment/exclusion/negative screening:** the exclusion, usually on moral grounds, of particular types of investments, possibly affecting in a negative way the risk-return profile of a portfolio.

**Engagement:** dialogue with a company concerning particular aspects of its strategy, governance, policies, practices, and so on. Engagement includes escalation activity where concerns are not addressed within a reasonable time frame.

**ESG factors:** determinants of an investment's likely risk or return that relate to issues associated with the environment, society or corporate governance.

**Ethical investment:** an approach to investment where the moral persuasions of an organisation take primacy over investment considerations.

**Fossil Fuel Reserves/ Portfolio exposure to fossil fuel reserves:** the weight of a portfolio invested in companies that own fossil fuel reserves.

**Interaction effect:** The combined impact of sector allocation decisions and stock selection decisions.

**Non-financial factors:** determinants of an investment's likely risk or return that cannot be, or cannot straightforwardly be, given a monetary value for insertion into an organisation's financial statements.

**Physical risk/ climate physical risk:** the financial risks and opportunities associated with the anticipated increase in frequency and severity of extreme weather events and other phenomena, including storms, flooding, sea level rise and changing seasonal extremities.

**Portfolio Carbon Footprint/ Carbon Footprint:** A proxy for a portfolio's exposure to potential climate-related risks (especially the cost of carbon), often compared to a performance benchmark. It is calculated by working out the carbon intensity (Scope 1+2 Emissions / \$M sales) for each portfolio company and calculating the weighted average by portfolio weight.

**Responsible Investment factor/RI factor:** an aspect of an investment which relates to environmental, social or corporate governance issues.

**Responsible Investment/RI:** the integration of financially material environmental, social and corporate governance ("ESG") factors into investment processes both before and after the investment decision.

**Scope 1 Greenhouse Gas Emissions:** Direct emissions from owner or sources controlled by the owner, including: on-campus combustion of fossil fuels; and mobile combustion of fossil fuels by institution-controlled vehicles.

**Scope 2 Greenhouse Gas Emissions:** Indirect emissions from the generation of purchased energy.

**Scope 3 Greenhouse Gas Emissions:** Indirect emissions that are not controlled by the institution but occur as a result of that institutions activities. Examples include commuting, waste disposal and embodied emissions from extraction.

**Sector Allocation Effect:** The impact of over or underweighting portfolio sectors relative to a benchmark. Negative value comes from underweighting sectors with carbon footprints higher than the benchmark or overweighting sectors with carbon footprints lower than the benchmark.

**Social investing/social impact investing:** investments that seek to achieve a positive social impact in addition to a financial return.

**Stewardship:** the promotion of the long-term success of companies in such a way that the ultimate providers of capital also prosper, using techniques including engagement and voting.

**Stock Selection Effect:** The impact of specific security selection within a sector relative to the benchmark. A negative value indicates the fund manager is choosing more carbon-efficient assets than the benchmark.

**TCFD:** Taskforce on Climate-related Financial Disclosures. A body established by Mark Carney in his remit as Chair of the Financial Stability Board whose recommendations have come to be seen as the best practice framework for climate-related disclosures by companies, asset managers, asset owners, banks and insurance companies.

**Transition risk/ climate transition risk:** the financial risks and opportunities associated with the anticipated transition to a lower carbon economy. This can include technological progress, shifts in subsidies and taxes, and changes to consumer preferences or market sentiment.

**Voting:** the act of casting the votes bestowed upon an investor, usually in virtue of the investor's ownership of ordinary shares in publicly listed companies.

# 7.0 References

Climate Action Tracker. "Global CAT Emissions Gaps". Available at: <https://climateactiontracker.org/global/cat-emissions-gaps/>

Environmental Protection Agency. "Global Greenhouse Gas Emissions Data". Available at: <https://www.epa.gov/ghgemissions/global-greenhouse-gas-emissions-data>

Intergovernmental Panel on Climate Change. "Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Available at: [https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC\\_AR6\\_WGI\\_Full\\_Report.pdf](https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Full_Report.pdf)

Intergovernmental Panel on Climate Change. "Climate Change 2022: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change". Available at: [https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC\\_AR6\\_WGII\\_FinalDraft\\_FullReport.pdf](https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_FinalDraft_FullReport.pdf)

Intergovernmental Panel on Climate Change. "Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change". Available at: [https://report.ipcc.ch/ar6wg3/pdf/IPCC\\_AR6\\_WGIII\\_FinalDraft\\_FullReport.pdf](https://report.ipcc.ch/ar6wg3/pdf/IPCC_AR6_WGIII_FinalDraft_FullReport.pdf)

Intergovernmental Panel on Climate Change.. Special Report: Global Warming of 1.5°C. Available at: <https://www.ipcc.ch/sr15/chapter/spm/>

International Energy Agency. "Coal 2021. Analysis and forecast to 2024". Available at: <https://iea.blob.core.windows.net/assets/f1d724d4-a753-4336-9f6e-64679fa23bbf/Coal2021.pdf>

International Energy Agency. "Net Zero by 2050. A Roadmap for the Global Energy Sector". Available at: [https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector\\_CORR.pdf](https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf)

International Energy Agency. "Renewables 2021. Analysis and forecast to 2026". Available at: <https://iea.blob.core.windows.net/assets/5ae32253-7409-4f9a-a91d-1493ffb9777a/Renewables2021-Analysisandforecastto2026.pdf>

Mercer. Investing in a Time of Climate Change The Sequel 2019. Available at: <https://www.mercer.com/our-thinking/wealth/climate-change-the-sequel.html>

National Climate Assessment. "Fourth National Climate Assessment". Available at: <https://nca2018.globalchange.gov/>

Nicholas Stern. 2006. The Economics of Climate Change: The Stern Review. Available at: [https://webarchive.nationalarchives.gov.uk/20100407172811/http://www.hm-treasury.gov.uk/stern\\_review\\_report.htm](https://webarchive.nationalarchives.gov.uk/20100407172811/http://www.hm-treasury.gov.uk/stern_review_report.htm)

Task Force on Climate-related Financial Disclosure (TCFD). Available at: <https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf>

The Law Society. "Reflecting on COP26: what were the key outcomes?". Available at: <https://www.lawsociety.org.uk/topics/climate-change/reflecting-on-cop26-what-were-the-key-outcomes>

The National Aeronautics and Space Administration. "The Causes of Climate Change". Available at: <https://climate.nasa.gov/causes/>

The National Aeronautics and Space Administration. "Evidence of Climate Change". Available at <https://climate.nasa.gov/evidence/>

The National Aeronautics and Space Administration. "Scientific Consensus: Earth's Climate is Warming". Available at: <https://climate.nasa.gov/scientific-consensus/>

United Nations Environment Programme. "Emissions Gap Report 2021". Available at: <https://www.unep.org/resources/emissions-gap-report-2021>

United Nations. "The Glasgow Climate Pact – Key Outcomes from COP26". Available at: <https://unfccc.int/process-and-meetings/the-paris-agreement/the-glasgow-climate-pact-key-outcomes-from-cop26>

World Economic Forum. Global Risks Report 2022. Available at: [https://www3.weforum.org/docs/WEF\\_The\\_Global\\_Risks\\_Report\\_2022.pdf](https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2022.pdf)

World Meteorological Society. "State of Global Climate 2021". Available at: [https://library.wmo.int/doc\\_num.php?explnum\\_id=10859](https://library.wmo.int/doc_num.php?explnum_id=10859)

# 8.0 Important Information

## **MSCI DISCLAIMER:**

Certain information ©2022 MSCI ESG Research LLC. Reproduced by permission.

Although LGPS Central's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

## **LGPS CENTRAL DISCLAIMER:**

This document has been produced by LGPS Central Limited and is intended solely for information purposes.

Any opinions, forecasts or estimates herein constitute a judgement, as at the date of this report, that is subject to change without notice. It does not constitute an offer or an invitation by or on behalf of LGPS Central Limited to any person to buy or sell any security. Any reference to past performance is not a guide to the future.

The information and analysis contained in this publication has been compiled or arrived at from sources believed to be reliable, but LGPS Central Limited does not make any representation as to their accuracy or completeness and does not accept any liability from loss arising from the use thereof. The opinions and conclusions expressed in this document are solely those of the author.

This document may not be produced, either in whole or part, without the written permission of LGPS Central Limited.

All information is prepared as of 30th June 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: 1st Floor i9, Wolverhampton Interchange, Wolverhampton, WV1 1LD







# SCPF Climate Risk Report 2022

*LGPS Central Limited*

Page 99

PRESENTED BY

**Jack Yonge**

RI&E Junior Analyst

**Basyar Salleh**

RI&E Manager

**Patrick O'Hara**

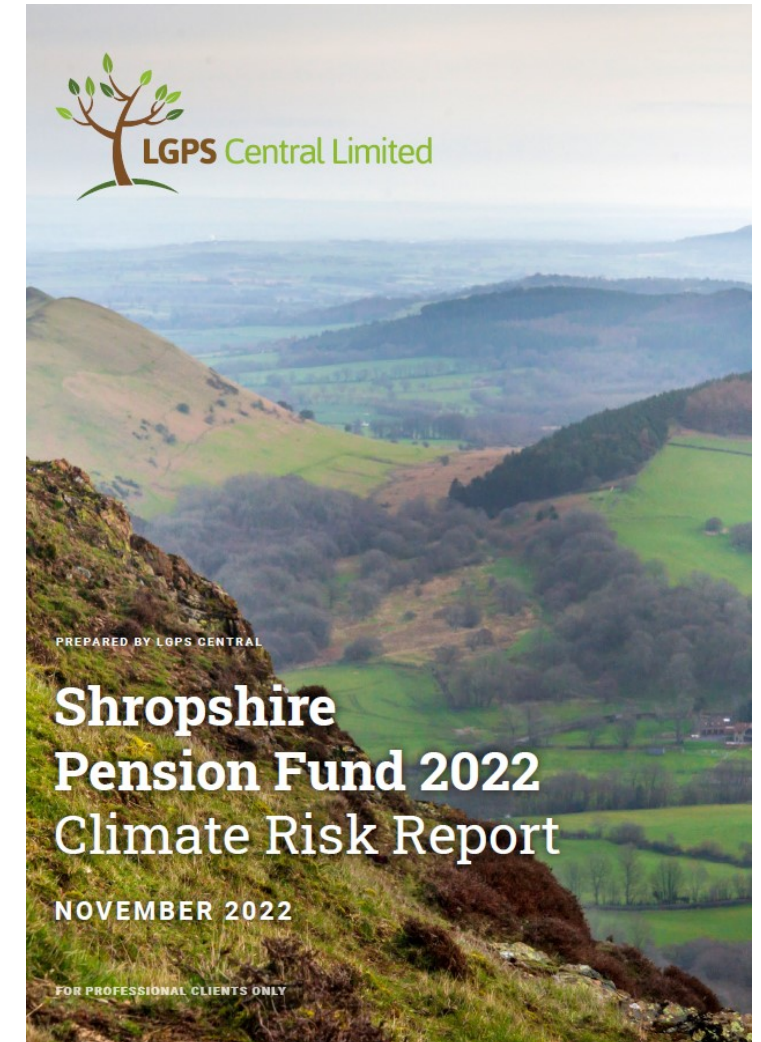
RI&E Director

2<sup>nd</sup> December 2022



# Purpose of the Presentation

- To support the recent publication of the 2022 Climate Risk Report, which:
  - assesses the Fund's exposure to climate-related risks and opportunities
  - allows the Fund to identify further means to manage its material climate risks
- To highlight the report's key findings
- To provide an overview of the Fund's progress in managing climate risk



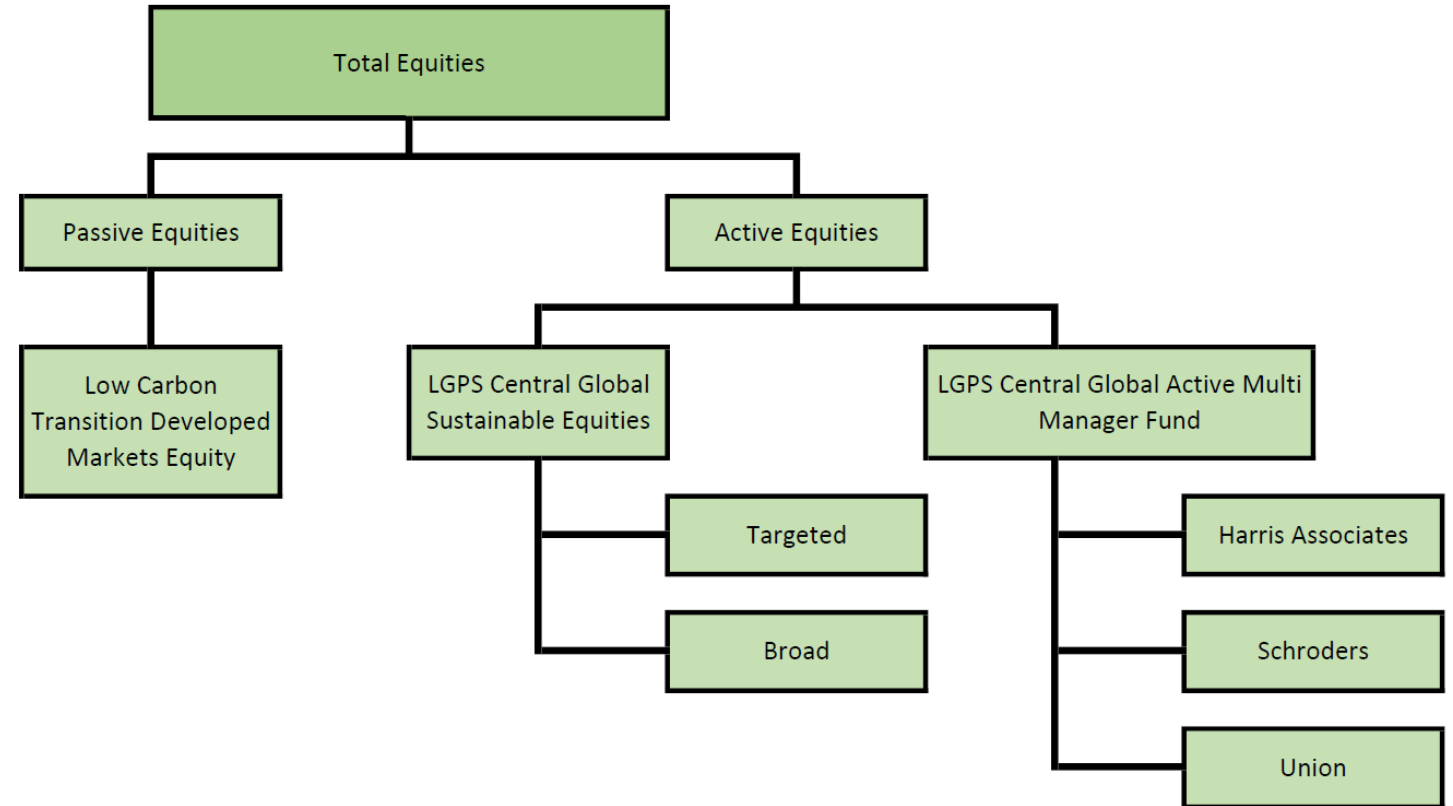
# Shropshire County Pension Fund



Portfolio Carbon Intensity

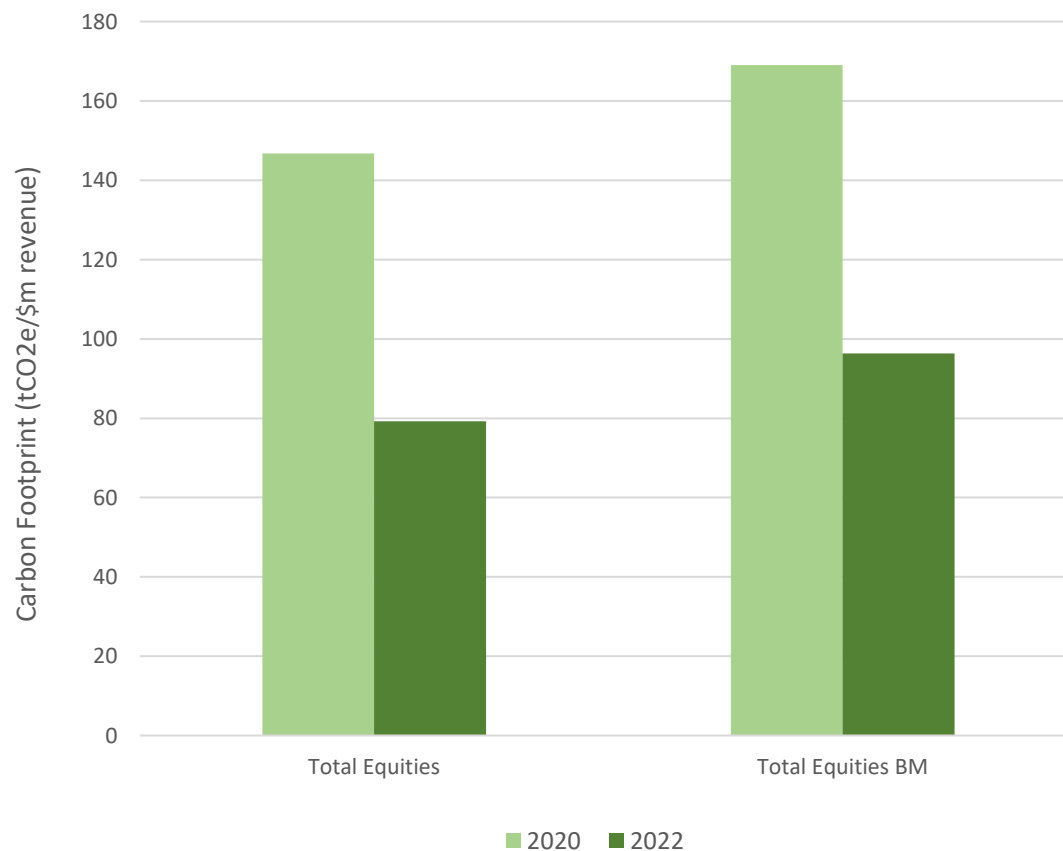
Exposure to Clean Tech and  
Fossil Fuel Reserves

Financed Emissions



# Carbon Intensity

Portfolio Carbon Intensity

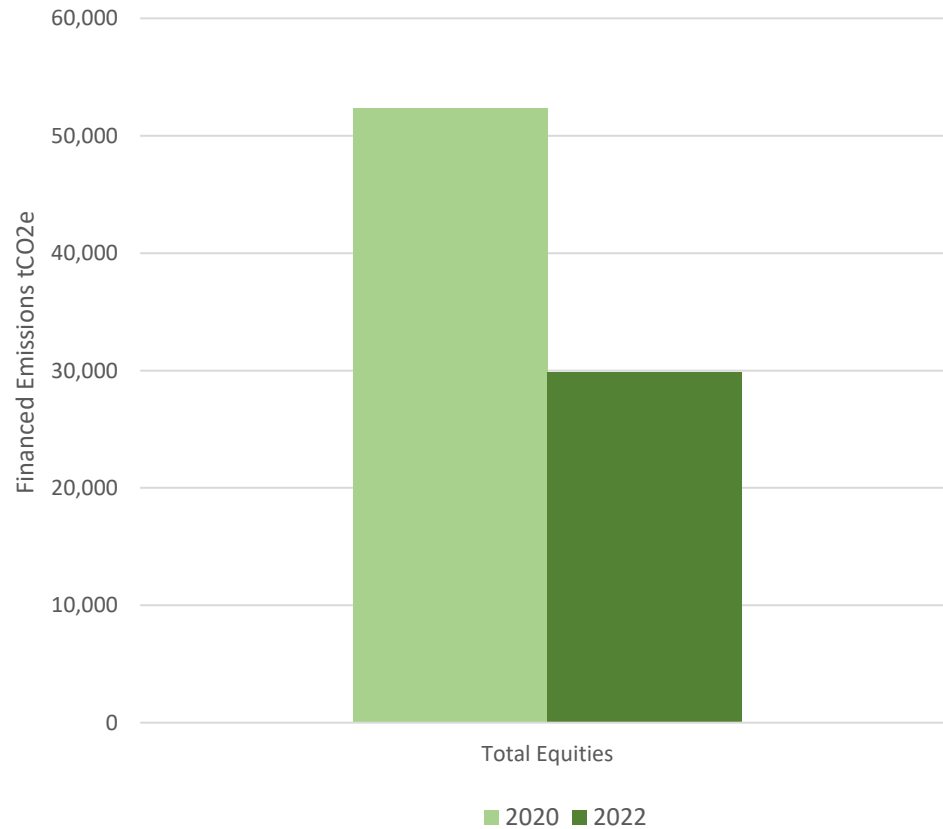


- The Committee's decision to shift assets to the Global Sustainable Equities fund and the Low Carbon Transition fund drove a 46% decrease in carbon intensity between 2020 and 2022
- Total Equities also had a lower carbon intensity than the blended benchmark in both years



# Financed Emissions

Portfolio Financed Emissions



- Financed emissions in the portfolio fell by 43% between 2020 and 2022
- As with the carbon footprint, this was driven by the Committee's changes to the asset allocation

# Top 5 Contributors



| Company        | Portfolio Weight | Contribution to Portfolio Carbon Footprint |
|----------------|------------------|--------------------------------------------|
| NextEra Energy | 0.43%            | 13.18%                                     |
| Holcim         | 0.19%            | 10.12%                                     |
| Linde          | 0.45%            | 7.70%                                      |
| RWE            | 0.18%            | 7.27%                                      |
| CF Industries  | 0.13%            | 4.20%                                      |

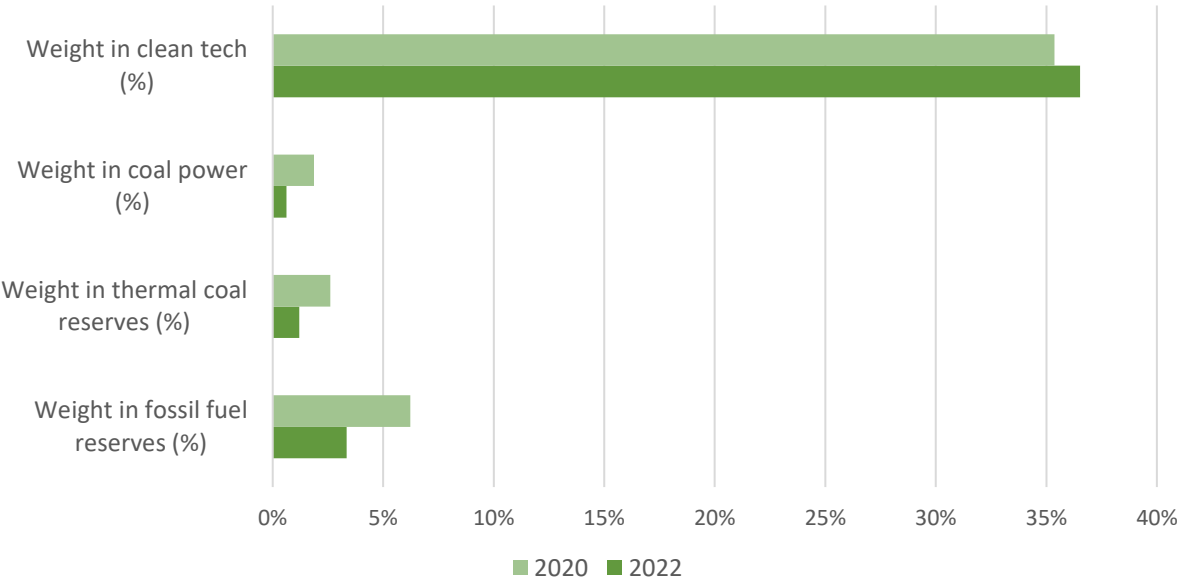
| Company       | Portfolio Weight | Contribution to Portfolio Financed Emissions |
|---------------|------------------|----------------------------------------------|
| RWE           | 0.17%            | 19.41%                                       |
| Holcim        | 0.18%            | 17.14%                                       |
| CRH           | 0.24%            | 6.29%                                        |
| CF Industries | 0.12%            | 3.89%                                        |
| Glencore      | 0.24%            | 3.46%                                        |

- Two of the Top 5 contributors to the portfolio's Carbon Footprint are currently in the Climate Stewardship Plan
- Two of the Top 5 contributors to Financed Emissions are currently in the Climate Stewardship Plan
- Those contributors which are not in the Climate Stewardship Plan have been recommended as additions going forwards

# Weight in Clean Tech and Fossil Fuel Reserves



Fund Weight in Clean Tech and Fossil Fuel Reserves



Asset allocation decisions have generated:

- a 50% decrease in the Fund’s weight in fossil fuel reserves
- an increase in the Fund’s weight in companies associated with Clean Technology

Furthermore:

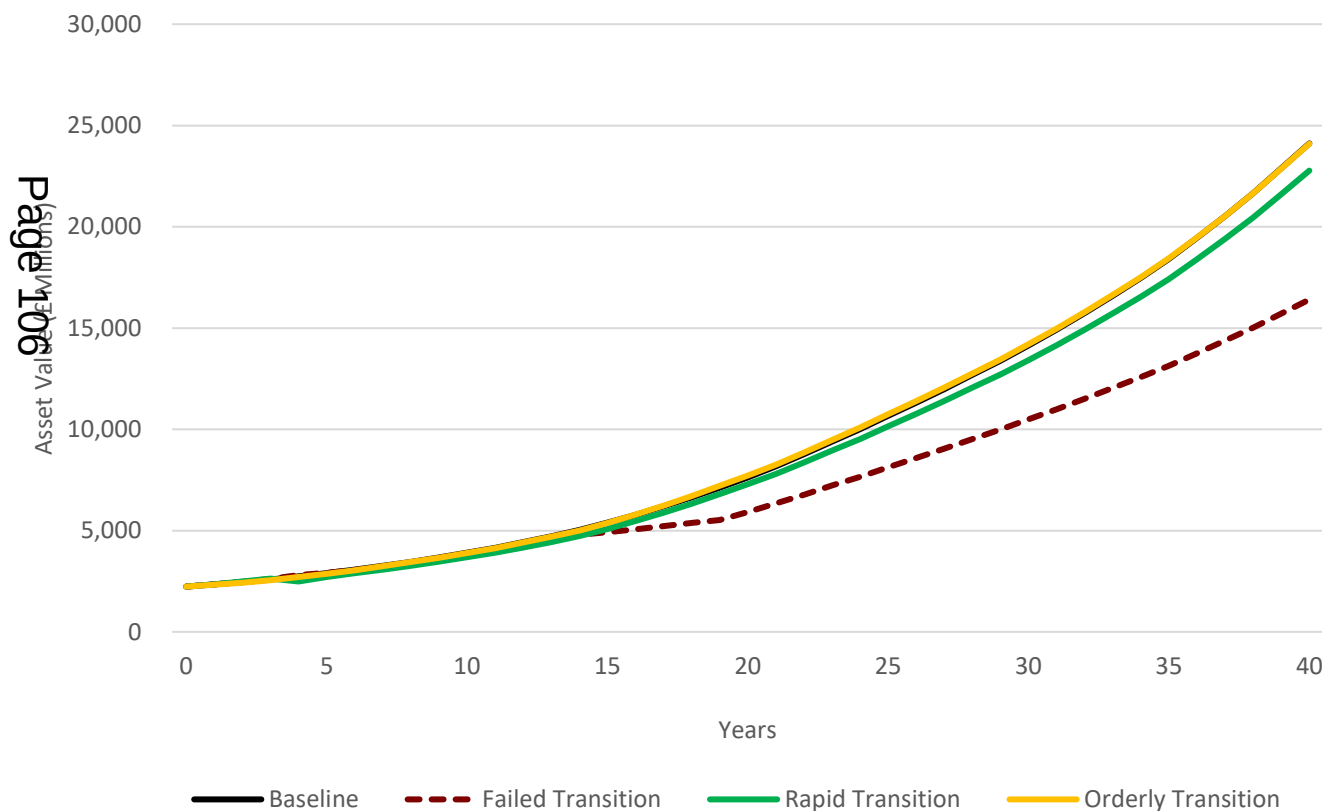
- 50.7% of companies have Net Zero targets
- 79% of financed emissions came from companies with Net Zero targets

| Net Zero Pledges                            |  | 2022   |
|---------------------------------------------|--|--------|
| Proportion of Total Equities                |  | 50.70% |
| Proportion of Companies in Material Sectors |  | 53.87% |
| Proportion Financed Emissions               |  | 79.03% |

N.B. The Net Zero Pledge is sourced from three data sources, MSCI, CA100+ and Carbon Disclosure Project.

# Climate Scenario Analysis

## Climate Scenario Analysis - 40Y Projection



**Key Conclusion One:** A successful transition is imperative to ensure the maximisation of asset performance

**Key Conclusion Two:** Sustainable allocations protect against transition risk; Growth Assets are highly vulnerable to physical risk

**Key Conclusion Three:** Monitor sector and regional exposures

**Key Conclusion Four:** Be aware of future pricing shocks

# Climate Stewardship Plan

- Developed by Shropshire County Pension Fund based on the findings of its previous Climate Risk Reports
- The Plan identifies areas in which stewardship techniques can be leveraged to further understand and manage climate risk
- The Plan identifies a focus list of companies for prioritised engagement
- These companies are engaged by the Fund's portfolio managers and suppliers on behalf of the Fund



# Climate Stewardship Plan

| Company  | Sector    | CA100+                                                                              | Strategy                                                                                                               | Engagement Objectives                                                                                                                                                                          | TPI Management Quality | TPI Carbon Performance |                 |                  |
|----------|-----------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|-----------------|------------------|
|          |           |                                                                                     |                                                                                                                        |                                                                                                                                                                                                |                        | To 2025                | To 2035         | To 2050          |
| BP       | Energy    |    | CA100+ collaborative engagement with EOS as co-lead                                                                    | <ul style="list-style-type: none"> <li>Achievements of the high level objectives of the CA100+ initiative</li> <li>Duly account for climate risks in financial reporting</li> </ul>            | 4*                     | Not Aligned            | Not Aligned     | Not Aligned      |
| Glencore | Materials |    | Engagement by LGPSC as co-lead for the CA100+ Glencore Focus Group.                                                    | <ul style="list-style-type: none"> <li>Achievements of the high level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ benchmark</li> </ul>   | 4                      | 1.5 Degrees            | Below 2 Degrees | National Pledges |
| Holcim   | Cement    |  | Collaborative engagement by the CA100+ Focus Group and through Paris-aligned financial accounting investor initiative. | <ul style="list-style-type: none"> <li>Paris-aligned accounts in line with IIGCC's Investor Expectations</li> <li>Achievement of the high-level objectives of the CA100+ Initiative</li> </ul> | 4                      | Below 2 Degrees        | Below 2 Degrees | 1.5 Degrees      |

■ No Criteria Met ■ Some Criteria Met ■ All Criteria Met ■ Not Assessed

# Climate Stewardship Plan



| Company | Sector   | CA100+ | Strategy                                                               | Engagement Objectives                                                                                                                                                                                                                                             | TPI Management Quality | TPI Carbon Performance |                 |                  |
|---------|----------|--------|------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|-----------------|------------------|
|         |          |        |                                                                        |                                                                                                                                                                                                                                                                   |                        | To 2025                | To 2035         | To 2050          |
| NextEra | Energy   |        | CA100+ collaborative engagement with LGPSC in the focus group          | <ul style="list-style-type: none"> <li>Net Zero GHG emissions by 2050 or sooner ambition</li> <li>Capital allocation alignment with the Paris Agreement</li> <li>Commitment to clear medium and long-term GHG reduction targets</li> </ul>                        | 4*                     | Not Aligned            | Not Aligned     | Not Aligned      |
| RyanAir | Airlines | N/A    | Direct engagement by Baillie Gifford                                   | <ul style="list-style-type: none"> <li>Discussing the progress of the company's decarbonisation strategy</li> </ul>                                                                                                                                               | 4                      | 1.5 Degrees            | Below 2 Degrees | National Pledges |
| Shell   | Energy   |        | CA100+ collaborative engagement with LGPSC involved in the focus group | <ul style="list-style-type: none"> <li>To set and publish targets which are Paris-aligned.</li> <li>To fully reflect its Net Zero ambition in its operational plans and budgets.</li> <li>To set a transparent strategy on achieving net zero by 2050.</li> </ul> | 4                      | Below 2 Degrees        | Below 2 Degrees | 1.5 Degrees      |

■ No Criteria Met ■ Some Criteria Met ■ All Criteria Met ■ Not Assessed



# Climate Stewardship Plan: Proposed Additions



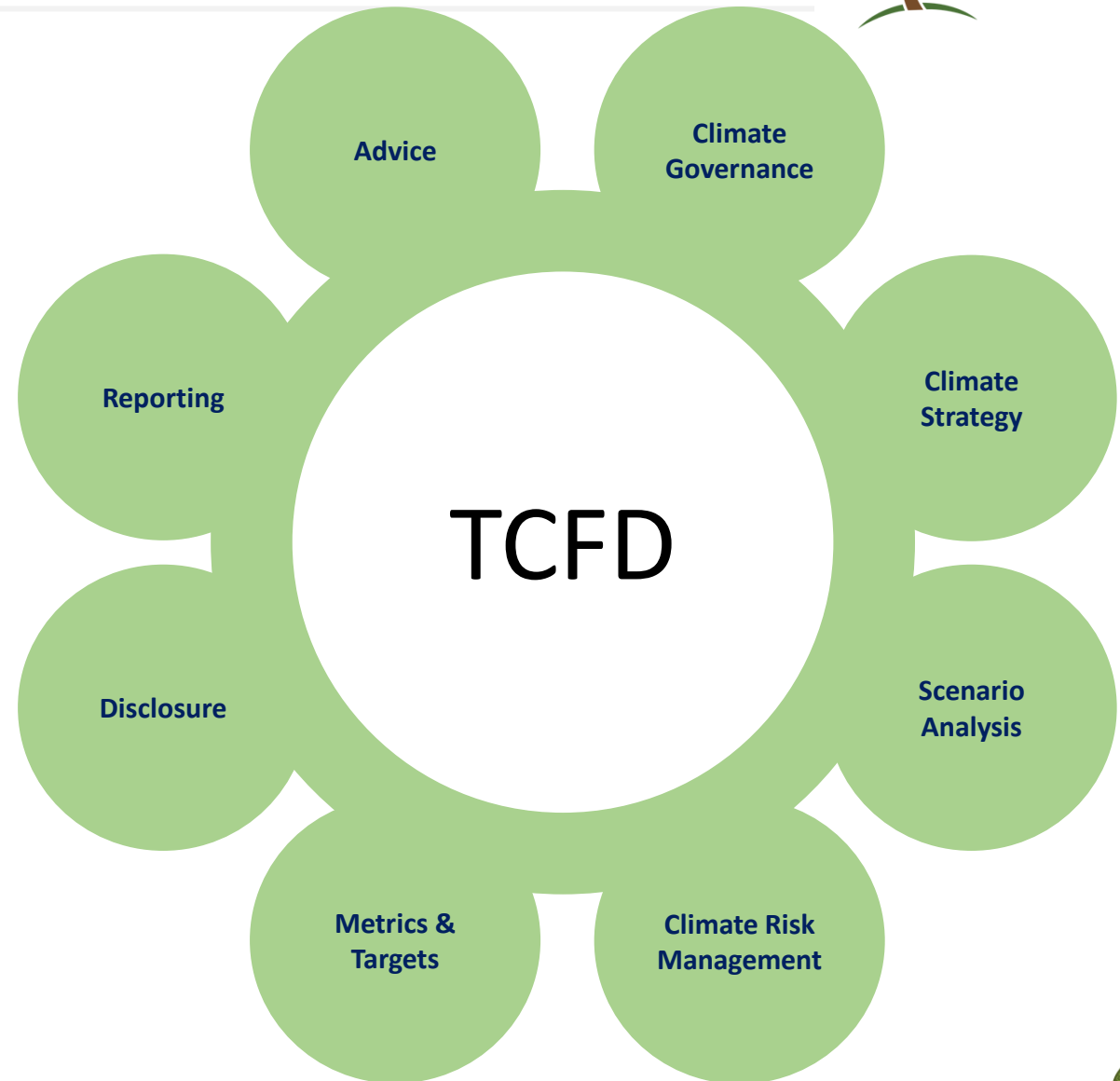
| Company       | Sector    | CA100+ | Proposed Strategy                                   | Proposed Engagement Objectives                                                                                                                                                                                                                                                                                | TPI Management Quality | TPI Carbon Performance |                  |             |
|---------------|-----------|--------|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|------------------|-------------|
|               |           |        |                                                     |                                                                                                                                                                                                                                                                                                               |                        | To 2025                | To 2035          | To 2050     |
| RWE           | Energy    |        | CA100+ collaborative engagement with EOS as co-lead | <ul style="list-style-type: none"> <li>Align short- and medium- term GHG reduction targets with 1.5 degree scenario</li> <li>Align future capex with the goals of the Paris Agreement</li> </ul>                                                                                                              | 3                      | Not Aligned            | National Pledges | 1.5 Degrees |
| CRH Plc.      | Materials |        | CA100+ collaborative engagement with EOS as co-lead | <ul style="list-style-type: none"> <li>Improved disclosure around its membership and involvement in trade associations engaged in climate issues</li> <li>More robust reporting of Scope 1, 2 and 3 emissions</li> <li>Increased development of activities focusing on low-carbon cement solutions</li> </ul> | 4                      | Below 2 Degrees        | 1.5 Degrees      | 1.5 Degrees |
| Linde         | Materials | N/A    | Direct engagement by LGIM                           | <ul style="list-style-type: none"> <li>Set transparent strategy on achieving net zero by 2050.</li> </ul>                                                                                                                                                                                                     | 3                      | N/A                    | N/A              | N/A         |
| CF Industries | Chemicals | N/A    | Direct engagement by Union                          | <ul style="list-style-type: none"> <li>Set transparent strategy on achieving net zero by 2050.</li> </ul>                                                                                                                                                                                                     | 3                      | N/A                    | N/A              | N/A         |



# TCFD Consultation – Department for Levelling Up



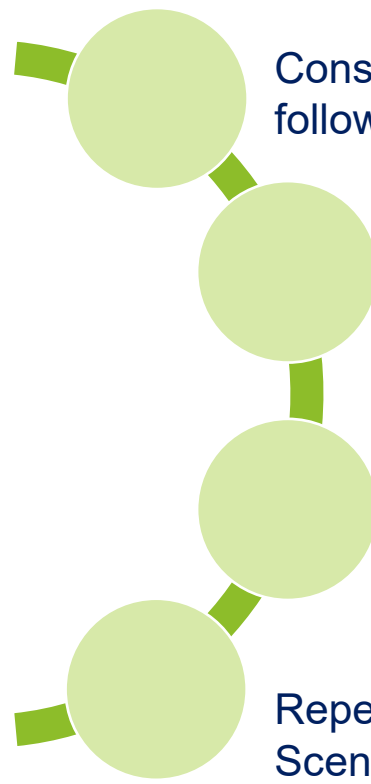
- Consultation closed 24<sup>th</sup> November
- New regulations will enter into force Q4 2024
- Consultation response was submitted by LGPS Central and shared with Partner Funds for comment
- Consultation response was also submitted by Shropshire



# Conclusions

The Fund already has good practice in place in terms of responsible investment and climate change

## Key Recommendations for SCPF

- 
- Consider updating the Climate Stewardship Plan following the changes to the portfolio
  - Continue to report against the TCFD Recommendations
  - Work with fund managers to understand how they are assessing, monitoring and mitigating key climate change risks
  - Repeat the Carbon Risk Metrics annually and Climate Scenario Analysis every 2-3 years

# Disclaimers



## MSCI disclaimer:

Certain information ©2022 MSCI ESG Research LLC. Reproduced by permission.

Although LGPS Central's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

## Mercer Limited disclaimer:

Extracts above from Mercer Limited's (Mercer) report "Climate Change Scenario Analysis" dated November 2022 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for Shropshire Pension Fund. Other third parties may not rely on this information without Mercer's prior written permission. The findings and opinions expressed are the intellectual property of Mercer and are not intended to convey any guarantees as to the future performance of the investment strategy. Information contained herein has been obtained from a range of third party sources. Mercer makes no representations or warranties as to the accuracy of the information and is not responsible for the data supplied by any third party.

## LGPS Central Disclaimer:

This document has been produced by LGPS Central Limited and is intended solely for information purposes.

Any opinions, forecasts or estimates herein constitute a judgement, as at the date of this report, that is subject to change without notice. It does not constitute an offer or an invitation by or on behalf of LGPS Central Limited to any person to buy or sell any security. Any reference to past performance is not a guide to the future.

The information and analysis contained in this publication has been compiled or arrived at from sources believed to be reliable, but LGPS Central Limited does not make any representation as to their accuracy or completeness and does not accept any liability from loss arising from the use thereof. The opinions and conclusions expressed in this document are solely those of the author.

This document may not be produced, either in whole or part, without the written permission of LGPS Central Limited.

All information is prepared as of 10th November 2022.

LGPS Central Limited is authorised and regulated by the Financial Conduct Authority. Registered in England

Registered No: 10425159. Registered Office: 1st Floor i9, Wolverhampton Interchange, Wolverhampton, WV1 1LD



“One Central team, working in partnership to invest with purpose and deliver superior returns”





# Shropshire Pension Fund Climate-related Disclosures

*Report prepared in alignment with the recommendations of the TCFD*



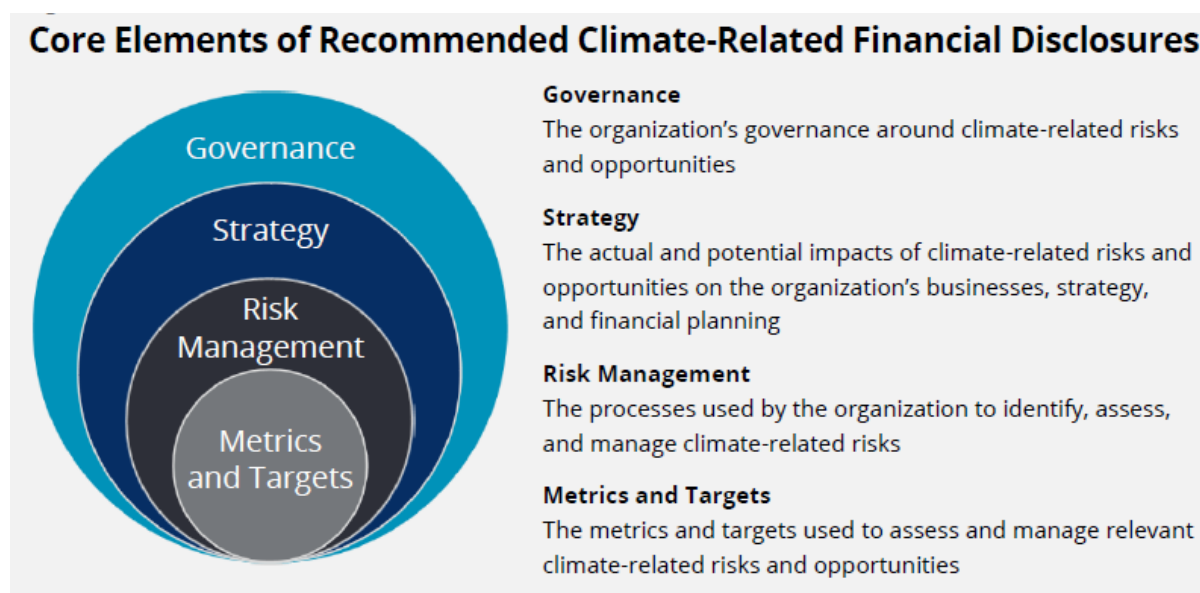
November 2022

## Introduction to the TCFD

The Taskforce on Climate-related Financial Disclosures (TCFD) was commissioned in 2015 by Mark Carney in his remit as Chair of the Financial Stability Board. In 2017 the TCFD released its recommendations for improved transparency by companies, asset managers, asset owners, banks, and insurance companies with respect to how climate-related risks and opportunities are being managed. Official supporters of the TCFD total 930 organisations representing a market capitalisation of over \$11 trillion. Disclosure that aligns with the TCFD recommendations currently represents best practice.

The recommendations are based on the financial materiality of climate change. The four elements of recommended disclosures (see Figure 1 below) are designed so as to make TCFD-aligned disclosures comparable, but with sufficient flexibility to account for local circumstances. Examples of pension funds that have been early adopters of the TCFD recommendations include AP2, NEST, PGGM, RPMI Railpen, The Pensions Trust, and Environment Agency Pension Fund.

**Figure 1: TCFD Disclosure Pillars**



The Fund supports the TCFD recommendations as the optimal framework to describe and communicate the steps the Fund is taking to manage climate-related risks and incorporate climate risk management into investment processes. As a pension fund, we are long-term investors and are diversified across asset classes, regions and sectors, making us “universal owners”. It is in our interest that the market is able to effectively price climate-related risks and that policymakers are able to address market failure. We believe TCFD-aligned disclosure from asset owners, asset managers, and corporates, is in the best interest of our beneficiaries.



## About this report

This report is Shropshire Pension Fund's (SCPF or 'the Fund') second climate-related disclosure report. It describes the way in which climate-related risks are currently managed within the Fund.

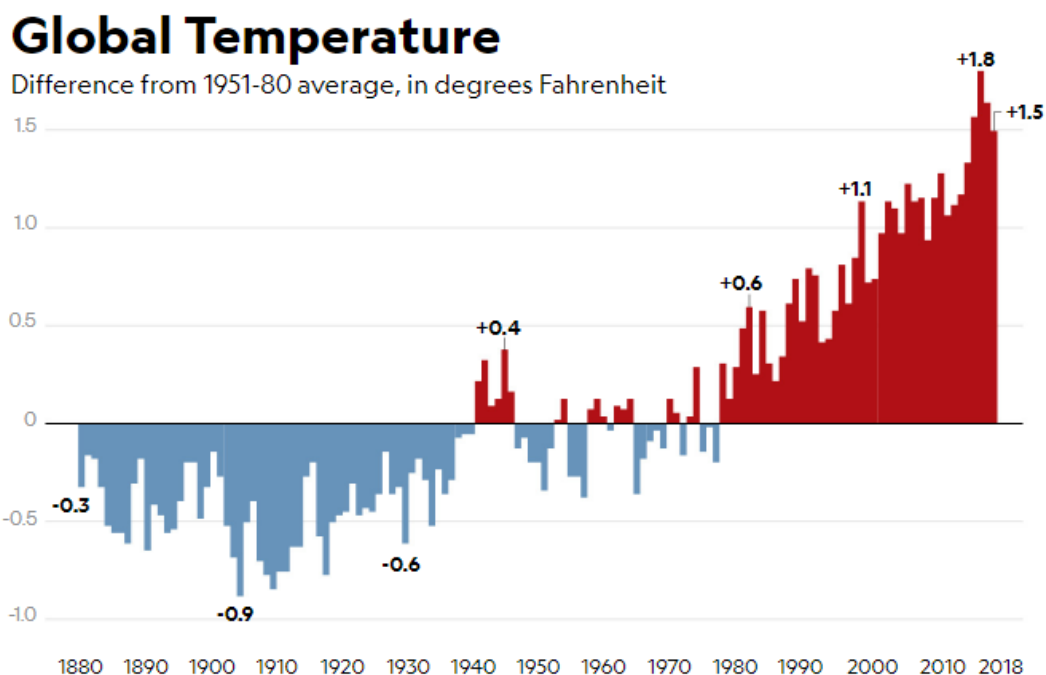
Since October 2020, SCPF has received three Climate Risk Reports from the Fund's pooling company, LGPS Central Ltd. These reports provide an in-depth review of the Fund's climate risks under different climate change scenarios across all asset classes. The Fund is currently using the findings of these reports to develop a more detailed Climate Strategy.

In the interests of being transparent with the Fund's beneficiaries and broader stakeholder base, this report discloses the most recent Carbon Risk Metrics Analysis and Climate Scenario Analysis undertaken on the Fund's assets. We expect to update our Carbon Risk Metrics on an annual basis.

## Climate-related risks

Human activities are estimated to have caused approximately 1.0°C of global warming above pre-industrial levels. Most of this warming has occurred in the past 35 years, with the seven warmest years on record taking place since 2010. Between the years 2006-2015, the observed global mean surface temperature was 0.87°C higher than the average over the 1850-1990 period. The overwhelming scientific consensus is that the observed climatic changes are the result primarily of human activities including electricity and heat production, agriculture and land-use change, industry, and transport.

**Figure 2: Graph showing Global Temperature Difference from 1951-80 average. Source: NASA**



In order to mitigate the worst economic impacts of climate change, there must be a large, swift, and globally co-ordinated policy response. Despite this, the majority of climate scientists anticipate that given the current level of climate action, by 2100 the world will be between 2°C and 4°C warmer, with significant regional variations. This is substantially higher than the Paris Climate Change Agreement, which reflects a collective goal to hold the increase in the climate's mean global surface temperature to well below 2°C above preindustrial levels and to pursue efforts to limit the temperature increase to 1.5°C.



**Figure 3: Selected extracts from the Paris Agreement on climate change. Source: UNFCCC.**

---

*Paris Agreement Article 2(1)a*

*Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;*

*Paris Agreement Article 2(1)c*

*Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.*

*Paris Agreement Article 4(1)*

*In order to achieve the long-term temperature goal set out in Article 2, Parties aim to reach global peaking of greenhouse gas emissions as soon as possible, recognizing that peaking will take longer for developing country Parties, and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty.*

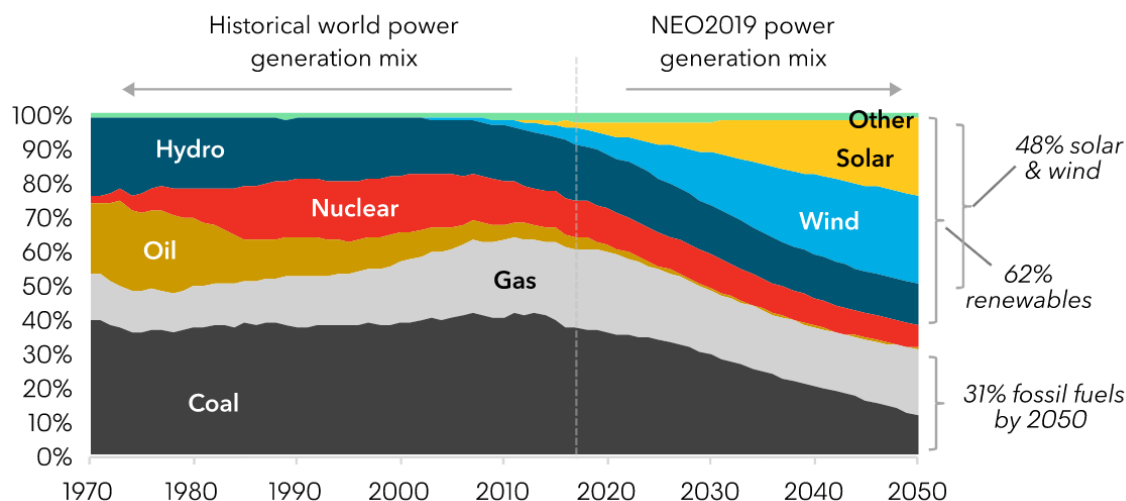
---

Given its contribution to global greenhouse gas (GHG) emissions, the energy sector is expected to play a significant role in the long-term decarbonisation of the economy. Figure 4 suggests that in one climate scenario the proportion of coal, oil, and gas in the global power generation mix will shrink to 31% of the total by 2050. It is important to recognise however that not only is the supply of energy expected to be a factor in global decarbonisation, but the demand for energy plays a crucial role too. In addition, the behaviour of private and state-owned energy companies (not commonly invested in by UK pension funds) is as important as their publicly traded counterparts.

The issue faced by diversified investors (such as pension funds) is not limited to the oil & gas and power generation sectors, but also to downstream sectors. Investors focussing exclusively on primary energy suppliers could fail to identify material climate risks in other sectors. Research suggests that the oil & gas sector is not homogeneous with regards to climate risk: were climate policies to affect the oil price, those companies with assets lower down the cost curve are less likely to be financially compromised by those companies with higher-cost assets. Investors that assume each fossil fuel company bears an equal magnitude of climate-related risk could be led towards sub-optimal decision-making.

The Fund recognises that climate-related risks can be financially material, and that the due consideration of climate risk falls within 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.

**Figure 4: The Bloomberg New Energy Outlook global power generation mix. Source: BloombergNEF.**



## Governance

### TCFD Recommended Disclosure

#### a) Describe the board's oversight of climate-related risks and opportunities

Roles and responsibilities at the Fund are set out clearly in the Fund's Governance Compliance Statement. Overall responsibility for managing the Fund lies with Shropshire Council which has delegated the management and administration of the Fund to the Shropshire County Pension Fund Committee.

The Pension Committee ('the Committee') is responsible for preparing the Investment Strategy Statement (ISS), which includes the Fund's Responsible Investment Beliefs. The Committee meet four times a year, or otherwise as necessary. The Committee includes quarterly engagement reports from both their investment managers and their engagement provider as a standing item on the Pension Committee agendas. Both the Committee and the Pension's Board have received regular training on responsible investment topics. The Committee going forward will receive training on responsible investment, including climate change, every quarter.

The Fund sets time aside at each Pensions Committee meeting to discuss responsible investment and environmental, social and governance issues generally. These meetings are live streamed for public viewing. An Annual Report is also issued covering responsible investment and environmental, social and governance issues. This report, together with specific reports on the Fund's approach to climate matters, is made public by the Fund on their website.

In order to support good decision-making, the Fund applies the Myners Principles. Disclosure against the Myners Principles is made annually (please see Appendix A of the Fund's Investment Strategy Statement).

Since September 2020 the Pension Committee has received annual Climate Risk Reports which support the formation of the Fund's climate strategy.

The Local Pensions Board has an oversight role in ensuring the effective and efficient governance and administration of the Fund, including securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme.

#### TCFD Recommended Disclosure

##### **b) Describe management's role in assessing and managing climate-related risks and opportunities.**

The Head of Pensions – LGPS Senior Officer works alongside the Pensions Investment and Responsible Investment Manager works to oversee the management of climate-related investment risks and provide updates to Pension Committee. As a primarily externally managed fund, the implementation of much of the management of climate-related risk is delegated onwards to portfolio managers. External portfolio managers are monitored on a regular basis by Officers and the Pension Committee.

The Pension Committee are supported in this monitoring by the Fund's investment adviser, Aon. Aon provides quarterly monitoring reports on the investment products that the Fund invest in outside of LGPS Central. These reports include ratings on key criteria such as risk management, investment process, performance analysis and ESG ratings where applicable. Material developments in these areas are communicated to the Pension Committee, which considers whether further action is required.

Since 2020 the Fund Officers and Pension Committee have received an annual Climate Risk Report which enables the consideration of climate change within strategy setting, including asset allocation and asset selection. Receipt of a Climate Risk Report is expected to occur annually.

## Strategy

#### TCFD Recommended Disclosure

##### **a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.**

As a diversified asset owner, the range of climate-related risks and opportunities are multifarious and constantly evolving. A subset of risk factors is presented in Table 1.

**Table 1: Example Short, Medium & Long-Term Risks**

|                    | Short & Medium Term                                                                                                                    | Long Term                                                             |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| <b>Risks</b>       | Carbon prices<br>Technological change<br>Policy tightening<br>Consumer preferences                                                     | Resource scarcity<br>Extreme weather events<br>Sea level rise         |
| <b>Asset class</b> | Listed equities<br>Growth assets<br>Energy-intensive industry<br>Oil-dependent sovereign issuers<br>Carbon-intensive corporate issuers | Infrastructure<br>Property<br>Agriculture<br>Commodities<br>Insurance |

Short-term risks include stock price movements resulting from increased regulation to address climate change. Medium-term risks include policy and technology leading to changes in consumer behaviour and therefore purchasing decisions – the uptake in electric vehicles is an example of this. Long-term risks include physical damages to real assets and resource availability. Examples would include increased sea level rise for coastal infrastructure assets or supply chain impacts for companies as a result of severe weather events.

#### TCFD Recommended Disclosure

**b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.**

Although the Fund is diversified across asset classes, regions, and sectors, it is recognised that climate risk is systemic and is unlikely to be eliminated through diversification alone.

The Fund's Climate Change Strategy sets out the Fund's approach to managing the impact of climate-related risks. SCPF recognises both physical and transition risks, as well as the corresponding impacts these risks may have on the Fund's financial and reputational performance. The Fund's current practice requires underlying managers to assess the risks and opportunities associated with the strategies from both a top-down and a bottom-up ESG perspective.

The main management techniques within investment strategy are: measurement and observation; policy review; asset allocation; selection and due diligence; purposeful stewardship; and transparency and disclosure.

The Fund is exploring options to further embed climate-related risks and opportunities into its investment strategy, including reviewing potential investments in sustainable asset classes where this supports the Fund's investment and funding objectives.

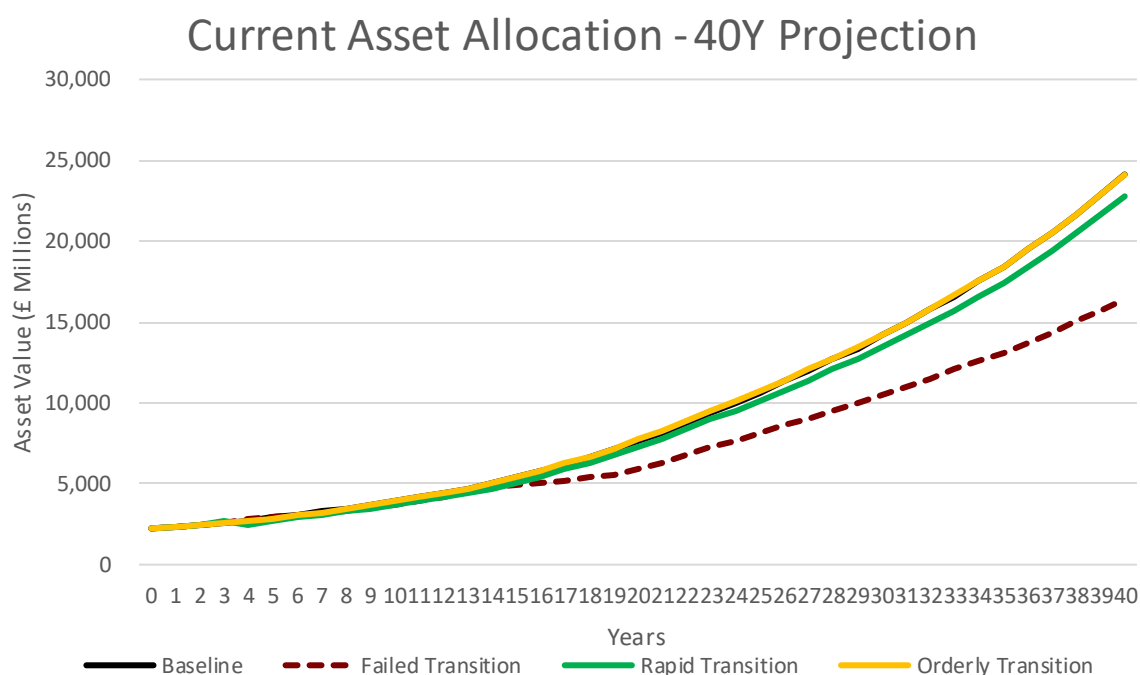
#### TCFD Recommended Disclosure

**c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.**

In 2022 the Fund engaged the expertise of an external contractor, Mercer LLC, to understand the extent to which the Fund's risk and return characteristics could come to be affected by a set of plausible climate scenarios. This includes an estimation of the annual climate-related impact on returns (at the fund and asset-class level). All asset classes are included in this analysis. The climate scenarios considered are Rapid Transition, Orderly Transition and Failed Transition. This analysis is carried out every 2 to 3 years and the results of the 2022 analysis are provided below.

The scenarios are defined according to the change since pre-industrial times in mean global surface temperatures. A 1.5°C scenario represents a rapid transition, characterised by sudden divestments in 2025 to align portfolios to the Paris Agreement goals. A 1.6°C scenario represents an early and smooth transition, with the markets pricing-in dynamics occur gradually over four years. A 4.3°C scenario represents a failed transition, with severe physical and extreme weather events and the markets pricing in these risks.

**Graph 1: Cumulative Return Projections by Climate Change Scenario.<sup>1</sup>**



The analysis shows that over medium- to long-term, a successful transition is imperative for the Fund as its asset allocation fare better under Rapid and Orderly transition scenarios versus the Failed transition. Over the long term for nearly all investors a successful transition leads to enhanced

<sup>1</sup> Extract above from Mercer Limited's (Mercer) report "Climate Change Scenario Analysis" dated November 2022 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for Shropshire Pension Fund. Other third parties may not rely on this information without Mercer's prior written permission. The findings and opinions expressed are the intellectual property of Mercer and are not intended to convey any guarantees as to the future performance of the investment strategy. Information contained herein has been obtained from a range of third party sources. Mercer makes no representations or warranties as to the accuracy of the information and is not responsible for the data supplied by any third party.



projected returns when compared to scenarios associated with higher temperature outcomes due to lower physical damages.

Translating Climate Scenario Analysis into an investment strategy is a challenge because there is a wide range of plausible climate scenarios; the probability of any given scenario is hard to determine, and; the best performing sectors and asset classes in an orderly scenario tend to be the worst performers in a failed scenario and vice versa. Despite the challenges, the Fund believes in seeking out the best available climate-related research in order to make its portfolio as robust as possible.

## Risk Management

### TCFD Recommended Disclosure

#### **a) Describe the organisation's process for identifying and assessing climate-related risks.**

The Fund seeks to identify and assesses climate-related risks at the total Fund level and the individual asset level. The Fund's recent Climate Risk Reports include a combination of both top-down and bottom-up analyses<sup>2</sup>. The Fund recognises that the tools and techniques for assessing climate-related risks in investment portfolios are an imperfect but evolving discipline. The Fund aims to use the best available information to assess climate-related threats to investment performance.

As far as possible climate risks are assessed in units of investment return, in order to compare with other investment risk factors.

As a primarily externally-managed pension fund, the identification and assessment of climate-related risks is also the responsibility of individual fund managers appointed by the Fund. Existing fund managers are monitored on a regular basis.

Engagement activity is conducted with investee companies through selected stewardship partners including LGPS Central, EOS at Federated Hermes, and LAPFF (see below). Based on the findings of its Climate Risk Report, the Fund has devised a Climate Stewardship Plan in order to focus engagement resources on the investments most relevant to the Fund.

The fund will continue to monitor and consider both existing and emerging regulatory requirements relating to climate change.

### TCFD Recommended Disclosure

#### **b) Describe the organisation's process for managing climate-related risks.**

The prioritisation of risks is determined based on the level of perceived threat to the Fund which, for climate-related risk, will likely depend on analyses including Climate Scenario Analysis and Carbon Risk Metrics.

Stewardship activities are an important aspect of the Fund's approach to managing climate risk. The Fund expects all investee companies to manage material risks, including climate change, and the Fund believes that climate risk management can be meaningfully improved through focussed stewardship activities by investors.

The Fund supports the engagement objectives of the Climate Action 100+ initiative, viz. that companies: adopt the appropriate governance structures to effectively manage climate risk; decarbonise in line with the Paris Agreement; and disclose effectively using the TCFD recommendations.

<sup>2</sup> Climate Scenario Analysis only included in the 2020 and 2022 Climate Risk Report.

Either through its own membership or through LGPS Central's membership, the Fund has several engagement partners that engage investee companies on climate risk.

**Table 2: The Fund's Stewardship Partners**

| Organisation                                                                      | Remit                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>The Fund is a 1/8<sup>th</sup> owner of LGPS Central.</p> <p>Climate change is one of LGPS Central's stewardship themes, with quarterly progress reporting available on the website.</p> <p>The Responsible Investment Team at LGPS Central engages companies on SCPF's behalf, including via the Climate Action 100+ initiative.</p> |
|  | <p>EOS at Federated Hermes is engaged by LGPS Central to expand the scope of the engagement programme, especially to reach non-UK companies.</p>                                                                                                                                                                                         |
|  | <p>SCPF is a long-standing member of the Local Authority Pension Fund Forum (LAPFF). LAPFF conducts engagements with companies on behalf of local authority pension funds.</p>                                                                                                                                                           |

The instruction of shareholder voting opportunities is an important part of climate stewardship. The Fund delegates responsibility for voting to LGPS Central or the Fund's directly appointed investment managers. For Fund assets managed by the former, votes are cast in accordance with LGPS Central's *Voting Principles*, to which the Fund contributes during the annual review process. LGPS Central's *Voting Principles* incorporate climate change, for example by voting against companies that do not meet certain thresholds in the Transition Pathway Initiative (TPI) scoring system. LGPS Central recently co-filed climate-related shareholder resolutions at the meetings of BP Plc, Barclays Plc, and Credit Suisse.

The Fund employs BMO Global Asset Management (BMO) to provide a responsible engagement overlay service to its Global Equity portfolios. On behalf of the Fund, BMO enters into constructive discussions with companies on their impacts on the environment and society in general.

The Fund reports quarterly on its voting activities. These reports are publicly available on the Pension Fund website. In addition, LGPS Central reports quarterly on its voting and engagement activities. These reports are publicly available via the LGPS Central website.

Based on its first Climate Risk Report, the Fund developed a Climate Stewardship Plan which, alongside the widescale engagement activity undertaken by LGPS Central, investment managers, EOS at Federated Hermes, and LAPFF, includes targeted engagement with several investee companies of particular significance to the Fund's portfolio. Wherever feasible, the engagement objectives are designed to be SMART (Specific, Measurable, Actionable, Relevant and Time-bound) to enable the Fund to adequately assess a company's progress. The Fund believes that all companies should align their business activities with the Paris Agreement on climate change.



**Table 3: Companies included in the Climate Stewardship Plan**

| Company  | Sector    |
|----------|-----------|
| BP       | Energy    |
| Glencore | Materials |
| Holcim   | Materials |
| NextEra  | Utilities |
| Ryanair  | Airlines  |
| Shell    | Energy    |

#### TCFD Recommended Disclosure

**c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.**

Both 'mainstream' risks and climate-related risks are discussed by the Pension Committee. While specific macro-economic risks are not usually included in isolation, the Fund has deemed climate risk to be sufficiently significant and therefore included it on the Fund's Risk Register. Climate risk is further managed through the Fund's Climate Stewardship Plan.

## Metrics and Targets

### TCFD Recommended Disclosure

**a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.**

The Fund receives annual reports from LGPS Central Ltd which set out the carbon risk metrics for its listed equities and fixed income portfolios. The poor availability of data in unlisted asset classes prevents a more complete analysis at this time.

The carbon risk metrics analysis includes:

- portfolio carbon footprints<sup>3</sup>
- financed emissions of the portfolio<sup>4</sup>
- weight of portfolios invested in companies with fossil fuel reserves
- weight of portfolios invested in companies with thermal coal reserves
- weight of portfolios invested in companies whose products and services include clean technology
- weight of the portfolio invested in companies that have set net zero targets
- metrics assessing the management of climate risk by portfolio companies

Carbon risk metrics aid the Fund in assessing the potential climate-related risks to which the Fund is exposed, and identifying areas for further risk management, including company engagement and fund manager monitoring. The Fund additionally monitors stewardship data (see above).

In considering its carbon risk metrics, the Fund remains aware of the limitations of the available metrics and the underlying datasets. There are certain data gaps caused by companies failing to report GHG data, or by companies reporting unreliable GHG data. In such cases the GHG data must be estimated, and different suppliers of GHG datasets might have different methodologies for making such estimations, leading to potentially different values for the same company or portfolio of companies. The results should, therefore, be treated with some degree of caution. Despite the potential pitfalls, the Fund has resolved to integrate the consideration of carbon risk metrics within the Fund's overall framework of risk management, whilst remaining conscious that the results are primarily useful in enabling the Fund to reach broad conclusions, to enable risk management measures to be prioritised and to enable broad direction of travel and progress to be assessed.

### TCFD Recommended Disclosure

<sup>3</sup> Following TCFD guidance we use weighted average portfolio carbon footprints.

<sup>4</sup> Calculated by multiplying the attribution factor by a company's emissions, giving a figure of the absolute tons of CO2 for which an investor is responsible.

**b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. TCFD Guidance:** *Asset owners should provide the weighted average carbon intensity, where data are available or can be reasonably estimated, for each fund or investment strategy.*

In line with the TCFD guidance and following receipt of a report from LGPS Central Limited we provide below the carbon footprints of the applicable portfolios<sup>5</sup>:

**Table 4: Carbon risk metrics for the equity portfolio as of 30<sup>th</sup> June 2022 <sup>6</sup>**

|                             |                                 | Financed Emissions (tCo2e) | Carbon Footprint (tCO2e/\$M revenue) |       |         | Weight in Fossil Fuel Reserves % |       |        | Weight in Thermal Coal Reserves % |       |        | Weight in Clean Technology % |        |        |
|-----------------------------|---------------------------------|----------------------------|--------------------------------------|-------|---------|----------------------------------|-------|--------|-----------------------------------|-------|--------|------------------------------|--------|--------|
| Portfolio Name              | Benchmark                       | PF                         | PF                                   | BM    | % Diff  | PF                               | BM    | % Diff | PF                                | BM    | % Diff | PF                           | BM     | % Diff |
| Quoted Equities Asset Class | Quoted Equity Blended Benchmark | 29,460                     | 78.58                                | 96.38 | -18.47% | 3.35%                            | 4.07% | -0.72% | 0.00%                             | 0.00% | 0.00%  | 34.69%                       | 35.90% | -1.21% |

The Fund's total Equities portfolio is 18.47% more carbon efficient than the blended benchmark. This means that, on average, for every \$m of economic output companies produce, the Fund's investee companies emit 18.47% fewer GHG emissions than the companies in the blended benchmark. The Total Equities portfolio has a lower exposure to fossil fuel reserves, but also a slightly lower weight in clean tech, than its blended benchmark.

Whilst the Fund's carbon risk metrics results show the Fund generally 'outperforms' its benchmarks, the Fund is proactively exploring ways to further embed climate risk management in its investment decision making. The Fund expects to update its carbon risk metrics data on an annual basis.

#### TCFD Recommended Disclosure

**c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.**

<sup>5</sup> Analysis undertaken on the listed equities portfolios with holdings data as of 30<sup>th</sup> June 2022. The information in Table 4 was provided to the Fund in a report authored by LGPS Central Limited. In LGPS Central Limited's report, the Total Equities portfolio comprises the Total Active Equities and the Total Passive Equities portfolios weighted according to their size in GBP. The Total Active Equities portfolio contains three underlying portfolios managed for the Fund by LGPS Central and two underlying portfolios managed by Baillie Gifford. The Total Passive Equities portfolio contains one underlying portfolio managed for the Fund by BlueBay, one managed by M&G, one managed by Janus Henderson, and two underlying portfolios managed by LGPS Central.

<sup>6</sup> Certain information ©2021 MSCI ESG Research LLC. Reproduced by permission.

The ability for diversified investors (such as pension funds) to set meaningful climate targets is inhibited by the paucity of credible methodologies and data currently available. Like most investors, the Fund is supportive of the development of target-setting methodologies, and the increasing completeness of carbon datasets. The Fund wishes to set meaningful and challenging climate targets for its investment portfolio and work is underway to assess options within the limitations of currently available data.

## Appendix 1

TCFD Recommendations for Asset Owners (source: TCFD)

### Governance

Recommended Disclosure (a) Describe the board's oversight of climate-related risks and opportunities.

Recommended Disclosure (b) Describe management's role in assessing and managing climate-related risks and opportunities.

### Strategy

Recommended Disclosure (a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

Recommended Disclosure (b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Recommended Disclosure (c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

### Risk Management

Recommended Disclosure (a) Describe the organisation's processes for identifying and assessing climate-related risks.

Recommended Disclosure (b) Describe the organisation's processes for managing climate-related risks.

Recommended Disclosure (c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

### Metrics and Targets

Recommended Disclosure (a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Recommended Disclosure (b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

Recommended Disclosure (c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

## Appendix 2: Glossary

**Clean Technology/ Weight in Clean Technology:** the weight of a portfolio invested in companies whose products and services include clean technology. Products and services eligible for inclusion include Alternative Energy, Energy Efficiency, Green Building, Pollution Prevention, Sustainable Water.

**Coal Reserves/ Portfolio exposure to thermal coal reserves:** the weight of a portfolio invested in companies that own thermal coal reserves.

**Engagement:** dialogue with a company concerning particular aspects of its strategy, governance, policies, practices, and so on. Engagement includes escalation activity where concerns are not addressed within a reasonable time frame.

**Fossil Fuel Reserves/ Portfolio exposure to fossil fuel reserves:** the weight of a portfolio invested in companies that own fossil fuel reserves.

**Physical risk/ climate physical risk:** the financial risks and opportunities associated with the anticipated increase in frequency and severity of extreme weather events and other phenomena, including storms, flooding, sea level rise and changing seasonal extremities.

**Portfolio Carbon Footprint/ Carbon Footprint:** A proxy for a portfolio's exposure to potential climate-related risks (especially the cost of carbon), often compared to a performance benchmark. It is calculated by working out the carbon intensity (Scope 1+2 Emissions / \$M sales) for each portfolio company and calculating the weighted average by portfolio weight.

**Scope 1 Greenhouse Gas Emissions:** Direct emissions from owner or sources controlled by the owner, including: on-campus combustion of fossil fuels; and mobile combustion of fossil fuels by institution-controlled vehicles.

**Scope 2 Greenhouse Gas Emissions:** Indirect emissions from the generation of purchased energy

**Scope 3 Greenhouse Gas Emissions:** Indirect emissions that are not controlled by the institution but occur as a result of that institutions activities. Examples include commuting, waste disposal and embodied emissions from extraction.

**Stewardship:** the promotion of the long-term success of companies in such a way that the ultimate providers of capital also prosper, using techniques including engagement and voting.

**Transition risk/ climate transition risk:** the financial risks and opportunities associated with the anticipated transition to a lower carbon economy. This can include technological progress, shifts in subsidies and taxes, and changes to consumer preferences or market sentiment.

**Voting:** the act of casting the votes bestowed upon an investor, usually in virtue of the investor's ownership of ordinary shares in publicly listed companies.

### **Appendix 3: Important Information**

Extract above from Mercer Limited's (Mercer) report "Climate Change Scenario Analysis" dated October 2022 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for Shropshire Pension Fund. Other third parties may not rely on this information without Mercer's prior written permission. The findings and opinions expressed are the intellectual property of Mercer and are not intended to convey any guarantees as to the future performance of the investment strategy. Information contained herein has been obtained from a range of third party sources. Mercer makes no representations or warranties as to the accuracy of the information and is not responsible for the data supplied by any third party.

The following notices relates to Table 4 (above), which is produced for the Fund by LGPS Central Limited based on a product licensed by MSCI ESG Research LLC. This report confers no suggestion or representation of any affiliation, endorsement or sponsorship between LGPS Central and MSCI ESG Research LLC. Additionally:

Although LGPS Central's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

This page is intentionally left blank





| <u>Committee and Date</u> | <u>Item</u> |
|---------------------------|-------------|
| Pensions Committee        | <b>8</b>    |
| 2 December 2022           | Public      |
| 10.00am                   |             |

## CORPORATE GOVERNANCE MONITORING

**Responsible  
Officer**

Ben Driscoll

e-mail: [ben.driscoll@shropshire.gov.uk](mailto:ben.driscoll@shropshire.gov.uk) Tel: (01743)  
252079

### 1. Synopsis

- 1.1 The report is to inform members of Corporate Governance and socially responsible investment issues arising in the quarter, 1<sup>st</sup> July 2022 to 30<sup>th</sup> September 2022.

### 2. Recommendations

- 2.1 Members are asked to accept the position as set out in the report, Manager Voting Reports at Appendix A (A1 & A2), Columbia Threadneedle Investments (formerly BMO Global Asset Management) Responsible Engagement Overlay Activity Report at Appendix B (B1 & B2); LGPS Central Stewardship Update at Appendix C and SCPF's DLUHC Consultation response regarding TCFD at Appendix D.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

- 3.1 Risk Management is part of the Pension Fund's structured decision-making process by ensuring that investment decisions are taken by those best qualified to take them.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.3 The Fund's Corporate Governance Policy enables it to influence the environmental policies of the companies in which it invests.
- 3.4 There are no direct Equalities or Community consequences.

### 4. Financial Implications

- 4.1 There are no direct financial implications arising from this report.

## **5. Climate Change Appraisal**

- 5.1 The Fund takes Responsible Investment very seriously; it is a key process the investment managers go through before investing where thorough due diligence is undertaken considering all risks including climate change. The investment managers vote on the Fund's behalf, Columbia Threadneedle (formerly BMO) engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and a signatory to the previous UK Stewardship Code and in the process of becoming a signatory to the new Code by April 2023.
- 5.2 Shropshire County Pension Fund has also received and published Climate Risk Reports and TCFD reports.

## **6. Background**

- 6.1 The Shropshire County Pension Fund has been actively voting for over fifteen years at the Annual General Meetings and Extraordinary General Meetings of the companies in which it invests. Voting is carried out by individual Fund Managers on all equity portfolios.
- 6.2 The Fund is also addressing its social responsibility through a strategy of responsible engagement with companies. Columbia Threadneedle (formerly BMO) provides this responsible engagement overlay on the Fund's global equities portfolios.

## **7. Manager Voting Activity**

- 7.1 Details of managers voting activity during the quarter relating to equity portfolios are attached (Appendix A; A1 & A2).

## **8. Responsible Engagement Activity**

- 8.1 During the last quarter Columbia Threadneedle (formerly BMO) have continued to actively engage with companies on the Fund's behalf. An update on the engagement activities for the quarter is attached at Appendix B (B1 & B2) in the REO Activity report. They will be presenting at this meeting to update members on their latest engagement activities and progress made in relation to climate change and related targets.

## **9. DLUHC TCFD Consultation**

- 9.1 Shropshire County Pension Fund and Shropshire Council as the Administering Authority (AA) are supportive of the Governments proposal to mandate TCFD Reporting for Local Government Pension

Schemes. We recognise that climate change and the transition to a low carbon economy presents material risk and opportunities to the scheme. We also consider that mandatory TCFD reporting will encourage

- More comprehensive reporting of emissions by corporations, particularly if this regulation is supported by complimentary regulations across the economy.
- innovation by ESG research providers and product vendors around scenario analysis, stress testing and other forms of climate related portfolio

- 9.2 Shropshire County Pension Fund recognises the benefit of fund level carbon metrics across scope 1,2 and 3 emissions, however in our response we flag the challenges associated with reporting across all asset classes at this level with current data sets. Significant reliance will need to be placed on estimated data and in the absence of guidance around the apportioning of emissions there is a risk that inconsistent methodologies will be adopted. If adding Scope 1,2 and Scope 3 emissions together, significant care will need to be taken to avoid double counting. This risk could be mitigated by the provision of clear guidance.
- 9.3 We consider that it will remain critical for pension schemes to assess carbon emissions metrics at portfolio level to understand risk exposures at a granular level, to identify engagement priorities and to inform AGM voting decisions.
- 9.4 The integration of Environmental, Social and Governance factors including climate change into investment analysis and appraisal remains critical and therefore we agree that climate risk analysis needs to be holistic, taking into consideration the full of gamut of climate related risks and opportunities. It is important that this is acknowledged and explained when reporting carbon emissions data to stakeholders.
- 9.5 Shropshire County Pension Fund also considers that clear guidance on reporting methodologies will be required if the climate reports are to be comparable across different funds. Different approaches to data estimation and the apportionment of emissions will give rise to different results. It is important that a distinction is made between carbon reporting for the purpose of understanding a portfolio's footprint and alignment and carbon reporting for the purpose of understanding carbon risks and opportunities. A copy of the Consultation response is attached at Appendix D.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Corporate Governance Monitoring report, Pensions Committee 17 September 2021

Corporate Governance Monitoring report, Pensions Committee 17 January 2022

Corporate Governance Monitoring report, Pensions Committee 18 March 2022

Corporate Governance Monitoring report, Pensions Committee 24 June 2022

Corporate Governance Monitoring report, Pensions Committee 16 September 2022

**Cabinet Member**

N/A

**Local Member**

N/A

**Appendices**

A. Manager Voting Activity Reports (A1-A2).

B. Columbia Threadneedle Responsible Engagement Overlay Reports (B1-B2).

C. LGPS Central Stewardship Update (C1)

D. DLUHC Consultation Response

## LGPS Central - ACS

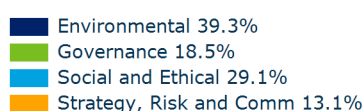
## EOS at Federated Hermes

### Engagement by region

We engaged with 226 companies held in the LGPS Central - ACS portfolio on a range of 807 environmental, social and governance issues and objectives

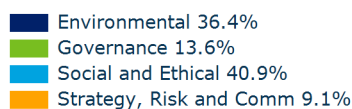
#### Global

We engaged with 226 companies



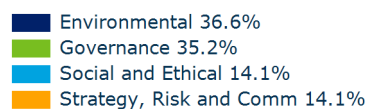
#### Australia & New Zealand

We engaged with four companies



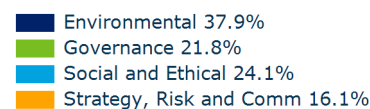
#### Developed Asia

We engaged with 21 companies



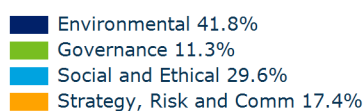
#### Emerging & Developing Markets

We engaged with 32 companies



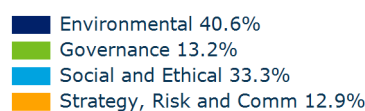
#### Europe

We engaged with 54 companies



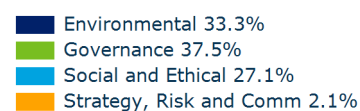
#### North America

We engaged with 83 companies



#### United Kingdom

We engaged with 32 companies

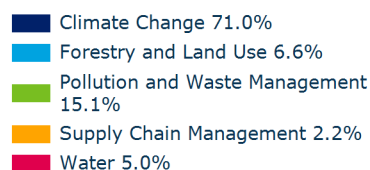


## Engagement by theme

We engaged with 226 companies held in the LGPS Central - ACS portfolio on a range of 807 environmental, social and governance issues and objectives

### Environmental

Environmental topics featured in 39.3% of our engagements



### Social and Ethical

Social and Ethical topics featured in 29.1% of our engagements



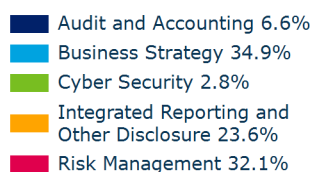
### Governance

Governance topics featured in 18.5% of our engagements



### Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in 13.1% of our engagements



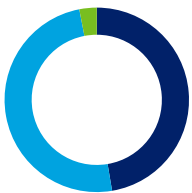
## LGPS Central - ACS

## EOS at Federated Hermes

Over the last quarter we made voting recommendations at **395** meetings (**4,168** resolutions). At **196** meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at **12** meetings. We supported management on all resolutions at the remaining **187** meetings.

### Global

We made voting recommendations at **395** meetings (**4,168** resolutions) over the last quarter.



■ Total meetings in favour **47.3%**  
 ■ Meetings against (or against AND abstain) **49.6%**  
 ■ Meetings with management by exception **3.0%**

### Australia and New Zealand

We made voting recommendations at **14** meetings (**69** resolutions) over the last quarter.



■ Total meetings in favour **28.6%**  
 ■ Meetings against (or against AND abstain) **64.3%**  
 ■ Meetings with management by exception **7.1%**

### Developed Asia

We made voting recommendations at **46** meetings (**328** resolutions) over the last quarter.



■ Total meetings in favour **52.2%**  
 ■ Meetings against (or against AND abstain) **47.8%**

### Emerging and Frontier Markets

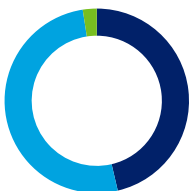
We made voting recommendations at **144** meetings (**1,136** resolutions) over the last quarter.



■ Total meetings in favour **36.1%**  
 ■ Meetings against (or against AND abstain) **62.5%**  
 ■ Meetings with management by exception **1.4%**

### Europe

We made voting recommendations at **41** meetings (**560** resolutions) over the last quarter.



■ Total meetings in favour **46.3%**  
 ■ Meetings against (or against AND abstain) **51.2%**  
 ■ Meetings with management by exception **2.4%**

### North America

We made voting recommendations at **34** meetings (**356** resolutions) over the last quarter.



■ Total meetings in favour **14.7%**  
 ■ Meetings against (or against AND abstain) **73.5%**  
 ■ Meetings with management by exception **11.8%**

### United Kingdom

We made voting recommendations at **116** meetings (**1,719** resolutions) over the last quarter.

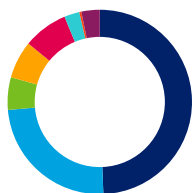


■ Total meetings in favour **71.6%**  
 ■ Meetings against (or against AND abstain) **25%**  
 ■ Meetings with management by exception **3.4%**

The issues on which we recommended voting against management or abstaining on resolutions are shown below.

### Global

We recommended voting against or abstaining on **561** resolutions over the last quarter.



|                                  |       |
|----------------------------------|-------|
| Board structure                  | 49.4% |
| Remuneration                     | 24.2% |
| Shareholder resolution           | 5.7%  |
| Capital structure and dividends  | 6.6%  |
| Amend articles                   | 7.8%  |
| Audit and accounts               | 2.7%  |
| Poison pill/Anti-takeover device | 0.4%  |
| Other                            | 3.2%  |

### Australia and New Zealand

We recommended voting against or abstaining on **26** resolutions over the last quarter.



|                 |     |
|-----------------|-----|
| Board structure | 50% |
| Remuneration    | 50% |

### Developed Asia

We recommended voting against or abstaining on **42** resolutions over the last quarter.



|                                 |       |
|---------------------------------|-------|
| Board structure                 | 73.8% |
| Remuneration                    | 9.5%  |
| Capital structure and dividends | 9.5%  |
| Amend articles                  | 7.1%  |

### Emerging and Frontier Markets

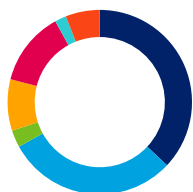
We recommended voting against or abstaining on **281** resolutions over the last quarter.



|                                 |       |
|---------------------------------|-------|
| Board structure                 | 58.7% |
| Remuneration                    | 14.2% |
| Shareholder resolution          | 2.1%  |
| Capital structure and dividends | 8.5%  |
| Amend articles                  | 8.9%  |
| Audit and accounts              | 3.9%  |
| Other                           | 3.6%  |

### Europe

We recommended voting against or abstaining on **100** resolutions over the last quarter.



|                                 |     |
|---------------------------------|-----|
| Board structure                 | 37% |
| Remuneration                    | 30% |
| Shareholder resolution          | 3%  |
| Capital structure and dividends | 9%  |
| Amend articles                  | 13% |
| Audit and accounts              | 2%  |
| Other                           | 6%  |

### North America

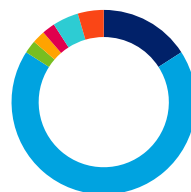
We recommended voting against or abstaining on **68** resolutions over the last quarter.



|                        |       |
|------------------------|-------|
| Board structure        | 35.3% |
| Remuneration           | 27.9% |
| Shareholder resolution | 32.4% |
| Amend articles         | 2.9%  |
| Audit and accounts     | 1.5%  |

### United Kingdom

We recommended voting against or abstaining on **44** resolutions over the last quarter.



|                                  |       |
|----------------------------------|-------|
| Board structure                  | 15.9% |
| Remuneration                     | 68.2% |
| Shareholder resolution           | 2.3%  |
| Amend articles                   | 2.3%  |
| Audit and accounts               | 2.3%  |
| Poison pill/Anti-takeover device | 4.5%  |
| Other                            | 4.5%  |





## Notices:

LGPS Central Limited is committed to disclosing its voting record on a vote-by-vote basis, including where practicable the provision of a rationale for votes cast against management.

The data presented here relate to voting decisions for securities held in portfolios within the company's Authorised Contractual Scheme (ACS).

| Meeting    | Company Name                                            | Meeting Type               | Voting Action | Agenda Item Numbers       | Voting Explanation                                                                                                                                                                                                                                                      |
|------------|---------------------------------------------------------|----------------------------|---------------|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 20/07/2022 | Link Real Estate Investment Trust                       | Annual                     | All For       |                           |                                                                                                                                                                                                                                                                         |
| 26/07/2022 | Lenovo Group Limited                                    | Annual                     | Against       | 5,7<br>3e                 | Issue of equity raises concerns about excessive dilution of existing shareholders<br>Insufficient/poor disclosure<br>Overboarded/Too many other time commitments                                                                                                        |
| 24/08/2022 | China Power International Development Limited           | Special                    | All For       |                           |                                                                                                                                                                                                                                                                         |
| 26/08/2022 | SJM Holdings Limited                                    | Extraordinary Shareholders | All For       |                           |                                                                                                                                                                                                                                                                         |
| 29/08/2022 | Hua Hong Semiconductor Ltd.                             | Extraordinary Shareholders | All For       |                           |                                                                                                                                                                                                                                                                         |
| 30/08/2022 | Vitasoy International Holdings Limited                  | Annual                     | Against       | 4D<br>2A2<br>4A<br>4C     | Apparent failure to link pay and appropriate performance<br>Concerns related to approach to board gender diversity<br>Insufficient/poor disclosure<br>Issue of equity raises concerns about excessive dilution of existing shareholders<br>Insufficient/poor disclosure |
| 30/09/2022 | China Travel International Investment Hong Kong Limited | Extraordinary Shareholders | All For       |                           |                                                                                                                                                                                                                                                                         |
| 28/07/2022 | Ain Holdings, Inc.                                      | Annual                     | Against       | 2<br>3.1, 3.9, 3.10, 3.11 | Concerns related to shareholder rights<br>Lack of independence on board                                                                                                                                                                                                 |
| 28/07/2022 | ITO EN, LTD.                                            | Annual                     | Against       | 3.1                       | Concerns related to approach to board gender diversity                                                                                                                                                                                                                  |
| 04/08/2022 | ASKUL Corp.                                             | Annual                     | All For       |                           |                                                                                                                                                                                                                                                                         |
| 09/08/2022 | GMO Internet Group, Inc.                                | Special                    | All For       |                           |                                                                                                                                                                                                                                                                         |
| 10/08/2022 | TSURUHA Holdings, Inc.                                  | Annual                     | Against       | 4                         | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                                |
| 18/08/2022 | Kusuri No Aoki Holdings Co., Ltd.                       | Annual                     | Against       | 2,6                       | Lack of independence on board                                                                                                                                                                                                                                           |
| 23/08/2022 | COSMOS Pharmaceutical Corp.                             | Annual                     | Against       | 2                         | Concerns related to shareholder rights                                                                                                                                                                                                                                  |
| 23/08/2022 | Oracle Corp Japan                                       | Annual                     | All For       |                           |                                                                                                                                                                                                                                                                         |
| 26/08/2022 | Daiwa Office Investment Corp.                           | Special                    | Against       | 2,4,1,4,2                 | Concerns related to approach to board gender diversity                                                                                                                                                                                                                  |
| 26/08/2022 | Nippon Prologis REIT, Inc.                              | Special                    | All For       |                           |                                                                                                                                                                                                                                                                         |
| 30/08/2022 | Sansan, Inc.                                            | Annual                     | Against       | 4                         | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                                |
| 27/09/2022 | NTT UD REIT Investment Corp.                            | Special                    | Against       | 2,4,2<br>4,1,5            | Concerns related to approach to board gender diversity<br>Lack of independence on board                                                                                                                                                                                 |
| 28/09/2022 | Lasertec Corp.                                          | Annual                     | All For       |                           |                                                                                                                                                                                                                                                                         |
| 28/09/2022 | Pan Pacific International Holdings Corp.                | Annual                     | Against       | 3.1<br>3.8                | Concerns related to approach to board gender diversity<br>Lack of independence on board                                                                                                                                                                                 |
| 28/09/2022 | SHO-BOND Holdings Co. Ltd.                              | Annual                     | All For       |                           |                                                                                                                                                                                                                                                                         |
| 29/09/2022 | Asahi Intecc Co., Ltd.                                  | Annual                     | Against       | 5                         | Lack of independence on board                                                                                                                                                                                                                                           |
| 29/09/2022 | Showa Denko K.K.                                        | Special                    | All For       |                           |                                                                                                                                                                                                                                                                         |
| 29/09/2022 | TechnoPro Holdings, Inc.                                | Annual                     | Against       | 3,6                       | Lack of independence on board                                                                                                                                                                                                                                           |
| 29/09/2022 | ULVAC, Inc.                                             | Annual                     | Against       | 3,4                       | Lack of independence on board                                                                                                                                                                                                                                           |
| 06/07/2022 | CapitaLand Ascendas REIT                                | Extraordinary Shareholders | All For       |                           |                                                                                                                                                                                                                                                                         |
| 18/07/2022 | Mapletree Logistics Trust                               | Annual                     | All For       |                           |                                                                                                                                                                                                                                                                         |
| 19/07/2022 | Mapletree Industrial Trust                              | Annual                     | All For       |                           |                                                                                                                                                                                                                                                                         |
| 20/07/2022 | NetLink NBN Trust                                       | Annual                     | Against       | 6<br>5                    | Concerns related to attendance at board or committee meetings<br>Concerns related to inappropriate membership of committees                                                                                                                                             |
| 20/07/2022 | NetLink NBN Trust                                       | Annual                     | All For       |                           |                                                                                                                                                                                                                                                                         |
| 21/07/2022 | SIA Engineering Co. Ltd.                                | Annual                     | Against       | 2,2                       | Concerns related to inappropriate membership of committees                                                                                                                                                                                                              |
| 21/07/2022 | Singapore Post Ltd.                                     | Annual                     | All For       |                           |                                                                                                                                                                                                                                                                         |
| 22/07/2022 | SATS Ltd.                                               | Annual                     | All For       |                           |                                                                                                                                                                                                                                                                         |
| 26/07/2022 | Singapore Airlines Ltd.                                 | Annual                     | Against       | 2a                        | Concerns related to approach to board gender diversity                                                                                                                                                                                                                  |
| 29/07/2022 | Mapletree Pan Asia Commercial Trust                     | Annual                     | All For       |                           |                                                                                                                                                                                                                                                                         |
| 29/07/2022 | Singapore Telecommunications Limited                    | Annual                     | Against       | 3                         | Concerns related to inappropriate membership of committees                                                                                                                                                                                                              |

| Meeting    | Company Name                                   | Meeting Type               | Voting Action          | Agenda Item Numbers                                    | Voting Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------|------------------------------------------------|----------------------------|------------------------|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 25/08/2022 | Flex Ltd.                                      | Annual                     | Against                | 3<br>1e                                                | Apparent failure to link pay and appropriate performance<br>Concerns about remuneration committee performance                                                                                                                                                                                                                                                                                                                                                 |
| 02/09/2022 | Comfortdelgro Corporation Limited              | Extraordinary Shareholders | All For                |                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 09/09/2022 | CapitaLand Ascott Trust                        | Extraordinary Shareholders | All For                |                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 19/07/2022 | Hyundai Development Co.                        | Special                    | Against                | 1.1,1.2                                                | Lack of independence on board                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 21/07/2022 | Kumho Petrochemical Co., Ltd.                  | Special                    | Against                | 1.2.1,1.2.2<br>1.1                                     | Concerns about candidate's experience/skills 2- Concerns about overall board structure<br>Concerns about candidate's experience/skills 2- Concerns about overall board structure                                                                                                                                                                                                                                                                              |
| 04/08/2022 | SillaJen, Inc.                                 | Special                    | All For                |                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 05/09/2022 | HL Mando Co., Ltd.                             | Special                    | All For                |                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 05/09/2022 | KOREA AEROSPACE INDUSTRIES Ltd.                | Special                    | All For                |                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 16/09/2022 | SKC Co., Ltd.                                  | Special                    | Against                | 2                                                      | Issue of equity raises concerns about excessive dilution of existing shareholders                                                                                                                                                                                                                                                                                                                                                                             |
| 22/07/2022 | Iluka Resources Limited                        | Extraordinary Shareholders | All For                |                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 28/07/2022 | Macquarie Group Limited                        | Annual                     | All For                |                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 23/08/2022 | ALS Ltd.                                       | Annual                     | Against                | 1<br>2                                                 | Concerns related to approach to board gender diversity<br>Concerns related to approach to board gender diversityOverboarded/Too many other time commitments                                                                                                                                                                                                                                                                                                   |
| 02/09/2022 | Collins Foods Limited                          | Annual                     | Against                | 4<br>2                                                 | Apparent failure to link pay & appropriate performance<br>Concerns related to board gender diversity                                                                                                                                                                                                                                                                                                                                                          |
| 07/09/2022 | Metcash Limited                                | Annual                     | Against                | 3,4<br>2c                                              | Apparent failure to link pay and appropriate performance<br>Concerns regarding Auditor tenure                                                                                                                                                                                                                                                                                                                                                                 |
| 23/09/2022 | Suncorp Group Limited                          | Annual                     | Against                | 1,2,3                                                  | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                                                                                                                                                                                                                      |
| 28/09/2022 | ASX Limited                                    | Annual                     | Against                | 4                                                      | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                                                                                                                                                                                                                      |
| 28/07/2022 | Mainfreight Limited                            | Annual                     | Against                | 2,4                                                    | Concerns related to Non-audit fees Concerns regarding Auditor tenure                                                                                                                                                                                                                                                                                                                                                                                          |
| 28/07/2022 | Ryman Healthcare Ltd.                          | Annual                     | Against                | 2.1,3<br>2.2                                           | Concerns regarding Auditor tenure<br>Lack of independence on board                                                                                                                                                                                                                                                                                                                                                                                            |
| 18/08/2022 | Xero Limited                                   | Annual                     | All For                |                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 24/08/2022 | Fisher & Paykel Healthcare Corporation Limited | Annual                     | Against                | 7,8<br>2,6                                             | Apparent failure to link pay and appropriate performance<br>Concerns regarding Auditor tenure                                                                                                                                                                                                                                                                                                                                                                 |
| 25/08/2022 | Infratil Ltd.                                  | Annual                     | Against                | 1,2,6                                                  | Concerns related to Non-audit feesConcerns regarding Auditor tenure                                                                                                                                                                                                                                                                                                                                                                                           |
| 22/09/2022 | Air New Zealand Limited                        | Annual                     | All For                |                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 22/09/2022 | Mercury NZ Ltd.                                | Annual                     | Against                | 1<br>2,3                                               | Concerns regarding Auditor tenure<br>Overboarded/Too many other time commitments                                                                                                                                                                                                                                                                                                                                                                              |
| 13/07/2022 | VTech Holdings Ltd.                            | Annual                     | Against                | 3a<br>3c<br>3b                                         | Combined CEO/Chair Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees<br>Concerns related to approach to board gender diversity                                                                                                                                                                                                                                                                |
| 14/07/2022 | Johnson Electric Holdings Ltd.                 | Annual                     | Against                | 4b<br>7,8                                              | Concerns related to succession planning Concerns related to approach to board gender diversity<br>Concerns related to succession planning<br>Issue of equity raises concerns about excessive dilution of existing shareholders Insufficient/poor disclosure                                                                                                                                                                                                   |
| 18/08/2022 | China Gas Holdings Limited                     | Annual                     | Against                | 3a4<br>3a5<br>6<br>7<br>3a2                            | Concerns related to attendance at board or committee meetings<br>Concerns related to succession planning<br>Insufficient/poor disclosure<br>Issue of equity raises concerns about excessive dilution of existing shareholdersInsufficient/poor disclosure<br>Lack of independence on board                                                                                                                                                                    |
| 08/09/2022 | Cafe de Coral Holdings Ltd.                    | Annual                     | Against                | 9<br>3.1<br>3.3<br>3.4<br>3.2<br>6<br>8                | Apparent failure to link pay and appropriate performance<br>Concerns related to approach to board gender diversity<br>Concerns related to approach to board gender diversityConcerns related to succession planning<br>Concerns related to approach to board gender diversityConcerns related to succession planningOverboarded/Too many other time commitments<br>Concerns related to inappropriate membership of committees<br>Insufficient/poor disclosure |
| 09/09/2022 | China Water Affairs Group Limited              | Annual                     | Against                | 8<br>3.3<br>5,7                                        | Issue of equity raises concerns about excessive dilution of existing shareholdersInsufficient/poor disclosure<br>Apparent failure to link pay and appropriate performance<br>Concerns related to succession planningOverboarded/Too many other time commitments                                                                                                                                                                                               |
| 07/07/2022 | Atacadao SA                                    | Extraordinary Shareholders | Against                | 3                                                      | Issue of equity raises concerns about excessive dilution of existing shareholdersInsufficient/poor disclosure<br>Lack of independence on board                                                                                                                                                                                                                                                                                                                |
| 04/08/2022 | Telefonica Brasil SA                           | Extraordinary Shareholders | All For                |                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 05/08/2022 | Centrais Eletricas Brasileiras SA              | Extraordinary Shareholders | Abstain<br><br>Against | 1,5,6.1,6.2,6.3,6.4,6.5,6.6,6.7,6.8,6.9<br>2<br>3<br>4 | Insufficient/poor disclosure<br>Overboarded/Too many other time commitments<br>Concerns related to approach to board gender diversityOverboarded/Too many other time commitments<br>Insufficient/poor disclosure                                                                                                                                                                                                                                              |
| 11/08/2022 | Vibra Energia SA                               | Extraordinary Shareholders | All For                |                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

| Meeting    | Company Name                                   | Meeting Type               | Voting Action | Agenda Item Numbers              | Voting Explanation                                                                                                                                                                                                                                                                                                                                 |
|------------|------------------------------------------------|----------------------------|---------------|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12/08/2022 | Transmissora Alianca de Energia Eletrica SA    | Extraordinary Shareholders | Against       | 2                                | Lack of independence on board                                                                                                                                                                                                                                                                                                                      |
| 29/09/2022 | Suzano SA                                      | Extraordinary Shareholders | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 14/07/2022 | Vietnam Enterprise Investments Ltd             | Annual                     | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 27/07/2022 | Chow Tai Fook Jewellery Group Ltd.             | Annual                     | Against       | 3a<br>3c<br>5<br>3b<br>3d        | Concerns related to inappropriate membership of committees<br>Lack of independence on board<br>Concerns to protect shareholder value Insufficient/poor disclosure<br>Lack of independence on boardOverboarded/Too many other time commitments<br>Concerns related to approach to board gender diversityOverboarded/Too many other time commitments |
| 31/07/2022 | Pinduoduo, Inc.                                | Annual                     | Against       | 6<br>5                           | Concerns related to approach to board gender diversityCombined CEO/Chairman<br>Overboarded/Too many other time commitments                                                                                                                                                                                                                         |
| 01/08/2022 | Topsports International Holdings Limited       | Annual                     | Against       | 5a1<br>6,8<br>5a3                | Concerns related to inappropriate membership of committees<br>Issue of equity raises concerns about excessive dilution of existing shareholders Insufficient/poor disclosure<br>Overboarded/Too many other time commitments                                                                                                                        |
| 16/08/2022 | FIT Hon Teng Limited                           | Extraordinary Shareholders | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 20/08/2022 | AAC Technologies Holdings, Inc.                | Extraordinary Shareholders | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 23/08/2022 | Want Want China Holdings Limited               | Annual                     | Against       | 3a1<br>3a5<br>6,7<br>3a2         | Combined CEO/Chairman<br>Concerns related to approach to board gender diversityConcerns related to succession planning<br>Issue of equity raises concerns about excessive dilution of existing shareholdersInsufficient/poor disclosure<br>Lack of independence on board                                                                           |
| 08/09/2022 | Tongcheng Travel Holdings Ltd.                 | Extraordinary Shareholders | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 09/09/2022 | MGM China Holdings Limited                     | Extraordinary Shareholders | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 09/09/2022 | NagaCorp Ltd.                                  | Extraordinary Shareholders | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 14/09/2022 | Chaillease Holding Co., Ltd.                   | Special                    | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 30/09/2022 | Alibaba Group Holding Ltd.                     | Annual                     | Against       | 1,2                              | Concerns about overall board structure                                                                                                                                                                                                                                                                                                             |
| 30/09/2022 | Alibaba Group Holding Ltd.                     | Annual                     | Against       | 1,2                              | Concerns about overall board structure                                                                                                                                                                                                                                                                                                             |
| 13/07/2022 | Anhui Conch Cement Company Limited             | Extraordinary Shareholders | Against       | 1                                | Lack of independence on board                                                                                                                                                                                                                                                                                                                      |
| 20/07/2022 | China Yangtze Power Co., Ltd.                  | Special                    | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 26/07/2022 | GoerTek Inc.                                   | Special                    | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 10/08/2022 | LB Group Co., Ltd.                             | Special                    | Against       | 3                                | Concerns related to shareholder rights                                                                                                                                                                                                                                                                                                             |
| 19/08/2022 | Midea Group Co. Ltd.                           | Special                    | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 25/08/2022 | Bank of Communications Co., Ltd.               | Extraordinary Shareholders | Against       | 1,2,3,4                          | Concerns related to shareholder rights                                                                                                                                                                                                                                                                                                             |
| 25/08/2022 | Bank of Communications Co., Ltd.               | Special                    | Against       | 1                                | Concerns related to shareholder rights                                                                                                                                                                                                                                                                                                             |
| 05/09/2022 | Shenzhen Topband Co., Ltd.                     | Special                    | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 07/09/2022 | Haitong Securities Co., Ltd.                   | Extraordinary Shareholders | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 08/09/2022 | China Jushi Co. Ltd.                           | Special                    | Against       | 4.1<br>3,2,3,3                   | Concerns related to approach to board gender diversity<br>Concerns related to inappropriate membership of committees                                                                                                                                                                                                                               |
| 16/09/2022 | Midea Group Co. Ltd.                           | Special                    | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 16/09/2022 | Yantai Jereh Oilfield Services Group Co. Ltd.  | Special                    | Against       | 7<br>8,9,10,11,12,13,14,15,16,17 | Concerns related to shareholder rights<br>Insufficient/poor disclosure                                                                                                                                                                                                                                                                             |
| 23/09/2022 | Luxshare Precision Industry Co. Ltd.           | Special                    | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 28/09/2022 | China Everbright Bank Co. Ltd.                 | Extraordinary Shareholders | Against       | 2,14<br>2,6<br>2,5<br>4          | Concerns related to approach to board gender diversity<br>Concerns related to inappropriate membership of committees<br>Lack of independence on board<br>Shareholder proposal does not promote enhanced shareholder rights                                                                                                                         |
| 28/09/2022 | Shandong Weigao Group Medical Polymer Co. Ltd. | Extraordinary Shareholders | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 29/09/2022 | Aluminum Corporation of China Limited          | Extraordinary Shareholders | Against       | 3                                | Concerns related to shareholder rights                                                                                                                                                                                                                                                                                                             |
| 01/07/2022 | Grupo Nutresa SA                               | Extraordinary Shareholders | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 01/07/2022 | Ambuja Cements Limited                         | Special                    | Against       | 1                                | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                                                                                                           |
| 04/07/2022 | Shriram Transport Finance Co. Ltd.             | Court                      | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 04/07/2022 | Tata Motors Limited                            | Annual                     | Against       | 17                               | Insufficient basis to support a decision                                                                                                                                                                                                                                                                                                           |
| 05/07/2022 | Piramal Enterprises Ltd.                       | Court                      | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 08/07/2022 | Havells India Ltd.                             | Annual                     | Against       | 7,8,9,10<br>5                    | Apparent failure to link pay and appropriate performance<br>Concerns related to approach to board gender diversity                                                                                                                                                                                                                                 |
| 16/07/2022 | HDFC Bank Limited                              | Annual                     | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 19/07/2022 | Persistent Systems Limited                     | Annual                     | Against       | 9                                | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                                                                                                           |
| 19/07/2022 | Wipro Limited                                  | Annual                     | All For       |                                  |                                                                                                                                                                                                                                                                                                                                                    |
| 20/07/2022 | ITC Limited                                    | Annual                     | Against       | 3,4,6                            | Lack of independence on board                                                                                                                                                                                                                                                                                                                      |

| Meeting    | Company Name                                | Meeting Type | Voting Action | Agenda Item Numbers | Voting Explanation                                                                                                                                                                                                                                                                                                                      |
|------------|---------------------------------------------|--------------|---------------|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 21/07/2022 | Mphasis Limited                             | Annual       | Against       | 3,4,5,6,7           | Lack of independence on board                                                                                                                                                                                                                                                                                                           |
| 21/07/2022 | Srf Limited                                 | Annual       | Against       | 2<br>5              | Concerns related to approach to board gender diversity<br>Concerns related to inappropriate membership of committees Lack of independence on board                                                                                                                                                                                      |
| 22/07/2022 | Crompton Greaves Consumer Electricals Ltd.  | Annual       | Against       | 3<br>4              | Concerns related to inappropriate membership of committees<br>Concerns related to shareholder rights                                                                                                                                                                                                                                    |
| 25/07/2022 | Nestle India Ltd.                           | Court        | All For       |                     |                                                                                                                                                                                                                                                                                                                                         |
| 26/07/2022 | Bajaj Auto Limited                          | Annual       | Against       | 5,7<br>6<br>3,4     | Concerns related to Non-audit fees<br>Concerns related to Non-audit feesConcerns related to approach to board gender diversity<br>Lack of independence on board                                                                                                                                                                         |
| 26/07/2022 | Tech Mahindra Limited                       | Annual       | All For       |                     |                                                                                                                                                                                                                                                                                                                                         |
| 26/07/2022 | Titan Company Limited                       | Annual       | Against       | 4                   | Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversityOverboarded/Too many other time commitments                                                                                                                                                                            |
| 28/07/2022 | Bajaj Finserv Limited                       | Annual       | Against       | 3                   | Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity Lack of independence on board                                                                                                                                                                                         |
| 28/07/2022 | Biocon Limited                              | Annual       | All For       |                     |                                                                                                                                                                                                                                                                                                                                         |
| 28/07/2022 | Colgate-Palmolive (India) Limited           | Annual       | Against       | 5<br>4<br>2         | Apparent failure to link pay and appropriate performance<br>Concerns related to shareholder rights<br>Lack of independence on board                                                                                                                                                                                                     |
| 29/07/2022 | Axis Bank Limited                           | Annual       | Against       | 3                   | Concerns related to inappropriate membership of committees                                                                                                                                                                                                                                                                              |
| 29/07/2022 | Cholamandalam Investment & Finance Co. Ltd. | Annual       | Against       | 4                   | Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity                                                                                                                                                                                                                       |
| 29/07/2022 | Dr. Reddy's Laboratories Ltd.               | Annual       | All For       |                     |                                                                                                                                                                                                                                                                                                                                         |
| 29/07/2022 | Piramal Enterprises Ltd.                    | Annual       | Against       | 3                   | Lack of independence on board                                                                                                                                                                                                                                                                                                           |
| 29/07/2022 | Torrent Pharmaceuticals Ltd.                | Annual       | Against       | 3                   | Lack of independence on board                                                                                                                                                                                                                                                                                                           |
| 02/08/2022 | Aurobindo Pharma Ltd.                       | Annual       | All For       |                     |                                                                                                                                                                                                                                                                                                                                         |
| 03/08/2022 | Lupin Limited                               | Annual       | All For       |                     |                                                                                                                                                                                                                                                                                                                                         |
| 04/08/2022 | Larsen & Toubro Ltd.                        | Annual       | Against       | 6<br>1<br>3,4,5     | Apparent failure to link pay and appropriate performance<br>Inadequate management of climate-related risks<br>Lack of independence on board                                                                                                                                                                                             |
| 04/08/2022 | MRF Limited                                 | Annual       | Against       | 6,7<br>3,4          | Apparent failure to link pay and appropriate performance<br>Lack of independence on board                                                                                                                                                                                                                                               |
| 05/08/2022 | ICICI Lombard General Insurance Co. Ltd.    | Annual       | Against       | 4                   | Concerns related to inappropriate membership of committees                                                                                                                                                                                                                                                                              |
| 05/08/2022 | Mahindra & Mahindra Ltd.                    | Annual       | Against       | 9<br>4,5            | Insufficient basis to support a decision<br>Lack of independence on board                                                                                                                                                                                                                                                               |
| 05/08/2022 | Marico Limited                              | Annual       | Against       | 3                   | Lack of independence on board                                                                                                                                                                                                                                                                                                           |
| 09/08/2022 | Hero Motocorp Limited                       | Annual       | Against       | 6                   | Apparent failure to link pay & appropriate performance                                                                                                                                                                                                                                                                                  |
| 09/08/2022 | United Spirits Limited                      | Annual       | All For       |                     |                                                                                                                                                                                                                                                                                                                                         |
| 10/08/2022 | Bandhan Bank Ltd.                           | Annual       | Against       | 4                   | Concerns related to inappropriate membership of committees                                                                                                                                                                                                                                                                              |
| 10/08/2022 | DLF Limited                                 | Annual       | Against       | 7                   | Insufficient basis to support a decision                                                                                                                                                                                                                                                                                                |
| 10/08/2022 | Pidilite Industries Limited                 | Annual       | Against       | 8<br>4<br>3,6<br>7  | Concerns about overall board structure<br>Concerns related to inappropriate membership of committeesLack of independent representation at board committeesConcerns related to approach to board gender diversityLack of independence on board<br>Lack of independence on board Apparent failure to link pay and appropriate performance |
| 10/08/2022 | Vedanta Limited                             | Annual       | Against       | 5<br>4              | Inadequate management of climate-related risksConcerns related to inappropriate membership of committeesLack of independence on board<br>Inadequate management of climate-related risksLack of independence on board                                                                                                                    |
| 11/08/2022 | Page Industries Limited                     | Annual       | Against       | 2,3                 | Lack of independence on board                                                                                                                                                                                                                                                                                                           |
| 12/08/2022 | Bharti Airtel Limited                       | Annual       | Against       | 10,11,12<br>9       | Concerns to protect shareholder value<br>Apparent failure to link pay and appropriate performance                                                                                                                                                                                                                                       |
| 12/08/2022 | Dabur India Limited                         | Annual       | Against       | 4<br>8<br>9         | Lack of independence on board<br>Lack of independence on boardApparent failure to link pay and appropriate performance<br>Apparent failure to link pay and appropriate performance                                                                                                                                                      |
| 12/08/2022 | UPL Limited                                 | Annual       | Against       | 5<br>4              | Concerns related to Non-audit fees<br>Lack of independence on board                                                                                                                                                                                                                                                                     |
| 16/08/2022 | HCL Technologies Limited                    | Annual       | Against       | 2                   | Concerns related to inappropriate membership of committeesLack of independent representation at board committees                                                                                                                                                                                                                        |
| 19/08/2022 | Mahindra & Mahindra Ltd.                    | Court        | All For       |                     |                                                                                                                                                                                                                                                                                                                                         |
| 23/08/2022 | AU Small Finance Bank Ltd.                  | Annual       | Against       | 4                   | Concerns related to approach to board gender diversity                                                                                                                                                                                                                                                                                  |

| Meeting    | Company Name                                | Meeting Type | Voting Action | Agenda Item Numbers       | Voting Explanation                                                                                                                                                                                                                                                                                                                                                                         |
|------------|---------------------------------------------|--------------|---------------|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 23/08/2022 | Hindalco Industries Limited                 | Annual       | Against       | 6,7,8<br>3<br>9           | Apparent failure to link pay and appropriate performance<br>Concerns related to inappropriate membership of committeesLack of independent representation at board committeesLack of independence on board Concerns related to approach to board gender diversityInadequate management of climate-related risksOverboarded/Too many other time commitments<br>Lack of independence on board |
| 24/08/2022 | Eicher Motors Limited                       | Annual       | All For       |                           |                                                                                                                                                                                                                                                                                                                                                                                            |
| 25/08/2022 | Alkem Laboratories Ltd.                     | Annual       | Against       | 3                         | Concerns related to attendance at board or committee meetings                                                                                                                                                                                                                                                                                                                              |
| 25/08/2022 | Indian Oil Corp. Ltd.                       | Annual       | Against       | 10, 12<br>3,4             | Concerns related to shareholder rights<br>Lack of independence on board                                                                                                                                                                                                                                                                                                                    |
| 25/08/2022 | NHPC Limited                                | Annual       | Against       | 6,7<br>9<br>3             | Concerns related to approach to board gender diversity<br>Concerns related to approach to board gender diversityConcerns about candidate's experience/skills<br>Lack of independence on board                                                                                                                                                                                              |
| 26/08/2022 | Berger Paints India Limited                 | Annual       | Against       | 5<br>3,4                  | Concerns related to attendance at board or committee meetings<br>Concerns related to inappropriate membership of committeesLack of independence on board                                                                                                                                                                                                                                   |
| 26/08/2022 | Cipla Limited                               | Annual       | All For       |                           |                                                                                                                                                                                                                                                                                                                                                                                            |
| 26/08/2022 | GAIL (India) Limited                        | Annual       | Against       | 3<br>4                    | Concerns related to inappropriate membership of committees<br>Concerns related to inappropriate membership of committeesConcerns related to approach to board gender diversity                                                                                                                                                                                                             |
| 27/08/2022 | Kotak Mahindra Bank Limited                 | Annual       | All For       |                           |                                                                                                                                                                                                                                                                                                                                                                                            |
| 29/08/2022 | Bharat Petroleum Corporation Limited        | Annual       | Against       | 1                         | Inadequate management of climate-related risks                                                                                                                                                                                                                                                                                                                                             |
| 29/08/2022 | Grasim Industries Ltd.                      | Annual       | Against       | 10, 11, 12<br>4,8<br>3,7  | Apparent failure to link pay and appropriate performance<br>Lack of independence on board<br>Lack of independence on boardOverboarded/Too many other time commitmentsConcerns related to attendance at board or committee meetings                                                                                                                                                         |
| 29/08/2022 | NMDC Limited                                | Annual       | Against       | 7,9<br>6<br>5             | Concerns about candidate's experience/skills<br>Concerns about candidate's experience/skillsConcerns related to approach to board gender diversity<br>Lack of independence on board                                                                                                                                                                                                        |
| 29/08/2022 | Oil & Natural Gas Corp. Ltd.                | Annual       | Against       | 1<br>3,5                  | Inadequate management of climate-related risks<br>Lack of independence on board                                                                                                                                                                                                                                                                                                            |
| 29/08/2022 | Power Grid Corporation of India Limited     | Annual       | Against       | 7<br>6,8<br>9<br>3,4,10   | Concerns about candidate's experience/skills<br>Concerns about candidate's experience/skillsConcerns related to approach to board gender diversity<br>Inadequate management of climate-related risksLack of independence on board<br>Lack of independence on board                                                                                                                         |
| 29/08/2022 | Reliance Industries Ltd.                    | Annual       | Against       | 7<br>6                    | Concerns related to approach to board gender diversity<br>Inadequate management of climate-related risks                                                                                                                                                                                                                                                                                   |
| 29/08/2022 | Samvardhana Motherson International Limited | Annual       | Against       | 3<br>5                    | Concerns related to inappropriate membership of committeesConcerns related to approach to board gender diversity<br>Insufficient basis to support a decision                                                                                                                                                                                                                               |
| 29/08/2022 | SBI Life Insurance Co. Ltd.                 | Annual       | Against       | 6                         | Concerns related to approach to board gender diversity                                                                                                                                                                                                                                                                                                                                     |
| 29/08/2022 | Sun Pharmaceutical Industries Limited       | Annual       | Against       | 8<br>3                    | Concerns related to approach to board gender diversity<br>Concerns related to inappropriate membership of committeesLack of independence on board                                                                                                                                                                                                                                          |
| 30/08/2022 | Bharat Electronics Limited                  | Annual       | Against       | 5,7,10<br>8<br>4<br>12    | Concerns about candidate's experience/skills<br>Concerns related to approach to board gender diversity<br>Concerns related to approach to board gender diversityConcerns about candidate's experience/skills<br>Concerns related to shareholder rights                                                                                                                                     |
| 30/08/2022 | Coal India Ltd.                             | Annual       | Against       | 3                         | Concerns related to inappropriate membership of committeesInadequate management of climate-related risks                                                                                                                                                                                                                                                                                   |
| 30/08/2022 | ICICI Bank Limited                          | Annual       | Against       | 23,24                     | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                                                                                                                                                   |
| 30/08/2022 | NTPC Limited                                | Annual       | Against       | 8<br>5,6,7<br>1<br>3,9,10 | Concerns about candidate's experience/skills<br>Concerns related to approach to board gender diversity<br>Inadequate management of climate-related risks<br>Lack of independence on board                                                                                                                                                                                                  |
| 31/08/2022 | Maruti Suzuki India Limited                 | Annual       | Against       | 7<br>3,4,5,6              | Concerns related to shareholder rights<br>Lack of independence on board                                                                                                                                                                                                                                                                                                                    |
| 31/08/2022 | Muthoot Finance Limited                     | Annual       | Against       | 8                         | Concerns related to approach to board gender diversity                                                                                                                                                                                                                                                                                                                                     |
| 02/09/2022 | Bajaj Finserv Limited                       | Special      | All For       |                           |                                                                                                                                                                                                                                                                                                                                                                                            |
| 08/09/2022 | Torrent Pharmaceuticals Ltd.                | Special      | Against       | 2                         | Apparent failure to link pay and appropriate performanceLack of independence on board                                                                                                                                                                                                                                                                                                      |
| 14/09/2022 | Tata Steel Limited                          | Special      | All For       |                           |                                                                                                                                                                                                                                                                                                                                                                                            |
| 23/09/2022 | Samvardhana Motherson International Limited | Special      | All For       |                           |                                                                                                                                                                                                                                                                                                                                                                                            |
| 27/09/2022 | Indraprastha Gas Limited                    | Annual       | Against       | 3                         | Concerns related to attendance at board or committee meetings Concerns related to inappropriate membership of committees Lack of independence on board Concerns related to approach to board gender diversity                                                                                                                                                                              |
| 28/09/2022 | Alkem Laboratories Ltd.                     | Special      | All For       |                           |                                                                                                                                                                                                                                                                                                                                                                                            |

| Meeting    | Company Name                           | Meeting Type               | Voting Action              | Agenda Item Numbers                                       | Voting Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------|----------------------------------------|----------------------------|----------------------------|-----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 30/09/2022 | Jindal Steel & Power Ltd.              | Annual                     | Against                    | 4<br>10<br>17<br>1<br>19,21,22                            | Concerns related to attendance at board or committee meetings<br>Concerns related to inappropriate membership of committees<br>Concerns related to shareholder rights<br>Inadequate management of climate-related risks<br>Insufficient basis to support a decision                                                                                                                                                                                                    |
| 30/09/2022 | Zee Entertainment Enterprises Limited  | Annual                     | Against                    | 8<br>7                                                    | Concerns related to approach to board gender diversity<br>Concerns related to inappropriate membership of committees                                                                                                                                                                                                                                                                                                                                                   |
| 26/07/2022 | PT Unilever Indonesia Tbk              | Extraordinary Shareholders | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 23/08/2022 | PT Aneka Tambang Tbk                   | Extraordinary Shareholders | Against                    | 2                                                         | Insufficient/poor disclosure                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 31/08/2022 | PT Bank Negara Indonesia (Persero) Tbk | Extraordinary Shareholders | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 02/08/2022 | Israel Discount Bank Ltd.              | Annual                     | Abstain<br>Against         | 3,2<br>A<br>B1,B2                                         | Cumulative/slate voting in favour of individual candidates/slates<br>Administrative declaration                                                                                                                                                                                                                                                                                                                                                                        |
| 04/08/2022 | Bank Leumi Le-Israel Ltd.              | Annual/Special             | Abstain<br>Against         | 3<br>A,B1,B2<br>7                                         | Cumulative/slate voting in favour of individual candidates/slates<br>Administrative declaration<br>Lack of independent representation at board committees                                                                                                                                                                                                                                                                                                              |
| 11/08/2022 | Bank Hapoalim BM                       | Annual                     | Against<br>No Action Taken | B1,B2<br>5,7,10<br>A                                      | Administrative declaration<br>Concerns about candidate's experience/skills                                                                                                                                                                                                                                                                                                                                                                                             |
| 30/08/2022 | Check Point Software Technologies Ltd. | Annual                     | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 13/09/2022 | Gav-Yam Lands Corp. Ltd.               | Annual/Special             | Against<br>No Action Taken | B1,B2<br>2<br>6<br>A                                      | Administrative declaration<br>Concerns related to Non-audit fees<br>Concerns related to inappropriate membership of committees                                                                                                                                                                                                                                                                                                                                         |
| 27/07/2022 | Gamuda Bhd.                            | Extraordinary Shareholders | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 29/09/2022 | PETRONAS Chemicals Group Bhd.          | Extraordinary Shareholders | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 05/07/2022 | FIBRA Prologis                         | Special                    | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 22/08/2022 | Banco del Bajio SA                     | Ordinary Shareholders      | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 21/07/2022 | Polski Koncern Naftowy ORLEN SA        | Special                    | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 01/09/2022 | Powszechny Zakład Ubezpieczeń SA       | Special                    | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 23/09/2022 | LPP SA                                 | Special                    | Against                    | 6,7                                                       | Insufficient basis to support a decision                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 28/09/2022 | Polski Koncern Naftowy ORLEN SA        | Special                    | Against                    | 7                                                         | Concerns related to shareholder rights                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 30/08/2022 | Saudi Telecom Co.                      | Extraordinary Shareholders | Against                    | 2<br>6                                                    | Concerns to protect shareholder value<br>Insufficient/poor disclosure                                                                                                                                                                                                                                                                                                                                                                                                  |
| 18/07/2022 | Vodacom Group Ltd.                     | Annual                     | Against                    | 3,4                                                       | Lack of independence on board                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 25/08/2022 | MultiChoice Group Ltd.                 | Annual                     | Against                    | 1<br>2,2                                                  | Apparent failure to link pay and appropriate performance<br>Lack of independent representation at board committees                                                                                                                                                                                                                                                                                                                                                     |
| 25/08/2022 | Naspers Ltd.                           | Annual                     | Against                    | 8,9,2<br>6.1,6.3,6.4,6.5<br>7,3<br>1.1<br>6<br>11<br>10,5 | Apparent failure to link pay & appropriate performance<br>Concerns about overall performance 2- Lack of independence on board<br>Concerns related to inappropriate membership of committees<br>Concerns to protect shareholder value<br>Concerns to protect shareholder value 2- Insufficient/poor disclosure<br>Concerns to protect shareholder value 2- Multiple voting rights<br>Issue of capital raises concerns about excessive dilution of existing shareholders |
| 08/09/2022 | The Foschini Group Ltd.                | Annual                     | Against                    | 12<br>3                                                   | Apparent failure to link pay and appropriate performance<br>Concerns related to inappropriate membership of committees                                                                                                                                                                                                                                                                                                                                                 |
| 25/08/2022 | Koc Holding A.S.                       | Special                    | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 25/08/2022 | Türkiye Petrol Rafinerileri AS         | Special                    | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 05/09/2022 | Petkim Petrokimya Holding AS           | Annual                     | Against                    | 9<br>8,11                                                 | Concerns related to Non-audit fees<br>Insufficient/poor disclosure                                                                                                                                                                                                                                                                                                                                                                                                     |
| 29/08/2022 | Abu Dhabi Commercial Bank              | Ordinary Shareholders      | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 21/09/2022 | Emaar Properties PJSC                  | Special                    | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 29/09/2022 | Fertiglobe Plc                         | Ordinary Shareholders      | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 06/07/2022 | voestalpine AG                         | Annual                     | Against                    | 8<br>3,4                                                  | Concerns to protect shareholder value<br>Inadequate management of climate-related risks                                                                                                                                                                                                                                                                                                                                                                                |
| 28/09/2022 | Colruyt SA                             | Ordinary Shareholders      | Against                    | 2<br>6b<br>6a                                             | Apparent failure to link pay and appropriate performance<br>Combined CEO/Chairman<br>Concerns related to inappropriate membership of committees                                                                                                                                                                                                                                                                                                                        |
| 31/08/2022 | ROCKWOOL A/S                           | Extraordinary Shareholders | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 05/07/2022 | Ubisoft Entertainment SA               | Annual/Special             | Against                    | 5,6,7,8,9,10,11,12                                        | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                                                                                                                                                                                                                               |
| 12/07/2022 | Alstom SA                              | Annual/Special             | All For                    |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

| Meeting    | Company Name                             | Meeting Type               | Voting Action | Agenda Item Numbers                                                                                        | Voting Explanation                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------|------------------------------------------|----------------------------|---------------|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 21/07/2022 | Remy Cointreau SA                        | Annual/Special             | Against       | 11, 12, 13, 14, 15<br>5                                                                                    | Apparent failure to link pay and appropriate performance<br>Insufficient justification for related party transaction<br>Issue of equity raises concerns about excessive dilution of existing shareholders                                                                                                                                                                                                                         |
| 26/07/2022 | Soitec SA                                | Annual/Special             | Against       | 18, 20<br>10, 15                                                                                           | Apparent failure to link pay and appropriate performance<br>Lack of independence on board                                                                                                                                                                                                                                                                                                                                         |
| 28/07/2022 | Orpea SA                                 | Annual/Special             | Against       | 18, 21                                                                                                     | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                                                                                                                                                                                          |
| 14/07/2022 | Fielmann AG                              | Annual                     | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 28/07/2022 | Vantage Towers AG                        | Annual                     | Against       | 6<br>7                                                                                                     | Apparent failure to link pay and appropriate performance<br>Lack of independence on board                                                                                                                                                                                                                                                                                                                                         |
| 30/09/2022 | HELLA GmbH & Co. KGaA                    | Annual                     | Against       | 7, 8<br>9.4, 9.5, 9.7, 10.2, 10.7<br>10.3<br>9.1, 9.3, 9.6, 10.1, 10.5, 10.8<br>9.2, 9.8, 10.4, 10.6<br>12 | Apparent failure to link pay and appropriate performance<br>Lack of independence on board<br>Concerns related to succession planning<br>Concerns related to inappropriate membership of committees<br>Concerns related to succession planning<br>Lack of independent representation at board committees<br>Lack of independence on board<br>Concerns related to succession planning<br>Concerns about reducing shareholder rights |
| 21/07/2022 | Eurobank Ergasias Services & Holdings SA | Annual                     | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 22/07/2022 | Alpha Services & Holdings SA             | Annual                     | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 28/07/2022 | National Bank of Greece SA               | Annual                     | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 03/08/2022 | Public Power Corp. SA                    | Extraordinary Shareholders | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 08/09/2022 | Motor Oil (Hellas) Corinth Refineries SA | Extraordinary Shareholders | Against       | 1                                                                                                          | Insufficient/poor disclosure                                                                                                                                                                                                                                                                                                                                                                                                      |
| 20/09/2022 | HELLENIQ ENERGY Holdings SA              | Extraordinary Shareholders | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 07/07/2022 | C&C Group Plc                            | Annual                     | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 15/07/2022 | DCC Plc                                  | Annual                     | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 25/07/2022 | Linde Plc                                | Annual                     | Against       | 1g<br>3, 4<br>1e                                                                                           | Concerns related to approach to board gender diversity<br>Apparent failure to link pay and appropriate performance<br>Concerns about remuneration committee performance 2- Concerns related to below-board gender diversity 3-<br>Concerns related to board gender diversity                                                                                                                                                      |
| 26/07/2022 | ICON plc                                 | Annual                     | Against       | 1, 3                                                                                                       | Concerns regarding Auditor tenure                                                                                                                                                                                                                                                                                                                                                                                                 |
| 28/07/2022 | Jazz Pharmaceuticals Plc                 | Annual                     | Against       | 3<br>1a<br>5<br>4                                                                                          | Apparent failure to link pay and appropriate performance<br>Concerns about remuneration committee performance<br>Concerns to protect shareholder value<br>Issue of equity raises concerns about excessive dilution of existing shareholders                                                                                                                                                                                       |
| 28/07/2022 | STERIS Plc (Ireland)                     | Annual                     | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 14/09/2022 | UniCredit SpA                            | Extraordinary Shareholders | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 28/07/2022 | B&M European Value Retail SA             | Annual                     | Against       | 7<br>12                                                                                                    | Apparent failure to link pay & appropriate performance<br>Overboarded/Too many other time commitments                                                                                                                                                                                                                                                                                                                             |
| 30/08/2022 | Reinet Investments SCA                   | Annual                     | Against       | 6.1<br>8                                                                                                   | Concerns related to approach to board gender diversity<br>Issue of equity raises concerns about excessive dilution of existing shareholders                                                                                                                                                                                                                                                                                       |
| 28/09/2022 | L'Occitane International S.A.            | Annual                     | Against       | 11, 12, 13, 14, 15, 16, 17, 18, 19,<br>20, 21<br>4A, 4C                                                    | Insufficient/poor disclosure<br>Issue of equity raises concerns about excessive dilution of existing shareholders<br>Insufficient/poor disclosure                                                                                                                                                                                                                                                                                 |
| 24/08/2022 | Prosus NV                                | Annual                     | Against       | 2, 7                                                                                                       | Apparent failure to link pay & appropriate performance                                                                                                                                                                                                                                                                                                                                                                            |
| 06/09/2022 | Akzo Nobel NV                            | Extraordinary Shareholders | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 08/09/2022 | argenx SE                                | Extraordinary Shareholders | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 29/09/2022 | ABN AMRO Bank NV                         | Extraordinary Shareholders | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 30/09/2022 | Koninklijke Philips NV                   | Extraordinary Shareholders | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 07/07/2022 | Yara International ASA                   | Extraordinary Shareholders | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 26/08/2022 | Aker BP ASA                              | Extraordinary Shareholders | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 20/09/2022 | Norsk Hydro ASA                          | Extraordinary Shareholders | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 12/07/2022 | Industria de Diseno Textil SA            | Annual                     | All For       |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 25/08/2022 | Elektro AB                               | Annual                     | Against       | 13.6<br>13.3<br>19.a                                                                                       | Lack of independent representation at board committees<br>Overboarded/Too many other time commitments<br>Shareholder proposal promotes efficient capital structure                                                                                                                                                                                                                                                                |
| 13/08/2022 | EMS-Chemie Holding AG                    | Annual                     | Against       | 3.2.2<br>6.1.1<br>6.2<br>7                                                                                 | Apparent failure to link pay & appropriate performance<br>Concerns related to board gender diversity<br>Concerns to protect shareholder value<br>Insufficient/poor disclosure                                                                                                                                                                                                                                                     |
| 07/09/2022 | ABB Ltd.                                 | Extraordinary Shareholders | Against       | 2                                                                                                          | Insufficient/poor disclosure                                                                                                                                                                                                                                                                                                                                                                                                      |



| Meeting    | Company Name                        | Meeting Type   | Voting Action | Agenda Item Numbers                       | Voting Explanation                                                                                                                                                                                                                                                                                                                                                                                          |
|------------|-------------------------------------|----------------|---------------|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 07/09/2022 | Compagnie Financiere Richemont SA   | Annual         | Against       | 12<br>5.5,5.12,6.3<br>5.2<br>9.3<br>10,11 | Insufficient/poor disclosure<br>Lack of independent representation at board committees<br>Lack of independent representation at board committees<br>Concerns related to inappropriate membership of committees<br>Apparent failure to link pay and appropriate performance<br>SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes enhanced shareholder rights |
| 14/09/2022 | Logitech International S.A.         | Annual         | Against       | 2<br>9H<br>A                              | Apparent failure to link pay and appropriate performance<br>Concerns about remuneration committee performance<br>Insufficient/poor disclosure                                                                                                                                                                                                                                                               |
| 04/08/2022 | Saputo Inc.                         | Annual         | Against       | 4                                         | SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks                                                                                                                                                                                                                                                          |
| 31/08/2022 | Alimentation Couche-Tard Inc.       | Annual/Special | Against       | 3<br>2.11                                 | Apparent failure to link pay and appropriate performance<br>Concerns related to board ethnic and/or racial diversity<br>Concerns related to approach to board diversity<br>Concerns about remuneration committee performance<br>Concerns related to succession planning                                                                                                                                     |
| 15/09/2022 | Empire Company Limited              | Annual         | Against       | 1                                         | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                                                                                                                                                                    |
| 15/09/2022 | Open Text Corporation               | Annual         | Against       | 1.11<br>1.9<br>3                          | Concerns related to board ethnic and/or racial diversity<br>Concerns related to approach to board diversity<br>Concerns about remuneration committee performance<br>Apparent failure to link pay and appropriate performance                                                                                                                                                                                |
| 07/07/2022 | Snowflake, Inc.                     | Annual         | Against       | 1c                                        | Lack of independent representation at board committees<br>Concerns about overall board structure<br>Concerns to protect shareholder value                                                                                                                                                                                                                                                                   |
| 12/07/2022 | TransDigm Group Incorporated        | Annual         | Against       | 3<br>1.4                                  | Apparent failure to link pay & appropriate performance<br>Concerns about remuneration committee performance                                                                                                                                                                                                                                                                                                 |
| 12/07/2022 | VMware, Inc.                        | Annual         | Against       | 2<br>1c                                   | Apparent failure to link pay and appropriate performance<br>Concerns about overall board structure<br>Concerns about remuneration committee performance                                                                                                                                                                                                                                                     |
| 19/07/2022 | Constellation Brands, Inc.          | Annual         | Against       | 3<br>1.2                                  | Apparent failure to link pay and appropriate performance<br>Concerns about remuneration committee performance<br>Concerns to protect shareholder value                                                                                                                                                                                                                                                      |
| 20/07/2022 | Avangrid, Inc.                      | Annual         | Against       | 3<br>1.9                                  | Apparent failure to link pay and appropriate performance<br>Lack of independent representation at board committees<br>Concerns about remuneration committee performance                                                                                                                                                                                                                                     |
| 22/07/2022 | McKesson Corporation                | Annual         | Against       | 6,7                                       | Shareholder proposal promotes appropriate accountability or incentivisation                                                                                                                                                                                                                                                                                                                                 |
| 26/07/2022 | VF Corp.                            | Annual         | Against       | 1.3<br>2                                  | Concerns about remuneration committee performance<br>Apparent failure to link pay and appropriate performance                                                                                                                                                                                                                                                                                               |
| 28/07/2022 | Kyndryl Holdings, Inc.              | Annual         | Against       | 2                                         | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                                                                                                                                                                    |
| 04/08/2022 | Tesla, Inc.                         | Annual         | Against       | 1.1,1.2<br>7,8,9,10,11,12,13<br>6         | Concerns about overall board structure 2- Concerns to protect shareholder value<br>SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks<br>SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes enhanced shareholder rights                                      |
| 09/08/2022 | Qorvo, Inc.                         | Annual         | Against       | 2<br>1.8<br>1.1                           | Apparent failure to link pay and appropriate performance<br>Concerns about remuneration committee performance<br>Concerns related to approach to board diversity<br>Concerns related to approach to board gender diversity                                                                                                                                                                                  |
| 10/08/2022 | ABIOMED, Inc.                       | Annual         | Against       | 2<br>1.2                                  | Apparent failure to link pay & appropriate performance<br>Concerns about overall board structure 2- Concerns about remuneration committee performance                                                                                                                                                                                                                                                       |
| 11/08/2022 | Electronic Arts Inc.                | Annual         | Against       | 6                                         | Shareholder proposal promotes appropriate accountability or incentivisation                                                                                                                                                                                                                                                                                                                                 |
| 17/08/2022 | The J. M. Smucker Company           | Annual         | All For       |                                           |                                                                                                                                                                                                                                                                                                                                                                                                             |
| 17/08/2022 | Zendesk, Inc.                       | Annual         | Against       | 1a                                        | Concerns to protect shareholder value; concerns about board structure; concerns about board gender diversity                                                                                                                                                                                                                                                                                                |
| 23/08/2022 | Microchip Technology Incorporated   | Annual         | Against       | 1.2                                       | Concerns related to succession planning                                                                                                                                                                                                                                                                                                                                                                     |
| 09/09/2022 | NetApp, Inc.                        | Annual         | Against       | 2<br>1d<br>4                              | Apparent failure to link pay and appropriate performance<br>Concerns about remuneration committee performance<br>Shareholder proposal promotes appropriate accountability or incentivisation                                                                                                                                                                                                                |
| 09/09/2022 | NIKE, Inc.                          | Annual         | Against       | 2                                         | Apparent failure to link pay & appropriate performance                                                                                                                                                                                                                                                                                                                                                      |
| 12/09/2022 | Deckers Outdoor Corporation         | Annual         | Against       | 3<br>1.4                                  | Apparent failure to link pay and appropriate performance<br>Concerns about remuneration committee performance                                                                                                                                                                                                                                                                                               |
| 13/09/2022 | NortonLifeLock Inc.                 | Annual         | Against       | 3<br>1e<br>5                              | Apparent failure to link pay and appropriate performance<br>Concerns about remuneration committee performance<br>Shareholder proposal promotes appropriate accountability or incentivisation                                                                                                                                                                                                                |
| 13/09/2022 | Twitter, Inc.                       | Special        | All For       |                                           |                                                                                                                                                                                                                                                                                                                                                                                                             |
| 16/09/2022 | Take-Two Interactive Software, Inc. | Annual         | Against       | 2<br>1d                                   | Apparent failure to link pay and appropriate performance.<br>Concerns about remuneration committee performance                                                                                                                                                                                                                                                                                              |



| Meeting    | Company Name                                    | Meeting Type | Voting Action | Agenda Item Numbers | Voting Explanation                                                                                                                                                                                                                                                |
|------------|-------------------------------------------------|--------------|---------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 19/09/2022 | FedEx Corporation                               | Annual       | Against       | 5<br>6,7,8,9        | SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes appropriate accountability or incentivisation<br>SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency |
| 19/09/2022 | Zendesk, Inc.                                   | Special      | All For       |                     |                                                                                                                                                                                                                                                                   |
| 21/09/2022 | Conagra Brands, Inc.                            | Annual       | Against       | 3<br>1i<br>4<br>5   | Apparent failure to link pay and appropriate performance<br>Concerns about remuneration committee performance<br>Concerns to protect shareholder value<br>Shareholder proposal promotes appropriate accountability or incentivisation                             |
| 21/09/2022 | Darden Restaurants, Inc.                        | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 27/09/2022 | Centene Corporation                             | Special      | Against       | 3                   | Concerns to protect shareholder value                                                                                                                                                                                                                             |
| 27/09/2022 | General Mills, Inc.                             | Annual       | Against       | 6<br>5<br>4<br>1e   | Shareholder proposal promotes better management of SEE opportunities and risks<br>Shareholder proposal promotes appropriate accountability or incentivisation<br>Concerns regarding Auditor tenure<br>Concerns regarding audit quality                            |
| 28/09/2022 | Duke Realty Corporation                         | Special      | Against       | 2                   | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                          |
| 28/09/2022 | Prologis, Inc.                                  | Special      | All For       |                     |                                                                                                                                                                                                                                                                   |
| 29/09/2022 | Lamb Weston Holdings, Inc.                      | Annual       | Against       | 1i<br>2<br>1b       | Concerns about remuneration committee performance<br>Apparent failure to link pay and appropriate performance<br>Concerns related to approach to board diversityConcerns related to approach to board gender diversity                                            |
| 06/07/2022 | Sirius Real Estate Limited                      | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 20/07/2022 | HarbourVest Global Private Equity Ltd           | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 02/08/2022 | Syncona Limited                                 | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 03/08/2022 | Sequoia Economic Infrastructure Income Fund Ltd | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 01/09/2022 | JLEN Environmental Assets Group Ltd             | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 09/09/2022 | BH Macro Limited                                | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 21/09/2022 | Hipgnosis Songs Fund Limited                    | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 07/07/2022 | 3i Infrastructure PLC                           | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 21/07/2022 | Experian Plc                                    | Annual       | Against       | 2                   | Apparent failure to link pay & appropriate performance                                                                                                                                                                                                            |
| 13/09/2022 | Wizz Air Holdings Plc                           | Annual       | Against       | 2<br>3              | Apparent failure to link pay and appropriate performance<br>Concerns related to approach to board gender diversity Concerns related to succession planning                                                                                                        |
| 30/09/2022 | GCP Infrastructure Investments Limited          | Special      | All For       |                     |                                                                                                                                                                                                                                                                   |
| 05/07/2022 | Marks & Spencer Group Plc                       | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 06/07/2022 | Assura Plc                                      | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 06/07/2022 | Contourglobal Plc                               | Court        | All For       |                     |                                                                                                                                                                                                                                                                   |
| 06/07/2022 | Contourglobal Plc                               | Special      | All For       |                     |                                                                                                                                                                                                                                                                   |
| 06/07/2022 | GSK Plc                                         | Special      | All For       |                     |                                                                                                                                                                                                                                                                   |
| 06/07/2022 | Worldwide Healthcare Trust PLC                  | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 07/07/2022 | Great Portland Estates Plc                      | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 07/07/2022 | J Sainsbury Plc                                 | Annual       | Against       | 21                  | SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks                                                                                                                |
| 07/07/2022 | Land Securities Group Plc                       | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 07/07/2022 | Pets At Home Group Plc                          | Annual       | Against       | 2                   | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                          |
| 07/07/2022 | Severn Trent Plc                                | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 11/07/2022 | National Grid Plc                               | Annual       | Against       | 17                  | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                          |
| 12/07/2022 | Burberry Group Plc                              | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 12/07/2022 | Capital Gearing Trust PLC                       | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 12/07/2022 | The British Land Co. Plc                        | Annual       | Against       | 3                   | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                          |
| 13/07/2022 | LondonMetric Property Plc                       | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 14/07/2022 | BT Group Plc                                    | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 14/07/2022 | Dr. Martens Plc                                 | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 14/07/2022 | Personal Assets Trust PLC                       | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 14/07/2022 | RS Group Plc                                    | Annual       | Against       | 2,3                 | Apparent failure to link pay and appropriate performance                                                                                                                                                                                                          |
| 14/07/2022 | TEMPLETON EMERGING MARKETS INVESTMENT TRUST     | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 15/07/2022 | AVEVA Group Plc                                 | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 18/07/2022 | JPMorgan European Discovery trust PLC           | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |
| 20/07/2022 | easyJet Plc                                     | Special      | All For       |                     |                                                                                                                                                                                                                                                                   |
| 20/07/2022 | Fidelity China Special Situations PLC           | Annual       | All For       |                     |                                                                                                                                                                                                                                                                   |

| Meeting    | Company Name                             | Meeting Type | Voting Action | Agenda Item Numbers | Voting Explanation                                                                                                                                         |
|------------|------------------------------------------|--------------|---------------|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 20/07/2022 | HICL Infrastructure PLC                  | Annual       | All For       |                     |                                                                                                                                                            |
| 20/07/2022 | International Distributions Services Plc | Annual       | All For       |                     |                                                                                                                                                            |
| 20/07/2022 | Premier Foods Plc                        | Annual       | Against       | 2                   | Apparent failure to link pay and appropriate performance                                                                                                   |
| 20/07/2022 | Urban Logistics REIT PLC                 | Annual       | All For       |                     |                                                                                                                                                            |
| 21/07/2022 | Big Yellow Group Plc                     | Annual       | All For       |                     |                                                                                                                                                            |
| 21/07/2022 | Halma Plc                                | Annual       | All For       |                     |                                                                                                                                                            |
| 21/07/2022 | Intermediate Capital Group Plc           | Annual       | Against       | 2                   | Apparent failure to link pay & appropriate performance                                                                                                     |
| 21/07/2022 | Johnson Matthey Plc                      | Annual       | All For       |                     |                                                                                                                                                            |
| 21/07/2022 | Pennon Group Plc                         | Annual       | Against       | 19                  | Inadequate management of climate-related risks                                                                                                             |
| 21/07/2022 | QinetiQ Group plc                        | Annual       | All For       |                     |                                                                                                                                                            |
| 21/07/2022 | SSE Plc                                  | Annual       | All For       |                     |                                                                                                                                                            |
| 21/07/2022 | The Edinburgh Investment Trust PLC       | Annual       | All For       |                     |                                                                                                                                                            |
| 21/07/2022 | Workspace Group Plc                      | Annual       | All For       |                     |                                                                                                                                                            |
| 22/07/2022 | HomeServe Plc                            | Annual       | Against       | 2<br>14, 15<br>4    | Apparent failure to link pay & appropriate performance<br>Concerns regarding Auditor tenure<br>Concerns related to board ethnic and/or racial diversity    |
| 22/07/2022 | HomeServe Plc                            | Court        | All For       |                     |                                                                                                                                                            |
| 22/07/2022 | HomeServe Plc                            | Special      | All For       |                     |                                                                                                                                                            |
| 22/07/2022 | JD Sports Fashion Plc                    | Annual       | Against       | 2                   | Apparent failure to link pay & appropriate performance                                                                                                     |
| 22/07/2022 | United Utilities Group Plc               | Annual       | All For       |                     |                                                                                                                                                            |
| 26/07/2022 | Bytes Technology Group Plc               | Annual       | Against       | 2                   | Apparent failure to link pay and appropriate performance                                                                                                   |
| 26/07/2022 | MITIE Group Plc                          | Annual       | Against       | 2                   | Apparent failure to link pay and appropriate performance                                                                                                   |
| 26/07/2022 | Ninety One Plc                           | Annual       | All For       |                     |                                                                                                                                                            |
| 26/07/2022 | Telecom Plus Plc                         | Annual       | Against       | 3<br>20             | Apparent failure to link pay & appropriate performance<br>Concerns about reducing shareholder rights                                                       |
| 26/07/2022 | TR Property Investment Trust PLC         | Annual       | All For       |                     |                                                                                                                                                            |
| 26/07/2022 | Vodafone Group Plc                       | Annual       | Against       | 2                   | Concerns related to ethnic and/or racial diversity                                                                                                         |
| 27/07/2022 | Caledonia Investments PLC                | Annual       | Against       | 2<br>19             | Apparent failure to link pay and appropriate performance<br>Concerns to protect shareholder value                                                          |
| 27/07/2022 | FirstGroup Plc                           | Annual       | Against       | 2                   | Apparent failure to link pay and appropriate performance                                                                                                   |
| 28/07/2022 | CMC Markets Plc                          | Annual       | Against       | 4                   | Concerns related to below-board gender diversity 2- Concerns related to board ethnic and/or racial diversity 3- Concerns related to board gender diversity |
| 28/07/2022 | CMC Markets Plc                          | Special      | All For       |                     |                                                                                                                                                            |
| 28/07/2022 | discoverIE Group Plc                     | Annual       | Against       | 3                   | Apparent failure to link pay and appropriate performance                                                                                                   |
| 28/07/2022 | Mediclinic International Plc             | Annual       | Against       | 3<br>13             | Apparent failure to link pay and appropriate performance<br>Overboarded/Too many other time commitments                                                    |
| 28/07/2022 | Oxford Instruments Plc                   | Annual       | All For       |                     |                                                                                                                                                            |
| 28/07/2022 | Tate & Lyle Plc                          | Annual       | All For       |                     |                                                                                                                                                            |
| 28/07/2022 | The Global Smaller Companies Trust Plc   | Annual       | All For       |                     |                                                                                                                                                            |
| 29/07/2022 | Capital & Counties Properties Plc        | Special      | All For       |                     |                                                                                                                                                            |
| 29/07/2022 | Shaftesbury Plc                          | Court        | All For       |                     |                                                                                                                                                            |
| 29/07/2022 | Shaftesbury Plc                          | Special      | All For       |                     |                                                                                                                                                            |
| 01/08/2022 | Cranswick Plc                            | Annual       | All For       |                     |                                                                                                                                                            |
| 03/08/2022 | John Wood Group Plc                      | Special      | All For       |                     |                                                                                                                                                            |
| 03/08/2022 | Molten Ventures Plc                      | Annual       | All For       |                     |                                                                                                                                                            |
| 04/08/2022 | Investec Plc                             | Annual       | All For       |                     |                                                                                                                                                            |
| 08/08/2022 | Essentra Plc                             | Special      | All For       |                     |                                                                                                                                                            |
| 15/08/2022 | Schroders Plc                            | Special      | All For       |                     |                                                                                                                                                            |
| 22/08/2022 | Atlassian Corporation Plc                | Court        | All For       |                     |                                                                                                                                                            |
| 22/08/2022 | Atlassian Corporation Plc                | Special      | All For       |                     |                                                                                                                                                            |
| 25/08/2022 | NatWest Group Plc                        | Special      | All For       |                     |                                                                                                                                                            |
| 30/08/2022 | JPMORGAN GLOBAL GROWTH & INCOME PLC      | Special      | All For       |                     |                                                                                                                                                            |
| 31/08/2022 | Kondor Finance Plc                       | Bondholder   | All For       |                     |                                                                                                                                                            |
| 01/09/2022 | Nielsen Holdings Plc                     | Court        | All For       |                     |                                                                                                                                                            |
| 01/09/2022 | Nielsen Holdings Plc                     | Special      | All For       |                     |                                                                                                                                                            |
| 01/09/2022 | Watches of Switzerland Group Plc         | Annual       | All For       |                     |                                                                                                                                                            |
| 05/09/2022 | Hill & Smith Holdings Plc                | Special      | All For       |                     |                                                                                                                                                            |

| Meeting    | Company Name                                     | Meeting Type | Voting Action | Agenda Item Numbers | Voting Explanation                                       |
|------------|--------------------------------------------------|--------------|---------------|---------------------|----------------------------------------------------------|
| 05/09/2022 | LXI REIT PLC                                     | Annual       | All For       |                     |                                                          |
| 06/09/2022 | Ashtead Group Plc                                | Annual       | Against       | 8                   | Concerns about remuneration committee performance        |
| 06/09/2022 | Berkeley Group Holdings Plc                      | Annual       | Against       | 2                   | Apparent failure to link pay and appropriate performance |
| 06/09/2022 | DS Smith Plc                                     | Annual       | All For       | 2,3,4,5             | Apparent failure to link pay and appropriate performance |
| 06/09/2022 | Monks Investment Trust PLC                       | Annual       | All For       |                     |                                                          |
| 08/09/2022 | Aston Martin Lagonda Global Holdings Plc         | Special      | All For       |                     |                                                          |
| 08/09/2022 | Currys Plc                                       | Annual       | Against       | 3                   | Apparent failure to link pay and appropriate performance |
| 08/09/2022 | Euromoney Institutional Investor Plc             | Court        | All For       |                     |                                                          |
| 08/09/2022 | Euromoney Institutional Investor Plc             | Special      | All For       |                     |                                                          |
| 08/09/2022 | The Polar Capital Technology Trust PLC           | Annual       | All For       |                     |                                                          |
| 09/09/2022 | CLS Holdings Plc                                 | Special      | All For       |                     |                                                          |
| 12/09/2022 | SDCL ENERGY EFFICIENCY INCOME TRUST PLC          | Annual       | All For       |                     |                                                          |
| 15/09/2022 | Auto Trader Group Plc                            | Annual       | All For       |                     |                                                          |
| 15/09/2022 | Civitas Social Housing PLC                       | Annual       | All For       |                     |                                                          |
| 16/09/2022 | Baillie Gifford US Growth Trust plc              | Annual       | All For       |                     |                                                          |
| 20/09/2022 | Moonpig Group Plc                                | Annual       | All For       |                     |                                                          |
| 21/09/2022 | Games Workshop Group Plc                         | Annual       | Against       | 10                  | Apparent failure to link pay and appropriate performance |
| 21/09/2022 | IG Group Holdings Plc                            | Annual       | Against       | 2                   | Apparent failure to link pay and appropriate performance |
| 22/09/2022 | Liontrust Asset Management Plc                   | Annual       | Against       | 3                   | Apparent failure to link pay and appropriate performance |
| 23/09/2022 | Biffa Plc                                        | Annual       | All For       | 19                  | Concerns about reducing shareholder rights               |
| 26/09/2022 | Babcock International Group Plc                  | Annual       | All For       |                     |                                                          |
| 26/09/2022 | Mediclinic International Plc                     | Court        | All For       |                     |                                                          |
| 26/09/2022 | Mediclinic International Plc                     | Special      | All For       |                     |                                                          |
| 27/09/2022 | Redde Northgate Plc                              | Annual       | All For       |                     |                                                          |
| 28/09/2022 | AO World Plc                                     | Annual       | Against       | 3,18                | Apparent failure to link pay and appropriate performance |
| 28/09/2022 | Baltic Classifieds Group Plc                     | Annual       | Against       | 17                  | Concerns related to minority shareholder interest        |
| 28/09/2022 | Kainos Group Plc                                 | Annual       | Against       | 2                   | Apparent failure to link pay and appropriate performance |
| 30/09/2022 | Henderson Smaller Companies Investment Trust PLC | Annual       | All For       |                     |                                                          |
| 30/09/2022 | Indivior PLC                                     | Special      | All For       |                     |                                                          |

This page is intentionally left blank



Q3 2022

# ESG Impact Report

Global engagement to  
deliver positive change

In this quarter's report on LGIM's investment stewardship activities, we delve into deforestation, act against antimicrobial resistance and engage with emerging market diversity, among other themes.





# Our mission

We aim to use our influence to ensure:



1. Companies integrate environmental, social and governance (ESG) factors into their culture and everyday thinking



2. Markets and regulators create an environment in which good management of ESG factors is valued and supported

In doing so, we seek to fulfil LGIM’s purpose: to create a better future through responsible investing.

# Our focus

## Holding boards to account

To be successful, companies need to have people at the helm who are well-equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks while seeking to benefit from emerging opportunities. We aim to safeguard and enhance our clients’ assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which we use extensively.

## Creating sustainable value

We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Our investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. We engage directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that seek to deliver long-term success.

## Promoting market resilience

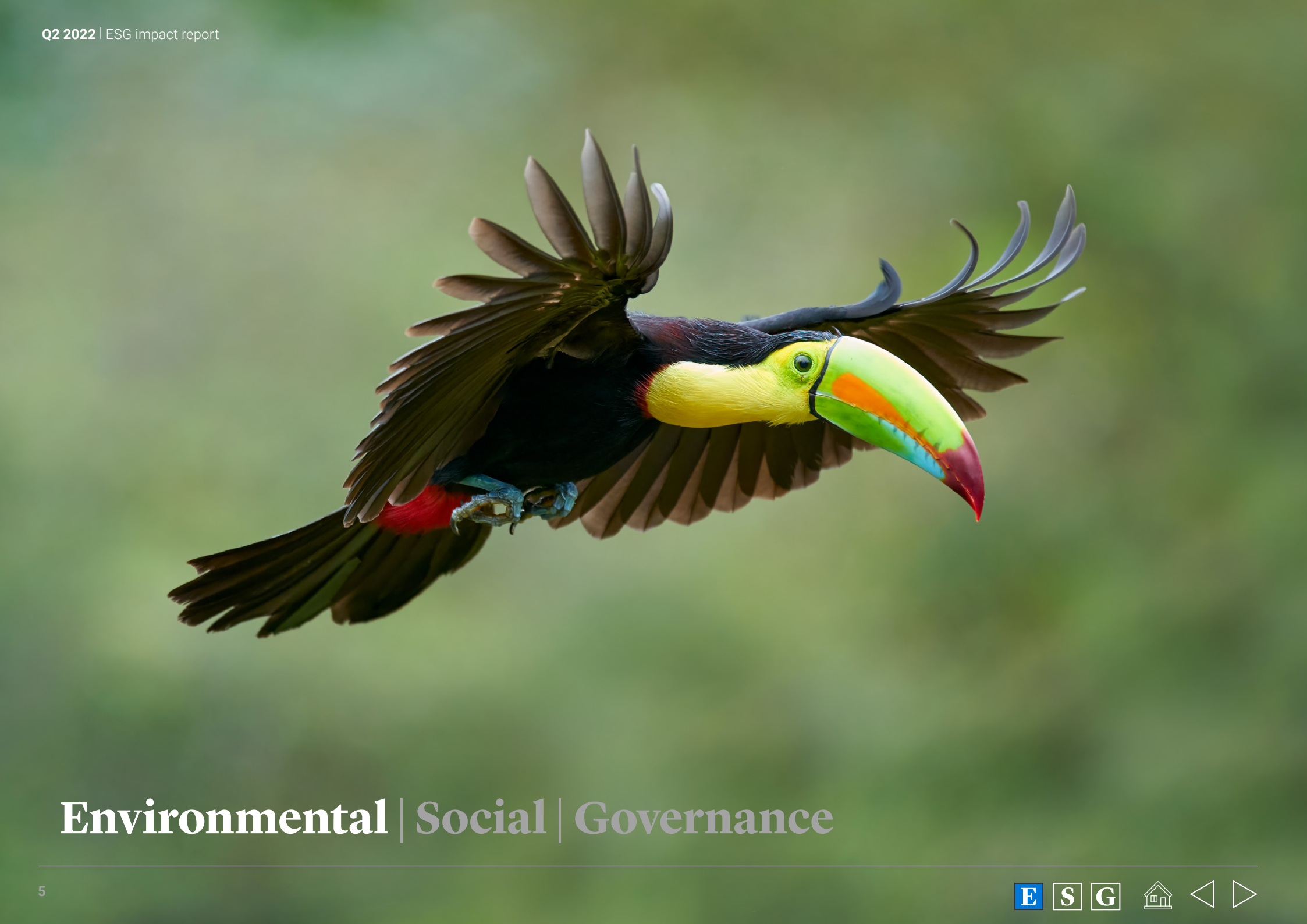
As a long-term investor for our clients, it is essential that markets (and, by extension, the companies within them) are able to generate sustainable value. In doing so, we believe companies should become more resilient amid change and therefore seek to benefit the whole market. We use our influence and scale to ensure that issues affecting the value of our clients’ investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change across markets as a whole .





# Action and impact

As we move into the second half of the year, we provide an update on some of our campaigns on our core themes, including deforestation and emerging market diversity, and we include an overview of some of our significant votes, and of our global policy engagement over the quarter.



# Environmental | Social | Governance



# ESG: Environment

## CDP SBT campaign

In 2021, LGIM supported the Carbon Disclosure Project’s (CDP) Science-Based Targets (SBTs) Campaign which saw 220 signatories, representing nearly US\$30 trillion in assets, asking 1,600 high-impact companies to set a 1.5°C-aligned science-based emissions reduction target.

Science-based targets provide a roadmap for reducing emissions at the pace and scale that science tells us is necessary to avoid the most catastrophic effects of climate change.<sup>1</sup> This is why, when we set out expectations of companies within our [Climate Impact Pledge](#) and ‘[Say on Climate](#)’ votes, we place such an emphasis on transition plans and targets being aligned with science.

By joining forces with collaborative organisations, we aim to broaden our reach, and strengthen our voice. Following the previous year’s campaign, over 154 new companies, with emissions equal to that of Germany, joined the Science Based Targets Initiative (SBTi) – 8% of all those targeted by the campaign.<sup>2</sup> In 2022, we have again joined other financial institutions in backing the 2022 CDP campaign.

1. [CDP Science-Based Targets Campaign - CDP](#)  
2. [Financiers with \\$29 trillion ask 1600 companies for science-based targets ahead of COP26 - CDP](#)

## Deforestation

As mentioned in our [last Quarterly Impact Report](#), we are continuing to take steps to meet our [COP26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios](#), which we signed in 2021. By publishing our [deforestation policy](#), setting our expectations for companies, and placing milestones to measure our achievements, we are stepping up our efforts to limit deforestation in portfolios.

## Why is deforestation so important?

An estimated 22% of total anthropogenic greenhouse gas (GHG) emissions comes from agriculture, forestry and other land use.<sup>3</sup> Around half of this comes from deforestation and land conversion driven by commodities providing food, fibre, feed and fuel. In light of this, and the role of natural carbon sinks in climate mitigation, we believe a credible pathway to net zero must include actions on deforestation, as well as biodiversity loss, and nature more broadly.

3. [SPM\\_Updated-Jan20.pdf \(ipcc.ch\), page 8](#)  
4. [https://www.fao.org/3/cb9360en/cb9360en.pdfto%20eliminate%20deforestation%20across%20supply%20chains](#).  
5. WRI, 2019  
6. [https://www.worldwildlife.org/press-releases/68-average-decline-in-species-population-sizes-since-1970-says-new-wwf-report](#)





What steps have we taken so far to act on our commitments?

1

Commitment one: to assess exposure to deforestation risk, with a focus on ‘forest-risk’ agricultural commodities (palm oil, soy, beef, leather, pulp and paper)

- We have been assessing credit and equity exposure to deforestation risk in our portfolios, through a focus on select industries with high exposure to commodity-driven deforestation through their direct operations and/or supply chain
- The key commodities within these sectors that are major drivers of deforestation could include beef and leather, palm oil, soybeans, timber and pulp, rubber, cocoa and coffee
- We have initially focused on sectors outlined in the [Ceres Investor Guide to Deforestation and Climate Change](#),<sup>7</sup> and have drawn on external sources of data and research, such as SPOTT, Forest 500 and Sustainalytics, as well as our investment and stewardship engagement expertise and findings
- Our findings will be integrated into the ESG tools that LGIM has developed to support the assessment of ESG risks at a sector and issuer level

7. Part of the supplementary guidance provided by the Deforestation Free Finance Sector [Roadmap: Roadmap – Deforestation-Free Finance](#) ([globalcanopy.org](#))

8. <https://climatechampions.unfccc.int/leading-financial-institutions-commit-to-actively-tackle-deforestation/#~:text=Financial%20institutions%20will%20focus%20on%20sustained%20engagement%20with,catalyse%20actions%20to%20eliminate%20deforestation%20across%20supply%20chains>



Advancing deforestation data

While metrics related to deforestation are increasingly available, we recognise that more needs to be done to improve the standardisation and increase the scope and coverage of this data to support assessment across investors’ portfolios. That is why, in collaboration with other Finance Sector Deforestation Action (FSDA) signatories,<sup>8</sup> we have written to data providers to engage and work with them on further developing of their offering, particularly in relation to an increased set of key commodities.



2

Commitment two: to establish investment policies addressing exposure to agricultural commodity-driven deforestation

We have recently published LGIM’s deforestation policy, which outlines our approach to assessing and integrating deforestation considerations into investment tools, expanding our stewardship activities and reporting to clients.

This includes implementing a new voting policy to hold companies in deforestation-critical sectors to account for not meeting our minimum standard expectations with regards to action on deforestation. From 2023, companies in critical sectors<sup>9</sup> for which we have data and without a deforestation policy or programme in place will be subject to a vote against. Voting will be escalated in subsequent years, and in line with our voting policies, we will continue to vote on shareholder resolutions related to deforestation.

This policy builds on the work we have been doing since 2016 under LGIM’s Climate Impact Pledge to engage with companies in the food and apparel sectors on deforestation within their supply chains. Through this programme, we have acted by voting against, and in certain cases divesting from, companies we engage with that have not met our minimum expectations on deforestation. We are now setting minimum standard expectations across a broader scope of companies and sectors for which we have data and will be using our voice to hold them to account.

3

Commitment three: to deepen engagement of the highest-risk holdings on deforestation

We have launched LGIM’s deforestation engagement campaign, writing to around 300 companies from a set of deforestation-critical sectors within our portfolios for which we have data, outlining our expectations, their current performance against these, and explaining LGIM’s new deforestation voting policy. Drawing on available data, as well as our in-house research, expertise and

engagement, we will be assessing their progress ahead of the 2023 annual general meeting (AGM) season.

In addition, we will also be working collaboratively with other signatories of the Finance Sector Deforestation Action (FSDA) to lead in-depth company engagements and to speak with the weight of a critical mass of investors to accelerate progress across key sectors and value chains.

Finally, through our Climate Impact Pledge, we will continue to carry out direct engagement with large and influential companies within the apparel and food sectors, and soon also with companies in the forestry and paper and pulp sector, on their approach and actions in relation to deforestation, holding those to account that do not meet our red lines.



Future milestones in relation to our COP 26 deforestation commitment:

- By 2023, we commit to disclosing deforestation risk and mitigation activities in portfolios, including due diligence and engagement
- By 2025, we commit to publicly reporting credible progress, in alignment with peers, on eliminating agricultural commodity-driven deforestation in the underlying holdings in our investment portfolios through company engagement



| Company name                    | Ninety One Plc.*                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ISIN                            | GB00BJHPLV88                                                                                                                                                                                                                                                                                                                                                                       |
| Market Cap                      | £1.143 billion (07 October 2022, source: London Stock Exchange)                                                                                                                                                                                                                                                                                                                    |
| Sector                          | Financials – investment banking & brokerage services                                                                                                                                                                                                                                                                                                                               |
| Issue identified                | This was a management-proposed ‘Say on Climate’ vote, relating to the net zero transition. At the beginning of the year, we published our expectations for management-proposed ‘Say on Climate’ votes <a href="#">on our blog</a> .                                                                                                                                                |
| Summary of the resolution       | Resolution 11: Approve Climate Strategy<br>AGM date: 26 July 2022                                                                                                                                                                                                                                                                                                                  |
| How LGIM voted                  | Against                                                                                                                                                                                                                                                                                                                                                                            |
| Rationale for the vote decision | A vote against was applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope one, two and material scope three GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal. |
| Outcome                         | 97.6% shareholder voted in favour of the resolution.<br><br>LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.                                                                                                                                                                  |
| Why is this vote ‘significant’? | LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.                                                                                                                                                                     |

\*Case study shown for illustrative purposes only.  
The above information does not constitute a recommendation to buy or sell any security.

9. Consumer staples, consumer discretionary, materials and energy. Our voting policy does not at this time cover the two other sectors of the Ceres Investor Guide, utilities and financials – due to insufficient data.



# ESG: Social

## Building healthy food systems

As part of the [Investor Coalition on UK Food Policy](#), led by Rathbone-Greenbank and Guy's & St Thomas's Foundation, we lent our support to a [public statement](#) on the importance of the UK government maintaining its strategy to tackle obesity. Amid [speculation](#) that the current strategy could be scaled back under the new leadership, we joined our peers in emphasising that combatting obesity is vital not only to social health, but also the economic health of the country. The total economic impact of obesity equalled £58 billion in 2022,<sup>10</sup> and the cost of obesity-related disease now costs UK businesses £27 billion per year.<sup>11</sup> The broader implications for healthcare services, workforce participation and productivity, and welfare payments are clear. LGIM therefore strongly recommends the UK government continues to lead globally by implementing its anti-obesity strategy.

Our collaborative efforts on policy engagement continue and are complemented by our collaborative company engagements with the [Access to Nutrition Initiative](#). Both public policy and the private sector have crucial roles to play in improving the health of individuals and of the broader economy.

## Emerging diversity in emerging markets

### Identify

The LGIM Investment Stewardship team has long promoted diversity across its investee companies, but the focus has so far been placed largely on developed markets such as the UK, US, Europe and Japan. Diversity (for example, of gender or ethnicity) in emerging markets has not yet been widely explored or advocated in the asset management industry. We are now expanding our engagement to strategic and representative emerging markets: Brazil, India, China and, South Africa.

<sup>10</sup> [Annual obesity costs may soar to £58bn - PharmaTimes](#)

<sup>11</sup> [Health matters: obesity and the food environment - GOV.UK \(www.gov.uk\)](#)

### Engage

We began by setting up meetings with key stakeholder groups in each market, such as corporate governance groups and proxy voting firms, to better understand the lay of the land. We then sent a letter to the chair of the board at the 10 largest companies in each of these markets, requesting to engage on organisational diversity, as well as any market-specific drivers of diversity. Our aim this year is to identify how these companies are thinking about diversity, and if any improvements in diversity have been driven by external forces – such as regulation, investor pressure, societal norms; or internal forces – such as employee engagement, corporate culture, leadership of the board or executive team, etc. Along with observing what leads to improvements in diversity, we also want to identify what is hindering progress on diversity in each market.

Through our engagements, we reaffirmed that diversity expectations cannot be applied in the same way across all markets, and that the specifics and maturity of conversations and practices vary significantly among emerging market countries. We would like to be cognisant of cultural and historical dynamics in each of these markets as we begin to expand our policies and consider our minimum expectations.

Another company-specific takeaway is to know your workforce diversity data, and if/how that reflects the population of where you live. At the same time, board directors of our investee companies need to have oversight of these issues and understand the importance of diversity in achieving their strategic and business objectives, regardless of where a company operates. We ultimately believe that improving demographic diversity at the helm of these large corporations will lead to cognitive diversity and improve the quality of board and senior executive discussions.



Significant votes

| Company name                    | Royal Mail Plc*                                                                                                                                                                                                                                                                                                |
|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ISIN                            | GB00BDVZY77                                                                                                                                                                                                                                                                                                    |
| Market Cap                      | *£1.9 billion (International Distributions Services plc. Source: Reuters, as at 10 October 2022)                                                                                                                                                                                                               |
| Sector                          | Industrials: Transportation & Logistics                                                                                                                                                                                                                                                                        |
| Issue identified                | A lack of gender diversity on the executive committee.<br><br>LGIM has expanded our gender diversity policy in the UK to include the executive committee, as well as the company board.                                                                                                                        |
| Summary of the resolution       | Resolution 4: Re-elect Keith Williams as director at the AGM on 20 July 2022.                                                                                                                                                                                                                                  |
| How LGIM voted                  | Against                                                                                                                                                                                                                                                                                                        |
| Rationale for the vote decision | Diversity: A vote against was applied as the company has an all-male executive committee.<br><br>From 2022, we have applied voting sanctions to the FTSE 100 companies that do not have at least one woman on their executive committee, with the expectation that there should be a minimum of 33% over time. |
| Outcome                         | 92.7% of shareholders voted for the resolution.<br><br>LGIM will continue to engage with companies on gender diversity, and to implement our global and regional voting policies on this issue.                                                                                                                |

**Why is this vote ‘significant’?** This vote is significant as it relates to the escalation of our activities on one of our core stewardship themes, gender diversity.

\*Case study shown for illustrative purposes only.  
The above information does not constitute a recommendation to buy or sell any security.

Escalate

While our engagements have been taking place at the organisational level, we plan to engage with regulators and other identified influential groups in each market to see how we as investors can impact the progression of this topic. In essence, we believe both external forces (e.g. policy, regulations, investor pressure) as well as internal forces (e.g. company-specific diversity measures) are needed to raise market standards on diversity. We acknowledge that these factors influence one another and that raising market standards on this issue cannot be achieved in isolation. In addition to using our voice as an investor through engagements and voting, we will look to establish which avenues may be most effective in raising market standards in each market.

Working together on AMR

As our regular readers will know, in recent years we have been focusing on the topic of antimicrobial resistance (AMR). But how do we raise the profile of this issue and encourage key protagonists to act to mitigate this risk? In this case study, we demonstrate the importance of collaboration. We’re serious about this issue and we know that the louder our voice is, and the more that our peers also speak up, the more likely it is that policymakers and companies will take action.

What is it?

The term ‘antimicrobial resistance’ sums up the damaging effect of bacteria increasing its resistance to antibiotics. A few examples of what this results from include: the overuse of antibiotics in a number of industries (such as food production); the discharge from pharmaceutical manufacturing; and the uncontrolled release of antibiotic agents into the ecosystem, for example through waste-water.



Key AMR facts:

- In 2019, 1.27 million deaths were directly attributable to bacterial AMR,<sup>12</sup> more than HIV/ AIDS and malaria<sup>13</sup>
- If no mitigating actions are taken, this could rise to as much as 10 million per year by 2050...<sup>14</sup>
- ... and could cause a 3.8% reduction in annual gross domestic product (GDP)<sup>15</sup>

AMR isn’t a hypothetical or potential problem – it’s already causing damage.

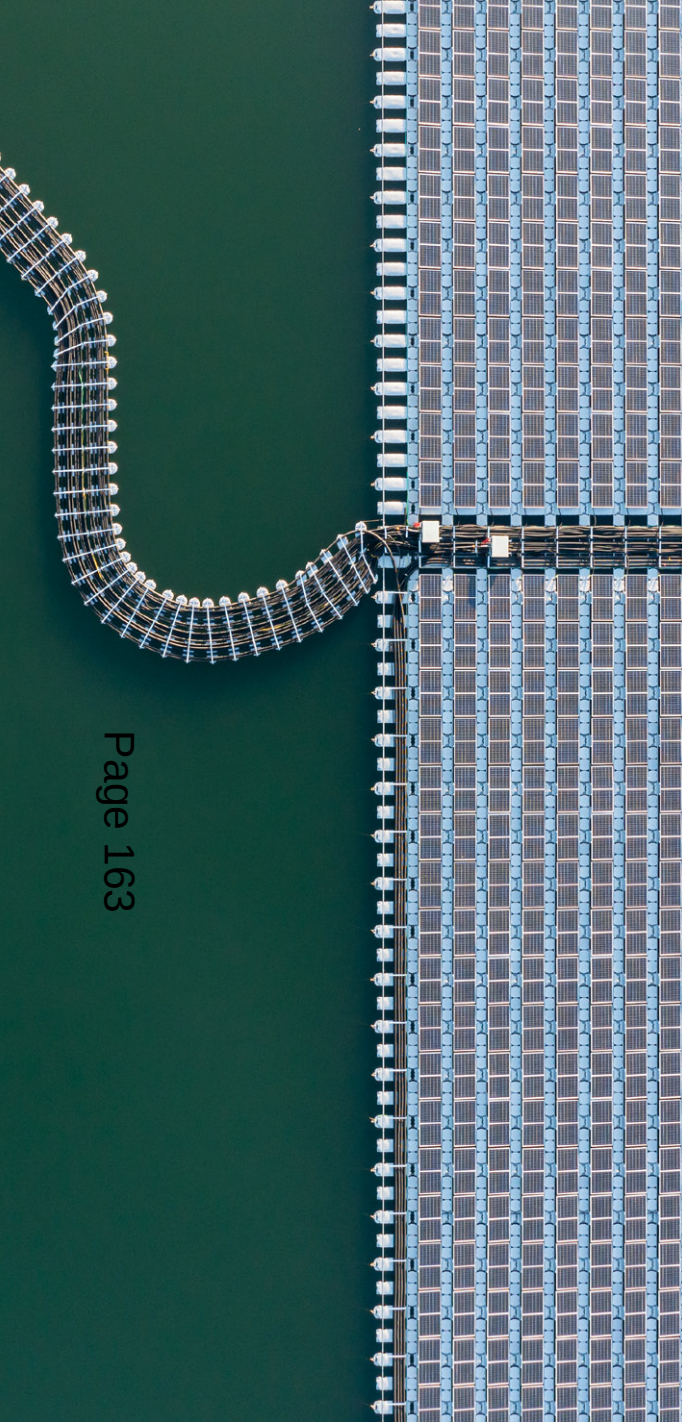
Who are we engaging with?

We have been collaborating with policymakers and peers, amplifying our voice. Writing a letter ensures we receive acknowledgement and a response, and forms the platform for future engagement with policymakers and peers at conventions, research events and policy groups. For example, we are members of [Investor Action on AMR](#). The group was founded by the United Nations Principles for Responsible Investment (UNPRI), the UK Department of Health & Social Care, the Access to Medicine Foundation, and Farm Animal Investment Risk and Return (FAIRR). In collaboration with them we have gained access and signed letters to the G7, and supported the UN General Assembly [Call to Action on AMR](#). These collaborations enable us to reach higher and further than we would alone, and are vital to garnering support among our peers, at national and international levels.

12. The Lancet. (2022). ‘Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis’. (Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis - The Lancet accessed 11 May 2022).  
13. [An estimated 1.2 million people died in 2019 from antibiotic-resistant bacterial infections | University of Oxford](#)  
14. WHO. (2019). ‘No time to Wait: Securing the future from drug-resistant infections.’ (no-time-to-wait-securing-the-future-from-drug-resistant-infections-en.pdf (who.int), accessed 11 May 2022).  
15. [Antimicrobial Resistance \(AMR\) \(worldbank.org\)](#)







Company engagements

As a large investor, we meet companies on a regular basis to talk about a range of material E, S and G issues. This enables us to raise new topics, based on the strength of our existing relationships.

For example, our focus for company meetings has been on the water utilities sector. We have written to more than 25 water utility companies globally and so far have been able to speak to some within this group.

Acting through voting

The ability to take action to mitigate AMR is industry-specific, so we wouldn't expect to see resolutions outside the main industries. We have yet to see a management-proposed resolution on AMR, however, we have supported relevant shareholder resolutions where they have been proposed.

We have supported shareholder resolutions related to AMR at Hormel Foods Corporation\*, McDonald's\* and Abbot Laboratories\*.

Preventing the pandemics of the future

Like many significant issues, change won't happen overnight. But as with climate change, we know from experience that once momentum builds, change can happen at a surprising rate, across individual industries, and around the world.

We are continuing to engage with policymakers and relevant companies around AMR. Forming realistic but ambitious expectations of companies and developing recommendations for policymakers are crucial steps in our engagement. On the basis of these, we can consult policymakers and engage with companies so that they meet our expectations.

By working with policymakers and companies and continuing to increase the prominence of this issue, we want to make sure that AMR doesn't become the next pandemic.





One share, one vote: escalating our policy on unequal voting rights

We believe equal voting is an essential right for shareholders to promote market efficiency and hold company boards accountable. However, the prevalence of unequal share class structures, also called ‘dual class’ shares (i.e. two or more types of shares with different voting rights) continues to be an impediment to shareholder rights. We are strong proponents of the ‘one share, one vote’ standard, based on the principle that control of a company should be commensurate with the interests of investors generally.

In our recent blog [All shares are equal, but some are more equal than others \(lgimblog.com\)](#), we provide more details on the history of dual-class share structures, on the arguments for and against, and on the evidence of what effect they can have on a company and its performance.

We have long been advocates of equal voting rights. From 2023, we will be voting against the re-election of the board chair at US-incorporated companies with dual-class structures, when the company has not provided a plan to set a time limit on a dual-class structure (where it exists), or given shareholders the opportunity to vote on it.

At the moment, this policy applies only in the US, where we have seen notable companies go public with dual-class share structures. In the future, we may extend it to other jurisdictions where we feel similar action is appropriate.



Significant votes

| Company name                    | Twitter, Inc*                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ISIN                            | US90184L1026                                                                                                                                                                                                                                                                                                                                                  |
| Market Cap                      | US\$39.2 billion (as at 07 October 2022, source: Reuters)                                                                                                                                                                                                                                                                                                     |
| Sector                          | Technology                                                                                                                                                                                                                                                                                                                                                    |
| Issue identified                | ‘Golden parachute’ payments are lucrative settlement payments to top executives in the event that their employment is terminated. This is an issue we assess across all companies, and is particularly pertinent for Twitter at the moment as the proposed takeover by Elon Musk continues to evolve.                                                         |
| Summary of the resolution       | Resolution two: Advisory Vote on Golden Parachutes<br>EGM date: 13 September 2022                                                                                                                                                                                                                                                                             |
| How LGIM voted                  | LGIM voted against the resolution (against management recommendation).                                                                                                                                                                                                                                                                                        |
| Rationale for the vote decision | As a long-term and engaged investor, we entrust the board to ensure executive directors’ pay is fair, balanced and aligned with the strategy and long-term growth and performance of the business.<br><br>It is also worth noting that in Twitter’s 2022 AGM, we voted against their ‘say on pay’ proposal, as did 42% of shareholders, which is significant. |
| Outcome                         | 4.8% shareholders voted against.                                                                                                                                                                                                                                                                                                                              |
| Why is this vote ‘significant’? | Remuneration: termination: A vote against is applied as LGIM does not support the use of ‘golden parachutes’.                                                                                                                                                                                                                                                 |

\*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.





**As a member of the ACGA Japan Working Group, LGIM engages with Japanese companies, including Toyota Motor Corporation (TMC)\*, to improve their corporate governance and sustainability practices.**

**The ACGA: generating good governance**

As mentioned in the ‘Policy’ section of this report, we are longstanding members of the Asia Corporate Governance Network (ACGA). Below, we provide a recent case study of our engagement alongside the ACGA with Toyota.

**Identify**

As a member of the ACGA Japan Working Group, LGIM engages with Japanese companies, including Toyota Motor Corporation (TMC)\*, to improve their corporate governance and sustainability practices.



**At Toyota, we have identified their key issues to be:**

- I. capital allocation decisions (cross-shareholdings and insufficient investments in zero-emissions vehicles and related infrastructure)
- II. board independence, diversity and effectiveness

**Engage**

We originally started our engagement with Toyota in September 2021, alongside fellow shareholders. Our second meeting was held earlier this year to discuss climate change, board composition and capital allocation. We spoke with TMC’s Chief Sustainability Officer.

Throughout these meetings, which were attended by Toyota’s investor relations team and chief sustainability officer, we expressed our concerns around the company’s cross shareholdings, the lack of supervisory function at the board level given the low level of independence, and the company’s climate transition strategy and related public policy engagements.

**Escalate**

In September 2022, we spoke with one of the outside directors on the board and were able to have a candid conversation about how outside directors add value to the board and the quality of board discussions.

Given the company’s size and influence at Japan’s largest business federation and in industry associations, we have always questioned the company’s lobbying stance and its alignment with a 1.5°C world (this is also one of our red lines under sector guides for the auto sector in the Climate Impact Pledge). We are delighted to see improved transparency from the company as they published their views on climate public policy in December 2021. Nonetheless, we view corporate transparency to be the first step and we hope that this will enable us to have more in-depth conversations on its views on climate and how the company plans to shift its strategy.

Given a recent controversy at one of Toyota’s group companies (Hino\*), we will continue to engage with the company on corporate governance issues and push for better practices both in terms of corporate governance and climate strategy.





# Public policy update

As a significant global investor, our aim is to raise global ESG standards across the markets in which our clients are invested. In this regard, our engagement and dialogue with policymakers forms a vital underpinning for our global stewardship approach.

Designing, implementing, and monitoring an effective and coherent policy, including a regulatory and legislative system that governs society, the environment, and the economy is not a simple task. Governments must also take transformative steps to accelerate progress against the complex and interrelated global challenges that we face. As a long-term investor with universal coverage, LGIM is well positioned to constructively engage with policymakers to help them identify and address these systemic market failures and help strengthen the global regulatory and legislative environment. We are aware that change does not happen overnight or with one discussion. LGIM is therefore committed to engaging with policymakers consistently and over the long term.

In this section, we provide examples of some of the work we’ve been doing across E, S and G topics around the world. Many of the external partners that we work with are international, reflecting the shared responsibility and common interest of stakeholders from around the world working together to combat the most pressing E, S and G issues.



## Making agriculture work for everyone

Ahead of COP27, we have been engaging with policymakers internationally, primarily the UN FAO (UN Food and Agriculture Organization), coordinated by FAIRR (Farm Animal Investment Risk and Return), to develop a roadmap for decarbonising the Agriculture and Land Use sector. Existing pathways to net zero only scratch the surface of agriculture and land use – we therefore believe that more detailed, far-reaching plans and actions are needed so that this sector, which is so crucial in achieving net zero. Geopolitical tensions in 2022 have also highlighted the issue of food security which, again, is an interconnected issue. We believe that policymakers need to address these challenges holistically and comprehensively. More detail can be found in our recent blog post, here: [Why we need a roadmap for the global Agriculture and Land-Use sector \(lgimblog.com\)](#)

## Shoring up the world’s water

Following a long, hot summer and World Water Week in September, we have been highlighting how policymakers can work towards achieving water security, an issue which is likely to become more pressing as global warming increases around the world. Water security is complex – it spans countries, industries and societies, and requires co-ordinated efforts. In our two-part blog, we explain what we believe policymakers can do to improve water security not only in their own countries, but around the world: [LGIM Blog - Four steps to avoid a water crisis](#).

## Boosting British green finance

We are continuing to engage with the UK government to implement a full package of sustainable finance regulation, including the review of their net zero plan, which has come under much scrutiny. As we transition to new leadership, our persistence on credible planning and implementation of the net zero strategy is even more important to ensure that this crucial issue remains at the top of the Government’s agenda. But we have not been addressing net zero in isolation – we believe it is vitally important that the government implements a coherent sustainable finance strategy, covering not only green finance, but also human rights due diligence provisions.

## Mitigating microplastic damage in the UK

Awareness of the damage caused by microplastics entering our water systems is increasing. In order to put pressure on the UK Government to take action, we have joined a collaboration led by First Sentier Investors, and comprising some 29 investors, with assets under management (AUM) of £5 billion. As part of this collaboration, we co-signed a letter to the UK Department of Environment, Food and Rural Affairs (DEFRA), emphasising our support for the 2021 recommendations of the [All Party Parliamentary Group on Microplastics](#). These stipulate that microfibre filters must be installed in new washing machines by 2025, which will help to reduce the amount of microplastics entering the water system. Our collaborative engagement group has also met with the DEFRA team and will continue to work over the coming months. We will monitor further steps taken on legislative action regarding the recommendations which have already been made.



### Strengthening the foundations globally with the ISSB

The International Sustainability Standards Board (ISSB), which is part of the International Financial Reporting Standards foundation (IFRS), aims to create ‘a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies’ sustainability-related risks and opportunities’.

LGIM has [long been a supporter](#) of the ISSB because we believe it is essential that data on ESG factors is coherent, comparable and high-quality.

Along with our parent company, L&G, we have responded to the recent ISSB consultation, recognising and supported the building-block approach of the standard as the best way to achieve wide adoption. This would mean the ISSB would set out the minimum required standard – to be built up and added to by country and regional regulators. Ultimately, we want to see high quality, consistent, comparable, and verifiable sustainability disclosures that are widely adopted. While we are generally supportive of the focus on a materiality based on users’ assessment of enterprise value, we believe the definition and expectations of ‘materiality’ need further clarification.

### Curtailling methane emissions in the US

In August, we were delighted to announce the anniversary [of our partnership with the Environmental Defense Fund](#) (EDF), a US-based NGO with a reputation for pragmatism and expertise, and a goal of working with companies to address the risks posed by the climate transition. One extremely important focus of our collaborative work has been on methane emissions. Despite the significance of methane as a risk factor, it has not been a priority for the oil and gas industry, and many companies don’t reliably know how much methane they are emitting. We met with several large oil and gas companies urging them to join the Oil & Gas Methane Partnership (OGMP), which provides a robust framework for improving methane emissions disclosure. Having [written](#) to the Environmental Protection Agency (EPA) earlier this year, we also met with them to highlight shortcomings of existing disclosure regulations. We also submitted a [comment letter](#) to the International Sustainability Standards Board (ISSB), urging the adoption of key OGMP features. If implemented, these could have a sweeping impact on system wide disclosure practices.



### Championing human rights in the UK

At LGIM, we aim to create a better world through responsible investment. This relates not only to the environment, but also to the management of social and governance factors, including human rights. Alongside 39 investors with AUM of over £4.5 trillion, we co-signed a letter to the UK government in support of a ‘Business, Human Rights and Environment Act’ which would require business to undertake human rights and environmental due diligence across their operations and value chains. We believe such legislation would ingrain a higher and measurable standard of human rights and environmental behaviours across the UK market, exerting a positive influence in global markets throughout the value chain. Further information can be found here: <https://www.business-humanrights.org/en/latest-news/investor-letter-for-uk-human-rights-due-diligence/>

Antimicrobial Resistance has also been high on our agenda, as has nutrition and obesity. Updates on these topics can be found in the ‘S’ section of this report, above.



### Gaining good governance in Japan

We continue our collaborations with the [Asian Corporate Governance Association](#) (‘ACGA’), with whom we have longstanding membership. The ACGA believes that good corporate governance is essential to the operation of Asian markets, and focuses on three areas: research, advocacy and education, in seeking to achieve its aims. A summary of our recent work with Toyota as part of the ACGA can be found in the ‘Governance’ section of this report.



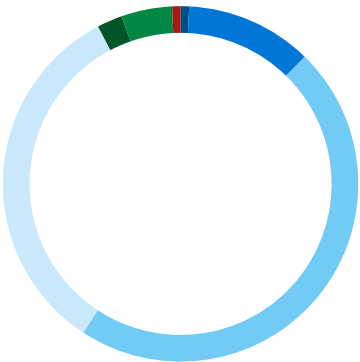
# Regional updates

## UK - Q3 2022 voting summary

Page 168

| Proposal category                                                                    | Total for | Total against | Total abstentions |
|--------------------------------------------------------------------------------------|-----------|---------------|-------------------|
| Anti-takeover related                                                                | 96        | 1             | 0                 |
| Capitalisation                                                                       | 530       | 15            | 0                 |
| Directors related                                                                    | 985       | 61            | 0                 |
| Remuneration related                                                                 | 188       | 43            | 0                 |
| Reorganisation and Mergers                                                           | 29        | 3             | 0                 |
| Routine/Business                                                                     | 637       | 6             | 0                 |
| Shareholder Proposal - Compensation                                                  | 0         | 0             | 0                 |
| Shareholder Proposal - Corporate Governance                                          | 0         | 0             | 0                 |
| Shareholder Proposal - Directors Related                                             | 0         | 0             | 0                 |
| Shareholder Proposal - General Economic Issues                                       | 0         | 0             | 0                 |
| Shareholder Proposal - Health/Environment                                            | 0         | 0             | 0                 |
| Shareholder Proposal - Other/Miscellaneous                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Routine/Business                                              | 0         | 1             | 0                 |
| Shareholder Proposal - Social/Human Rights                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Social                                                        | 0         | 0             | 0                 |
| Total                                                                                | 2465      | 130           | 0                 |
| Total resolutions                                                                    | 2595      |               |                   |
| No.                                                                                  | 144       |               |                   |
| No. EGMs                                                                             | 36        |               |                   |
| No. of companies voted                                                               | 168       |               |                   |
| No. of companies where voted against management /abstained at least one resolution   | 59        |               |                   |
| % no. of companies where at least one vote against management (includes abstentions) | 35%       |               |                   |

### Votes against management



- Anti-takeover related - 1
- Capitalisation - 15
- Directors related - 61
- Remuneration-related - 43
- Reorganisation and Mergers - 3
- Routine/Business - 6
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 1
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

### Number of companies voted for/against management



- No. of companies where we supported management
- No. of companies where we voted against management

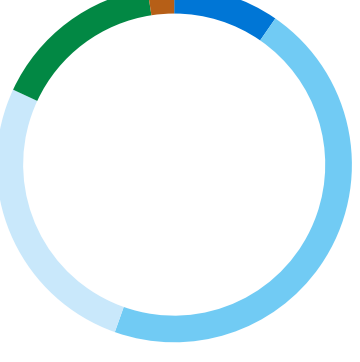
**LGIM voted against at least one resolution at 35% of UK companies over the quarter.**



## Europe - Q3 2022 voting summary

| Proposal category                                                                    | Total for | Total against | Total abstentions |
|--------------------------------------------------------------------------------------|-----------|---------------|-------------------|
| Anti-takeover related                                                                | 0         | 0             | 0                 |
| Capitalisation                                                                       | 45        | 8             | 0                 |
| Directors related                                                                    | 101       | 38            | 0                 |
| Remuneration related                                                                 | 47        | 22            | 0                 |
| Reorganisation and Mergers                                                           | 8         | 0             | 0                 |
| Routine/Business                                                                     | 104       | 13            | 0                 |
| Shareholder Proposal - Compensation                                                  | 1         | 0             | 0                 |
| Shareholder Proposal - Corporate Governance                                          | 0         | 0             | 0                 |
| Shareholder Proposal - Directors Related                                             | 6         | 2             | 0                 |
| Shareholder Proposal - General Economic Issues                                       | 0         | 0             | 0                 |
| Shareholder Proposal - Health/Environment                                            | 0         | 0             | 0                 |
| Shareholder Proposal - Other/Miscellaneous                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Routine/Business                                              | 3         | 0             | 0                 |
| Shareholder Proposal - Social/Human Rights                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Social                                                        | 0         | 0             | 0                 |
| Total                                                                                | 315       | 83            | 0                 |
| Total resolutions                                                                    | 398       |               |                   |
| No. AGMs                                                                             | 16        |               |                   |
| No. EGMs                                                                             | 13        |               |                   |
| No. of companies voted                                                               | 29        |               |                   |
| No. of companies where voted against management /abstained at least one resolution   | 17        |               |                   |
| % no. of companies where at least one vote against management (includes abstentions) | 59%       |               |                   |

### Votes against management



- Anti-takeover related - 0
- Capitalisation - 8
- Directors related - 38
- Remuneration-related - 22
- Reorganisation and Mergers - 0
- Routine/Business - 13
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors related - 2
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 0
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

### Number of companies voted for/against management



- No. of companies where we supported management
- No. of companies where we voted against management

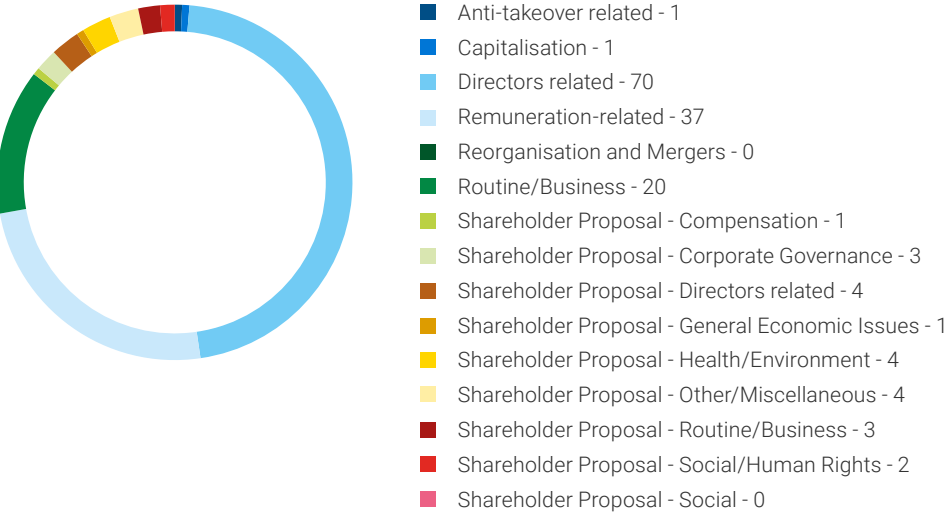
**LGIM voted against at least one resolution at 59% of European companies over the quarter.**



North America - Q3 2022 voting summary

| Proposal category                                                                    | Total for | Total against | Total abstentions |
|--------------------------------------------------------------------------------------|-----------|---------------|-------------------|
| Anti-takeover related                                                                | 10        | 1             | 0                 |
| Capitalisation                                                                       | 11        | 1             | 0                 |
| Directors related                                                                    | 189       | 70            | 0                 |
| Remuneration related                                                                 | 11        | 37            | 0                 |
| Reorganisation and Mergers                                                           | 8         | 0             | 0                 |
| Routine/Business                                                                     | 16        | 20            | 0                 |
| Shareholder Proposal - Compensation                                                  | 0         | 1             | 0                 |
| Shareholder Proposal - Corporate Governance                                          | 3         | 3             | 0                 |
| Shareholder Proposal - Directors Related                                             | 1         | 4             | 0                 |
| Shareholder Proposal - General Economic Issues                                       | 1         | 1             | 0                 |
| Shareholder Proposal - Health/Environment                                            | 0         | 4             | 0                 |
| Shareholder Proposal - Other/Miscellaneous                                           | 0         | 4             | 0                 |
| Shareholder Proposal - Routine/Business                                              | 2         | 3             | 0                 |
| Shareholder Proposal - Social/Human Rights                                           | 1         | 2             | 0                 |
| Shareholder Proposal - Social                                                        | 0         | 0             | 0                 |
| Total                                                                                | 253       | 151           | 0                 |
| Total resolutions                                                                    | 404       |               |                   |
| No. AGMs                                                                             | 32        |               |                   |
| No. EGMs                                                                             | 9         |               |                   |
| No. of companies voted                                                               | 38        |               |                   |
| No. of companies where voted against management /abstained at least one resolution   | 35        |               |                   |
| % no. of companies where at least one vote against management (includes abstentions) | 92%       |               |                   |

Votes against management



Number of companies voted for/against management



■ No. of companies where we supported management  
■ No. of companies where we voted against management

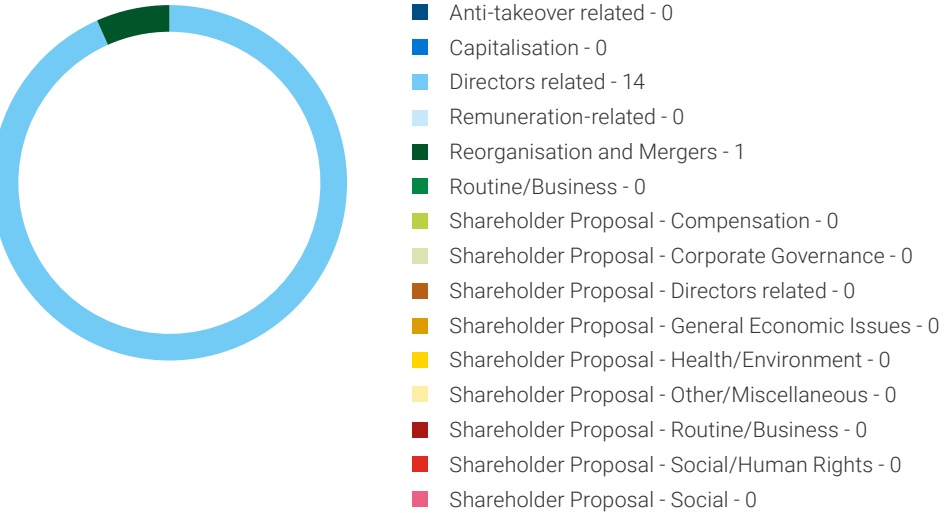
**LGIM voted against at least one resolution at 92% of North American companies over the quarter.**



Japan - Q3 2022 voting summary

| Proposal category                                                                    | Total for | Total against | Total abstentions |
|--------------------------------------------------------------------------------------|-----------|---------------|-------------------|
| Anti-takeover related                                                                | 0         | 0             | 0                 |
| Capitalisation                                                                       | 0         | 0             | 0                 |
| Directors related                                                                    | 125       | 14            | 0                 |
| Remuneration related                                                                 | 8         | 0             | 0                 |
| Reorganisation and Mergers                                                           | 18        | 1             | 0                 |
| Routine/Business                                                                     | 11        | 0             | 0                 |
| Shareholder Proposal - Compensation                                                  | 0         | 0             | 0                 |
| Shareholder Proposal - Corporate Governance                                          | 0         | 0             | 0                 |
| Shareholder Proposal - Directors Related                                             | 0         | 0             | 0                 |
| Shareholder Proposal - General Economic Issues                                       | 0         | 0             | 0                 |
| Shareholder Proposal - Health/Environment                                            | 0         | 0             | 0                 |
| Shareholder Proposal - Other/Miscellaneous                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Routine/Business                                              | 0         | 0             | 0                 |
| Shareholder Proposal - Social/Human Rights                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Social                                                        | 0         | 0             | 0                 |
| Total                                                                                | 162       | 15            | 0                 |
| Total resolutions                                                                    | 177       |               |                   |
| No. AGMs                                                                             | 14        |               |                   |
| No. EGMs                                                                             | 4         |               |                   |
| No. of companies voted                                                               | 18        |               |                   |
| No. of companies where voted against management /abstained at least one resolution   | 10        |               |                   |
| % no. of companies where at least one vote against management (includes abstentions) | 56%       |               |                   |

Votes against management



Number of companies voted for/against management



■ No. of companies where we supported management  
■ No. of companies where we voted against management

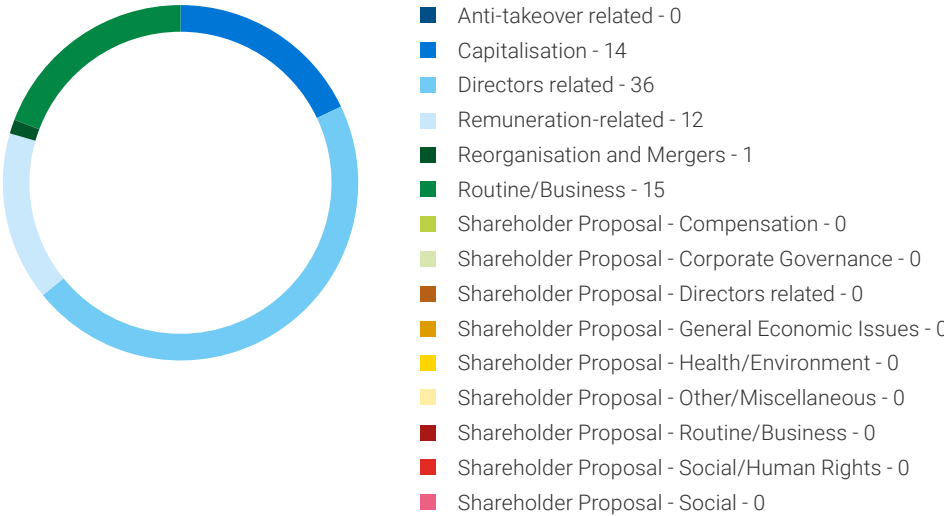
**LGIM voted against at least one resolution at 56% of Japanese companies over the quarter.**



Asia Pacific - Q3 2022 voting summary

| Proposal category                                                                    | Total for | Total against | Total abstentions |
|--------------------------------------------------------------------------------------|-----------|---------------|-------------------|
| Anti-takeover related                                                                | 2         | 0             | 0                 |
| Capitalisation                                                                       | 28        | 14            | 0                 |
| Directors related                                                                    | 92        | 36            | 0                 |
| Remuneration related                                                                 | 16        | 12            | 0                 |
| Reorganisation and Mergers                                                           | 15        | 1             | 0                 |
| Routine/Business                                                                     | 54        | 15            | 0                 |
| Shareholder Proposal - Compensation                                                  | 0         | 0             | 0                 |
| Shareholder Proposal - Corporate Governance                                          | 0         | 0             | 0                 |
| Shareholder Proposal - Directors Related                                             | 0         | 0             | 0                 |
| Shareholder Proposal - General Economic Issues                                       | 0         | 0             | 0                 |
| Shareholder Proposal - Health/Environment                                            | 0         | 0             | 0                 |
| Shareholder Proposal - Other/Miscellaneous                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Routine/Business                                              | 0         | 0             | 0                 |
| Shareholder Proposal - Social/Human Rights                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Social                                                        | 0         | 0             | 0                 |
| Total                                                                                | 207       | 78            | 0                 |
| Total resolutions                                                                    | 285       |               |                   |
| No. AGMs                                                                             | 31        |               |                   |
| No. EGMs                                                                             | 17        |               |                   |
| No. of companies voted                                                               | 47        |               |                   |
| No. of companies where voted against management /abstained at least one resolution   | 28        |               |                   |
| % no. of companies where at least one vote against management (includes abstentions) | 60%       |               |                   |

Votes against management



Number of companies voted for/against management



■ No. of companies where we supported management  
■ No. of companies where we voted against management

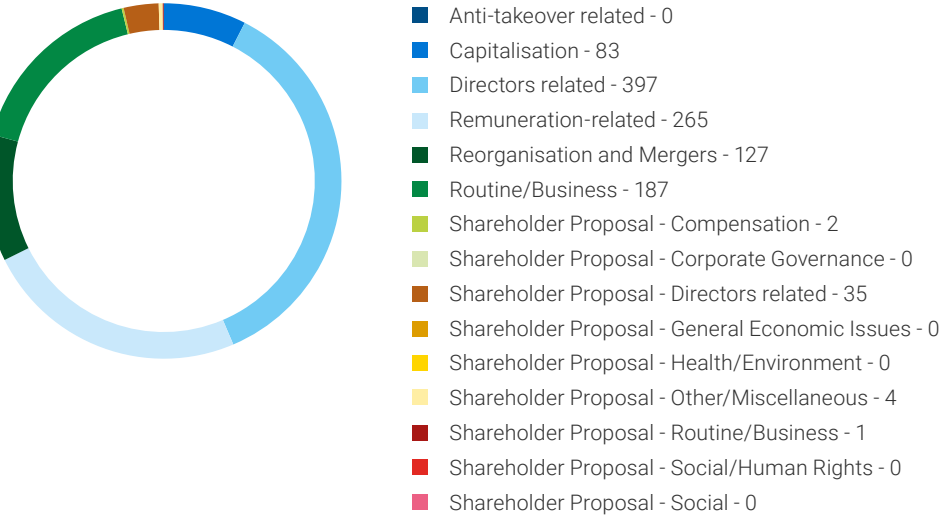
LGIM voted against at least one resolution at 60% of Asia Pacific companies over the quarter.



Emerging markets - Q3 2022 voting summary

| Proposal category                                                                    | Total for | Total against | Total abstentions |
|--------------------------------------------------------------------------------------|-----------|---------------|-------------------|
| Anti-takeover related                                                                | 2         | 0             | 0                 |
| Capitalisation                                                                       | 1126      | 83            | 0                 |
| Directors related                                                                    | 833       | 397           | 48                |
| Remuneration related                                                                 | 82        | 265           | 0                 |
| Reorganisation and Mergers                                                           | 333       | 127           | 0                 |
| Routine/Business                                                                     | 980       | 187           | 0                 |
| Shareholder Proposal - Compensation                                                  | 0         | 2             | 0                 |
| Shareholder Proposal - Corporate Governance                                          | 1         | 0             | 0                 |
| Shareholder Proposal - Directors Related                                             | 141       | 35            | 0                 |
| Shareholder Proposal - General Economic Issues                                       | 0         | 0             | 0                 |
| Shareholder Proposal - Health/Environment                                            | 0         | 0             | 0                 |
| Shareholder Proposal - Other/Miscellaneous                                           | 0         | 4             | 0                 |
| Shareholder Proposal - Routine/Business                                              | 34        | 1             | 0                 |
| Shareholder Proposal - Social/Human Rights                                           | 0         | 0             | 0                 |
| Shareholder Proposal - Social                                                        | 0         | 0             | 0                 |
| Total                                                                                | 3532      | 1101          | 48                |
| Total resolutions                                                                    | 4681      |               |                   |
| No. AGMs                                                                             | 212       |               |                   |
| No. EGMs                                                                             | 390       |               |                   |
| No. of companies voted                                                               | 564       |               |                   |
| No. of companies where voted against management /abstained at least one resolution   | 333       |               |                   |
| % no. of companies where at least one vote against management (includes abstentions) | 59%       |               |                   |

Votes against management



Number of companies voted for/against management



■ No. of companies where we supported management  
■ No. of companies where we voted against management

LGIM voted against at least one resolution at 59% of emerging market companies over the quarter.

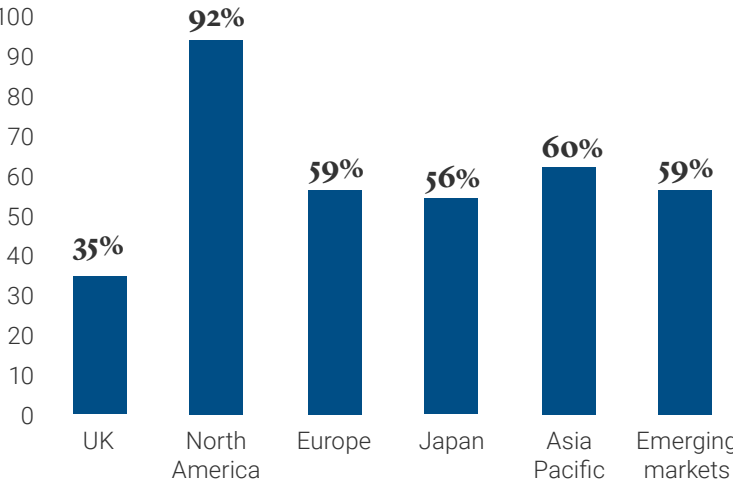




Global - Q3 2022 voting summary

| Proposal category                                                                    | Total for | Total against | Total abstentions | Total |
|--------------------------------------------------------------------------------------|-----------|---------------|-------------------|-------|
| Anti-takeover related                                                                | 110       | 2             | 0                 | 112   |
| Capitalisation                                                                       | 1740      | 121           | 0                 | 1861  |
| Directors related                                                                    | 2325      | 616           | 48                | 2989  |
| Remuneration related                                                                 | 352       | 379           | 0                 | 731   |
| Reorganisation and Mergers                                                           | 411       | 132           | 0                 | 543   |
| Routine/Business                                                                     | 1802      | 241           | 0                 | 2043  |
| Shareholder Proposal - Compensation                                                  | 1         | 3             | 0                 | 4     |
| Shareholder Proposal - Corporate Governance                                          | 4         | 3             | 0                 | 7     |
| Shareholder Proposal - Directors Related                                             | 148       | 41            | 0                 | 189   |
| Shareholder Proposal - General Economic Issues                                       | 1         | 1             | 0                 | 2     |
| Shareholder Proposal - Health/Environment                                            | 0         | 4             | 0                 | 4     |
| Shareholder Proposal - Other/Miscellaneous                                           | 0         | 8             | 0                 | 8     |
| Shareholder Proposal - Routine/Business                                              | 39        | 5             | 0                 | 44    |
| Shareholder Proposal - Social/Human Rights                                           | 1         | 2             | 0                 | 3     |
| Shareholder Proposal - Social                                                        | 0         | 0             | 0                 | 0     |
| Total                                                                                | 6934      | 1558          | 48                | 8540  |
| Total resolutions                                                                    |           |               |                   | 8540  |
| No. AGMs                                                                             |           |               |                   | 449   |
| No. EGMs                                                                             |           |               |                   | 469   |
| No. of companies voted                                                               |           |               |                   | 864   |
| No. of companies where voted against management /abstained at least one resolution   |           |               |                   | 482   |
| % no. of companies where at least one vote against management (includes abstentions) |           |               |                   | 56%   |

% of companies with at least one vote against (includes abstentions)



Number of companies voted for/against management



Global engagement summary



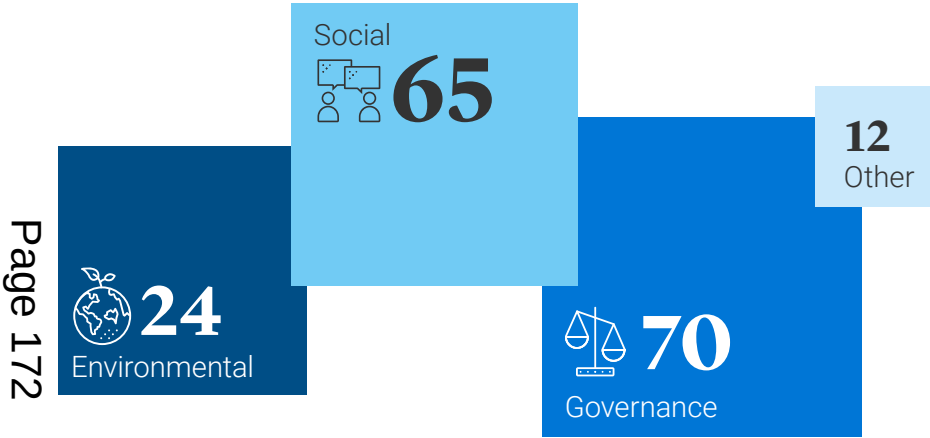
In Q3 2022, the Investment Stewardship team held

**137** **with** **114**  
engagements companies

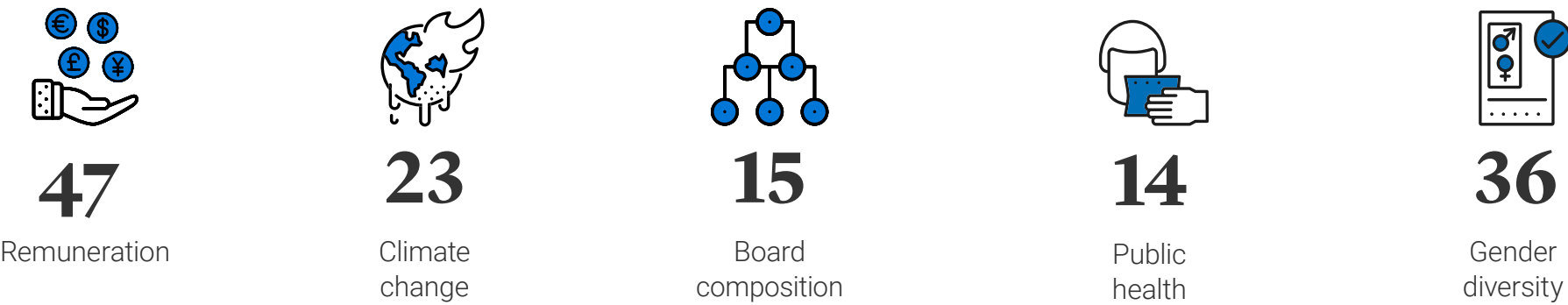
(vs. 122 engagements with 103 companies last quarter)

Breaking down the engagement numbers - Q3 2022

Breakdown of engagement by themes

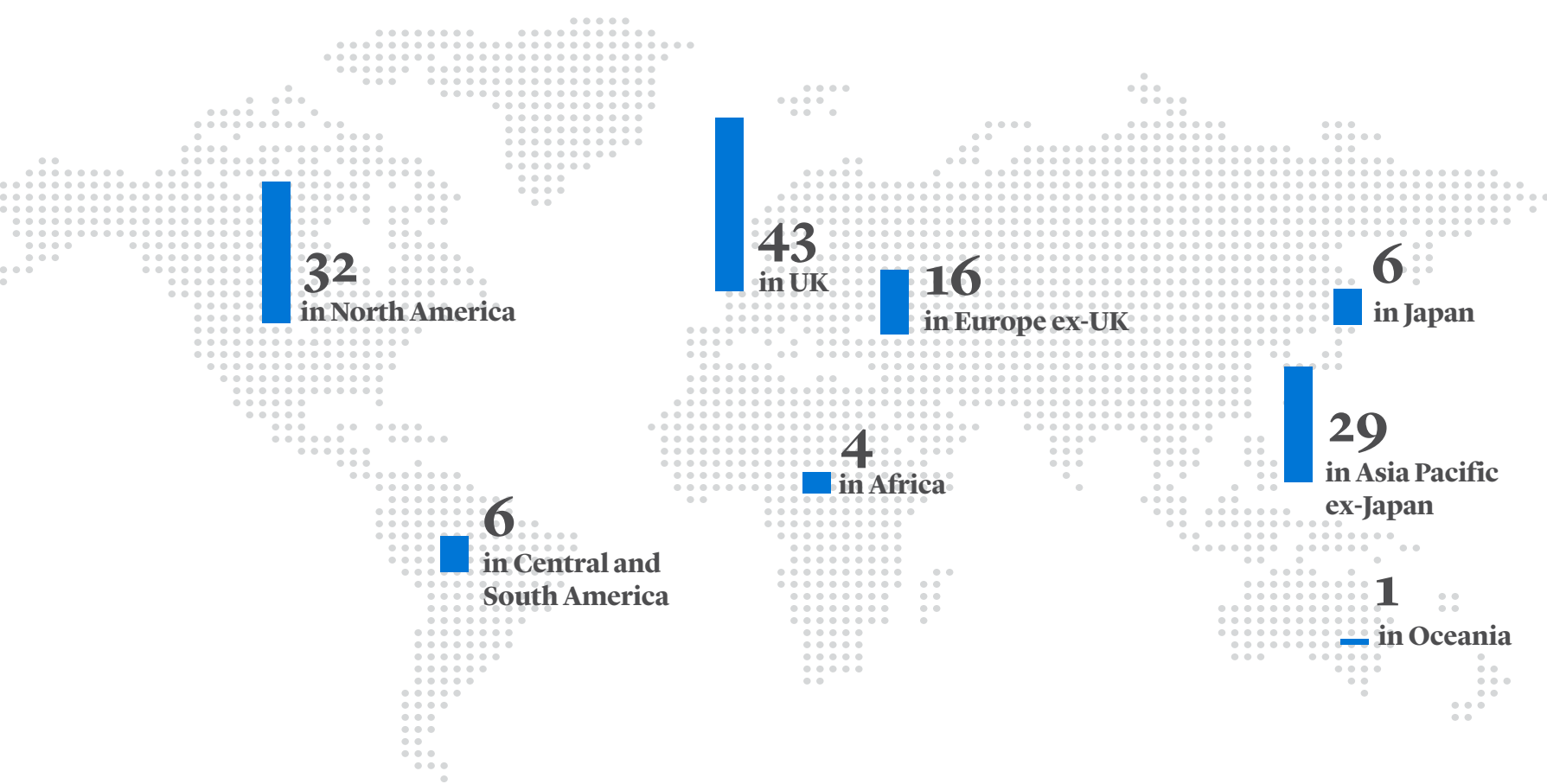


Top five engagement topics\*



\*Note: an engagement can cover more than a single topic

Regional breakdown of engagements





## Contact us

For further information about LGIM, please visit [lgim.com](http://lgim.com) or contact your usual LGIM representative



### Key Risks

The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested. Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass. Reference to a particular security is on a historic basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

### Important information

This document is not a financial promotion nor a marketing communication.

It has been produced by Legal & General Investment Management Limited and/or its affiliates ('Legal & General', 'we' or 'us') as thought leadership which represents our intellectual property. The information contained in this document (the 'Information') may include our views on significant governance issues which can affect listed companies and issuers of securities generally. It intentionally refrains from describing any products or services provided by any of the regulated entities within our group of companies, this is so the document can be distributed to the widest possible audience without geographic limitation.

No party shall have any right of action against Legal & General in relation to the accuracy or completeness of the Information, or any other written or oral information made available in connection with this publication. No part of this or any other document or presentation provided by us shall be deemed to constitute 'proper advice' for the purposes of the Pensions Act 1995 (as amended).

### Limitations:

Unless otherwise agreed by Legal & General in writing, the Information in this document (a) is for information purposes only and we are not soliciting any action based on it, and (b) is not a recommendation to buy or sell securities or pursue a particular investment strategy; and (c) is not investment, legal, regulatory or tax advice. To the fullest extent permitted by law, we exclude all representations, warranties, conditions, undertakings and all other terms of any kind, implied by statute or common law, with respect to the Information including (without limitation) any representations as to the quality, suitability, accuracy or completeness of the Information.

The Information is provided 'as is' and 'as available'. To the fullest extent permitted by law, Legal & General accepts no liability to you or any other recipient of the Information for any loss, damage or cost arising from, or in connection with, any use or reliance on the Information. Without limiting the generality of the foregoing, Legal & General does not accept any liability for any indirect, special or consequential loss howsoever caused and on any theory or liability, whether in contract or tort (including negligence) or otherwise, even if Legal & General has been advised of the possibility of such loss.

### Third party data:

Where this document contains third party information or data ('Third Party Data'), we cannot guarantee the accuracy, completeness or reliability of such Third Party Data and accept no responsibility or liability whatsoever in respect of such Third Party Data.

### Publication, amendments and updates:

We are under no obligation to update or amend the Information or correct any errors in the Information following the date it was delivered to you. Legal & General reserves the right to update this document and/or the Information at any time and without notice. Although the Information contained in this document is believed to be correct as at the time of printing or publication, no assurance can be given to you that this document is complete or accurate in the light of information that may become available after its publication. The Information may not take into account any relevant events, facts or conditions that have occurred after the publication or printing of this document.

© 2022 Legal & General Investment Management Limited, authorised and regulated by the Financial Conduct Authority, No. 119272. Registered in England and Wales No. 02091894 with registered office at One Coleman Street, London, EC2R 5AA

This page is intentionally left blank

# Shropshire County Council

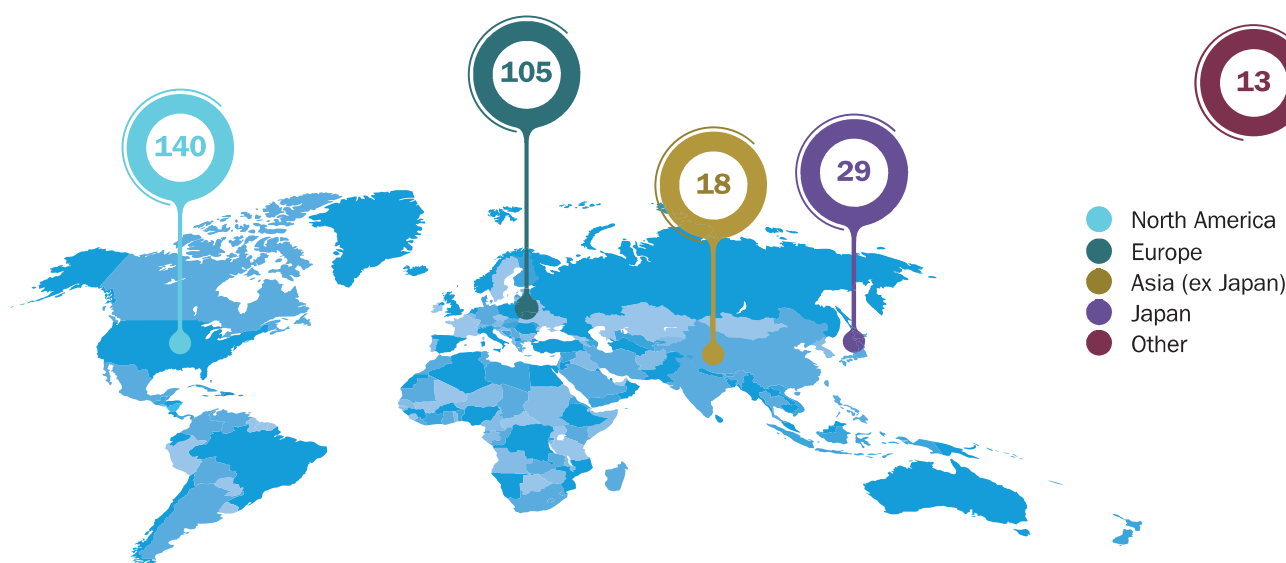
## Q3 2022

The purpose of the **reo**<sup>®</sup> (responsible engagement overlay) \* service is to engage with companies held in portfolios with a view to promoting the adoption of better environmental, social and governance (ESG) practices. The **reo**<sup>®</sup> approach focuses on enhancing long-term investment performance by making companies more commercially successful through safer, cleaner, and more accountable operations that are better positioned to deal with ESG risks and opportunities.

### Engagement this quarter

| Engagement | Companies Engaged | Milestones achieved | Countries covered |
|------------|-------------------|---------------------|-------------------|
| 411        | 305               | 50                  | 27                |

### Companies engaged by region



### Engagement by theme \*\*



### Milestones achieved by theme



\* **reo**<sup>®</sup> is currently applied to €1.11tn / £954bn / US\$1.16tn\* as at 30 June 2022.

\*\* Companies may have been engaged on more than one issue.

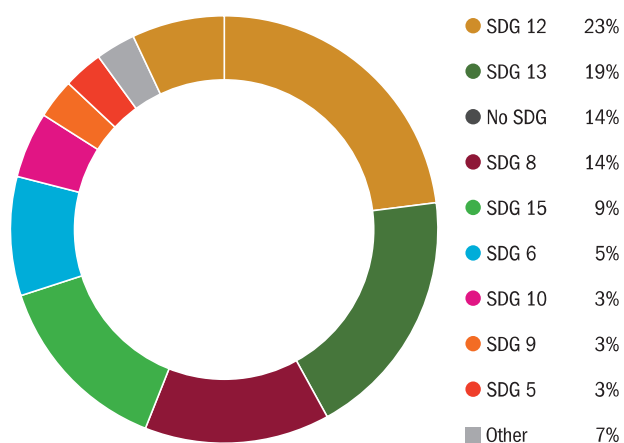


## Engagements and Sustainable Development Goals (SDGs)

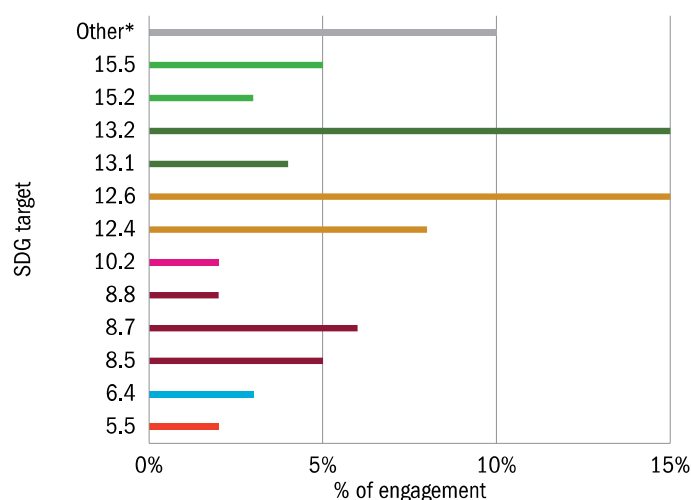
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

We use the detailed underlying SDG targets to frame company engagement objectives, where relevant, as well as to articulate the positive societal and environmental impacts of engagement. Engagements are systematically captured at a target level, to enable greater accuracy and achieve higher impact.

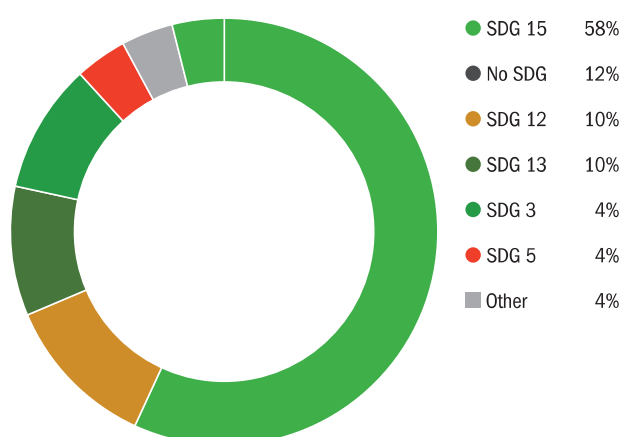
### Engagement: SDG level



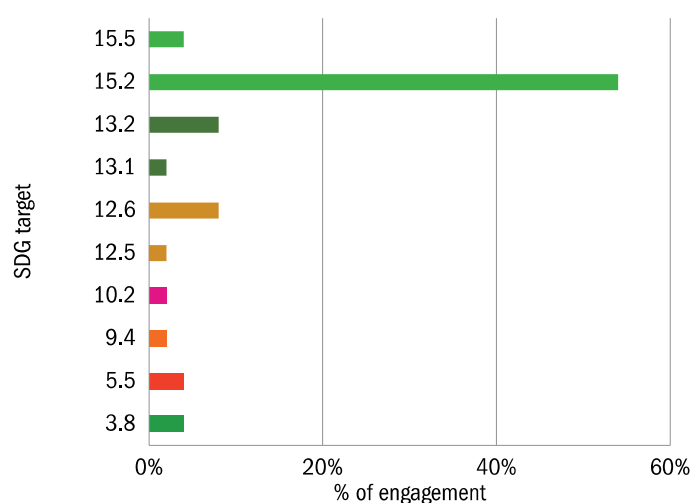
### Engagement: SDG target level



### Milestone: SDG level



### Milestone: SDG target level



\*Other represents SDG targets less than 2% of the relevant SDG Goal.

# Priority Companies and Your Fund

The table below highlights the companies on our annual priority engagement list with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. Priority companies are selected through a detailed analysis of client holdings, proprietary ESG risk scores, engagement history and the Responsible Investment team's judgement and expertise. Each priority company has defined engagement objectives set at the beginning of each year. Engagement activity levels for priority companies are more intensive than for companies where we engage more reactively. For full details of our engagements with companies please refer to the online **reo**® client portal.

| Name                         | Sector                 | ESG Rating | Response to engagement | Themes engaged |                           |                  |              |                  |               |                      |
|------------------------------|------------------------|------------|------------------------|----------------|---------------------------|------------------|--------------|------------------|---------------|----------------------|
|                              |                        |            |                        | Climate Change | Environmental Stewardship | Business Conduct | Human Rights | Labour Standards | Public Health | Corporate Governance |
| AbbVie Inc                   | Health Care            |            | Good                   |                |                           |                  |              |                  |               |                      |
| Amazon.com Inc               | Consumer Discretionary |            | Poor                   |                |                           |                  |              |                  |               |                      |
| Anglo American PLC           | Materials              |            | Good                   |                |                           |                  |              |                  |               |                      |
| Bayer AG                     | Health Care            |            | Good                   |                |                           |                  |              |                  |               |                      |
| BHP Group Ltd                | Materials              |            | Good                   |                |                           |                  |              |                  |               |                      |
| BP PLC                       | Energy                 |            | Good                   |                |                           |                  |              |                  |               |                      |
| Capital One Financial Corp   | Financials             |            | Poor                   |                |                           |                  |              |                  |               |                      |
| Carnival PLC                 | Consumer Discretionary |            | Good                   |                |                           |                  |              |                  |               |                      |
| China Mengniu Dairy Co Ltd   | Consumer Staples       |            | Good                   |                |                           |                  |              |                  |               |                      |
| Dominion Energy Inc          | Utilities              |            | Good                   |                |                           |                  |              |                  |               |                      |
| Eagle Materials Inc          | Materials              |            |                        |                |                           |                  |              |                  |               |                      |
| Exxon Mobil Corp             | Energy                 |            | Good                   |                |                           |                  |              |                  |               |                      |
| Fresenius SE & Co KGaA       | Health Care            |            | Good                   |                |                           |                  |              |                  |               |                      |
| Keyence Corp                 | Information Technology |            | Good                   |                |                           |                  |              |                  |               |                      |
| LyondellBasell Industries NV | Materials              |            | Adequate               |                |                           |                  |              |                  |               |                      |
| Mondelez International Inc   | Consumer Staples       |            | Good                   |                |                           |                  |              |                  |               |                      |
| Peloton Interactive Inc      | Consumer Discretionary |            |                        |                |                           |                  |              |                  |               |                      |
| Phillips 66                  | Energy                 |            |                        |                |                           |                  |              |                  |               |                      |
| Procter & Gamble Co/The      | Consumer Staples       |            |                        |                |                           |                  |              |                  |               |                      |
| Rio Tinto Ltd                | Materials              |            | Good                   |                |                           |                  |              |                  |               |                      |
| Shell PLC                    | Energy                 |            | Good                   |                |                           |                  |              |                  |               |                      |

## ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

| Name                               | Sector                 | ESG Rating                                                                        | Response to engagement | Themes engaged                                                                      |                                                                                     |                  |                                                                                     |                                                                                     |                                                                                     |                                                                                     |
|------------------------------------|------------------------|-----------------------------------------------------------------------------------|------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
|                                    |                        |                                                                                   |                        | Climate Change                                                                      | Environmental Stewardship                                                           | Business Conduct | Human Rights                                                                        | Labour Standards                                                                    | Public Health                                                                       | Corporate Governance                                                                |
| Singapore Airlines Ltd             | Industrials            |  |                        |  |                                                                                     |                  |                                                                                     |                                                                                     |                                                                                     |  |
| SITC International Holdings Co Ltd | Industrials            |  | Good                   |  |                                                                                     |                  |                                                                                     |                                                                                     |                                                                                     |  |
| Solvay SA                          | Materials              |  | Adequate               |                                                                                     |  |                  |                                                                                     |                                                                                     |  |                                                                                     |
| Tesla Inc                          | Consumer Discretionary |  |                        |                                                                                     |                                                                                     |                  |  |  |                                                                                     |                                                                                     |
| TJX Cos Inc/The                    | Consumer Discretionary |  |                        |                                                                                     |  |                  |  |                                                                                     |  |                                                                                     |

ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

# Engagements and Your Fund: **Red rated**

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online **reo**® client portal.

| Name                               | Country       | Sector                 | Priority Company | Themes engaged |                           |                  |              |                  |               |                      |
|------------------------------------|---------------|------------------------|------------------|----------------|---------------------------|------------------|--------------|------------------|---------------|----------------------|
|                                    |               |                        |                  | Climate Change | Environmental Stewardship | Business Conduct | Human Rights | Labour Standards | Public Health | Corporate Governance |
| Airbnb Inc                         | United States | Consumer Discretionary |                  |                |                           |                  | ●            |                  |               |                      |
| Ajanta Pharma Ltd                  | India         | Health Care            |                  |                |                           |                  |              |                  |               | ●                    |
| American Airlines Group Inc        | United States | Industrials            |                  | ●              | ●                         |                  |              |                  |               | ●                    |
| Berkshire Hathaway Inc             | United States | Financials             |                  | ●              | ●                         |                  |              |                  |               | ●                    |
| Carnival PLC                       | United States | Consumer Discretionary | ✓                |                |                           |                  |              | ●                |               | ●                    |
| Ford Motor Co                      | United States | Consumer Discretionary |                  | ●              |                           |                  | ●            |                  |               |                      |
| Japan Tobacco Inc                  | Japan         | Consumer Staples       |                  | ●              | ●                         |                  |              |                  |               |                      |
| JD.com Inc                         | China         | Consumer Discretionary |                  |                |                           |                  | ●            | ●                |               |                      |
| Lee & Man Paper Manufacturing Ltd  | Hong Kong     | Materials              |                  | ●              | ●                         |                  |              |                  |               |                      |
| Meta Platforms Inc                 | United States | Information Technology |                  |                |                           | ●                |              | ●                |               |                      |
| Minerva SA/Brazil                  | Brazil        | Consumer Staples       |                  |                |                           |                  |              |                  |               | ●                    |
| Peloton Interactive Inc            | United States | Consumer Discretionary | ✓                |                |                           |                  | ●            | ●                |               |                      |
| Sanderson Farms Inc                | United States | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Seaboard Corp                      | United States | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| SITC International Holdings Co Ltd | Hong Kong     | Industrials            | ✓                | ●              |                           |                  |              |                  |               | ●                    |
| Triumph Bancorp Inc                | United States | Financials             |                  | ●              |                           |                  |              |                  |               | ●                    |

## ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

# Engagements and Your Fund: **Orange** rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online **reo**® client portal.

| Name                                           | Country        | Sector                 | Priority Company | Themes engaged |                           |                  |              |                  |               |                      |
|------------------------------------------------|----------------|------------------------|------------------|----------------|---------------------------|------------------|--------------|------------------|---------------|----------------------|
|                                                |                |                        |                  | Climate Change | Environmental Stewardship | Business Conduct | Human Rights | Labour Standards | Public Health | Corporate Governance |
| Alphabet Inc                                   | United States  | Information Technology |                  |                |                           | ●                |              | ●                |               |                      |
| AT&T Inc                                       | United States  | Communication Services |                  |                |                           | ●                | ●            | ●                |               |                      |
| Boeing Co/The                                  | United States  | Industrials            |                  | ●              |                           |                  |              |                  |               | ●                    |
| boohoo Group PLC                               | United Kingdom | Consumer Discretionary |                  |                |                           |                  |              | ●                |               |                      |
| Canadian Pacific Railway Ltd                   | Canada         | Industrials            |                  | ●              | ●                         |                  |              | ●                |               | ●                    |
| Canopy Growth Corp                             | Canada         | Health Care            |                  | ●              | ●                         |                  |              |                  |               |                      |
| Capri Holdings Ltd                             | United Kingdom | Consumer Discretionary |                  |                |                           |                  | ●            | ●                |               |                      |
| Cargojet Inc                                   | Canada         | Industrials            |                  | ●              |                           |                  |              |                  |               |                      |
| CenterPoint Energy Inc                         | United States  | Utilities              |                  | ●              | ●                         |                  |              |                  |               |                      |
| Choice Properties Real Estate Investment Trust | Canada         | Real Estate            |                  | ●              |                           |                  |              |                  |               |                      |
| CME Group Inc                                  | United States  | Financials             |                  | ●              |                           |                  |              |                  |               | ●                    |
| Cracker Barrel Old Country Store Inc           | United States  | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| CSX Corp                                       | United States  | Industrials            |                  | ●              | ●                         |                  |              |                  |               | ●                    |
| Deutsche Telekom AG                            | Germany        | Communication Services |                  |                |                           |                  |              | ●                |               |                      |
| Dollar General Corp                            | United States  | Consumer Discretionary |                  |                |                           |                  |              | ●                |               |                      |
| Dollar Tree Inc                                | United States  | Consumer Discretionary |                  |                |                           |                  |              | ●                |               |                      |
| Eagle Materials Inc                            | United States  | Materials              | ✓                | ●              |                           |                  |              |                  |               |                      |
| Eastman Chemical Co                            | United States  | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| GEO Group Inc/The                              | United States  | Real Estate            |                  |                |                           |                  | ●            | ●                |               | ●                    |
| Hankook Tire & Technology Co Ltd               | South Korea    | Consumer Discretionary |                  | ●              | ●                         |                  |              |                  |               | ●                    |
| Invitation Homes Inc                           | United States  | Real Estate            |                  | ●              | ●                         |                  |              |                  |               |                      |
| Irish Residential Properties REIT PLC          | Ireland        | Real Estate            |                  | ●              | ●                         |                  |              |                  |               |                      |
| Keyence Corp                                   | Japan          | Information Technology | ✓                |                |                           |                  | ●            | ●                |               | ●                    |
| LXI REIT plc                                   | United Kingdom | Real Estate            |                  | ●              |                           |                  |              |                  |               |                      |
| Marfrig Global Foods SA                        | Brazil         | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |

## ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●



| Name                          | Country       | Sector                 | Priority Company | Themes engaged |                           |                  |              |                  |               |                      |
|-------------------------------|---------------|------------------------|------------------|----------------|---------------------------|------------------|--------------|------------------|---------------|----------------------|
|                               |               |                        |                  | Climate Change | Environmental Stewardship | Business Conduct | Human Rights | Labour Standards | Public Health | Corporate Governance |
| Maruha Nichiro Corp           | Japan         | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Mohawk Industries Inc         | United States | Consumer Discretionary |                  |                |                           |                  | ●            | ●                |               |                      |
| Old Dominion Freight Line Inc | United States | Industrials            |                  | ●              |                           |                  |              |                  |               | ●                    |
| Orpea SA                      | France        | Health Care            |                  |                |                           | ●                |              |                  |               | ●                    |
| Power Assets Holdings Ltd     | Hong Kong     | Utilities              |                  | ●              |                           |                  |              |                  |               |                      |
| Ross Stores Inc               | United States | Consumer Discretionary |                  |                |                           |                  | ●            |                  |               |                      |
| TJX Cos Inc/The               | United States | Consumer Discretionary | ✓                |                | ●                         |                  | ●            |                  | ●             |                      |
| United Airlines Holdings Inc  | United States | Industrials            |                  |                |                           |                  |              |                  |               | ●                    |
| Walmart Inc                   | United States | Consumer Staples       |                  |                |                           |                  |              | ●                |               |                      |
| Westlake Corp                 | United States | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |

**ESG Risk Rating:**

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

# Engagements and Your Fund: Yellow rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online **reo**® client portal.

| Name                           | Country        | Sector                 | Priority Company | Themes engaged |                           |                  |              |                  |               |                      |
|--------------------------------|----------------|------------------------|------------------|----------------|---------------------------|------------------|--------------|------------------|---------------|----------------------|
|                                |                |                        |                  | Climate Change | Environmental Stewardship | Business Conduct | Human Rights | Labour Standards | Public Health | Corporate Governance |
| Abbott Laboratories            | United States  | Health Care            |                  |                |                           |                  |              |                  | ●             |                      |
| ADLER Group SA                 | Luxembourg     | Real Estate            |                  | ●              | ●                         |                  |              |                  |               |                      |
| Air Liquide SA                 | France         | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Air Products and Chemicals Inc | United States  | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Air Water Inc                  | Japan          | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Alibaba Group Holding Ltd      | China          | Information Technology |                  |                |                           |                  |              |                  |               | ●                    |
| Amazon.com Inc                 | United States  | Consumer Discretionary | ✓                |                |                           | ●                | ●            |                  | ●             |                      |
| Apple Inc                      | United States  | Information Technology |                  |                |                           | ●                |              | ●                |               |                      |
| Aramark                        | United States  | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| Avery Dennison Corp            | United States  | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Barrick Gold Corp              | Canada         | Materials              |                  |                | ●                         |                  | ●            |                  |               |                      |
| Bayer AG                       | Germany        | Health Care            | ✓                |                | ●                         |                  |              |                  | ●             |                      |
| Beiersdorf AG                  | Germany        | Consumer Staples       |                  |                |                           |                  |              | ●                |               |                      |
| Bloomin' Brands Inc            | United States  | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| Booking Holdings Inc           | United States  | Consumer Discretionary |                  |                |                           | ●                | ●            |                  |               |                      |
| BP PLC                         | United Kingdom | Energy                 | ✓                | ●              | ●                         |                  |              |                  |               |                      |
| Canadian National Railway Co   | Canada         | Industrials            |                  | ●              | ●                         |                  |              |                  |               |                      |
| Canadian Utilities Ltd         | Canada         | Utilities              |                  | ●              |                           |                  |              |                  |               |                      |
| Capital One Financial Corp     | United States  | Financials             | ✓                | ●              |                           |                  |              |                  |               | ●                    |
| CECONOMY AG                    | Germany        | Consumer Discretionary |                  |                |                           |                  |              | ●                |               |                      |
| Cheesecake Factory Inc/The     | United States  | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| China Mengniu Dairy Co Ltd     | Hong Kong      | Consumer Staples       | ✓                |                |                           |                  |              | ●                | ●             |                      |
| Continental AG                 | Germany        | Consumer Discretionary |                  |                | ●                         |                  | ●            | ●                |               | ●                    |
| Corteva Inc                    | United States  | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Costco Wholesale Corp          | United States  | Consumer Staples       |                  |                |                           |                  |              | ●                |               |                      |

## ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

| Name                               | Country        | Sector                 | Priority Company | Themes engaged |                           |                  |              |                  |               |                      |
|------------------------------------|----------------|------------------------|------------------|----------------|---------------------------|------------------|--------------|------------------|---------------|----------------------|
|                                    |                |                        |                  | Climate Change | Environmental Stewardship | Business Conduct | Human Rights | Labour Standards | Public Health | Corporate Governance |
| Darden Restaurants Inc             | United States  | Consumer Discretionary |                  | ●              | ●                         |                  |              |                  | ●             |                      |
| Dollarama Inc                      | Canada         | Consumer Discretionary |                  |                |                           |                  |              | ●                |               |                      |
| Domino's Pizza Inc                 | United States  | Consumer Discretionary |                  | ●              | ●                         |                  |              |                  |               |                      |
| eBay Inc                           | United States  | Information Technology |                  |                |                           | ●                | ●            | ●                |               |                      |
| Elior Group SA                     | France         | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| EOG Resources Inc                  | United States  | Energy                 |                  | ●              |                           |                  | ●            |                  |               |                      |
| Equity Residential                 | United States  | Real Estate            |                  | ●              | ●                         |                  |              |                  |               |                      |
| Etablissements Franz Colruyt NV    | Belgium        | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Exxon Mobil Corp                   | United States  | Energy                 | ✓                |                |                           |                  |              | ●                |               |                      |
| Foot Locker Inc                    | United States  | Consumer Discretionary |                  |                |                           |                  | ●            |                  |               | ●                    |
| Freeport-McMoRan Inc               | United States  | Materials              |                  |                | ●                         |                  |              |                  |               |                      |
| Fresenius SE & Co KGaA             | Germany        | Health Care            | ✓                |                |                           |                  |              | ●                |               |                      |
| Glencore PLC                       | Switzerland    | Materials              |                  | ●              | ●                         |                  | ●            |                  |               |                      |
| Goodyear Tire & Rubber Co/The      | United States  | Consumer Discretionary |                  | ●              | ●                         |                  |              |                  |               |                      |
| Hanwha Solutions Corp              | South Korea    | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Hershey Co/The                     | United States  | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Imperial Oil Ltd                   | Canada         | Energy                 |                  | ●              | ●                         |                  | ●            |                  |               |                      |
| Intuitive Surgical Inc             | United States  | Health Care            |                  |                |                           | ●                |              |                  | ●             | ●                    |
| Japan Exchange Group Inc           | Japan          | Financials             |                  |                |                           |                  |              | ●                |               | ●                    |
| JB Hunt Transport Services Inc     | United States  | Industrials            |                  | ●              |                           |                  |              |                  |               | ●                    |
| Jeronimo Martins SGPS SA           | Portugal       | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Johnson & Johnson                  | United States  | Health Care            |                  |                |                           |                  |              | ●                |               |                      |
| Kinder Morgan Inc                  | United States  | Energy                 |                  | ●              |                           |                  |              |                  |               |                      |
| Kingspan Group PLC                 | Ireland        | Industrials            |                  | ●              |                           |                  |              |                  |               |                      |
| Kontoor Brands Inc                 | United States  | Consumer Discretionary |                  |                |                           |                  | ●            | ●                |               |                      |
| LG Chem Ltd                        | South Korea    | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Linde PLC                          | United Kingdom | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Loblaw Cos Ltd                     | Canada         | Consumer Staples       |                  |                |                           |                  |              | ●                | ●             |                      |
| LondonMetric Property PLC          | United Kingdom | Real Estate            |                  | ●              |                           |                  |              |                  |               |                      |
| Lotte Chemical Corp                | South Korea    | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| McDonald's Corp                    | United States  | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| MEIJI Holdings Co Ltd              | Japan          | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Mitchells & Butlers PLC            | United Kingdom | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| Mitsubishi UFJ Financial Group Inc | Japan          | Financials             |                  |                |                           |                  |              |                  |               | ●                    |
| Mitsui OSK Lines Ltd               | Japan          | Industrials            |                  | ●              | ●                         |                  |              |                  |               |                      |
| Moncler SpA                        | Italy          | Consumer Discretionary |                  |                |                           |                  |              | ●                |               |                      |
| Mondelez International Inc         | United States  | Consumer Staples       | ✓                | ●              | ●                         |                  |              |                  | ●             |                      |

**ESG Risk Rating:**

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

| Name                               | Country        | Sector                 | Priority Company | Themes engaged |                           |                  |              |                  |               |                      |
|------------------------------------|----------------|------------------------|------------------|----------------|---------------------------|------------------|--------------|------------------|---------------|----------------------|
|                                    |                |                        |                  | Climate Change | Environmental Stewardship | Business Conduct | Human Rights | Labour Standards | Public Health | Corporate Governance |
| NIKE Inc                           | United States  | Consumer Discretionary |                  |                |                           |                  |              |                  |               |                      |
| Nippon Steel Corp                  | Japan          | Materials              |                  |                |                           |                  |              |                  |               |                      |
| Origin Enterprises PLC             | Ireland        | Consumer Staples       |                  |                |                           |                  |              |                  |               |                      |
| Pfizer Inc                         | United States  | Health Care            |                  |                |                           |                  |              |                  |               |                      |
| PG&E Corp                          | United States  | Utilities              |                  |                |                           |                  |              |                  |               |                      |
| Phibro Animal Health Corp          | United States  | Health Care            |                  |                |                           |                  |              |                  |               |                      |
| POSCO Holdings Inc                 | South Korea    | Materials              |                  |                |                           |                  |              |                  |               |                      |
| Ralph Lauren Corp                  | United States  | Consumer Discretionary |                  |                |                           |                  |              |                  |               |                      |
| Renault SA                         | France         | Consumer Discretionary |                  |                |                           |                  |              |                  |               |                      |
| RWE AG                             | Germany        | Utilities              |                  |                |                           |                  |              |                  |               |                      |
| Safaricom PLC                      | Kenya          | Communication Services |                  |                |                           |                  |              |                  |               |                      |
| Samsung Electronics Co Ltd         | South Korea    | Information Technology |                  |                |                           |                  |              |                  |               |                      |
| Saputo Inc                         | Canada         | Consumer Staples       |                  |                |                           |                  |              |                  |               |                      |
| Shin-Etsu Chemical Co Ltd          | Japan          | Materials              |                  |                |                           |                  |              |                  |               |                      |
| Showa Denko KK                     | Japan          | Materials              |                  |                |                           |                  |              |                  |               |                      |
| Singapore Airlines Ltd             | Singapore      | Industrials            |                  |                |                           |                  |              |                  |               |                      |
| Smurfit Kappa Group PLC            | Ireland        | Materials              |                  |                |                           |                  |              |                  |               |                      |
| South32 Ltd                        | Australia      | Materials              |                  |                |                           |                  |              |                  |               |                      |
| Southern Co/The                    | United States  | Utilities              |                  |                |                           |                  |              |                  |               |                      |
| Sumitomo Rubber Industries Ltd     | Japan          | Consumer Discretionary |                  |                |                           |                  |              |                  |               |                      |
| Sysco Corp                         | United States  | Consumer Staples       |                  |                |                           |                  |              |                  |               |                      |
| TC Energy Corp                     | Canada         | Energy                 |                  |                |                           |                  |              |                  |               |                      |
| Tesla Inc                          | United States  | Consumer Discretionary |                  |                |                           |                  |              |                  |               |                      |
| Tosoh Corp                         | Japan          | Materials              |                  |                |                           |                  |              |                  |               |                      |
| Treasury Wine Estates Ltd          | Australia      | Consumer Staples       |                  |                |                           |                  |              |                  |               |                      |
| Tritax Big Box REIT PLC            | United Kingdom | Real Estate            |                  |                |                           |                  |              |                  |               |                      |
| Tyson Foods Inc                    | United States  | Consumer Staples       |                  |                |                           |                  |              |                  |               |                      |
| United Utilities Group PLC         | United Kingdom | Utilities              |                  |                |                           |                  |              |                  |               |                      |
| Vitasoy International Holdings Ltd | Hong Kong      | Consumer Staples       |                  |                |                           |                  |              |                  |               |                      |
| Waste Connections Inc              | United States  | Industrials            |                  |                |                           |                  |              |                  |               |                      |
| WH Group Ltd                       | Hong Kong      | Consumer Staples       |                  |                |                           |                  |              |                  |               |                      |
| Whitbread PLC                      | United Kingdom | Consumer Discretionary |                  |                |                           |                  |              |                  |               |                      |
| Williams Cos Inc/The               | United States  | Energy                 |                  |                |                           |                  |              |                  |               |                      |
| Woolworths Group Ltd               | Australia      | Consumer Staples       |                  |                |                           |                  |              |                  |               |                      |

**ESG Risk Rating:**

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile:  Second quartile:  Third quartile:  Bottom quartile: 

# Engagements and Your Fund: **Green rated**

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online **reo**® client portal.

| Name                         | Country        | Sector                 | Priority Company | Themes engaged |                           |                  |              |                  |               |                      |
|------------------------------|----------------|------------------------|------------------|----------------|---------------------------|------------------|--------------|------------------|---------------|----------------------|
|                              |                |                        |                  | Climate Change | Environmental Stewardship | Business Conduct | Human Rights | Labour Standards | Public Health | Corporate Governance |
| 3M Co                        | United States  | Industrials            |                  |                | ●                         |                  |              |                  | ●             |                      |
| AbbVie Inc                   | United States  | Health Care            | ✓                |                |                           |                  |              | ●                |               |                      |
| adidas AG                    | Germany        | Consumer Discretionary |                  |                |                           |                  | ●            | ●                |               |                      |
| Adobe Inc                    | United States  | Information Technology |                  |                |                           | ●                |              | ●                |               |                      |
| Advanced Micro Devices Inc   | United States  | Information Technology |                  |                |                           |                  | ●            | ●                |               | ●                    |
| Aeon Co Ltd                  | Japan          | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Akzo Nobel NV                | Netherlands    | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Alaska Air Group Inc         | United States  | Industrials            |                  | ●              |                           |                  |              |                  |               |                      |
| Analog Devices Inc           | United States  | Information Technology |                  |                |                           |                  | ●            | ●                |               | ●                    |
| Anglo American PLC           | United Kingdom | Materials              | ✓                |                |                           |                  |              | ●                |               |                      |
| Antofagasta PLC              | Chile          | Materials              |                  | ●              | ●                         |                  | ●            |                  |               |                      |
| Arkema SA                    | France         | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Asahi Kasei Corp             | Japan          | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| ASM International NV         | Netherlands    | Information Technology |                  | ●              |                           |                  |              | ●                |               | ●                    |
| Associated British Foods PLC | United Kingdom | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| AstraZeneca PLC              | United Kingdom | Health Care            |                  |                |                           |                  |              | ●                |               |                      |
| Autogrill SpA                | Italy          | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| AvalonBay Communities Inc    | United States  | Real Estate            |                  | ●              | ●                         |                  |              |                  |               |                      |
| BASF SE                      | Germany        | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| BHP Group Ltd                | Australia      | Materials              | ✓                | ●              |                           |                  | ●            | ●                |               |                      |
| BlueScope Steel Ltd          | Australia      | Materials              |                  | ●              |                           |                  |              |                  |               |                      |
| Breedon Group PLC            | United Kingdom | Materials              |                  | ●              |                           |                  |              |                  |               |                      |
| Bridgestone Corp             | Japan          | Consumer Discretionary |                  | ●              | ●                         |                  |              |                  |               | ●                    |
| Burberry Group PLC           | United Kingdom | Consumer Discretionary |                  |                |                           |                  |              | ●                |               |                      |
| Campbell Soup Co             | United States  | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |

## ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●



| Name                                         | Country        | Sector                 | Priority Company | Themes engaged |                           |                  |              |                  |               |                      |
|----------------------------------------------|----------------|------------------------|------------------|----------------|---------------------------|------------------|--------------|------------------|---------------|----------------------|
|                                              |                |                        |                  | Climate Change | Environmental Stewardship | Business Conduct | Human Rights | Labour Standards | Public Health | Corporate Governance |
| Carlsberg AS                                 | Denmark        | Consumer Staples       |                  |                |                           |                  | ●            | ●                |               |                      |
| Carrefour SA                                 | France         | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Casino Guichard Perrachon SA                 | France         | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Caterpillar Inc                              | United States  | Industrials            |                  | ●              | ●                         |                  | ●            |                  |               |                      |
| Cenovus Energy Inc/CA                        | Canada         | Energy                 |                  | ●              |                           |                  |              |                  |               |                      |
| Chipotle Mexican Grill Inc                   | United States  | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| Cie Generale des Etablissements Michelin SCA | France         | Consumer Discretionary |                  | ●              | ●                         |                  |              |                  |               | ●                    |
| Cisco Systems Inc/California                 | United States  | Information Technology |                  |                |                           | ●                | ●            | ●                |               | ●                    |
| Coca-Cola Europacific Partners PLC           | United Kingdom | Consumer Staples       |                  | ●              | ●                         |                  |              |                  |               |                      |
| Coles Group Ltd                              | Australia      | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Compass Group PLC                            | United Kingdom | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| Covestro AG                                  | Germany        | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Cranswick PLC                                | United Kingdom | Consumer Staples       |                  |                |                           |                  |              | ●                | ●             |                      |
| CRH PLC                                      | Ireland        | Materials              |                  | ●              | ●                         |                  |              |                  |               |                      |
| CSL Ltd                                      | Australia      | Health Care            |                  | ●              | ●                         |                  |              |                  | ●             |                      |
| Danone SA                                    | France         | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Dechra Pharmaceuticals PLC                   | United Kingdom | Health Care            |                  |                |                           |                  |              |                  | ●             |                      |
| Delta Air Lines Inc                          | United States  | Industrials            |                  | ●              |                           |                  |              |                  |               | ●                    |
| Descartes Systems Group Inc/The              | Canada         | Information Technology |                  | ●              |                           |                  |              | ●                |               | ●                    |
| DIC Corp                                     | Japan          | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Dominion Energy Inc                          | United States  | Utilities              | ✓                | ●              |                           |                  |              |                  |               | ●                    |
| Domino's Pizza Group PLC                     | United Kingdom | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| Dow Inc                                      | United States  | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| DuPont de Nemours Inc                        | United States  | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Ecolab Inc                                   | United States  | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Edison International                         | United States  | Utilities              |                  | ●              | ●                         |                  |              |                  |               |                      |
| Elanco Animal Health Inc                     | United States  | Health Care            |                  |                |                           |                  |              |                  | ●             |                      |
| Encompass Health Corp                        | United States  | Health Care            |                  |                |                           |                  |              | ●                |               |                      |
| Evonik Industries AG                         | Germany        | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| First Republic Bank/CA                       | United States  | Financials             |                  | ●              | ●                         |                  |              |                  |               |                      |
| Gap Inc/The                                  | United States  | Consumer Discretionary |                  |                |                           |                  |              | ●                |               |                      |
| General Mills Inc                            | United States  | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Greggs PLC                                   | United Kingdom | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| HDFC Bank Ltd                                | India          | Financials             |                  | ●              |                           |                  |              | ●                |               |                      |
| HeidelbergCement AG                          | Germany        | Materials              |                  | ●              | ●                         |                  |              |                  |               |                      |
| Henkel AG & Co KGaA                          | Germany        | Consumer Staples       |                  |                |                           |                  |              | ●                |               |                      |
| Holcim AG                                    | Switzerland    | Materials              |                  | ●              | ●                         | ●                |              |                  |               | ●                    |

**ESG Risk Rating:**

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

| Name                                   | Country              | Sector                 | Priority Company | Themes engaged |                           |                  |              |                  |               |                      |
|----------------------------------------|----------------------|------------------------|------------------|----------------|---------------------------|------------------|--------------|------------------|---------------|----------------------|
|                                        |                      |                        |                  | Climate Change | Environmental Stewardship | Business Conduct | Human Rights | Labour Standards | Public Health | Corporate Governance |
| Hormel Foods Corp                      | United States        | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Imperial Brands PLC                    | United Kingdom       | Consumer Staples       |                  | ●              | ●                         |                  |              |                  |               |                      |
| Infineon Technologies AG               | Germany              | Information Technology |                  | ●              |                           |                  | ●            | ●                |               |                      |
| Intel Corp                             | United States        | Information Technology |                  |                |                           |                  |              |                  |               | ●                    |
| International Flavors & Fragrances Inc | United States        | Materials              |                  |                |                           |                  |              | ●                |               |                      |
| Intertek Group PLC                     | United Kingdom       | Industrials            |                  |                |                           |                  | ●            | ●                | ●             |                      |
| J D Wetherspoon PLC                    | United Kingdom       | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| J Sainsbury PLC                        | United Kingdom       | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| John Wood Group PLC                    | United Kingdom       | Energy                 |                  |                |                           |                  |              | ●                |               |                      |
| Johnson Matthey PLC                    | United Kingdom       | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Just Eat Takeaway.com NV               | Netherlands          | Information Technology |                  |                |                           |                  |              | ●                |               |                      |
| Kerry Group PLC                        | Ireland              | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Kimberly-Clark Corp                    | United States        | Consumer Staples       |                  |                |                           |                  | ●            | ●                |               |                      |
| Kojamo Oyj                             | Finland              | Real Estate            |                  | ●              | ●                         |                  |              |                  |               |                      |
| Koninklijke Ahold Delhaize NV          | Netherlands          | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Koninklijke DSM NV                     | Netherlands          | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Koninklijke KPN NV                     | Netherlands          | Communication Services |                  |                | ●                         | ●                |              | ●                |               |                      |
| Kraft Heinz Co/The                     | United States        | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Kroger Co/The                          | United States        | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| LANXESS AG                             | Germany              | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Levi Strauss & Co                      | United States        | Consumer Discretionary |                  |                |                           |                  |              | ●                |               |                      |
| LVMH Moët Hennessy Louis Vuitton SE    | France               | Consumer Discretionary |                  |                |                           |                  |              | ●                |               |                      |
| LyondellBasell Industries NV           | United States        | Materials              | ✓                | ●              | ●                         |                  |              |                  | ●             | ●                    |
| Maple Leaf Foods Inc                   | Canada               | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Marks & Spencer Group PLC              | United Kingdom       | Consumer Discretionary |                  |                |                           |                  |              | ●                |               |                      |
| Martin Marietta Materials Inc          | United States        | Materials              |                  | ●              |                           |                  |              |                  |               |                      |
| Mercedes-Benz Group AG                 | Germany              | Consumer Discretionary |                  | ●              |                           |                  | ●            | ●                |               | ●                    |
| Merck & Co Inc                         | United States        | Health Care            |                  |                |                           |                  |              | ●                | ●             |                      |
| METRO AG                               | Germany              | Consumer Staples       |                  |                |                           |                  |              | ●                | ●             |                      |
| Microsoft Corp                         | United States        | Information Technology |                  |                |                           | ●                |              |                  |               |                      |
| Mitsubishi Chemical Group Corp         | Japan                | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Mitsui Chemicals Inc                   | Japan                | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Mosaic Co/The                          | United States        | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Mowi ASA                               | Norway               | Consumer Staples       |                  | ●              | ●                         |                  |              | ●                | ●             |                      |
| NAVER Corp                             | South Korea          | Information Technology |                  | ●              |                           |                  | ●            | ●                |               | ●                    |
| Nestlé SA                              | Switzerland          | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Network International Holdings PLC     | United Arab Emirates | Information Technology |                  |                |                           | ●                |              |                  |               | ●                    |

**ESG Risk Rating:**

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

| Name                                | Country        | Sector                 | Priority Company | Themes engaged |                           |                  |              |                  |               |                      |
|-------------------------------------|----------------|------------------------|------------------|----------------|---------------------------|------------------|--------------|------------------|---------------|----------------------|
|                                     |                |                        |                  | Climate Change | Environmental Stewardship | Business Conduct | Human Rights | Labour Standards | Public Health | Corporate Governance |
| NextEra Energy Inc                  | United States  | Utilities              |                  | ●              |                           |                  |              |                  |               | ●                    |
| Nintendo Co Ltd                     | Japan          | Communication Services |                  |                |                           | ●                | ●            | ●                |               | ●                    |
| Nippon Paint Holdings Co Ltd        | Japan          | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Nitto Denko Corp                    | Japan          | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Nokia Oyj                           | Finland        | Information Technology |                  | ●              |                           |                  |              |                  |               |                      |
| Norsk Hydro ASA                     | Norway         | Materials              |                  | ●              |                           |                  |              |                  |               |                      |
| Nucor Corp                          | United States  | Materials              |                  | ●              |                           |                  |              |                  |               | ●                    |
| Nutrien Ltd                         | Canada         | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Panasonic Holdings Corp             | Japan          | Consumer Discretionary |                  | ●              |                           |                  | ●            | ●                |               | ●                    |
| Pandora A/S                         | Denmark        | Consumer Discretionary |                  |                |                           |                  | ●            | ●                |               |                      |
| Paragon Banking Group PLC           | United Kingdom | Financials             |                  |                |                           |                  |              |                  |               | ●                    |
| Pennon Group PLC                    | United Kingdom | Utilities              |                  | ●              | ●                         |                  |              |                  |               | ●                    |
| Phillips 66                         | United States  | Energy                 | ✓                | ●              | ●                         |                  |              |                  |               | ●                    |
| Pirelli & C SpA                     | Italy          | Consumer Discretionary |                  |                | ●                         |                  | ●            |                  |               | ●                    |
| PPG Industries Inc                  | United States  | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Premier Foods PLC                   | United Kingdom | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Procter & Gamble Co/The             | United States  | Consumer Staples       | ✓                | ●              | ●                         |                  |              | ●                |               |                      |
| Puma SE                             | Germany        | Consumer Discretionary |                  |                |                           |                  |              | ●                |               |                      |
| PVH Corp                            | United States  | Consumer Discretionary |                  |                |                           |                  |              | ●                |               |                      |
| Reliance Steel & Aluminum Co        | United States  | Materials              |                  | ●              |                           |                  |              |                  |               | ●                    |
| Renesas Electronics Corp            | Japan          | Information Technology |                  | ●              |                           |                  |              |                  |               |                      |
| Restaurant Brands International Inc | Canada         | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| Rio Tinto Ltd                       | Australia      | Materials              | ✓                |                |                           |                  |              | ●                |               |                      |
| Roche Holding AG                    | Switzerland    | Health Care            |                  |                |                           |                  |              | ●                |               |                      |
| Samhallsbyggnadsbolaget i Norden AB | Sweden         | Real Estate            |                  | ●              | ●                         |                  |              |                  |               |                      |
| Sanofi                              | France         | Health Care            |                  |                | ●                         | ●                |              |                  | ●             |                      |
| SAP SE                              | Germany        | Information Technology |                  |                |                           |                  |              | ●                |               |                      |
| Seven & i Holdings Co Ltd           | Japan          | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Severn Trent PLC                    | United Kingdom | Utilities              |                  | ●              | ●                         |                  |              |                  |               |                      |
| Shell PLC                           | United Kingdom | Energy                 | ✓                | ●              |                           |                  |              |                  |               |                      |
| Sherwin-Williams Co/The             | United States  | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Sika AG                             | Switzerland    | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Sodexo SA                           | France         | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| Solvay SA                           | Belgium        | Materials              | ✓                |                | ●                         |                  |              |                  | ●             |                      |
| Starbucks Corp                      | United States  | Consumer Discretionary |                  |                |                           |                  |              | ●                | ●             |                      |
| Steel Dynamics Inc                  | United States  | Materials              |                  | ●              |                           |                  |              |                  |               |                      |
| STERIS PLC                          | United States  | Health Care            |                  | ●              | ●                         |                  |              | ●                |               |                      |

**ESG Risk Rating:**

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

| Name                        | Country        | Sector                 | Priority Company | Themes engaged |                           |                  |              |                  |               |                      |
|-----------------------------|----------------|------------------------|------------------|----------------|---------------------------|------------------|--------------|------------------|---------------|----------------------|
|                             |                |                        |                  | Climate Change | Environmental Stewardship | Business Conduct | Human Rights | Labour Standards | Public Health | Corporate Governance |
| Sumitomo Chemical Co Ltd    | Japan          | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Suntory Beverage & Food Ltd | Japan          | Consumer Staples       |                  | ●              | ●                         |                  |              |                  |               |                      |
| Target Corp                 | United States  | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| Teck Resources Ltd          | Canada         | Materials              |                  | ●              | ●                         |                  |              |                  |               |                      |
| Teijin Ltd                  | Japan          | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Tesco PLC                   | United Kingdom | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| Texas Instruments Inc       | United States  | Information Technology |                  |                |                           |                  | ●            |                  |               |                      |
| Toray Industries Inc        | Japan          | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Umicore SA                  | Belgium        | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Unilever PLC                | United Kingdom | Consumer Staples       |                  |                |                           |                  |              |                  | ●             |                      |
| UNITE Group PLC/The         | United Kingdom | Real Estate            |                  | ●              | ●                         |                  |              |                  |               |                      |
| UPM-Kymmene Oyj             | Finland        | Materials              |                  | ●              | ●                         |                  |              |                  |               |                      |
| VF Corp                     | United States  | Consumer Discretionary |                  |                |                           |                  | ●            | ●                |               |                      |
| Virbac SA                   | France         | Health Care            |                  |                |                           |                  |              |                  | ●             |                      |
| Wendy's Co/The              | United States  | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| Wickes Group PLC            | United Kingdom | Consumer Discretionary |                  | ●              | ●                         |                  | ●            | ●                |               |                      |
| Xcel Energy Inc             | United States  | Utilities              |                  | ●              |                           |                  |              |                  |               |                      |
| Yara International ASA      | Norway         | Materials              |                  |                | ●                         |                  |              |                  | ●             |                      |
| Yum! Brands Inc             | United States  | Consumer Discretionary |                  |                |                           |                  |              |                  | ●             |                      |
| Zalando SE                  | Germany        | Consumer Discretionary |                  |                |                           |                  |              | ●                |               |                      |
| Zoetis Inc                  | United States  | Health Care            |                  |                | ●                         |                  |              |                  | ●             |                      |

**ESG Risk Rating:**

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

# Milestones and Your Fund

The table below highlights the companies with which we have recorded milestones on your behalf in the past quarter and which you currently hold within your portfolio. Milestones are engagement outcomes which we have identified and is rated on the extent to which it protects or enhances investor value. For full details of our engagements which led to one star milestones please refer to the online **reo**® client portal.

|                                                |                |                        |                  |            |                |                           |                  | Themes engaged |                  |               |                      |  |
|------------------------------------------------|----------------|------------------------|------------------|------------|----------------|---------------------------|------------------|----------------|------------------|---------------|----------------------|--|
| Name                                           | Country        | Sector                 | Priority Company | ESG Rating | Climate Change | Environmental Stewardship | Business Conduct | Human Rights   | Labour Standards | Public Health | Corporate Governance |  |
| ★★★★                                           |                |                        |                  |            |                |                           |                  |                |                  |               |                      |  |
| Shimadzu Corp                                  | Japan          | Information Technology |                  | ●          | ●              |                           |                  |                |                  |               |                      |  |
| ★★★★                                           |                |                        |                  |            |                |                           |                  |                |                  |               |                      |  |
| AMETEK Inc                                     | United States  | Industrials            |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| Bachem Holding AG                              | Switzerland    | Health Care            |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| Bunge Ltd                                      | United States  | Consumer Staples       |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| Choice Properties Real Estate Investment Trust | Canada         | Real Estate            |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| Cooper Cos Inc/The                             | United States  | Health Care            |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| Costco Wholesale Corp                          | United States  | Consumer Staples       |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| easyJet PLC                                    | United Kingdom | Industrials            |                  | ●          | ●              |                           |                  |                |                  |               |                      |  |
| Erste Group Bank AG                            | Austria        | Financials             |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| EssilorLuxottica SA                            | France         | Health Care            |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| Genmab A/S                                     | Denmark        | Health Care            |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| Imperial Brands PLC                            | United Kingdom | Consumer Staples       |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| Imperial Oil Ltd                               | Canada         | Energy                 |                  | ●          | ●              |                           |                  |                |                  |               |                      |  |
| Kuehne + Nagel International AG                | Switzerland    | Industrials            |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| LG Electronics Inc                             | South Korea    | Consumer Discretionary |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| Mettler-Toledo International Inc               | United States  | Health Care            |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| NAVER Corp                                     | South Korea    | Information Technology |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| NCSOft Corp                                    | South Korea    | Communication Services |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| Nissin Foods Holdings Co Ltd                   | Japan          | Consumer Staples       |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| Norfolk Southern Corp                          | United States  | Industrials            |                  | ●          | ●              |                           |                  |                |                  |               |                      |  |
| QIAGEN NV                                      | Netherlands    | Health Care            |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| ResMed Inc                                     | United States  | Health Care            |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| Roper Technologies Inc                         | United States  | Information Technology |                  | ●          | ●              | ●                         |                  |                |                  |               |                      |  |
| Samsung Life Insurance Co Ltd                  | South Korea    | Financials             |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |
| Samsung SDI Co Ltd                             | South Korea    | Information Technology |                  | ●          |                | ●                         |                  |                |                  |               |                      |  |

## ESG Risk Rating:

Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●



| Name                          | Country        | Sector                 | Priority Company | ESG Rating | Themes engaged |                           |                  |              |                  |               |                      |
|-------------------------------|----------------|------------------------|------------------|------------|----------------|---------------------------|------------------|--------------|------------------|---------------|----------------------|
|                               |                |                        |                  |            | Climate Change | Environmental Stewardship | Business Conduct | Human Rights | Labour Standards | Public Health | Corporate Governance |
| Skyworks Solutions Inc        | United States  | Information Technology |                  | ●          |                | ●                         |                  |              |                  |               |                      |
| South32 Ltd                   | Australia      | Materials              |                  | ●          | ●              |                           |                  |              |                  |               |                      |
| Stanley Electric Co Ltd       | Japan          | Consumer Discretionary |                  | ●          |                | ●                         |                  |              |                  |               |                      |
| Suntory Beverage & Food Ltd   | Japan          | Consumer Staples       |                  | ●          |                | ●                         |                  |              |                  |               |                      |
| Svenska Cellulosa AB SCA      | Sweden         | Materials              |                  | ●          |                | ●                         |                  |              |                  |               |                      |
| TotalEnergies SE              | France         | Energy                 |                  | ●          |                | ●                         |                  |              |                  |               |                      |
| Universal Health Services Inc | United States  | Health Care            |                  | ●          |                | ●                         |                  |              |                  |               |                      |
| Veeva Systems Inc             | United States  | Health Care            |                  | ●          |                | ●                         |                  |              |                  |               |                      |
| Victrex PLC                   | United Kingdom | Materials              |                  | ●          |                | ●                         |                  |              |                  |               |                      |
| ★                             |                |                        |                  |            |                |                           |                  |              |                  |               |                      |
| Devon Energy Corp             | United States  | Energy                 |                  | ●          | ●              |                           |                  |              |                  |               |                      |
| TC Energy Corp                | Canada         | Energy                 |                  | ●          |                | ●                         |                  |              |                  |               |                      |

**ESG Risk Rating:**

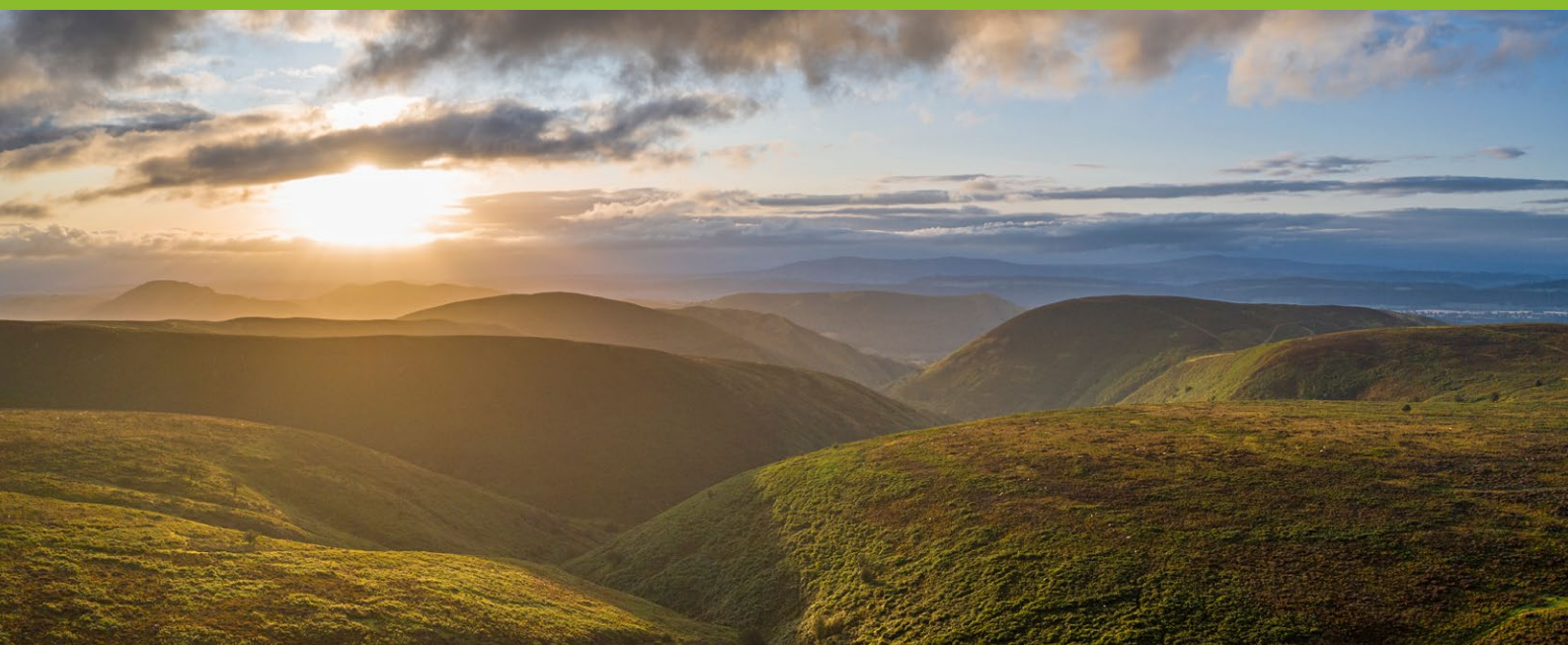
Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

This page is intentionally left blank

# Stewardship Update

SECOND QUARTER · 2022-23 (JULY – SEPTEMBER 2022)



# 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:



This update covers LGPS Central's *stewardship* activity. Our stewardship efforts are supplemented by global engagement and voting services provided by EOS at Federated Hermes. 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:



# 01 Summary of engagement and voting activity

Below is a high-level summary of key engagements and voting that have taken place during Q2 of the financial year 2022-23. These and other engagements and voting examples will be covered in more detail later in this update.

## ENVIRONMENTAL

We sent a letter to **Barclays** to explain our vote at the May AGM, as well as to engage on Barclay's Climate Strategy, Targets and Progress 2022 report. As a positive development, Barclays has started using the IEA's Net Zero by 2050 Roadmap for Energy sector analysis as a reference and has set specific 2030 sector emissions intensity targets. We have expressed concern over the target ranges for these targets, which do not appear fully aligned with IEA's NZE analysis and will continue engagement on this. While the company initially set a 2035 timeline for phasing out financing of US thermal coal power generation, we greatly welcome their recent commitment to prepone this deadline from 2035 to 2030 taking effect year-end 2022.

Our external stewardship partner EOS at Federated Hermes participated in a Principles for Responsible Investment (PRI) **working group on plastics** with the **Ellen MacArthur Foundation (EMF)**. EMF leads an initiative called The Global Commitment, in collaboration with the UN Environment Programme, which has more than 500 organisations committed to develop the circular economy by reusing, recycling and composting plastics. Discussion was done on the topics of best practices in plastic reporting, strategies to eliminate plastic, concerns regarding flexible packaging and the impact of the forthcoming UN treaty on plastic pollution.

## SOCIAL

LGPSC sent a letter to **Meta** after the AGM in May, on the human rights impact of the Metaverse, and Meta acknowledges significant investor interest on the same. Our stewardship provider EOS at Federated Hermes also sent a letter to Meta to share feedback on the company's new human rights report and requested a follow-up meeting. The report provides some helpful information on policies and procedures, but we would like to see improvement regarding user privacy rights. We welcome the company taking actions to enhance disclosure on human rights, however, there could be more disclosure on Meta's content moderation.

Together with Rathbones Group Plc, we held a meeting with **ITV**, discussing the company's management of modern slavery risks. ITV has shown strong practice in setting policies on modern slavery risks, and we wanted to get more disclosure of its framework. We discussed ITV's corporate governance, whistleblowing practices, modern slavery training as well as supplier-risk mapping. We appreciate ITV's commitment to mitigate modern slavery risk. The company is compliant with the Modern Slavery Act and has published its sixth Modern Slavery Act Transparency Statement.

## GOVERNANCE

We have, together with fellow 30% Investor Club members, and led by Royal London Asset Management, continued engagement with a **Japanese financial services company** to encourage better diversity and to seek more disclosure on diversity-related policies and targets. Over a two-year period of engagement, we have valued the company's willingness to engage on the topic (which is still a challenge in the Japanese market) and we have seen some promising progress. The company has increased the level of female representation on the board to 13.3%. Furthermore, the company has joined the Japanese chapter of the 30% club which should help support its own ambitions regarding diversity and inclusion. We were also pleased to note the company's initiative in developing human resource policies aimed at empowering women across the organisation. We encourage the company to set and/or increase targets for diversity at all levels of the organisation and to provide more information to investors on how these targets will be met going forward.



## Voting highlights



### TESLA

#### TESLA INC.

We supported all the eight shareholder proposals at Tesla's AGM on 4 August. The proposal to report climate lobbying in line with the Paris Agreement corresponded to our stewardship theme of **climate change** and received 34.3% support. The proposal to report on eradicating child labour in the company's battery supply chain was directly linked to our **human rights** theme and received 10.4% votes. Both these resolutions were unable to pass, but the notable shareholder support sends a strong message to Tesla management of investor concern and will be conducive to ongoing investor engagement. See further detail on page 13.



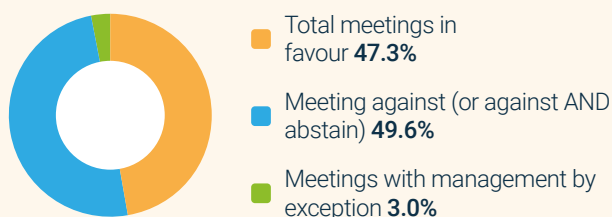
### J Sainsbury plc

#### J SAINSBURY PLC

With respect to our stewardship theme of **human rights**, we supported a shareholder proposal at Sainsbury's AGM on 7 July. The proposal was on Living Wage accreditation, which included paying the real living wage to indirect workers. Sainsbury's has already been proactive in paying the minimum wages. However, the company has made no commitment that pay will continue to increase in line with the cost of living in future years; hence we would like the company to set an industry example in being Living Wage accredited. The proposal received 16.7% support, and was backed by institutions including LGIM, Fidelity International, and HSBC Asset Management. See further detail on page 13.

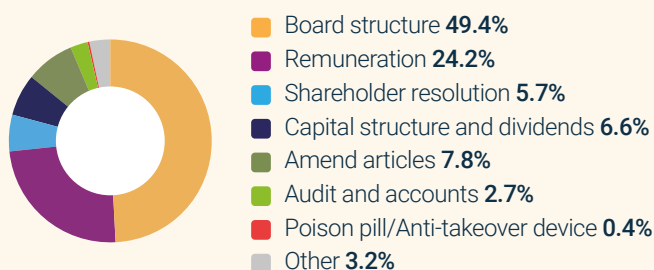
#### GLOBAL VOTING

We voted at **395** meetings (**4,168** resolutions) over the last quarter.

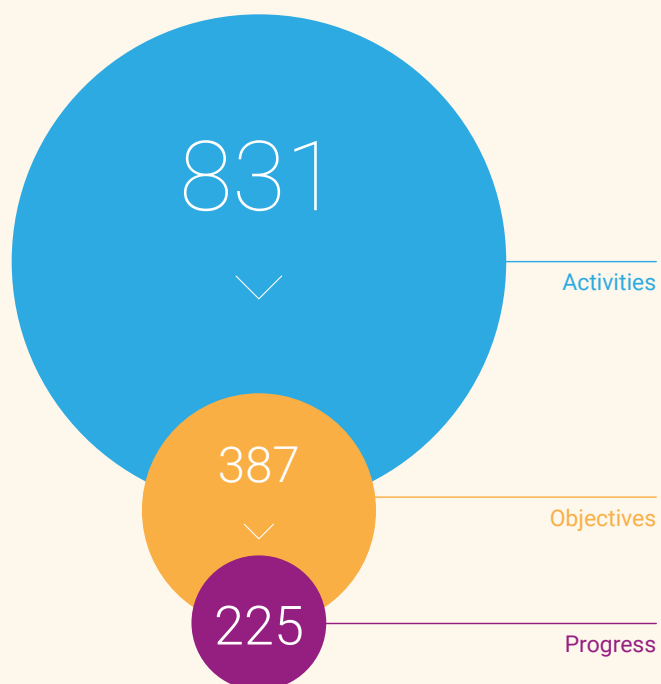


#### GLOBAL VOTING

We voted against or abstained on **561** resolutions over the last quarter.



#### 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 are:

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

This quarter our engagement set<sup>1</sup> comprised 313 companies. There was engagement activity on 831 engagement issues and objectives<sup>2</sup>. Against 387 specific objectives, there was achievement of some or all on 225 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.

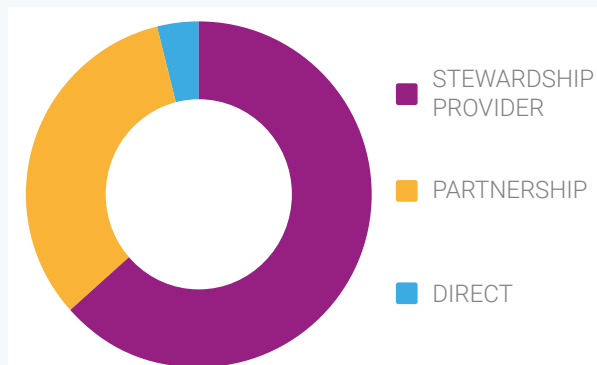
<sup>1</sup> This includes engagements undertaken directly, in collaboration, and via our contracted Stewardship Provider.

<sup>2</sup> There can be more than one engagement issue per company, for example board diversity and climate change.

## CLIMATE CHANGE ENGAGEMENTS

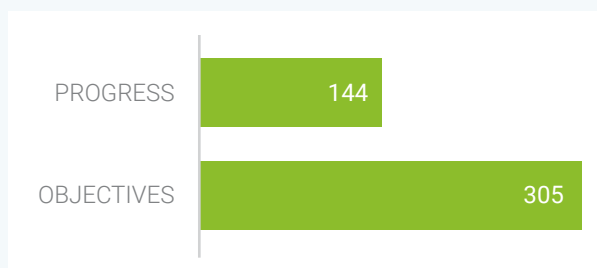
This quarter, our climate change engagement set comprised 191 companies with 310 engagement issues and objectives<sup>3</sup>. There was progress on 144 specific engagement objectives against a total of 305 objectives.

### ENGAGEMENT VOLUME BY TYPE



- 310 engagements during the quarter
- Majority of engagements undertaken via CA100+
- Barclays brings forward the phase-out date for financing thermal coal power in the US

### ENGAGEMENT VOLUME BY OUTCOME



### BARCLAYS GROUP PLC

**Theme:** Climate Change

**Objective:** We expect companies to set clear, reasonable, and measurable climate action targets aligned with the Paris Agreement. We also compare those targets with the company's industry peers, as well as Paris-aligned sector pathways, and engage with the company in case of any major deviations.

**Engagement:** During the quarter, we sent a letter to Barclays explaining why we voted against their Climate Strategy, Targets and Progress 2022 report at the May 2022 AGM and subsequently engaged on the same alongside a group of other investors. The company has been open to shareholder engagement and has made efforts to establish a net zero pathway for its business. Barclays has started using the International Energy Agency's Net Zero by 2050 Roadmap for the Energy Sector (IEA NZE2050) analysis as a reference and has set specific 2030 sector emissions intensity targets for energy, power generation, cement, and steel. These are very welcome developments. However, the target ranges for emissions intensity for these sectors are not fully aligned with IEA's NZE analysis. Analysis has also shown that despite setting a robust net zero ambition, some of Barclays' restrictive policies are insufficient. For example, the bank does not exclude financing for oil sands production, making the bank an outlier among European peers.

**Outcome:** We appreciate Barclays' positive approach towards engagement. While the company initially set a 2035 timeline for phasing out financing of US thermal coal power generation, we greatly welcome their recent commitment to prepone this deadline from 2035 to 2030. This will take effect at the time of Barclays' year-end climate update and aligns with the company's approach in the UK and the EU. We will continue our engagement with the company on their climate transition efforts, including on targets to reduce absolute emission in the period to 2030.



<sup>3</sup> There can be more than one climate-related engagement issue and/or objective per company.





## NEXTERA ENERGY, INC.

**Theme:** Climate Change

**Objective:** We expect companies, across sectors, to present a climate transition plan with an explicit net zero by 2050 target to shareholders for advisory voting at three-year intervals, as a minimum. Net zero strategies should be expressed in absolute emissions, not emissions intensity only, and cover the full lifecycle of emissions, as well as establish short and medium-term targets that demonstrate how net zero by 2050 can be achieved.

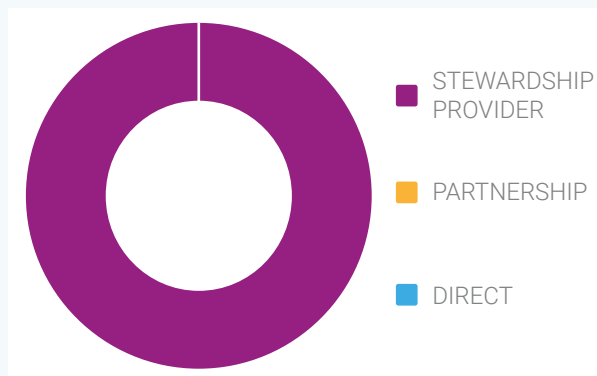
**Engagement:** As part of CA100+, we are engaging NextEra Energy (NEE) on their climate risk management and energy transition efforts. Considering our vote against the Chair at NEE's AGM in May, due amongst others to inadequate management of climate-related risks, it was very pleasing to see NEE announce a goal to achieve net zero by no later than 2045. This is presented in NEE's Real Zero plan which does not rely on offsets for Scope 1 and 2 emissions. CA100+ investors have expressed support for the plan, but we are seeking a meeting at board level to discuss gaps. Gaps include a clear pathway for absolute emission reductions, capex alignment with the Real Zero target and policy advocacy that directly supports the company's own net zero ambition.

**Outcome:** Lead investors for CA100+ held a meeting with the Company Secretary of NEE in August asking to discuss these gaps with the Lead Independent Director of the board. While NEE remains reluctant to allow dialogue with the board, CA100+ will continue pushing for this and a letter has gone out reiterating our request to discuss investor concerns directly with the board.

## PLASTIC ENGAGEMENTS

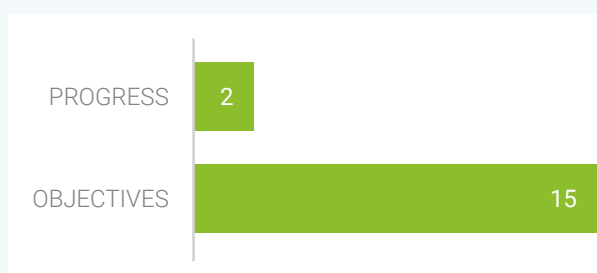
This quarter our plastic-related engagement set comprised 11 companies with 15 engagement issues and objectives<sup>4</sup>. There was progress on 2 specific engagement objectives against a total of 15 objectives.

### ENGAGEMENT VOLUME BY TYPE



- 15 engagements during the quarter
- Engagement with Ellen MacArthur Foundation (EMF) on companies' commitments to develop the circular economy by reusing, recycling and composting plastics

### ENGAGEMENT VOLUME BY OUTCOME



### PRI WORKING GROUP ON PLASTICS WITH ELLEN MACARTHUR FOUNDATION (EMF)

**Theme:** Plastic pollution

**Objective:** We seek to engage with companies that are directly or indirectly involved in plastic pollution or with companies that could contribute to the path of a circular economy. Apart from companies, we also engage with various working groups, and our stewardship provider, EOS at Federated Hermes participated in a Principles for Responsible Investment (PRI) working group on plastics with the Ellen MacArthur Foundation (EMF). The EMF is a charity that provides research and engages with companies, on matters related to creating a circular economy, in order to solve global challenges like climate change and biodiversity loss.

**Engagement:** The Global Commitment is an initiative led by the EMF in collaboration with the UN Environment Programme. This has united more than 500 organisations in a commitment to develop the circular economy by reusing, recycling and composting plastics. However, the progress to date towards eliminating plastic has been driven by recycling, with more effort needed in terms of redesign and reuse. The EMF explained that best practice in plastics reporting is to disclose the full scope of plastic packaging and the weight. From the investor side, we view it as critical that companies establish robust strategies to eliminate plastic. There are concerns around flexible packaging, a growing plastic type that is not easily recyclable and is a big source of ocean pollution. EOS asked the EMF if targets beyond the Global Commitment for 2025 had been developed and understood that it needs to do more work on this. EOS also asked about the impact of the forthcoming UN treaty on plastic pollution.

**Outcome:** The EMF has a positive outlook on this treaty because it analyses the lifecycle of plastics, and its legally binding aspect will have an impact. It was reassuring to hear that the use of virgin plastics has peaked for the companies that signed up to the Global Commitment. Investors will continue to expect clear strategies from companies on plastic, monitor plastic reporting, and push for companies to replace flexible packaging with more sustainable materials.



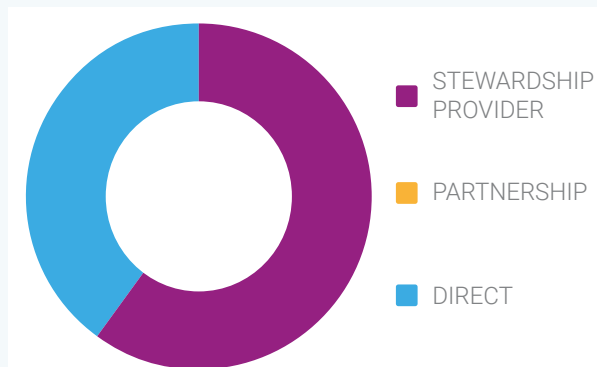
<sup>4</sup> There can be more than one plastic-related engagement issue and/or objective per company.



## FAIR TAX PAYMENT AND TAX TRANSPARENCY ENGAGEMENTS

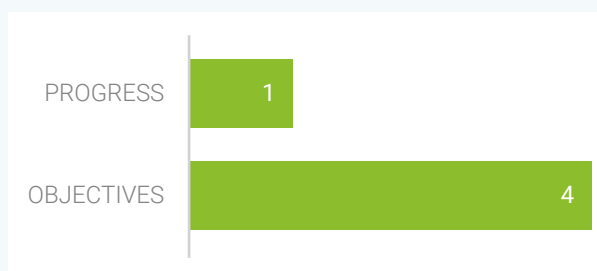
This quarter, our tax transparency engagement set comprised 5 companies with 5 engagement issues and objectives. There was progress on one specific engagement objective against a total of four objectives.

### ENGAGEMENT VOLUME BY TYPE



- 5 engagements during the quarter
- Constructive engagement with Experian on their inaugural tax report following
- Increased focus on the Global Reporting Initiative Tax Standard (GRI 207) in ongoing tax-transparency related engagements

### ENGAGEMENT VOLUME BY OUTCOME



### EXPERIAN LTD.

**Theme:** Responsible tax behaviour

**Objective:** We aim for positive interactions at senior levels of target companies encouraging robust tax governance and acknowledgement of lack of tax transparency as a business risk, along with commitments to strategies or targets to manage those risks.

**Engagement:** In Q2 2022, Experian published its first standalone tax report following engagement with LGPS Central and four other institutional investors over the last year. We provided feedback to Experian on the report during this quarter. We expect companies to disclose tax-relevant Country-by-Country-Reporting (CBCR), which would facilitate our analysis of their tax behaviour. The report should show jurisdiction-wise activities of a company and disclose how the activities correspond to tax paid. The underlying aim is to ensure that multinational enterprises are taxed where their economic activities take place, and value is created. We encouraged Experian to disclose a tax contribution report, including CBCR, which would enhance the company's practice of reporting. We suggested that they consider using the Global Reporting Initiative (GRI) Tax Standard 207, which provides guidance on approach to tax, tax governance/controls/risk management, stakeholder engagement and CBCR. We think that the company is well on its way to meet core elements of the standard, while there is further scope related to CBCR.

**Outcome:** We appreciate the company's effort in disclosing a tax contribution report. Experian has found our collective feedback constructive and has expressed its plans to take our feedback into account in their tax report next year.

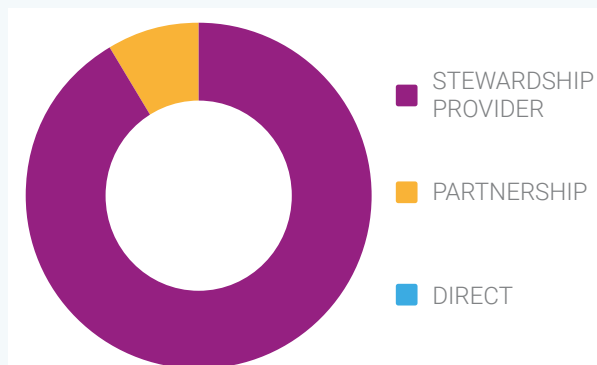


In its engagements on our behalf, EOS at Federated Hermes is also raising the same expectations when assessing company tax practices and disclosure and looks for tax transparency, including reporting under GRI's 207 tax criteria. During the quarter, EOS engaged with **Marathon Oil** and encouraged the company to publish the taxes it pays in Equatorial Guinea in line with the standards of the Extractive Industries Transparency Initiative (EITI). EOS urged the Danish healthcare company, **GN Store Nord**, to improve its tax reporting in 2021 and to provide a country-by-country reporting. We expect to see improvements in the company's disclosure in 2023.

## HUMAN RIGHTS

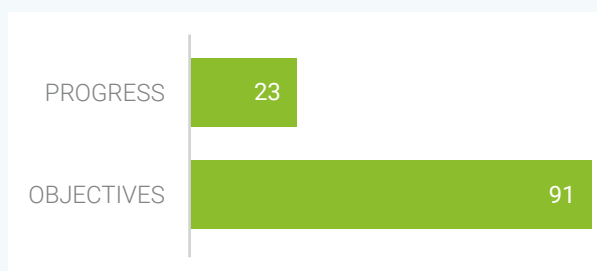
This quarter our human rights related engagements comprised 54 companies with 93 engagements issues and objectives. There was progress on 23 specific engagement objectives against a total of 91 objectives.

### ENGAGEMENT VOLUME BY TYPE



- 93 engagements during the quarter
- Meta publishes its first Human Rights Policy following engagement with investor group
- Engagement with ITV on modern slavery risk

### ENGAGEMENT VOLUME BY OUTCOME



### META PLATFORMS, INC.

**Theme:** Human rights

**Objective:** We ask companies to make adequate disclosures of their human rights policies, as well as to follow best practices to ensure that those policies are effectively implemented. For technology companies, we require that they manage a broad spectrum of human rights related risks including freedom of expression, data protection, content moderation and other industry-specific issues.

**Engagement:** During the quarter, LGPSC's stewardship provider EOS at Federated Hermes sent a letter to share feedback on the company's new human rights report and requested a follow-up meeting. The report provides some helpful information on policies and procedures, but we would like to see improvement in the user privacy rights. Following this interaction, EOS participated in a joint investor call in which investors asked about eliminating emotional bias from artificial intelligence. As the company's revenue is highly correlated with the amount of clicks, likes, and shares, we asked how its algorithms determine the dissemination of paid and labelled political content throughout its user base and address any related "echo chamber" effects. We encourage Meta to acknowledge tensions between freedom of expression and issues like hate speech, bullying, misinformation, as well as to enhance its child safety practices to also include protection from mental health, device addiction, and other emerging issues.

**Outcome:** We welcome the company taking actions to enhance disclosure on human rights, however, there could be more disclosure on whether its business model contributes to the spread of problematic content on its platforms. In EOS' view, the report falls short of the highest standard for user privacy rights. Meta acknowledges significant interest from investors on the human rights impacts of the metaverse, which LGPS Central has expressed directly to the company in a letter after the AGM in May. Meta has improved disclosure on children's rights, which we requested, but we still lack metrics and targets that show the effectiveness of its substantial efforts.





## ITV PLC

**Theme:** Modern Slavery

**Objective:** We engage with companies for which we would like to get in-depth understanding of their approach to modern slavery risks, including modern slavery governance, policies, and mitigation. This helps us assess the underlying modern slavery risks of companies as well as its suppliers.

**Engagement:** Alongside Rathbones Group Plc, we held a meeting with ITV discussing the company's management of modern slavery risks. ITV has shown strong practice in setting policies on modern slavery risks, and we wanted to get more disclosure of its framework, which would allow us to engage with other related companies on issues of modern slavery more effectively. We discussed ITV's corporate governance process and asked whether there are any plans to link modern slavery targets to executive pay. We also discussed the company's practices on whistleblowing, past whistleblowing instances due to modern slavery, training, and the company's collaboration efforts to tackle the issue. We also asked the company about its supply chain and oversight for its suppliers, including identification of high-risk suppliers and conducting unannounced audits.

**Outcome:** We appreciate ITV's commitment to mitigate modern slavery risk. The company is compliant with the Modern Slavery Act and has published its sixth Modern Slavery Act Transparency Statement. In terms of modern slavery risk governance, the company's General Counsel is the executive sponsor and heads the steering committee which meets on an ad-hoc basis. The new Chair is also the chair of another company, which is generally more exposed to modern slavery, bringing relevant experience for robust risk management. ITV also provides appropriate modern slavery training to staff. The company has disclosed a comprehensive procurement policy 2021, stating that the company conducts supplier-risk mapping, due diligence questionnaires and periodic assessments.



# 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 July – September 2022, we:

- Voted at 395 meetings (4,168 resolutions) globally
- Opposed one or more resolutions at 196 meetings
- Voted with management by exception at 12 meetings
- Supported management on all resolutions at the remaining 187 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](#).

The voting season in developed Asia and global emerging markets saw renewed attempts to improve board diversity and independence – as well as some surprising and positive shareholder action in Japan and Brazil. We were pleased to see some companies performing well this year. The board of India's Tech Mahindra, for example, is now 60% independent and 40% female. Developments in shareholder activism in Brazil are positive signs that this could spread to other emerging markets.

Climate-related shareholder proposals were filed at three power utilities and two financial groups. In some markets, we now seek higher proportions of independent directors, such as 40% in Mexico. In Japan, we were pleased to see progress on gender diversity in companies such as Chubu Electric Power and retailer Seven & i.

However, there is still room for improvement on independence, diversity, and climate commitments. At a national level there has been progress on gender diversity requirements, but some backsliding in other areas. For example, the Indian regulator has revoked a requirement to separate the roles of CEO and chair, after pressure from major companies. Through voting and engagement, we will continue to scrutinise board effectiveness and vote accordingly. We have recently tightened expectations on independence and diversity in some markets, such as Brazil. We will now focus on enforcing these tighter expectations.

## EXAMPLES OF VOTING DECISIONS



**Company:** Reliance Industries Ltd.

**Theme:** Climate Change, Executive Remuneration

**Rationale:** We voted against management on the resolution to approve reappointment and remuneration of Mr Nikhil R. Meswani as a whole-time Director. As a member of the Governance committee, his role has been prominent in the company's climate action. However, the company's performance on climate change was below our expectations for the oil and gas sector, specifically in its failure to disclose Scope 3 emissions. Mr Meswani's remuneration structure has significant board discretion and the lack of a cap on the total level of pay is concerning given that the company has historically shown restraint in awarding executive pay.

We also voted against management on the resolution to elect Mr K. V. Chowdary as Director. This was due to Mr Chowdary's membership of the nomination committee as well as the board's below-than expected gender diversity. Currently, only two out of the twelve board members are female.

**Result:** Neither of the proposals met the required shareholder support to be passed. However, we continue to raise our concerns and engage with the company on climate change and governance themes.

## J Sainsbury plc

**Company:** J Sainsbury Plc

**Theme:** Human Rights (Living Wage Accreditation)

**Rationale:** We voted in favour of the shareholder resolution on Living Wage accreditation, against management recommendation. Fifty of the FTSE 100 companies are Living Wage accredited. Sainsbury's has already been proactive in paying the minimum wages; however, we would like the company to set an industry example in being Living Wage accredited, including paying the real living wage to indirect workers such as cleaners, security staff etc. Sainsbury's has made no commitment that pay will continue to increase in line with the cost of living in future years. Accrediting as a Living Wage employer would remove this uncertainty and enable the company to show its commitment towards staff and broader society while we are in an inflationary economic crisis. In terms of competitiveness and profitability, in the long-term, we think seeking Living Wage accreditation would help to create shareholder value due to increased employee loyalty and productivity, leading to decreased employee turnover. This would also contribute to the company's brand image.

**Result:** Even though the proposal received 16.7% support and failed to pass, it was supported by entities like LGIM, Fidelity International, and HSBC Asset Management.



**Company:** Tesla Inc.

**Theme:** Climate Change, Human Rights/Child Labour

**Rationale:** We voted in favour of the shareholder resolution to Report on Corporate Climate Lobbying in line with the Paris Agreement, against management recommendation. The company has set climate change related objectives and provides information on these matters in the Environmental Impact section of its 2021 Impact Report. Tesla states that information on its political and lobbying activities is available to shareholders through publicly available federal lobbying reports.

While there is currently no evidence of misalignment between Tesla's lobbying and the Paris Agreement objectives, additional disclosure on all parts of its advocacy (direct, indirect, and grassroots lobbying), would facilitate better management of climate opportunities and risks. Overall, this would enable shareholders to better evaluate Tesla's risk related to its policy and advocacy activities and whether these positively support the company's own climate objectives and aligns with the Paris Agreement.

We supported the resolution to Report on Eradicating Child labour in Battery Supply Chain. The Management did not support this resolution stating that it prohibits all forms of child labour by suppliers in its Supplier Code of Conduct. The proposal required the company to disclose risks regarding the company's policies and practices about battery materials in its supply chain with respect to child labour. The company, in its 2021 Impact Report, had reported its risk mitigation through its supply chain and found no evidence of child labour.

We believe that as Tesla already commits to have adequate policies in terms of child labour in its supply chain, the company could provide a detailed report on its risk management for the same. This additional disclosure would promote better management of ESG risks and opportunities while enhancing the company's human rights practices.

**Result:** Even though neither of the resolutions received the required number of votes to pass, both received notable shareholder support. The resolution on climate lobbying received 34.3% votes, which shows that shareholders would like to know in detail about the company's lobbying in line with the Paris Agreement. The resolution on child labour received 10.4% votes.





**Company:** General Mills

**Theme:** Plastic Pollution

**Rationale:** We supported a shareholder proposal on Absolute Plastic Packaging Use Reduction. The proposal required the company to report absolute reduction in its use of plastic packaging. In the company's 2022 Global Responsibility Report, it has set a 2030 goal for 100 percent of its packaging to be recyclable or reusable, and it reports that 89 percent of its packaging by weight currently meets this goal. It has also been invested in a flexible film recycling facility, expected to open in spring 2023.

However, the company is lagging its peers like Kellogg's and Mondelez International, which have established goals to reduce absolute plastic use and have joined the Ellen MacArthur New Plastics Economy Global Commitment. Multiple states in the US have started enacting legislation requiring companies to be responsible for post-consumer package waste handling and describes adopting minimum recycled content standards.

We believe that additional disclosure from General Mills as per the proposal would assist shareholders to assess the risk management with regards to its plastic packaging.

**Result:** This resolution passed with 56.5% votes which signifies the concerns of shareholders related to plastic packaging risks that the company faces. Apart from plastic pollution, our external stewardship provider EOS at Federated Hermes is engaging with the company for it to be deforestation-free by 2025.



**Company:** Ashtead Group plc

**Theme:** Executive pay

**Rationale:** We voted against two management proposals at the company's 2022 AGM. One was to approve the Remuneration report. The remuneration report as well as the remuneration policy resolutions received dissent of 36% in the company's 2021 AGM. Those proposals were attributed to the company's Strategic Plan award and a significant increment to the CFO's salary, as a part of target setting under bonus. The company did engage with shareholders after the 2021 AGM and did act on some issues, but no significant changes have been made to the remuneration arrangements, specifically with respect to the drastic increase in long-term incentive award levels and the one-off Strategic Plan award.

The other management proposal we voted against was the re-election of Ms Lucinda Riches, who also chairs the Remuneration committee. As the chair of the committee, Ms Riches is considered to be responsible for the inaction of the company on the shareholder dissent for the Remuneration policy resolution in 2021.

**Result:** Both the resolutions were passed, however, with 32.7% shareholder dissent for the Remuneration report proposal and 25.1% dissent for the proposal to re-elect Ms Lucinda Riches. We have raised our concerns and the company has committed to developing a more appropriate response for the next AGM.

LGPS CENTRAL LIMITED'S

# Partner Organisations

LGPS Central actively contributes to the following investor groups





This document has been produced by LGPS Central Limited and is intended solely for information purposes. Any opinions, forecasts or estimates herein constitute a judgement, as at the date of this update, that is subject to change without notice. It does not constitute an offer or an invitation by or on behalf of LGPS Central Limited to any person to buy or sell any security. Any reference to past performance is not a guide to the future. The information and analysis contained in this publication have been compiled or arrived at from sources believed to be reliable, but LGPS Central Limited does not make any representation as to their accuracy or completeness and does not accept any liability from loss arising from the use thereof. The opinions and conclusions expressed in this document are solely those of the author. This document may not be produced, either in whole or part, without the written permission of LGPS Central Limited.

All information is prepared as of **08/11/2022**.

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

LGF Pensions Team  
Dept for Levelling Up, Housing and Communities  
2<sup>nd</sup> Floor, Fry Building  
2 Marsham Street  
London  
SW1P 4DF

[LGPensions@levellingup.gov.uk](mailto:LGPensions@levellingup.gov.uk)

Shropshire Council  
Shirehall  
Abbey Foregate  
Shrewsbury  
Shropshire SY2 6ND

Date: 22 November 2022

My Ref: PC/SCPF

Your Ref

Dear Sirs

Re: Governance and reporting of climate change risks – open consultation

**Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks**

The Shropshire County Pension Fund have comments on the consultation on the proposals as follows:

**Governance**

**Question 1 – Do you agree with our proposed requirements in relation to governance?**

**Agree**

Additional guidance is required regarding these requirements. The Fund already has processes to monitor climate related risks and report to the Pension Fund Committee, but it is not clear from the consultation document whether this is sufficient to meet these proposed requirements. Pension Fund officer resources are limited, and despite the significant support we receive from our pool and our investment managers, responsible investment, including climate related risks, already takes up a significant proportion of that resource. Potential growth in this area may require movement or additional resources.

Critiquing the work of externally appointed experts who have been appointed for their specialist expertise and ability to fill knowledge and skills gaps is complex. The Pension Fund is highly reliant on our pool for monitoring of investment managers, proxy voting and stewardship, and the oversight of the delivery of data, research and analysis.

Clarification on the regularity of requirements would be helpful. The phrase “on an ongoing basis” should be clarified to indicate how often the fund should assess these risks.





We liaise closely with our Investment Managers, existing advisors and pooling company regarding the assessment of climate-related and other risks to be integrated into investment decisions by our investment managers, but beyond ensuring that we are aware of emerging issues and have a quarterly review process the data does not change sufficiently for this to be a sensible exercise more than our current annual Climate Risk Analysis and TCFD report.

## **Strategy**

### **Question 2 - Do you agree with our proposed requirements in relation to strategy?**

#### **Agree**

Clarification over 'continuous' would be welcome. We review our investment strategy formally on a tri-annual basis or if there is a significant change in the capital markets or governing legislation, including assessing the impact of climate risk on the strategy. Investment specific risks or new opportunities would not be regarded as 'strategic', and we expect our investment managers and consultants to assess these on an ongoing basis.

We should recognise that climate risk at company and portfolio level is not entirely captured by backwards looking emissions metrics data. The transition to a lower carbon economy and the associated changes in consumption patterns and regulations portend physical and transition risks that go beyond risks indicated by a company's carbon emissions.

Carbon emissions related targets and metrics will not be enough to discharge an AA's climate risk management obligations, nor the obligations bestowed upon their appointed investment managers. Detailed stock, sector and regional analysis is required and should be delivered through robust ESG integration. The transition to a lower carbon economy and the emissions reductions required to achieve it will not be linear and shorter-term risks and opportunities will need to be considered along-side this longer-term trend to achieve attractive investment returns.

Scenario Analysis needs to evolve as a discipline to provide further insights that direct asset allocation decisions.

## **Scenario analysis**

### **Question 3: Do you agree with our suggested requirements in relation to scenario analysis?**

#### **Agree**

Shropshire County Pension Fund already produces scenario analysis at approximately





this frequency, with the assistance of our pool company. Standardisation and clarification would be helpful to reduce the duplication of effort and cost in this area.

We are supportive of a sub 2° scenario which Shropshire County Pension Fund includes in its Climate Change Risk Reports.

As investors it is important that we assess the implications of possible outcomes as well as desirable outcomes.

Pool companies would be well placed to work alongside traditional investment/actuarial advisors to perform scenario analysis and develop optimal investment strategy outcomes.

## **Risk Management**

### **Question 4: Do you agree with our proposed requirements in relation to risk management?**

#### **Agree**

Yes. Statutory guidance would be welcome. More development is required on the impact on liabilities. Actuaries are the obvious choice to develop this expertise.

#### **Metrics**

### **Question 5: Do you agree with our proposed requirements in relation to metrics?**

#### **We do not entirely agree.**

Scope 3 emissions drive a multiplication of emissions as soon as related investments are aggregated because of the way they are defined. i.e. one company's scope 1 and 2 emissions are another company's scope 3 emissions. If the whole market were owned, the total figure would be a significant multiple of the actual emissions. Mechanisms will need to be developed to ensure this is accounted for correctly and consistently across funds before Scope 3 emissions can be reported in a meaningful way - these emissions can only be seen as indicative. If these are to be disclosed, this should be a separate disclosure and should not be amalgamated with Scope 1 and 2 emissions. Furthermore any targets should exclude Scope 3 emissions because of this element of multiple counting.

There are further challenges as Scope 3 emissions are not widely reported and the estimation of scope 3 emissions can be complex leaving scope for inconsistent techniques across different data providers. As real data becomes available the aggregated emissions numbers will fluctuate as real emissions data replaces estimated. It will be impossible to tell whether these changes are due to decarbonisation or changes in carbon accounting.



Scope 1,2 and 3 emissions do not provide a complete reflection of the transition risk and physical risk exposure of a fund. Nor do these metrics capture all of the upside opportunities. This will need to be explained when presenting the results of this analysis.

Shropshire County Pension Fund reports carbon emissions on both a carbon footprint basis using Weighted Average Carbon Intensity (WACI) and 'Financed Carbon Emissions'. This second category helps to distinguish between emissions that relate to investments as opposed to implying that these emissions are caused by investments. This naming convention may help to dispel the misunderstanding that owning an investment causes emissions which is a damaging misconception as it encourages the approach of divestment which merely transfers ownership and has no real world impact, and also risks the transfer of responsibility for emissions from the decision maker to an investor. (e.g. an individual chooses to drive rather than walk to their destination, but the carbon impact is seen as the responsibility of the fuel extractor).

Supporting guidance to drive better consistency in attributing carbon emissions to investments would be welcome.

There are significant challenges with reporting at whole fund level as certain asset classes are still lacking data. It would be beneficial to provide an asset class breakdown which could then be accompanied by some commentary about the reliability of the data and any particular drivers in a fund's investment strategy.

The Carbon Footprint metric will be hard to communicate as this term is widely used as an absolute metric, not an intensity metric. Shropshire County Pension Fund Pension Fund has used Weighted Average Carbon Intensity which is relative to the turnover of the companies invested in. This was selected because it gives an indication of the level of risk to our investments arising from the potential for carbon taxes or similar. It is not clear of the purpose of the proposed metric or how it helps funds to monitor or manage their risk. There is a risk instead that this will lead to comparisons of funds where one with a low score is regarded as better than a fund with a higher score, ignoring any potential benefits that the fund is driving through engagement or improvements in practice. This could incentivise funds operating exclusion policies in contradiction to the stated aims of the approach which explicitly emphasises that this is not the desired outcome.

The total absolute emissions of a fund are heavily influenced by the size of the fund. Carbon intensity metrics that use the market cap of the fund will fluctuate in accordance with market valuations. As such, the carbon footprint of a fund will be influenced by factors other than the carbon emissions of the underlying investments. It will be challenging to explain these changes when reporting aggregated emissions at fund level.

We welcome the reporting of data quality and believe this will help to improve understanding of these metrics. Clear definitions will be helpful. The difficulty in managing data in certain asset classes should be recognised, for example disclosure in



emerging markets, small cap and private markets tends to be lagging. Consequently figures will often be driven by strategic asset allocations. There is a risk that local investments in smaller companies and private assets could be discouraged. It is hoped that greater consistency of reporting will also drive better reporting by companies and funds. Increased regulatory requirement for companies and funds to disclose this information would support this initiative, alongside investor efforts to achieve greater disclosure across asset classes through engagements and voting. In addition it can be hard to apportion emissions from private assets as it isn't always possible to identify what proportion of a fund is owned. This disclosure would also be required to enable the suggested reporting.

We welcome the reporting of Paris Alignment, despite the current shortcomings with the data available in this area. The IIGCC net zero investment framework asks for aligning/aligned measurement which requires analysis of the quality of the net zero commitment/ target. We consider this to be a more insightful indicator of risk and the future trajectory of the portfolio. We consider that not all Net Zero commitments/ targets are the same, some are more challenging and comprehensive than others. Consideration needs to be given to the detail of the commitment and the company's ability to deliver it. A binary metric could miss this important nuance. A net zero target quality score at portfolio/ fund level should also be considered.

It is important to make a distinction between alignment metrics that are focused on measuring the impact of the portfolio and those metrics that are intended to provide insights into the risk exposure of the portfolio.

Implied temperature rise/ Paris aligned metrics are often a point in time analysis and do not necessarily give a strong indication of how a company or portfolio might look in 3 years' time for example. They do not necessarily give an indication of the direction of travel for a company or the portfolio in terms of carbon nor do they necessarily assess the potential for a company's product portfolio to contribute to the transition in a positive way. It is important to take a broad set of factors into consideration when making investment decisions looking at a company's strategy, R&D spend, Capex plans, the progress of technology innovation and the pipeline of regulation and legislation. It is important to be clear and transparent about the limitations of these metrics when presenting results. We expect our active managers to consider these factors when making investment decisions.

Investors can play an important role in encouraging companies to disclose more data around climate risks and ESG risk more generally. However, we consider that there is also an important role for government in mandating this disclosure.

There will be a challenge ensuring that these metrics are explained properly to stakeholder groups and in dealing with queries and questions around methodology, data and alignment.



## Targets

### Question 6: Do you agree with our proposed requirements in relation to targets?

#### Agree

The movement of these metrics are likely to be volatile as data improves as well as due to genuine underlying trends. This should be recognised, including the difficulty of communicating this to stakeholders. Appropriate metrics need to be chosen, noting the reservations in the metrics section.

Targets should be aligned to achieving Net Zero. An approach consistent with the UK Government's stated objectives and ambitions agreed at Paris. We know that the transition to Net Zero will not be linear in terms of the decarbonisation of the real economy events such as COVID19 and the invasion of Ukraine can change international priorities in the short term which effect market views of sectors and sector performance. The importance of the longer-term decarbonisation of real economy is clear, we favour medium and long terms targets which we consider reflects this non-linear decarbonisation. These targets will need to be measured and monitored annually however we consider that mandating an annual target could prove to be a distraction from the achievement of longer-term ambitions which we consider to be consistent with our fiduciary responsibilities.

Implementation of a target across all asset classes is challenging, as in some cases data is not comprehensive. A target that is specific to asset classes such as listed equity and corporate credit assets only may be more achievable. Any reporting against target should be accompanied by the data coverage of AUM.

The statement that there is no expectation that AAs should set targets which require them to divest or invest in a given way, and the targets are not legally binding is welcome.

## Reporting on climate risks

### Question 7: Do you agree with our approach to reporting?

#### Agree

The detailed list of disclosures is welcome.

We consider the oversight of governance activities to be critically important and agree with the recommendations in this area. There is an important role for pooling companies in providing assistance with establishment and delivery of this governance. This section does not cover the oversight of investment management activities and in particular the vital integration of ESG into the investment process and the delivery of Stewardship and voting.



Please clarify whether the Scenario Analysis section is required every year, or just when this is refreshed in line with the triennial valuation.

We consider that short, medium and long term horizons could be considered as 3 years (triennial valuation cycle), 7 years (to 2030 interim target date) and 25 years (Net Zero target date) respectively. We would welcome the alignment of timeframes with these transition mile stones.

Shropshire County Pension Fund already publishes a TCFD risk report with the assistance of our pool company. We usually publish at the November or December Pension Fund Committee meetings. However each of the pool partner funds has a schedule for this report across the financial year. Setting a deadline in line with the annual report will concentrate all the work into half of the year and it will be difficult for the pool to meet these deadlines without additional resources.

Timing aside, the data provider requires strict confidentiality on much of the report, so our longer Climate Risk Report is exempt and provided to the Pension Fund Committee and officers only, alongside detailed training to explain the technicalities, complexities and uncertainties of the data. Our public reports are intended to be accessible to lay readers, but the realities of this data should not be overlooked (again, note the reservations on the metrics).

### **Scheme climate risk report**

#### **Question 8: Do you agree with our proposals on the Scheme Climate Risk Report?**

##### **Partially Agree**

Please see the comments on Scope 3 emissions and the metric names for question 5 which are applicable here.

We recognise the merits of scheme wide reporting but consider that it would be very difficult in practice. It would require consistent methodologies across funds and pools which would need to be mandated. This question also proposes “each AA must report the proportion of its assets for which overall emissions data is: Verified, Reported, Estimated or Unavailable. We are in agreement with this requirement subject to data vendor classification methodologies.

A dashboard of metrics is required to understand the trajectory of a portfolio in terms of carbon emissions. Intensity metrics are important as they provide context for absolute emissions and portfolio/ asset class level metrics provide an explanation to fund level changes. They should be considered together rather than in isolation.

If these issues can be resolved, then we are supportive of the Scheme level reporting. The LGPS is transparent, and all this information will be in the public domain. The risk of being compared unfairly is significant and the resource requirements for those schemes in that situation should not be overlooked.





## **The role of the LGPS asset pools**

### **Question 9: Do you have any comments on the role of the LGPS asset pools in delivering the requirements?**

LGPS Central currently provides climate risk reporting and scenario analysis to partner funds that covers both assets managed within and outside of the pool. LGPS Central has been essential in supporting us with our climate risk strategy with advice, analysis and significant input to our responsible investment and stewardship. However many of our private equity and infrastructure investments and some other legacy investments are very difficult for the Pool to assess (even where they are held inside pool funds).

The LGPS asset pools have no involvement in the liabilities of the LGPS. Consideration of the impact of climate risk on liabilities seems to be lagging behind analysis relating to assets (perhaps naturally). Actuaries seem the obvious choice to develop expertise in this area. Climate risk is significant to both investments and liabilities, but the expertise in these areas lies in different places. It would be good to see this formalised.

It is inappropriate to suggest that AAs align their strategies and targets within their pool. The governance of each LGPS scheme rests with a democratically elected body responsible for managing the scheme. This should not be changed.

## **Guidance and reporting template for administering authorities**

### **Question 10: Do you agree with our proposed approach to guidance?**

#### **Partially Agree**

Clear and comprehensive guidance is essential if there is an intention to make reporting comparable and consistent at scheme level, i.e. across funds and pools. As discussed above reporting Scope 1,2 and 3 emissions at fund level presents a number of practical and philosophical questions that have significant implications for the resulting numbers.

We agree if scheme level reporting is required, the absence of such guiding documents may compromise the consistency and comparability of reporting.

## **Knowledge, skills and advice**

### **Question 11: Do you agree with our proposed approach to knowledge, skills and advice?**

#### **Agree**

Shropshire County Pension Fund is advised by our pool on these services.



LGPS Central currently provides advice to its partner funds on the management of climate risk and can assist with the appointment and management of external vendors and the assessment of scenario analysis results. Central also provides assistance in respect of climate strategy development and climate governance.

Pools can provide assistance in respect of procurement and centralised contracts can help to keep costs down.

### **Consideration of impact on protected groups**

#### **Question 12: Do you have any comments on the impact of our proposals on protected groups and on how any negative impacts may be mitigated?**

Shropshire County Pension Fund shares your belief that there would not be impacts on protected groups from the proposals in this consultation.

Yours faithfully,

Shropshire County Pension Fund



This page is intentionally left blank



| <u>Committee and Date</u> | <u>Item</u> |
|---------------------------|-------------|
| Pensions Committee        | 9           |
| 02 December 2022          |             |
| 10.00 am                  |             |

## STEWARDSHIP CODE UPDATE

**Responsible  
Officer**

Pete Chadderton

e-mail: [peter.chadderton@shropshire.gov.uk](mailto:peter.chadderton@shropshire.gov.uk) Tel: 07990 086399

### 1. Synopsis

- 1.1 To provide the Fund with an update on the position in respect of the Fund's application for signatory status of the Financial Reporting Councils (FRC) UK Stewardship Code 2020.

### 2. Executive Summary

- 2.1 The Fund has given its commitment to sign up to the FRC UK Stewardship Code 2020. This report is to confirm to members that following the appointment of a Pensions Investment and Responsible Investment Manager in October 2022, we intend to bring a draft submission to the March Committee so that the Fund can apply to become a signatory in April 2023.
- 2.2 Applying for signatory status is an annual process with submissions accepted by the FRC at the end of October and April each year.
- 2.3 The Fund was a signatory to the previous code and signing up to the new code is seen as an important step in demonstrating the Funds Commitment to Environmental, Social and Governance Issue (ESG) in all our investment strategies.
- 2.4 Applying for signatory status is a major undertaking that will need to be repeated annually, however this commitment will help drive the Funds commitment to the Paris Treaty on climate change and ensure continuous review of the Funds

approach to ESG matters in respect of all assets under management.

- 2.5 The report provides Committee Members with an overview of the principles that have to be demonstrated in our application and the proposed timeline.

### **3. Recommendations**

- 3.1 Members note the position as set out in the report.

## **REPORT**

### **4. Risk Assessment and Opportunities Appraisal**

- 4.1 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 4.2 There are no direct environmental, equalities or climate change consequences arising from this report. The report sets out the timescales for the Fund in formally applying to be a signatory to the UK Stewardship Code 2020 which directly impacts these issues.
- 4.3 Regular monitoring of investment managers and their ESG policies will ensure regulatory compliance and give early warning of areas of difficulty and potential areas for development in climate risk metrics.

### **5. Financial Implications**

- 5.1 There are no direct financial implications to consider in this report. The fund is committing to annually update its signatory status and further enhance the ESG reporting that has already been established with Investment Managers and Consultants.

### **6. Climate Change Appraisal**

- 6.1 The Fund takes Responsible Investment very seriously; it is a key process the investment managers go through before investing. Thorough due diligence is undertaken considering all risks including climate change. The investment managers vote on the Fund's behalf, Columbia Threadneedle engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and a signatory to the previous UK Stewardship Code. This report sets out the timescales for application to become a signatory to the revised code.



## 7. Background

- 7.1 Members will be aware LGPS Central, the Funds pooling partner gave an update on the 12 Stewardship Code Principles in March 2022.
- 7.2 The following table shows 12 principles that the Fund has to be able to demonstrate compliance with in order to achieve signatory status.

| <b>Principles of UK Stewardship Code 2020</b> |                                                                                                                                                                                                                             |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.                                            | Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. |
| 2.                                            | Signatories' governance, resources and incentives support stewardship.                                                                                                                                                      |
| 3.                                            | Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.                                                                                                                      |
| 4.                                            | Signatories identify and respond to market-wide and systemic risks to promote well-functioning financial systems.                                                                                                           |
| 5.                                            | Signatories review their policies, assure their processes and assess the effectiveness of their activities.                                                                                                                 |
| 6.                                            | Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.                                                                           |
| 7.                                            | Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.                                      |
| 8.                                            | Signatories monitor and hold to account managers and/or service providers.                                                                                                                                                  |
| 9.                                            | Signatories engage with issuers to maintain or enhance the value of assets.                                                                                                                                                 |
| 10.                                           | Signatories, where necessary, participate in collaborative engagement to influence issuers.                                                                                                                                 |
| 11.                                           | Signatories, where necessary, escalate stewardship activities to influence issuers.                                                                                                                                         |

|     |                                                                  |
|-----|------------------------------------------------------------------|
| 12. | Signatories actively exercise their rights and responsibilities. |
|-----|------------------------------------------------------------------|

- 7.3 The principles can be sub divided into four categories:
- Principles 1 to 5 cover the funds purpose and governance.
  - Principles 6 to 8 cover the funds investment approach.
  - Principles 9-11 cover engagement.
  - Principle 12 covers exercising rights and responsibilities.

- 7.4 Following the delay in appointment of the Pensions Investment and Responsible Investment Manager the application process is now subject to a revised timeline as shown in the table below.

| Date                         | Action                                                               | Status      |
|------------------------------|----------------------------------------------------------------------|-------------|
| Oct 22                       | Responsible Investment Manager appointed                             | Complete    |
| Nov–<br>Dec 22               | Meeting Investment Managers and Data gathering from External Parties | In progress |
| January 23                   | Report Writing                                                       |             |
| February 23                  | Feedback from LGPS Central on draft                                  |             |
| February 23                  | Update draft report based on feedback                                |             |
| March 23                     | Draft Report to Pensions Committee                                   |             |
| March 23                     | Finalise Report Design                                               |             |
| 30 <sup>th</sup><br>April 23 | Report Delivery to FRC                                               |             |

- 7.5 The outcome of the submission to the FRC is expected to be reported to the Pensions Committee in June 2023.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Pensions Committee, 18 March 2022, LGPS Central RI&E Update

**Cabinet Member**

N/A

**Local Member**

N/A

**Appendices**

N/A

This page is intentionally left blank



| <u>Committee and Date</u> | <u>Item</u>   |
|---------------------------|---------------|
| Pensions Committee        | <b>10</b>     |
| 2 December 2022           | <u>Public</u> |
| 10.00am                   |               |

## PENSIONS ADMINISTRATION MONITORING REPORT

**Responsible Officer:** Debbie Sharp

Email: [Debbie.sharp@shropshire.gov.uk](mailto:Debbie.sharp@shropshire.gov.uk)

Tel: (01743) 252192

### 1. Synopsis

- 1.1. The report provides members with monitoring information on the performance of and issues affecting the pensions administration team.

### 2. Executive summary

- 2.1. Detail is provided on team workloads and performance. Updates are given on communications, Policy updates due to the change in Fund structure and the national initiative on Pensions Dashboards.
- 2.2. A wider review has been undertaken to the Fund's Governance compliance statement and the Administration Strategy Statement which are both needing Committee approval.

### 3. Recommendations

- 3.1. Members are asked to accept the position as set out in the report.
- 3.2. To note the minor amendments to the Reporting Breaches Policy, Communications Policy, Training Policy and Employer Events Policy as a result of the staffing changes to the fund structure in September 2022.
- 3.3. To approve, with or without comment, the revised Governance Compliance Statement at **Appendix B**, and the revised Administration Strategy Statement at **Appendix C**.

## REPORT

### 4. Risk Assessment and Opportunities Appraisal

- 4.1. Risk Management  
Performance is considered and monitored to ensure regulatory timescales and key performance indicators are adhered to. Administration risks are identified and managed and are reported to committee on an annual basis.
- 4.2. Human Rights Act Appraisal



The recommendations contained in this report are compatible with the Human Rights Act 1998.

#### 4.3. Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

### 5. Financial Implications

- 5.1. Managing team performance and working with other administering authorities ensures costs to scheme employers for scheme administration are reduced. Complying with the national requirement to provide data to the Pension Dashboards will increase costs for the fund. These are presently unquantifiable. Compliance with the proposed Pensions Regulator's (TPR) one code will also increase Fund costs.

### 6. Climate change appraisal

- 6.1. Energy and fuel consumption: No effect  
Renewable energy generation: No effect  
Carbon offsetting or mitigation: No effect  
Climate Change adaptation: No effect

### 7. Performance and Team Update

- 7.1. The team's output and performance level to October 2022 is attached at Appendix A. These are either single standalone tasks or tasks that are part of a case. Cases are a complete process that hold steps (tasks) for a procedure to be completed. During the last quarter outstanding processes rose slightly however, completed processes completed also rose, and encouragingly completed on target.
- 7.2. The vacancy for a temporary maternity cover on the Communications and Governance Team has been filled from 16 November 2022. A 22.20-hour post on the Operations Team will become vacant from January 2023, due to maternity. The team are planning to cover these hours by offering existing staff members additional or overtime hours.
- 7.3. The September 2021 to September 2022 change in inflation was recently confirmed as 10.1% and is currently expected to be applied to pensions in April 2023 (both in payment, in deferment and the Career Average element for active members) once Secretary of State approval has been confirmed. Allowance for known inflation between September 2021 and March 2022 has been factored into the 31 March 2022 valuation calculations in order that a large unexpected "shock" doesn't appear on the balance sheet for Funds in April 2023.

### 8. Help Desk Statistics

- 8.1. The following chart shows statistics on the work undertaken by the helpdesk team not covered by the workflow system and reported with the wider team statistics in **Appendix A**.

|                                                                                               | <b>August 2022</b> | <b>September 2022</b> | <b>October 2022</b> |
|-----------------------------------------------------------------------------------------------|--------------------|-----------------------|---------------------|
| Telephone calls received to helpdesk team                                                     | 842                | 712                   | 741                 |
| % of calls answered                                                                           | 93%                | 91%                   | 94%                 |
| Emails received to <a href="mailto:pensions@shropshire.gov.uk">pensions@shropshire.gov.uk</a> | 1345               | 937                   | 926                 |
| % of emails responded to within 3 working days                                                | 100%               | 100%                  | 100%                |
| My Pension Online activation keys issued                                                      | 103                | 83                    | 73                  |
| Member updates made through My Pension Online                                                 | 1261               | 617                   | 482                 |
| Opt out requests directly dealt by helpdesk                                                   | 29                 | 21                    | 33                  |
| Incoming post received and indexed to the pensions administration system                      | 3626               | 3810                  | 4482                |
| 1-2-1 video appointment's held with scheme members                                            | 42                 | 49                    | 42                  |
| Users visiting the website                                                                    | 2,856              | 2,556                 | 2,756               |

- 8.2. The team have reviewed the demands and the flow of work into the Pensions Team Help Desk in recent years. An outcome of this review was a change required to the duties of a role on the Helpdesk due to some basic administrative tasks; such as dealing with the scanning incoming post and copying and returning valuables no longer being dealt with by the team or isn't part of the service delivery. This is because incoming post is now dealt with by BluPrint, and photocopies of documents are now accepted. As more complex areas of other incoming work continue to increase this prompted a regrade review to one post which was accepted by HR in October 2022.
- 8.3. Also under review is how scheme members now primarily interact with the fund, how this could evolve in the future; taking into consideration cyber resilience. The team have been asked by IT to test a virtual assistant function to be placed on the fund's website to signpost key information in response to general queries and looking at the current functionality of the pensions general inbox.
- 8.4. Key work areas which have increased for the team is the number of email enquiries, My Pension Online queries and the amount of incoming hardcopy and electronic post submitted. To assist in the area of increasing incoming post to deal with, the team have recently tested and launched a facility in My Pension Online which allows members to upload their own documents for the team to verify and allocate to member records and a facility for employers to submit leavers forms securely via I-Connect. By continuing to review the statistics of the Helpdesk and employ the use of technology to automate some stages of the

administrative duties of the helpdesk, it allows the team to focus resourcing the priority area of the Helpdesk of responding to complex incoming queries.

## 9. Communications and Governance

- 9.1. The fund monitors member take-up of its online area member self-service (MSS), known by members as 'My Pension Online'. The annual benefit statements for both active and deferred members are now available to view on 'My Pension Online' unless a member has requested a paper copy. As at October 2022 a total of 48% active members and 41% of deferred members and 45% of retired members were registered to view their records on 'My Pension Online'. In total, 45% of the funds membership are registered to view their pension record online.
- 9.2. The fund is currently taking part in the Transformative Member Experience (TME) with the pension administration system provider to provide feedback on demos of the new member self-service platform set to be rolled out in 2023. Research sessions have been attended by both systems and communications team members to feedback on various features being considered in the new platform and to consider the onboarding process when the upgrade becomes available.
- 9.3. The team have issued the Autumn 2022 Intouch newsletter to all pensioner members in hardcopy format. The newsletter will feature the usual updates from the Pensions Manager and the Chair of the Pensions Board. A guest article has been requested from Age UK to signpost members to support available during the cost-of-living crisis
- 9.4. The 2023 pension increase will benefit all LGPS members, however the cost-of-living crisis across the country continues and there will be some members who are considering their current options in relation to ongoing participation, whether it be choosing to opt-out the Fund, or perhaps enter the 50:50 arrangement for the time being, to increase their net monthly income. Membership numbers are monitored and support to members is signposted on the website and the relevant information is made available on what options they have in the scheme. Any falls in membership will have implications for Fund cashflow as income would fall.
- 9.5. Members were previously reminded that the Scheme Employers meeting is taking place on 23 November 2022. It included an update from the fund actuary on the 2022 fund valuation and provided employers with initial valuation results and an opportunity to raise any questions.
- 9.6. An employer update is sent monthly via email bulletin to all registered contacts at participating employers within the fund. The topics covered in September and October 2022 were:

### **September 2022:**

- Save the date – employers meeting

- Free training on final pay and a paid course on Employer Role being run by the Local Government Association (LGA)

**October 2022:**

- Reminder about the FAQs on the funds website about the cost-of-living crisis aimed at scheme members and about the 50/50 scheme if members are considering opting out
  - Advanced warning that the fund will no longer be accepting cheques from April 2023 in line with Shropshire Council's upcoming cashless policy
  - Updated list of Independent Registered Medical Practitioners (IRMPs) following a removal of an IRMP
  - Information on Salary Sacrifice Shared Cost Additional Voluntary Contributions (AVCs)
  - HMT consultation on public sector exit payments
  - Save the date – employers meeting
- 9.7. A webinar took place on Tuesday 18 October 2022 and all 70 scheme members who received a Pensions Savings Statement for tax year 2021/2022 were invited. 26 invited members joined the webinar on the day and pensions staff also joined for training. 30 scheme members have booked a one-to-one guidance session organised throughout November 2022 as they may require more information on the limits and protections available. The webinar and guidance sessions are for information purposes only and no formal advice provided. Members will need to purchase this for themselves.
- 9.8. Due to the changes in the Pension Fund structure from September 2022, when Justin Bridges was appointed as the LGPS Senior Officer and James Walton relinquished his role as Pension Scheme Administrator, changes have been identified to the policies looked after by the administration team. Members may wish to note that the following policies have been updated to reflect the fund structure in place since September 2022, no further updates have been made to these policies. Consultation is not required for these minor changes. The updated versions can be found on the fund website:
- Reporting breaches policies
  - Communications Policy
  - Training Policy
  - Employer Events Policy
  - Pensions Board Terms of Reference
- 9.9. Reviews of the Governance Compliance Statement and Administration Strategy Statement have also been undertaken. They have been

updated because of the new fund structure and because of the fund's practice to regularly review policy contents:

- **Appendix B** - Governance Compliance Statement - Amendments have been made to state how the standard items/topics which have historically been presented at an in-person annual meeting will now be delivered in a different way. This is mainly due to the meetings over the last few years not being able to go ahead as result of the COVID-19 pandemic but also because all this information is now readily available on the Funds website e.g. Annual Report & Accounts, Investment Performance, Actuarial Valuation reports, Administration updates, Climate Strategy & Stewardship Plan, Climate Risk reports, TCFD reports, Responsible Investment information, LGPS pooling updates/information, general policies and newsletters with regular scheme updates. In addition, all Pension Committee and Pension Board meetings are now live streamed and recorded and available on the Councils website for scheme members and the public to view. The Pension Committee has a Pensioner Representative and Scheme Member representative on it for any scheme member queries and the Pension Board also consists of 3 scheme member and three employer representatives which can be contacted, all details are provided in the Annual Report on the Pension Funds website. The Pension Investment & Administration team are also available for 1 2 1 meetings with scheme members and employers and can be contacted directly via email or over the phone for any scheme member specific concerns or queries. This has been agreed with the Chair and Head of Pensions – LGPS Senior Officer. An update to the fund's approach in dealing with overpayments has also been included.
- **Appendix C** - Administration Strategy Statement – Minor amendments have been made to;
  - clarify the fund's turnaround times when dealing with certain types of casework,
  - confirm how the fund treats employer requests when a discretions policy has not been received
  - and to confirm that the legal/actuarial costs are passed onto the relevant Fund Employer during an outsourcing exercise.

9.10. Members are asked to approve with or without comment the updated policies found at **Appendix B and Appendix C**.

## 10. Employer performance

10.1. In line with the Shropshire County Pension Fund administration strategy, employers must pay their contributions by the 19th of the month. Accompanying data must also be submitted via i-Connect by this date. The below table shows the percentage of employers who have met the deadline over this quarter. This table also includes information about employers who make monthly deficit payments. Information about



employers who did not meet these deadlines is covered in the governance report.

|                       | August 2022 | September 2022 | October 2022 |
|-----------------------|-------------|----------------|--------------|
| i-Connect data        | 93.51%      | 93.46%         | 96.75%       |
| Monthly contributions | 96.10%      | 83.66%         | 98.05%       |
| Monthly deficit       | 86.67%      | 90%            | 93.33%       |

## 11. Pensions Dashboards

- 11.1. Following consultations earlier this year, the Department for Work and Pensions (DWP) laid before parliament its regulations for pensions dashboards. The regulations set out the details of how dashboards will operate and obligations on schemes and confirms that all Public Service Pension Schemes will be required to connect to the initial pension dashboard by 30 September 2024 (delayed from April 2024 initially). The Regulations also confirm that LGPS funds will need to provide 'value data items' (i.e., the current value and projected value for active members) by 1 April 2025. The regulations do not confirm when the general public will be given access to the dashboards (known as the "Dashboards Available Point") but do confirm that schemes will receive at least 6 months' notice of this date by Government.

### List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Pensions Committee Meeting 19 September 2022 Pensions Administration Report

### Cabinet Member (Portfolio Holder)

N/A

### Local Member

N/A

### Appendices

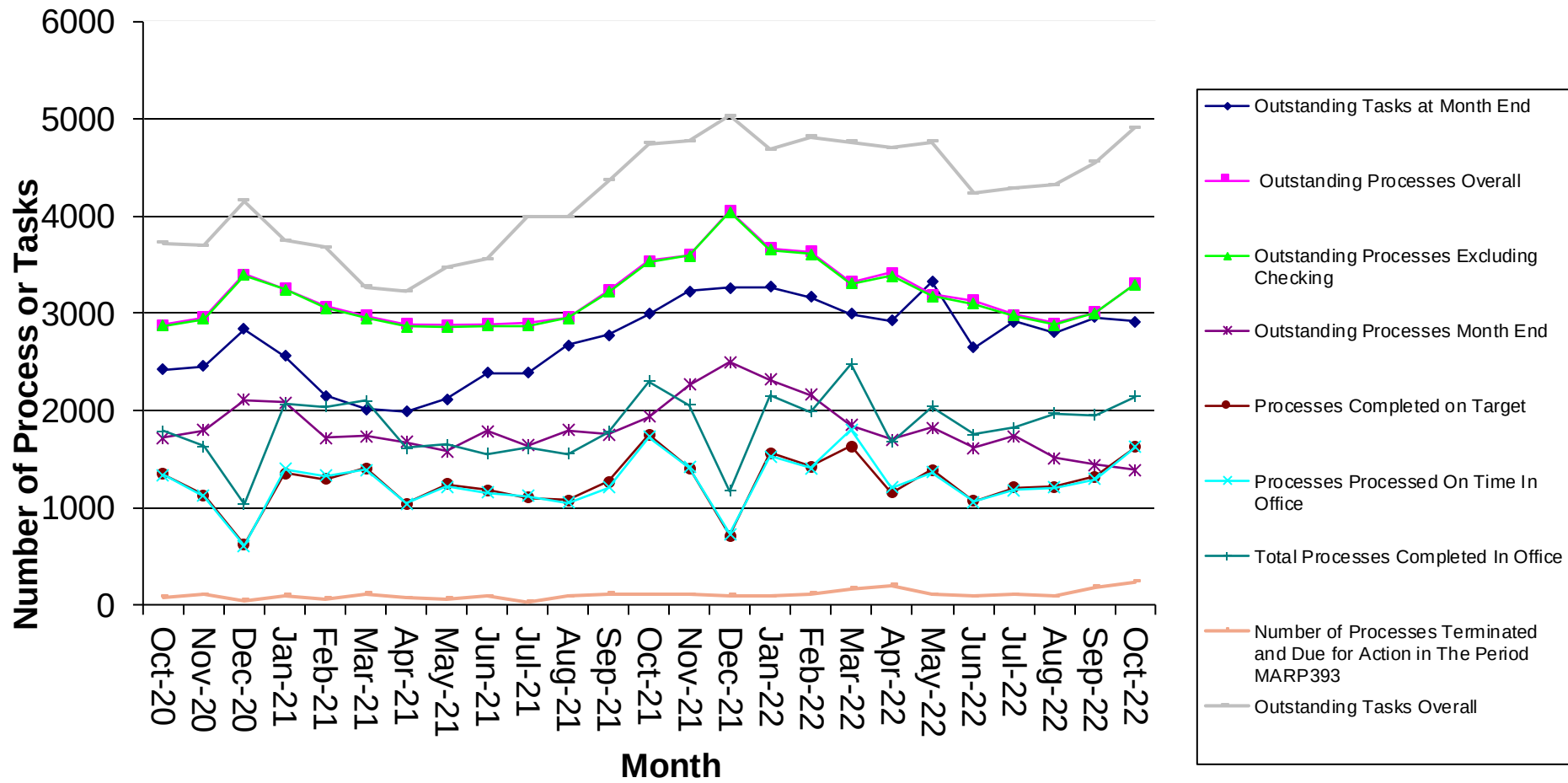
Appendix A – Performance Chart

Appendix B – Governance Compliance Statement

Appendix C - Administration Strategy Statement

This page is intentionally left blank

Process and Task Statistics

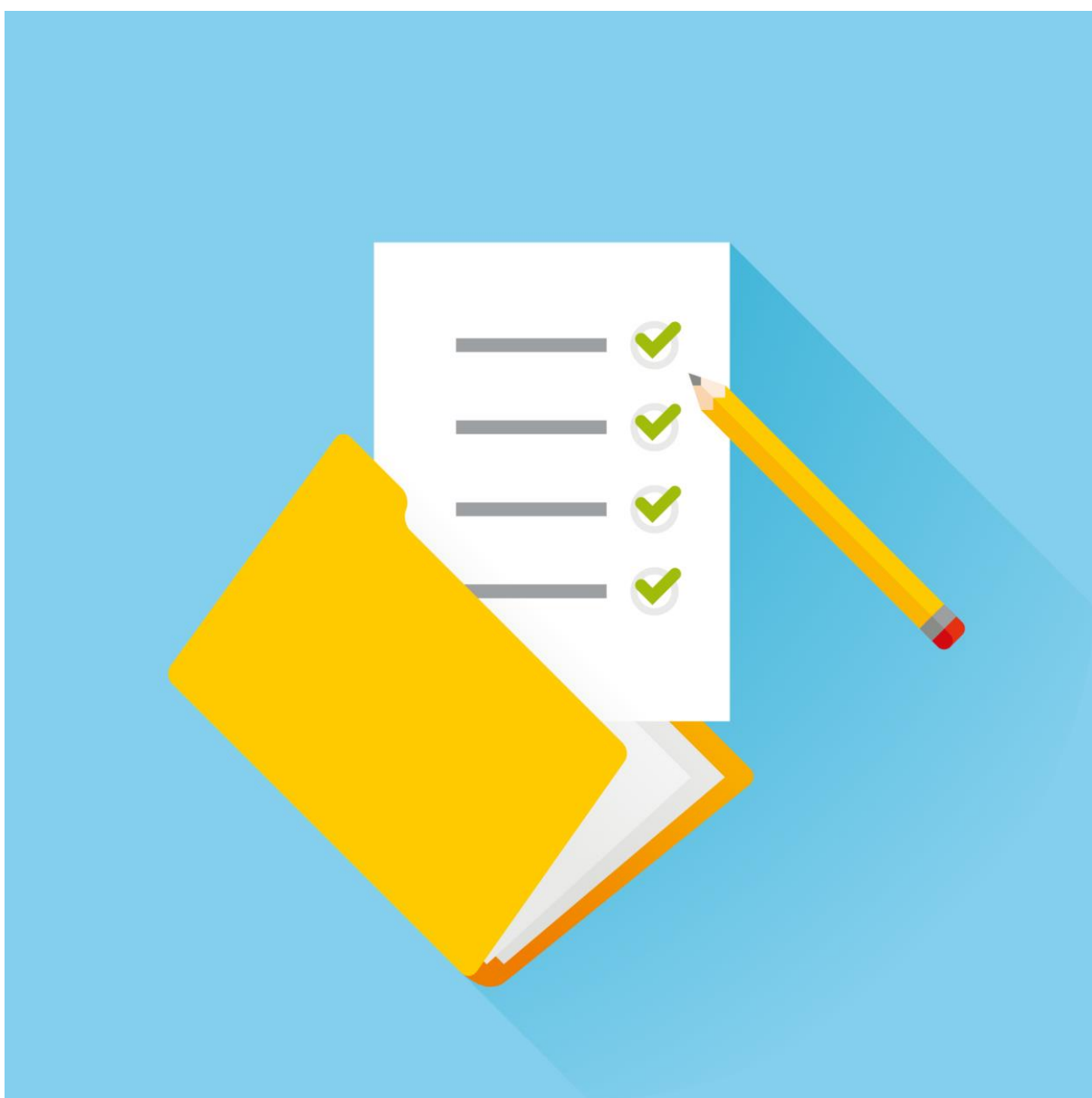


This page is intentionally left blank



# Governance Compliance Statement

December 2022







---

## Contents

---

|                                                                 |    |
|-----------------------------------------------------------------|----|
| Introduction                                                    | 3  |
| Purpose of the governance compliance statement                  | 3  |
| Governance of Shropshire County Pension Fund                    | 4  |
| Pensions Committee                                              | 4  |
| Operational procedures                                          | 5  |
| Pension Board                                                   | 7  |
| Governance guidelines                                           | 10 |
| LGPS Central limited                                            | 11 |
| Delegation to officers                                          | 13 |
| The fund's Climate Change Strategy                              | 17 |
| Appendix A: Shropshire County Pension Fund discretions policies | 19 |
| Contact details                                                 | 29 |



## **Introduction**

---

This statement has been prepared by Shropshire Council (the administering authority) to set out the governance compliance statement for the Shropshire County Pension Fund (the fund), in accordance with The Local Government Pension Scheme Regulations 2013 (regulation 55 refers) as amended. It has been prepared by the administering authority and in consultation with appropriate interested persons when a material change to the fund's policy is identified.

## **Purpose of the governance compliance statement**

---

The regulations on governance compliance statements require an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a written statement setting out:

- a) whether it delegates its functions, or part of its functions, in relation to maintaining a pension fund to a committee, sub-committee or officer of the authority;
- b) and, if so, it must state:
  - The terms of reference, structure, and operational procedures of the delegation;
  - The frequency of any committee/sub-committee meetings;
  - Whether the committee/sub-committee includes representatives of employing authorities (including non-scheme employers) or scheme members and, if there are such representatives, whether they have voting rights.
- c) The extent to which delegation, or the absence of a delegation, complies with guidance by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.
- d) Details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards: establishment).



## **Governance of Shropshire County Pension Fund**

---

Shropshire Council as the administering authority delegates its functions under the regulations to the Pensions Committee.

Under the cabinet structure in local government, management of the pension fund is a non-executive function, and this is reflected in Shropshire Council's governance structure listed in Shropshire Council's Constitution.

The Pensions Committee was established in 1994 with responsibility for all matters relating to the management and administration of the Shropshire County Pension Fund. The Pensions Committee is a standing committee of the council and is linked to full council by the chairman or vice chairman being a Shropshire Council member.

Shropshire County Pension Fund's Pension Board was established by Shropshire Council in 2015 under the powers of Section 5 of the Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013. The Pension Board operates independently of the Pensions Committee, details of which are set out in its terms of reference.

### **Pensions Committee**

---

The Pensions Committee reports to full council. It meets formally at least quarterly and more frequently if formal decisions are required. In between meetings the chairman's approval may be sought

#### **Terms of reference**

- a) To advise the council on the arrangements for the proper administration of the Shropshire County Pension Fund in accordance with the Local Government Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and any other relevant legislation;
- b) To advise employing organisations and employees within the fund of their benefits, contributions, and the financial performance of the fund;



- c) To advise and assist the council on the determination of any matters of general policy relating to the investment of the pension fund;
- d) To approve the annual report and accounts of the fund.

## **Operational procedures**

---

Under the Pensions Committee's terms of reference, operational procedures include but are not limited to:

- Admission of employing organisations to the fund where discretion is permitted;
- Appointment of external advisors and actuaries to assist with the administration of the fund, and of external managers (mainly procured by LGPS Central) for the management of the fund's portfolio of assets;
- Approval of the periodic formal actuarial valuation of the fund;
- Consideration of the advice of the fund's external investment advisers and of the Head of Pensions - LGPS Senior Officer;
- Determination of the objectives and general investment approach to be adopted by external fund managers;
- Review and monitoring of investment transactions and the overall investment performance of the fund;
- To develop and implement shareholder policies on corporate governance issues;
- To review and approve on a regular basis the content of the investment strategy statement and to monitor compliance of the investment arrangements with the statement;
- To review the investment strategy statement in detail ahead of the actuarial valuations being carried out and assist the valuation process;
- To review and approve on a regular basis the communications policy, administration strategy statement, funding strategy statement, investment strategy statement and any other regulatory policy adopted by the Fund.

### **Structure of the Pensions Committee**

| Organisation       | Allocation   |
|--------------------|--------------|
| Shropshire Council | four members |
| Borough of Telford | two members  |



|                                  |                          |
|----------------------------------|--------------------------|
| and Wrekin Council<br>(co-opted) |                          |
| Employees (co-opted)             | two (non-voting) members |
| Retired members (co-opted)       | one (non-voting) members |

Shropshire Council always holds either the chairmanship or vice chairmanship. The position of chairman and vice chairman are held by Shropshire Council and the Borough of Telford & Wrekin members and are agreed on an annual basis.

The committee is supported by the advice from an independent advisor and investment consultant. The independent advisor advises on strategic issues and overall investment approach. The investment consultant provides analysis and advice of a technical nature in relation to portfolio construction, interpretation of performance measurement and the monitoring of investment managers. The committee can delegate implementation of investment decisions to the officers as they see fit. The officers and investment consultant meet separately on a quarterly basis at technical meetings to support this.

The role of scheme administrator is held by the Head of Pensions – LGPS Senior officer and provides financial (non-investment) advice to the committee. This includes advice on financial management, issues of compliance with internal regulations and controls, budgeting and accounting, and liaison with independent advisers. Legal advice is provided by either Shropshire Council's Legal and Democratic Services or using a third-party company. Formal statutory responsibility for the LGPS and fund investment lies with the administering authority who are answerable for the effective and prudent management of the scheme.

The power to co-opt rests with the council in full assembly and not with committees. Although, in practice the selection of persons to serve as co-opted members is usually left to committees. The co-opted members from the Borough of Telford & Wrekin are voting members.

The Pensions Committee can elect a co-opted member as its chairman, but in this instance the chairman is unable to:

- attend Shropshire Council meetings and pilot Pension Committee proposals through the full assembly;
- answer questions put to him/her there;





- represent the Pensions Committee on other committees within Shropshire Council or within LGPS Central

However, a Shropshire Council Vice-Chairman can deputise for the co-opted member chairman. Only Shropshire Council members can represent the fund at LGPS Central meetings.

## Pension Board

---

### Introduction and role

Shropshire County Pension Fund's local Pension Board was established by Shropshire Council in 2015 under the powers of Section 5 of the Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013. Meetings are normally held at the offices of Shropshire Council and are quarterly each calendar year.

### Terms

The role of the local Pension Board as defined by regulation 106 (1) of the LGPS Regulations, is to assist the administering authority to:

- secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
- secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator to
- ensure the effective and efficient governance and administration of the LGPS for the Shropshire County Pension Fund.

### Structure

The Pension Board should consist of a minimum of four voting members, currently set at six voting members and be constituted as follows:

- Three employer representatives
- Three scheme member representatives.



The Pensions Board operates a quorum constituting as two members, made up of one employer and one member representative.

Employer representatives shall be office holders or senior employees of employers of the fund or have experience of representing scheme employers in a similar capacity. Subject to restrictions as set out in the LGPS regulations, employer representatives can also include elected members. Member representatives shall be scheme members of the Shropshire County Pension Fund and have the capacity to represent scheme members of the fund.

An independent member and substitute members may also be included in the structure of the Pension Board at the discretion of the appointment panel. Substitute members for employer and scheme member representatives will have voting rights, but an independent member, or any other members appointed to the Pension Board by the appointment panel will not.

The appointment panel made up of the Legal Monitoring Officer and the Head of Pensions – LGPS Senior Officer (or their deputies) will determine any eligibility and/or selection criteria that will apply to Pension Board members having due regard to the LGPS regulations and any other relevant code of practice and guidance (statutory or otherwise). The selection process for representative members will be:

- Employer representatives – each employer will be invited to nominate one representative to represent employers on the Pension Board.
- Scheme member representatives – all active, deferred, and retired scheme members will be invited to submit applications to join the Pension Board.

The applications and nominations will then be subject to a selection process determined and carried out by the appointment panel. The chair and deputy chair will be determined by the appointment panel. The initial term of office will be for four years with a possible extension for up to two years.

- Duties and role of the chair in so far as they:
  - I. will ensure all meetings are productive and effective
  - II. ensure opportunity for all views to be heard, and



- III. seek to reach consensus and those decisions are properly put to vote where necessary.

Former or existing members of the Pension Board can be reappointed (under the appointment procedures) with no limit on the number of terms they may have.

### **Operational procedures**

The council considers that the Pension Board is an oversight body, and it is not a decision-making body in relation to the management of the pension fund but makes recommendations to assist in such management. In undertaking its role, the Pension Board will ensure it:

- carries out duties effectively and efficiently
- complies with relevant legislation and
- complies with the code of practice on the governance and administration of public service pension schemes issued by The Pension Regulator and any other relevant statutory or non-statutory guidance.

**Under the Pensions Board's terms of reference operational procedure include but are not limited to:**

- The reporting of any concerns over a decision made by the Pension Committee to the Pension Committee subject to the agreement of at least 50% of voting Pension Board members if all voting members are present. If not, all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.
- Escalation route and procedures if necessary, regarding a breach of regulation /The Pension Regulator's code of practice previously reported to the Pensions Committee but not rectified in reasonable time.
- The requirement of members to be able to demonstrate their appropriate knowledge and understanding and to refresh and keep their knowledge up to date. In addition to the requirements under the Public Service Pensions Act, it includes compliance with the pension fund's training policy insofar as it relates to Pension Board members.



## **Governance guidelines**

---

### **Myners principles**

In 2001, a government sponsored review of Institutional Investment by Paul Myners set out 10 principles for best practice for UK pension fund investment aimed to enhance pension fund decision making. In October 2008 the Government revised the Myners Principles. In doing so, the Government opted for six (rather than 10) higher level principles and expects funds to report against these principles. The extent of the fund's compliance with each of the guidelines is set out in Appendix A of Investment Strategy Statement.

### **The Pensions Regulator (TPR)**

The Public Service Pensions Act 2013 introduced a new framework for the governance and administration of public service pension schemes and provides extended regulatory oversight by the Pensions Regulator from 1 April 2015. The fund uses the TPR's regulatory tools and measures itself against TPR's codes of practice to meet its statutory objectives and to review standards. Pension Boards must also comply with certain legal requirements, including assisting the fund in relation to securing compliance with scheme regulations and other legislation relating to the governance and administration of the scheme, any requirements of the regulator and with any other matters specified in scheme regulations.

### **Scheme Advisory Board (SAB)**

The Local Government Pension Scheme Advisory Board is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113. On 1st April 2015 the Board was established as a statutory body. The purpose of the Board is to encourage best practice, increase transparency, and coordinate technical and standards issues. Governance and administration standards issued by the SAB is used by the Fund, pensions committee and the pension board.

The Myners principle, the TPR guidance and the statutory position have led the council as administering authority to conclude that the current governance arrangements within the Fund provides the appropriate balance between accountability and inclusion.



## **LGPS Central limited**

---

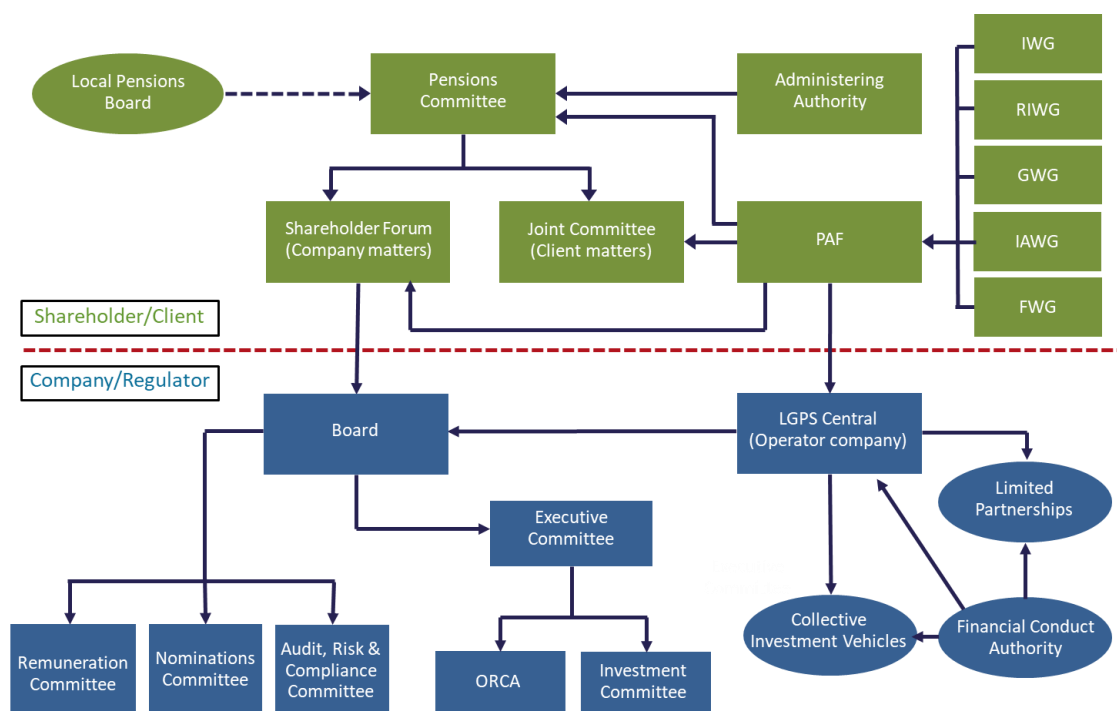
The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 formally introduced the concept of asset pooling. Because of this, the Shropshire County Pension Fund has joined with seven other LGPS funds across the Midlands (partner funds) to form an asset pool, known as LGPS Central.

LGPS Central Limited is the company formed by the partner funds which is authorised as the operator of the Authorised Contractual Scheme (ACS), to provide investment services to the partner funds, by the Financial Conduct Authority (FCA). The company is therefore subject to the regulator's conduct of business rules and has established its internal governance framework to ensure strict adherence both to its regulatory obligations to the FCA and with the Companies' Acts.

It is important to note that the councils of each of the partner funds retain their core duties and responsibilities as the administering authorities of their respective LGPS funds.

Asset allocation decisions remain with the partner funds. Manager selection for assets transitioned into the ACS and for assets managed under discretionary agreements by the operator is the responsibility of LGPS Central Limited. Manager selection for the remainder of the pool's assets currently remains with the partner funds. The operator is responsible for selecting the custodian for the assets in the ACS; the partner funds are responsible for selecting the custodian for the remaining assets.

LGPS Central Limited was formed on 1 April 2018 and impacts the roles of the Pensions Committee. However, changes will be gradual as the transfer of the management activity to the new company progresses. Consequently, the existing governance arrangements and terms of reference need to run concurrently with new terms required to facilitate changes.



The above governance structure of LGPS Central will allow partner funds to exercise control (both individually and collectively) over the pooling arrangements; not only as investors in the ACS but also as shareholders of the operator company.

The LGPS Central Joint Committee has been set up in accordance with provisions of the Local Government Act 1972 to provide oversight of the delivery of the objectives of the pool, the delivery of client service, the delivery against the LGPS Central business case and to deal with common investor issues. The membership of the joint committee consists of one elected member from each council within the LGPS Central pool. A trade union representative is also appointed as a non-voting member of the joint committee to represent the scheme members across the councils' pension funds. Shropshire's representative on the LGPS Central Joint Committee is the chair or vice chair of the Pensions Committee (Shropshire Council member).

The primary role of the Shareholders' Forum is to oversee the operation and performance of LGPS Central Ltd and to represent the ownership rights and interests of the shareholding councils within the LGPS Central pool. The Shareholders' Forum is independent of the company and its meetings are distinct from company meetings, however, members of the Shareholders' Forum represent the councils at Company Meetings. The councils as





individual investors in the company have in place local arrangements to enable their shareholder representatives to vote at company meetings.

The Shropshire Pension Fund, as a shareholder in LGPS Central has equal voting rights alongside the other partner funds and unanimous decisions are required on certain reserved matters before the actions can be implemented. These are specified in the company's shareholder agreement and articles of association. Other matters not directly related to the control of the company to manage its operation are subject to a majority approval (75%).

Shropshire's representative on the Shareholders Forum is the chair or vice chair of the pensions committee (Shropshire Council member).

The Practitioners' Advisory Forum (PAF) is a working group of officers appointed by the shareholding councils within the LGPS Central pool to support the delivery of the objectives of the pool and to provide support for the pool's joint committee and shareholders' forum. PAF seeks to manage the Pool's conflicting demands and interests, either between the participating Councils or between the Councils (collectively) and the Company, recognising that speaking with "one voice" reduces the duplication of costs and resources and maximises the benefits of scale. PAF will also report back to partner fund's Pensions Committees on matters requiring their attention. Shropshire's representatives on PAF are the Head of Pensions – LGPS Senior Officer and the Pension Investment & Responsible Investment manager.

Terms of reference have been approved for the joint committee, the Shareholders' Forum, and the Practitioners' Advisory Forum. These are "live" documents which are likely to evolve as the practical day to day experience of working within the LGPS Central pool evolves.

### **Delegation to officers**

---

Under the Local Government Pension Scheme Regulations 2013 Shropshire County Pension Fund is required to formulate a policy on local discretions which can be found in Appendix A. In line with regulation 105 (2) of the Local Government Pension Scheme 2013, the administering authority may delegate its functions where it deems it necessary to do so.

In addition to these fund discretions there are certain employer discretions, which employers must formulate a policy. All policies received by the fund are published on the fund's website.



## **Arrangements outside of formal governance**

The council is committed to the widest inclusion of all stakeholders in consultation and communication outside of the formal governance arrangements. The arrangements include:

### **With employing authorities**

The fund's primary long-term investment objective is to achieve and maintain a funding level at, or close to, 100% of the fund's estimated liabilities; and within this, to endeavour to maintain stable employer contribution rates. Employing authorities are pro-actively consulted on the funding strategy statement on which the valuation and employer contribution rates are based.

The ratio of membership from the various employing authorities in the Shropshire County Pension Fund is:

| Organisation                                     | Contributors % |
|--------------------------------------------------|----------------|
| Shropshire Council                               | 47             |
| Borough of Telford and Wrekin Council (co-opted) | 24             |
| Parish / town councils                           | 1              |
| Other scheme employers                           | 19             |
| Admitted bodies                                  | 9              |
| <b>Total</b>                                     | <b>100</b>     |

The Shropshire County Pension Fund involves all scheme employers, irrespective of size, in consultations and communications. The information to be supplied by employers to enable the administering authority to discharge its functions, is outlined in the pensions administration strategy statement which can be found on the pension fund's website:

[www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)

Over the last decade, consultation with employing authorities on pension fund investment, actuarial matters and proposed central government changes to the regulations has evolved. A large step forward was afforded by the introduction of investment strategy statement and funding strategy statements, the consultation process surrounding them, and where these statements can be accessed.



All employers are invited to regular employer meetings which provide information on changes in regulations, investment matters and actuarial valuations. All employing authorities are also kept abreast of events, by email, and they are encouraged to get in touch if they have questions. There is also a dedicated area for employers on the Shropshire County Pension Fund website. This information includes the employers' guide and information for new employers.

The fund undertakes annual monitoring of its actuarial valuation position. Employer organisations are kept up to date of the latest position and its likely impact on employer contributions as assessed during the actuarial valuation. At triennial valuations the scheme actuary presents to the employers meeting to explain changes in the funding level and implications on employer contribution rates. Employers meetings are also used to discuss the funding strategy statements and data requirements for FRS101/102 and IAS19.

Annual updates are provided on the Pension Fund website which Scheme Members can access. These include the Annual Report & Accounts, Climate Strategy, Administration updates, Responsible Investment, Investment performance, other policies, newsletters etc. The Pension Administration and Investment teams are also easily contactable for specific issues that members wish to discuss. Pension Committee meetings are live streamed so members of the public and the scheme members are able to access. **With scheme members**

Employees are represented on the Pensions Committee by two non-voting members (both union members) who have an active role in the performance monitoring, investment strategy and responses to consultations on regulation changes. Retired members are represented by a non-voting retired member.

Where possible every member of the scheme receives pensions newsletters. The fund's annual report is published on the pension fund's website and an email notification (where an email address is held) is issued notifying the website update. The full communication policy can be found on the fund's website. This policy outlines the fund's approach to communicating with members, representatives of members, prospective members and employing authorities; including the format, frequency, and method of communications.

The pension fund's website includes further information on:



- Annual report and accounts
- Investment strategy statement (including compliance with Myner's principles)
- Funding strategy statement
- Communications policy
- Actuarial valuation
- Investments and LGPS Central

The pensions team has a very good informal working relationship with the unions and is always there to assist with any problems in understanding the regulations.

### **Training policy**

The fund recognises the importance of ensuring that all staff and members charged with the financial management and decision making with regard to the Pension Scheme are equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

Considering the requirements following the LGPS governance changes emerging from the Public Service Pensions Act 2013, officers continually review the fund's training policy to ensure that all stakeholders are well equipped to carry out their duties as effectively and efficiently as possible.

The training policy applies to:

- Pension fund officers and managers
- Pensions Committee members
- Local Pensions Board members.

The training policy is regularly reviewed and once an updated policy is adopted, steps are taken to ensure all parties meet their requirements.

Myner's first principle states that administering authorities should ensure that:

'Decisions should only be taken by persons or organisations with the skills, knowledge, advice, and resources necessary to make them effectively and monitor their implementation. Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest'



The fund provides training to members of the committee and the board during meetings featuring presentations on topical issues, such as climate change, responsible investment, different investment asset classes such as hedge funds, property, private equity, equities, bonds, private market investments etc and on actuarial valuations.

### The fund's Climate Change Strategy

---

The Pension Committee ('the Committee') is responsible for preparing the Investment Strategy Statement (ISS) and the Climate Change Strategy. The Climate Change Strategy is premised on 10 foundational evidence-based beliefs about climate risk (considering climate science, the energy transition, and climate stewardship). The Climate Change Strategy is reviewed by the Pensions Committee on a three-year basis, with progress reviewed every twelve months.

The Committee meet four times a year, or otherwise as necessary. The Committee includes quarterly engagement reports from both their investment managers and their engagement provider as a standing item on the Pension Committee agendas. Both the Committee and the Pension's Board have received regular training on responsible investment topics. The Committee will continue to receive training on responsible investment, including climate change, every quarter.

The fund sets aside time each year for presentations on responsible investment, and environmental, social and governance issues generally. These presentations are made public by the fund on our website.

In order to support good decision-making, the fund applies the Myners Principles. Disclosure against the Myners Principles is made annually (please see Appendix A of the fund's Investment Strategy Statement).

The Head of Pensions – LGPS Senior Officer, in conjunction with the fund's investment advisor, have primary day-to-day responsibility for the way in which climate-related investment risks are currently managed and provide updates to Pension Committee. Where appropriate, the fund's pooling company, LGPS Central Ltd, assists in assessing and managing climate-related risks. As detailed in the Climate Change Strategy, the fund leverages partnerships, and initiatives – including the Institutional Investors Group on Climate Change (IIGCC) – to identify and manage climate risk. The Head of Pensions – LGPS Senior Officer is accountable to the Pensions Committee for delivery of the Climate Change Strategy.



As a primarily externally managed fund, the implementation of much of the management of climate-related risk is delegated onwards to portfolio managers. External portfolio managers are monitored on a regular basis by officers and the Pension Committee.

The Pension Committee are supported in this monitoring by the fund's investment adviser, Aon. Aon provides quarterly monitoring reports on the investment products that the fund invests in outside of LGPS Central. These reports include ratings on key criteria such as risk management, investment process, performance analysis and ESG ratings where applicable. Material developments in these areas are communicated to the Pension Committee, which considers whether further action is required.





## Appendix A: Shropshire County Pension Fund discretions policies

List of discretionary policies applicable to members with membership under the following regulations:

- The Local Government Pension Scheme Regulations 2013 [prefix R]
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [prefix TP]
- The Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [prefix B]
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- The Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]

| Regulation                                                                                                          | Discretion                                                                                                         | Fund policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Delegated to                           |
|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| A52 (2)<br>TP17 (5) TO (8)<br>R40 (2)<br>R43 (2)<br>R46 (2)<br>R82 (2)<br>LGPS 1997 38<br>(1) & 155 (4)<br>R17 (12) | Payment of death grant                                                                                             | The death grant will normally be paid to, or amongst, nominated beneficiaries as directed by the deceased member through a completed expression of wish form. Where no nomination has been made, a death grant would normally be paid to the deceased's personal representatives (in that capacity). Where both of these options are seen to be inappropriate or impossible, (for instance perhaps because nominees have died, circumstances appear to have changed since the nomination was made, or other persons claiming some or all of the death grant or would seem to have a claim) we may pay the grant as we see fit to, or split it between surviving nominees or personal representatives or any person appearing to us to have been a relative or dependant of the deceased at any time. | Head of Pensions - LGPS Senior Officer |
| R17 (12)                                                                                                            | Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member        | The approach for this discretion will be the same as stated above in payment of death grant.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Head of Pensions - LGPS Senior Officer |
| Rsch1 & TP 17 (9)                                                                                                   | Decide to treat child (who has not reached the age of 23) as being in continuous full-time education or vocational | To be reinstated where break does not exceed one academic year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Head of Pensions - LGPS Senior Officer |



|                                                                                                            |                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                        |
|------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
|                                                                                                            | training despite a break                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                        |
| B27 (5)                                                                                                    | Split of children's pensions                                                                                                                                                                                                                      | To be paid in equal proportions to the children.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Head of Pensions - LGPS Senior Officer |
| A52 (A)<br>B27 (5)                                                                                         | Payment of children's pensions to parent or guardian                                                                                                                                                                                              | To be paid to child and only paid to parent or guardian in exceptional circumstances.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Head of Pensions - LGPS Senior Officer |
| R30(8)<br>TP3 (1),<br>TPSch2, paras 2 (1) and 2 (2)<br>B30 (5) and<br>B30A (5)<br>TL4, L106(1) & D11(2)(c) | Where the employer has become defunct: whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age including any actuarial reduction on pre and/or post April 2014 benefits | Due to the potential costs of waiving an actuarial reduction, it is recommended that it be applied only on strong compassionate grounds e.g., where evidence shows that long-term care is being given to a dependent relative (solely dependent on the employee) and that this is likely to continue for many years. However, the cost of pension strain will be given significant relevance in reaching a decision.                                                                                                                                                                                                                                                                         | Head of Pensions - LGPS Senior Officer |
| TPSch 2, paras 1 (2) and 2 (2)<br><br>TPSch 2, para 1(2) & 1(1)(f) and R60                                 | Where the employer has become defunct: Whether to 'switch on' the 85-year rule for a member voluntarily drawing benefits on or after age 55 and before age 60                                                                                     | The fund will not agree to apply the 85-year rule where members choose to voluntarily draw their benefits on or after age 55 and before age 60 except in exceptional circumstances where the interests of the fund have been considered and it is in its financial or operational interests to do so. Each case - will be considered on the merits of the financial and / or operational business case put forward                                                                                                                                                                                                                                                                           | Head of Pensions - LGPS Senior Officer |
| R30 (8)                                                                                                    | Where the employer has become defunct: Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement                                                                                                         | The fund will not agree to flexible retirement except in circumstances where the interests of the employer have been considered and it is in its financial or operational interests to do so. Each case<br>- will be considered on the merits of the financial and / or operational business case put forward,<br>- will set out whether, in addition to any pre-1 April 2008 benefits, the member will be permitted, as part of the flexible retirement agreement, to take<br>a) all, some, or none of their 1 April 2008 to 31 March 2014 benefits, and /or<br>b) all, some, or none of their post 31 March 2014 benefits, and<br>- will require the approval of the scheme administrator. | Head of Pensions - LGPS Senior Officer |
| B39 & T14 (13)<br>R34 (1) (b) (c)                                                                          | Commutation of small pensions                                                                                                                                                                                                                     | To be commuted in all cases where capital value of the benefits is within HMRC limits other than in exceptional                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Head of Pensions - LGPS Senior Officer |



|                         |                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                        |
|-------------------------|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
|                         |                                                                                                        | circumstances. The member/dependent must make a formal request including the exceptional circumstance they wish to be considered. Each formal request to not commute benefits will be assessed on its circumstances and merits.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                        |
| R71 (1)                 | Whether to charge interest on payments by employers which are overdue                                  | To be paid with employees' contribution by the 19 <sup>th</sup> of month following the month to which they relate. If contributions are overdue by a month or more then interest may be charged depending on the individual circumstances.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Head of Pensions - LGPS Senior Officer |
| A28 (2)<br>TP15 (1) (d) | Charge for estimate of transfer of AVC to main scheme to buy additional pension                        | First calculation free thereafter £50 per estimate                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Head of Pensions - LGPS Senior Officer |
| LGPS 97 - 92            | Recovery of contribution equivalent premium                                                            | To be recovered in all cases permitted by the regulations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Head of Pensions - LGPS Senior Officer |
| A83 (9)<br>R100 (7)     | Acceptance of transfer value                                                                           | To be refused if insufficient to meet Guaranteed Minimum Pension liability                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Head of Pensions - LGPS Senior Officer |
| R100(6-8)               | Extend normal time limit for acceptance of a transfer value beyond twelve months from joining the LGPS | <p>The fund will only extend the twelve-month time limit within which a scheme member must make an election to transfer other pension rights into the LGPS after joining the LGPS:</p> <ul style="list-style-type: none"> <li>- where the member asked for transfer investigations to be commenced within twelve months of joining the LGPS but a quotation of what the transfer value will purchase in the LGPS has not been provided to the member within eleven months of joining the LGPS. The time limit for such a member to make a formal election to transfer pension rights into the LGPS is the 3 months transfer guarantee period;</li> <li>- where the available evidence indicates the member made an election within twelve months of joining the LGPS, but the election was not received by the pension fund administering authority;</li> <li>- where the available evidence indicates the member had not</li> </ul> | Head of Pensions - LGPS Senior Officer |



|                                                                     |                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                       |                                        |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
|                                                                     |                                                                                                                                                                                                        | <p>been informed of the twelve-month time limit due to maladministration.</p> <ul style="list-style-type: none"> <li>- The fund's decision would also be to support the employer's decision where it is reasonable and evidenced that they are fully aware of the consequences and increased liabilities that will incur by agreeing this and it is not contradicting their own policy on this discretion.</li> </ul> |                                        |
| Financial Rules of the administering authority, Shropshire Council. | Overpayment of pension                                                                                                                                                                                 | Should an overpayment of pension benefits occur as a result of the death of a scheme member, the fund will seek to recover overpayments that are greater than £150.00 (gross) in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part).                                                                 | Head of Pensions - LGPS Senior Officer |
| R69 (1) (4)<br>R80(1)(b) &<br>TP22(1)                               | Decide the frequency and form of payments and information to accompany payments to be made over to fund (as listed in regulation R69) by employers and whether to make an admin charge.                | All payments deducted from members must be paid to the fund by the 19 <sup>th</sup> of the month following the month they were deducted. Any other payments must be paid immediately on receipt of the invoice. Further information on the formal procedures employers must adhere to are set out in the administration strategy statement.                                                                           | Pensions committee                     |
| A60 (8)<br>R76 (4)<br>R79 (2)                                       | Procedure to be followed by administration authority when exercising its stage two IDRP functions and whether administering authority should appeal against employer decision (or lack of a decision). | Full procedure is documented in the IDRP guide which can be found on the fund's website:<br><a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a>                                                                                                                                                                                                                          | Head of Pensions - LGPS Senior Officer |



|                                                                                             |                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                        |
|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| TP3 (13)<br>A70 (1)<br>A71 (4) (c)                                                          | Abatement of pensions following re-employment                                                                                                                                                                                                                                                             | From the 1 June 2006 the abatement and suspension of pension policy operated by the council changed and since this date no adjustments are required to funded pensions in respect of re-employment, regardless of the level of earnings.<br>This policy applies to the funded element of the pension only and not the added year's compensation. This will still be subject to adjustment as per the regulations.                                                                                                                                                                                                                                                                                                                 | Head of Pensions - LGPS Senior Officer |
| B10 (2)<br>TP3 (6)<br>TP4 (6)(c)<br>TP8 (4)<br>TP10 (2) a<br>TP17 (2)(b)<br>Tsch1<br>L23(9) | Where a member dies before making an election of average of three years pay for final pay purposes or when a deceased member with a certificate of protection of pension benefits i.e., determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre-1 April 2008. | Election to be made by the fund on behalf of the deceased member.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Head of Pensions - LGPS Senior Officer |
| A52 A<br>B27 (5)<br>R83                                                                     | Payments for persons (other than an eligible child) incapable of managing their affairs                                                                                                                                                                                                                   | If it appears that a person (other than an eligible child as defined in the appropriate regulations) is entitled to the payment of benefits under the scheme but is, by reason of mental disorder or otherwise, incapable of managing his or her affairs, taking regard to the circumstances of the case and medical guidance, where appropriate, the benefits, or any part of them, will be paid to a person having care of the person entitled, or such other person as the scheme administrator may determine, to be applied for the benefit of the person entitled. The Fund's trivial commutation policy will be followed for small pensions. In all other cases, where there is a long-term annual pension payable the Fund | Head of Pensions - LGPS Senior Officer |



|                                                   |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                   |                                              |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
|                                                   |                                                                                                                                                                                                                     | will require evidence of a either power of attorney or court of protection when the annual pension exceeds £1000; in cases where the annual pension benefit is below £1000, medical and documentary evidence will be required.                                                    |                                              |
| B25<br>RSch1<br>TP17 (9)(b)                       | Decide evidence required to determine financial dependence of co-habiting partner on scheme member or financial interdependence of cohabiting partner                                                               | The fund's declaration form is required to be completed and signed confirming the regulatory requirements have been met and supported by the appropriate evidence.                                                                                                                | Head of Pensions -<br>LGPS Senior<br>Officer |
| TSch 1 & L23<br>(9)<br>B42 (1) (c)<br>R49 (1) (c) | Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under two or more regulations in respect of the same period of scheme membership | Benefit which is more beneficial to member to be paid.                                                                                                                                                                                                                            | Head of Pensions -<br>LGPS Senior<br>Officer |
| 31 (2)                                            | Recharging payments to employers for annual compensation                                                                                                                                                            | A 1% handling fee of the total recharge of compensation being paid on behalf of the employer, will be levied.                                                                                                                                                                     | Head of Pensions -<br>LGPS Senior<br>Officer |
| R36 (3)<br>A56 (2)                                | Approve medical advisors used by employers (for ill health benefits)                                                                                                                                                | The medical advisors used by the employers for opinion on ill-health benefits must meet the requirements set out in the LGPS regulations and appropriate certificates supplied that prove required qualifications have been obtained.                                             | Pensions<br>Committee                        |
| R68 (2)<br>TPSch 2, para<br>2 (1)(3)              | Whether to require any strain on fund costs to be paid 'up front' by employing authority following flexible retirement or release of benefits before age 60                                                         | All strain is required to be paid in full immediately on receipt of invoice. The process is outlined in the pensions administration strategy statement. The fund may agree on request from an employer to an alternative repayment period if exceptional circumstances are shown. | Head of Pensions -<br>LGPS Senior<br>Officer |
| R16 (1)                                           | Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g.) where the sum being paid is very                                              | Requests to pay an APC/SCAPC via a lump sum will be refused if cost is less than £50.                                                                                                                                                                                             | Head of Pensions -<br>LGPS Senior<br>Officer |





|                                                                                                |                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                            |
|------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
|                                                                                                | small and could be paid as a single payment)                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                            |
| Regulation 2 of the Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 | Whether to offer 'Voluntary Scheme Pays' to members and the circumstances when this would apply.                         | <p>To offer the use of 'Voluntary Scheme Pays' (VSP) where;</p> <ul style="list-style-type: none"> <li>a member's pension savings within the Fund are subject to the tapered annual allowance, <b>and</b></li> <li>the tax breach stems only from the member's Shropshire County Pension Fund LGPS benefits rather than via growth in multiple pension schemes, <b>and</b></li> <li>The application is received in writing by Shropshire County Pension Fund by 30 November in the tax year following the year to which the tax charge relates to, should the member wish the tax to be paid by 31 January to ensure no late payment penalties become due, if not then no later than the Mandatory scheme pays deadline.</li> </ul> | Head of Pensions - LGPS Senior Officer                     |
| R4(2)(b)                                                                                       | Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or Care Quality Commission. | The fund will only agree an admission agreement providing the body meets the eligibility criteria laid down in the regulations; the admission is fully guaranteed so that no liabilities fall back on the fund and an admission agreement is signed by all relevant parties.                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Pensions Committee                                         |
| R3(1A), R3(5) & RSch 2, Part 3, para 1                                                         | Whether to agree to an admission agreement with a body applying to be an admission body.                                 | The fund will only agree an admission agreement providing the body meets the eligibility criteria laid down in the regulations; the admission is fully guaranteed so that no liabilities fall back on the fund and an admission agreement is signed by all relevant parties.                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Pensions Committee & Head of Pensions -LGPS Senior Officer |
| RSch2, Part 3, para 14                                                                         | Whether to agree that an admission agreement may take effect on a date before the date on which it is executed.          | The fund will allow admission agreements to be back dated so long as all contributions due are paid to the Fund with appropriate interest.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Head of Pensions - LGPS Senior Officer                     |
| RSch 2, Part 3, para 9(d)                                                                      | Whether to terminate an admission agreement in the event of:                                                             | The fund will terminate an admission agreement in any of these three events as covered in the admission agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Head of Pensions - LGPS Senior Officer                     |



|                            |                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                            |                                        |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
|                            | <ul style="list-style-type: none"> <li>- insolvency, winding up or liquidation of the body.</li> <li>- breach by that body of its obligations under the admission agreement.</li> <li>- failure by that body to pay over sums due to the fund within a reasonable period of being requested to do so</li> </ul> |                                                                                                                                                                                                            |                                        |
| RSch 2, Part 3, para 12(a) | Define what is meant by "employed in connection with".                                                                                                                                                                                                                                                          | Defined in the admission agreement as working for at least 50% of normal working time on the transferred service.                                                                                          | Head of Pensions - LGPS Senior Officer |
| R16(10)                    | Whether to require a satisfactory medical before agreeing to an application to pay an APC / SCAPC.                                                                                                                                                                                                              | The fund does not require a satisfactory medical, but members are expected to sign a declaration confirming they are in reasonably good health before an application to pay an APC/SCAPC will be accepted. | Head of Pensions - LGPS Senior Officer |
| R16(10)                    | Whether to turn down an application to pay an APC / SCAPC if not satisfied that the member is in reasonably good health.                                                                                                                                                                                        | The fund would turn down an application if it was not satisfied that the member was in reasonably good health.                                                                                             | Head of Pensions - LGPS Senior Officer |
| R22(3)(c)                  | Pension account may be kept in such form as is considered appropriate.                                                                                                                                                                                                                                          | The members Care Average Revalued Earnings (CARE) account will be kept in electronic form on the pension administration system.                                                                            | Head of Pensions - LGPS Senior Officer |
| TP10(9)                    | Where there are multiple ongoing employments, in the absence of an election from the member within 12 months of ceasing a concurrent employment, decide to which record the benefits from the ceased concurrent employment should be aggregated.                                                                | The main ongoing employment, which would usually be the record with the greatest hours, is normally the record with which the ceased concurrent employment will be aggregated.                             | Head of Pensions - LGPS Senior Officer |
| R32(7)                     | Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement                                                                                                                                                     | The fund would look at any request on an individual basis taking into account the exceptional circumstances raised by the member.                                                                          | Head of Pensions - LGPS Senior Officer |



|                  |                                                                                                                                                                                                                                                                                                              |                                                                                                                                                           |                                        |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| R38(3)<br>B31(4) | Where the employer has become defunct: Decide whether deferred beneficiary meets criteria of being permanently incapable of former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is the sooner. | The fund will consider the relevant regulations and criteria following receipt of an opinion from the Independent Registered Medical Practitioner (IRMP). | Head of Pensions -LGPS Senior Officer  |
| R38(6)<br>B31(7) | Where the employer has become defunct: Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health.                                                                                                      | The fund will consider the relevant regulations and criteria following receipt of an opinion from the Independent Registered Medical Practitioner (IRMP). | Head of Pensions - LGPS Senior Officer |
| R54(1)           | Whether to set up a separate admission agreement fund.                                                                                                                                                                                                                                                       | The fund has not set up a separate admission agreement fund.                                                                                              | Head of Pensions - LGPS Senior Officer |
| R64(2ZA)         | Whether to extend the period beyond 3 months from the date an Employer ceases to be a Scheme Employer, by which to pay an exit credit.                                                                                                                                                                       | The fund will look at each case on an individual basis taking into account the reason why the extension may be required.                                  | Head of Pensions - LGPS Senior Officer |
| R64(2A)          | Whether to suspend (by way of issuing a suspension notice), for up to 3 years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension.                                                                          | The fund will look at each case on an individual basis taking into account the reason why the extension may be required.                                  | Head of Pensions - LGPS Senior Officer |
| R64(4)           | Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will                                                                                                                                                                            | The fund may request a revision of employers contribution rate upon advice from the Actuary.                                                              | Head of Pensions - LGPS Senior Officer |



|                             |                                                                                                                                |                                                                                                                           |                                        |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
|                             | become an exiting employer                                                                                                     |                                                                                                                           |                                        |
| R70 & TP22(2)               | Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance. | The fund will issue a notice to recover additional costs and in line with the Pensions Administration Strategy Statement. | Head of Pensions - LGPS Senior Officer |
| R98(1)(b)                   | Agree to bulk transfer payment.                                                                                                | The fund will agree to a bulk transfer payment following Actuary advice.                                                  | Head of Pensions - LGPS Senior Officer |
| TR15(1)(c) & TSch1 & L83(5) | Extend time period for capitalisation of added years contract.                                                                 | The fund will look at each case on an individual basis taking into account the reason why the extension may be required.  | Head of Pensions - LGPS Senior Officer |



---

## Contact details

---

The Shropshire County Pension Fund is a data controller under data-protection law. This means we store, hold, and manage your personal information in line with statutory requirements to enable us to provide you with pension administration services. To enable us to carry out our statutory duty, we must share your information with certain bodies, but will only do so in limited circumstances. For more information about how we hold your information, who we share it with and what rights you have, you can ask for this information from the fund, please visit [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)

If you can read this but know someone who cannot, please contact us on 01743 252130 so we can provide this information in a more suitable format.

### Office hours

**Monday to Thursday** 8.45am to 5.00pm

**Friday** 8.45am to 4.00pm

### Contact details

**Email:** [pensions@shropshire.gov.uk](mailto:pensions@shropshire.gov.uk)

**Website:** [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)

**Tel:** 01743 252130

**Write:** Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

### Administered by



This page is intentionally left blank





# Pensions Administration Strategy Statement

December 2022





---

## Contents

---

|                                                                                        |     |
|----------------------------------------------------------------------------------------|-----|
| Introduction .....                                                                     | 3   |
| Compliance.....                                                                        | 3   |
| Review .....                                                                           | 3   |
| Regulatory Framework .....                                                             | 4   |
| Scheme Employer Duties and Responsibilities .....                                      | 4   |
| Notification of employee's rights: Internal Disputes Resolution Procedure (IDRP) ..... | 6   |
| Service Standards to Scheme Members .....                                              | 7   |
| Standards of Data.....                                                                 | 233 |
| Employer Performance Reporting.....                                                    | 255 |
| Associated Policy Statements and Documents.....                                        | 27  |



## **1. Introduction**

---

Shropshire County Pension Fund (“the fund”) is responsible for the administration of the Local Government Pension Scheme (“the Scheme”) within the geographical area of Shropshire. The fund also administers the scheme on behalf of a number of qualifying employers who are not situated within the Shropshire area. The service is carried out by Shropshire Council (“the administering authority”) on behalf of qualifying employers and ultimately scheme members.

This document is the Pensions Administration Strategy Statement which outlines the policies and performance standards towards providing a cost-effective, inclusive, and high-quality pensions administration service.

Delivery of such an administration service is not the responsibility of one person or one organisation, but rather the joint working of a number of different stakeholders, who between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership and the regulatory requirements.

## **2. Compliance**

---

Developed in consultation with employers within the fund, this statement seeks to promote good working relationships, improve efficiency, and ensure agreed standards of quality in delivery of the pension administration service amongst scheme employers. A copy of this strategy is provided to all employers and is made available on the fund’s website.

In no circumstances does this strategy override any provision or requirement of the regulations, nor is it intended to replace the more extensive commentary provided by the employer information on the Shropshire County Pension Fund website and administration guides provided by the Local Government Association (LGA).

## **3. Review**

---

The undertakings set out within this Pensions Administration Strategy Statement will be reviewed annually by the fund. Additionally, the fund will review this policy statement and make revisions as appropriate, following a material change to the Fund policies in relation to



any of the matters contained in the strategy. Employers will be consulted and informed of any changes.

## **4. Regulatory Framework**

---

Regulation 59-(1) of the LGPS Regulations 2013 enables an LGPS administering authority to prepare a document (“the pension administration strategy”) detailing administrative standards, performance measures, data flows and communication with employers.

In addition, Regulation 70.-(1) of the LGPS Regulations 2013 allows an administering authority to recover costs from an employing authority where costs have been incurred because of that employing authority’s level of performance in carrying out its functions under these Regulations. See section on poor performance.

This document has been presented, considered, and ratified by the Pensions Committee on 2 December 2022 and, as such, the contents of which apply to all existing and future employers of Shropshire County Pension Fund from this date.

## **5. Scheme Employer Duties and Responsibilities**

---

The delivery of a high-quality cost-effective administration service is not the responsibility of just the administering authority but depends on the joint working of the administering authority with a number of individuals employed in different organisations to ensure scheme members and other interested parties receive the appropriate level of service, and that statutory requirements are met.

### **Monthly/annual data transfer**

The fund’s method of data collection is by way of electronic data transfer using the i-Connect service. All employers will be provided with the training and guidance on how to use i-Connect.

### **Response to queries**

There are times when the Pensions Team may need to contact employers with queries on the data provided, or to request additional information in order to provide scheme members with details of their pension entitlement. From time to time, employers may also require information from the Pensions Team regarding the scheme. Timescales for dealing with



specific requests are listed in this document and where a timeframe is not provided, either party should be responded to within 10 working days of receipt of the request. Timescales for dealing with bulk queries from either party should be agreed separately.

### **Appointing a main contact**

Each employing authority must designate a named individual to act as the main point of contact with regard to any aspect of administering the LGPS, and to be responsible for ensuring the requirements set out in this strategy are met.

### **Their key responsibilities are:**

- to act as a conduit for communications to appropriate staff within the employer - for example, Human Resources, Payroll teams, Directors of Finance;
- to ensure that standards and levels of service are maintained, and regulatory responsibilities are complied with.
- to ensure that details of all nominated representatives and authorised signatures are correct and to notify the fund of any changes immediately;
- to arrange distribution of communications literature as and when required;
- to inform the fund of any alternative service arrangements required;
- to assure data quality and ensure the timely submission of data to the fund; and
- to assist and liaise with the fund on promotional activities.

### **Authorised signatories**

Each employer must nominate individuals to act as authorised signatories, whose names and specimen signatures will be held by the fund, and who must sign all employer documents or instructions. In signing a document, an authorised officer is not merely certifying that the form comes from the employer stated, but also that the information being provided is correct.

Consequently, if an authorised signatory is certifying information that someone else has compiled, for example leaving information including a final salary pay, career average pay, assumed pay they are authorising to confirm that the information is correct.



It is the employer's responsibility to ensure that details of the authorised signatures are up-to-date, and to notify the fund of any changes.

### **Employer Training**

The fund holds annual training for employers where officers of the fund provide information on finances, investment performance, regulatory changes and also administration performance. Attendance by each employer's nominated contacts is actively encouraged. In most instances the training is filmed and hosted on the Pension Fund website, to enable individuals unable to attend on the day to watch afterwards.

### **Discretions Policy**

Each employer is required by statute to prepare and publish a written statement as to how they wish to exercise the discretionary powers available to them as a scheme employer under the LGPS regulations. The policy statement must be kept under review and, where revisions are made, the revised policy statement must be sent to the fund and made readily available to all employees within the employing authority within one month of the effective date. The LGA has produced a list of all the discretions participating employers have in relation to the LGPS. This document can be found on the website: [www.lgpsregs.org](http://www.lgpsregs.org). If an employer does not have a discretions policy the fund can refuse to provide a quotation until it can be demonstrated that the employer intends to change it's policy.

### **Notification of employee's rights: Internal Disputes Resolution Procedure (IDRP)**

---

Under Regulation 72 of the LGPS 2013 regulations, any decisions made by an employing authority affecting an employee's rights to membership, or entitlement to benefits must be made as soon as is reasonably practicable and notified to the employee in writing including a reference to their right of appeal in line with Regulation 73 of the LGPS regulations. Every notification must;

- Specify the rights under stage 1 and stage 2 of the appeals procedure quoting the appropriate regulations;





- Specify the time limits within an appeal, under either stage, which apply and;
- Specify to whom an application for appeal must be made to.
  - For first stage appeals this must be the nominated person of the employer who made the decision. For 2nd stage appeals this will be the appointed person at the administering authority

The fund has guidance for employers to provide to individuals who raise an issue under the IDR procedure.

### **Nominated person**

Each employing authority is required to nominate and name the person to whom applications under Stage 1 of the IDR should be made. Employers must also notify the fund of any first stage appeals they receive.

### **Computer links**

The fund can provide the links to the Pensions Administration System, where appropriate, to large employers for employing authority staff to view certain areas of their employees' records of membership. There is a charge for this access. The most current data protection legislation will be considered when providing this access.

The fund will ensure that the Pensions Administration System is available for use during normal office hours except for any necessary scheduled maintenance of the system. Employers must notify the fund when registered users leave the organisation, or no longer require access.

## **6. Service Standards to Scheme Members**

---

Overriding legislation dictates the standards that pension schemes and employers should meet in providing certain pieces of information to various associated parties – not least of which includes the scheme member. The LGPS Regulations also identifies a number of requirements for the fund and employers, which may not have all been covered in this document. It is important that employers make themselves familiar of the HR and Payroll guides available on [www.lgpsregs.org](http://www.lgpsregs.org). An online employers guide is available on the fund's website, [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk), which includes template forms and guidance for all scheme employers.



The levels of performance and procedures which the fund and employers are expected to achieve to ensure compliance with the overriding legislation are outlined in the tables:

| <b>NEW STARTERS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>EMPLOYER'S RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>FUND'S RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <p>To ensure that pensions information is included as part of any new employment induction process, including in contracts of employment and appointment letters.</p> <p>To ensure that all employees subject to contractual admission are brought into the scheme from their relevant start date, and provide the Pensions Team with accurate member data, using the monthly data submission i-Connect, within four weeks of the members start date.</p> <p>To provide each new employee with a Brief Scheme Guide and New Member Form with their contract of employment. This may be in the form of issuing a paper copy or by directing all new members to the fund's website where the information can be viewed or downloaded. The most up to date versions of forms and guides can always be found on the fund website.</p> <p>To determine the appropriate contribution rate (whether individually or by an automated process on payroll) and (as soon as is reasonably practicable), notify the employee of this contribution rate which is to be deducted from the employee's pensionable pay and the date from which the rate will become payable. It is for the employer to determine the method by which the notification is given to the employee, but the notification must contain a statement giving the address from which further information about the decision may be obtained. The notification must also notify the employee of the right to appeal, including</p> | <p>To accurately create member records on the Pensions Administration System following notification from an employer of a new entrant to the scheme.</p> <p>To support employer requests to attend inductions.</p> <p>To update pension information in accordance with regulatory changes, and to keep PDF versions of forms and guides up to date on the fund website.<br/><a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p> <p>The fund will contact all new starters, providing them with an activation key for 'My Pension Online' and reissuing a New Member Form if one has not been received, within eight weeks of notification of a new starter.</p> <p>To accurately record and update member records on the pension administration system within following the receipt of a completed New Member Form.</p> |



|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <p>the processes and timescales involved. Furthermore, the correct employee contribution rate according to the scheme the member is in – either the 50/50 or 100/100 scheme should be applied and (if appropriate) adjusted throughout the year according to the employer’s discretionary policy on re-banding.</p> <p>To send the fund notification through i-Connect of any eligible employees subject to automatic enrolment, who opt out of the scheme within six weeks of joining.</p> <p>Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the fund notified as above.</p> |  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

| <b>CHANGES IN CIRCUMSTANCES FOR ACTIVE MEMBERS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>EMPLOYERS' RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>FUND'S RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                             |
| <p>To ensure that the fund is informed of any changes in the circumstances of employees through i-Connect within four weeks of the change.</p> <p>Forms and guidance can be found in the employers' area of the fund website at:<br/><a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p> <p>Changes may include:</p> <p><b>Personal information:</b></p> <ul style="list-style-type: none"><li>• Change of name</li><li>• Marital status</li><li>• National insurance number</li></ul> <p><b>Conditions of employment affecting pension such as:</b></p> | <p>To provide forms and spreadsheets for recording key changes in circumstance and to provide guidance on the secure submission of data through i-Connect.</p> <p>To accurately record and update member records on the pensions administration systems within four weeks of notification, or any shorter period as requested by the employer with regards to specific requirements.</p> |



- Contractual hours (mandatory for members who meet the underpin requirements only) Any remuneration changes due to promotion and downgrading
- Full-time equivalent pensionable pay according to the pre 2014 definition
- Actual pensionable pay (including overtime/additional hours) in 100/100 and 50/50 schemes according to the post 2014 definition (CARE).
- Employees contribution rate
- Employee number and/or post number
- Date joined scheme (if adjusted)
- Confirmation of 50/50 or 100/100 scheme entry

NB. An employee can easily exceed HMRC annual allowance if their pay increases. You therefore are asked to inform the fund of:

- Significant pay awards/pay increases
- Honorariums
- Additional Voluntary Contributions (AVC) contributions
- Shared Cost AVC contributions (if applicable)
- Shared Cost Additional Pension Contributions

For a full list of data items required, see the section FINANCIAL AND DATA OBLIGATIONS, or further information is available from the fund directly.

Employers can also visit the webpage on 'monthly data reports and end of year procedure' on the fund website [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)



|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <p><b>Absence</b></p> <p>During periods of reduced or nil pay as a result of sickness, injury, or relevant child related leave (i.e., ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave) assumed pensionable pay (APP) should be applied for pension purposes.</p> <p>Employer contributions should be deducted from pay and any APP. If the employee receives no pay the employer contributions should still be deducted from APP.</p> <p>Should an employee wish to purchase Additional Pension Contributions (APC) or a Shared Cost Additional Pension Contributions (SCAPC) contract to buy back the pension 'lost' during the absence, the APP amount will need to be calculated and provided to the member's employer. Employers must bring to the attention of the member, before a period of absence, that they can buy back the 'lost' pension. Employers should also direct members to the website <a href="http://www.lgpsmember.org">www.lgpsmember.org</a> where they can calculate the cost to buy back this 'lost' pension. As employees have a 30-day timeframe with which to buy back the lost pension, employers should be sure to mention this to the employee early on in the 30-day period.</p> <p>Types of absences include:</p> <ul style="list-style-type: none"><li>• Maternity, paternity, and adoption</li><li>• Paid &amp; unpaid leave of absence</li><li>• Industrial action (SCAPC not available)</li><li>• Any other material/authorised period of absence</li></ul> |  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|



|                                                                                                             |  |
|-------------------------------------------------------------------------------------------------------------|--|
| <p>See section 'ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's' for further information.</p> |  |
|-------------------------------------------------------------------------------------------------------------|--|





| <b>ANNUAL RETURN, VALUATION &amp; ANNUAL BENEFIT STATEMENTS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>EMPLOYERS' RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>FUND'S RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p>To ensure the fund receives accurate year to date information to 31 March through the month twelve i-Connect data submission.</p> <p>The information should be accompanied by a final statement (lgs121a); balancing the amounts paid during the year with the total amounts submitted via i-Connect for the year and to include leavers. A compliance statement (lgs121b) must also be submitted, and both duly signed by an appropriate officer. Should there be any under/over payment discovered whilst reconciling, accompanying paperwork detailing this must be submitted together with payment or a formal request for a refund. Year end reconciliation must be completed, and forms sent by 30 April each year.</p> <p>To provide any additional information that may be requested to produce annual benefit statements for service up until the 31 March in each particular year by the 30 April each year.</p> <p>To provide the fund with up to date and correct information as and when requested in accordance with agreed timescales and the regulations.</p> <p>To ensure that all errors highlighted from the annual contribution and pensionable pay posting exercise are responded to and corrective action taken promptly.</p> | <p>To process employer year end contribution returns within three months of receipt i.e., 30 April, or within three months of receipt of the information if later.</p> <p>To produce annual benefit statements for all active members by 31 August.</p> <p>To highlight annually if an individual has exceeded their annual allowance and issue a pensions saving statement by 5 October.</p> <p>Annual benefit statements will also be produced for deferred members, but no information from employers will be required.</p> <p>To provide data to the fund Actuary and Government Actuary's Department to enable employer contribution rates to be accurately determined.</p> <p>To provide an electronic copy of the actuarial valuation report and contributions certificate to each employer.</p> |



| <b>RETIREMENT AND TRANSFER IN/OUT ESTIMATES</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>EMPLOYERS' RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>FUND'S RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p>To submit a request using form PEN010 by post or attaching it to an email. Each form must be signed by an authorising officer.</p> <p>For larger bulk estimates, requests should be made via the spreadsheet template provided by the Pensions Team, and notice should be given in advance when any redundancy exercises are planned.</p> <p>To provide pay and other relevant information requested by the Pensions Team either on an individual basis within ten working days of the request, or for bulk/group requests by an agreed timescale with the Pensions Team.</p> <p>To help the fund promote the 'My Pension Online' area for members when requested.</p> | <p>To issue the individual quotations/information within ten working days after all information required to process a quotation has been received.</p> <p>To provide information to the scheme member on any potential transfer in of benefits once all information required to process the quotation has been received (transfer estimate from other pension provider, contracting out, salary details etc) within ten working days. However, legally the fund has up to two months to provide the transfer information following receipt of all information required to process the quotation.</p> <p>Separate agreed timescales and any additional cost will be put in place for bulk requests.</p> <p>To provide large employers with links to the appropriate software in order for employing authority staff to view certain areas of their employees' records of membership. (Employers should note there is a charge for this access).</p> <p>To maintain and promote the 'My Pension Online' area on the website for members to log in and view their pension information.</p> |



| <b>DIVORCE AND OUTSOURCINGS ESTIMATES</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>EMPLOYERS' RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>FUND'S RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <p>To provide pay and other relevant information requested by the Pensions Team either on an individual basis within ten working days of the request, or for bulk/group requests by an agreed timescale with the Pensions Team.</p> <p><b>Staff transfers e.g., outsourcings</b></p> <p>To comply with the relevant regulations and statutory guidance to ensure continued membership of the LGPS for protected members affected by an outsourcing exercise. To provide advanced notification/liaison with the Pensions Team when considering an outsourcing exercise which affects members/eligible members of the LGPS. See guidance on 'Becoming an employer or existing employer letting a contract' on the fund's website. To be aware that legal and actuarial costs associated with an outsourcing exercise will be passed onto the employer outsourcing the service.</p> | <p>Where a request for divorce information including a CETV is received from the member, or the Court, this will be issued three months from the date of receipt of the signed form request from the member, or receipt of the Court order. When a shorter timescale is requested /imposed or a request is made by a pensioner member, the Pensions Team will provide the member with the schedule of charges and issue an invoice accordingly. The quotation cannot be issued before payment is received.</p> <p>To provide guidance, arrange the relevant actuarial calculations to current employers participating in the fund who are considering outsourcing.</p> |



| <b>ACTUAL RETIREMENTS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>EMPLOYERS' RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>FUND'S RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p>To submit the appropriate PEN007 leavers form to the Fund as soon as the information is available. The PEN007 form must be completed fully, and signed by an authorised signatory, as it confirms the information required to enable the benefits to be calculated and the employer's decision as to the type of benefit that is to be paid to the member. Evidence of the calculation of final pensionable pay may be requested so the Pensions Team can check the accuracy of the pay provided. The PEN007 form will be returned if it appears to be incorrect.</p> <p>Further information can be found in the Employers area of the fund website at <a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p> | <p>The fund will aim to issue the member with a letter and benefits information within five working days of correctly completed employer's notification via the PEN007 leavers form. However, from receipt of all information required to process, the regulations state that we do have up to one month following the date benefits become payable, or two months if retirement is early.</p> <p>To aim to issue the member with a letter notifying them of actual retirement benefits payment dates within five working days following receipt of all documentation from the member.</p> <p>To make payment of any lump sum on the next available payroll run date, this is usually within 10 working days of receipt of all relevant fully completed forms and certificates from the member, or retirement date if later.</p> <p>To pay any pension payment on the 29<sup>th</sup> of each month following retirement unless this falls on a weekend or bank holiday when the payment will be made on the last working day before. Payment will also be made earlier in the month of December to take account of the Christmas period.</p> |



| <b>ILL HEALTH RETIREMENTS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>EMPLOYERS' RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>FUND'S RESPONSIBILITY</b>                                                                                                                                                                                                    |
| <p>To determine whether an ill health benefit award is to be made, based on medical evidence and the criteria set in the current LGPS regulations, and after obtaining an opinion from a fund approved Independent Registered Medical Practitioner (IMRP) on the appropriate certificate. If an award is made, to then determine which tier 1, 2 or 3 is to be awarded.</p> <p>Arrange for completion of the PEN007 form and then submit to the fund with all related paperwork including IMRP certificate and a copy of the notice letter issued to the member confirming the level of ill health benefits awarded and the appeal information under IDPR.</p> <p>To keep a record of all Tier 3 ill health retirements, particularly in regard to arranging the 18-month review. Arranging, if necessary, with an (IMRP) approved by the administration authority for a further medical certificate. To recover any overpayment of pension benefits following a discovery of gainful employment and notify the fund, where appropriate.</p> <p>To review all Tier 3 ill health retirement cases at eighteen months. Further information on ill health retirements can be found on the employers' pages on our website<br/><a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p> | <p>To calculate and pay the required benefits in line with actual retirement timescales.</p> <p>To assist the employer in performing their legislative responsibility to review Tier 3 ill health cases at eighteen months.</p> |



| <b>MEMBERS LEAVING EMPLOYMENT BEFORE RETIREMENT</b>                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>EMPLOYERS' RESPONSIBILITY</b>                                                                                                                  | <b>FUND'S RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| To notify the fund using the PEN007 form, ensuring all relevant information is included on the form, within four weeks of the members leave date. | <p>To accurately record and update member records on the pension administration system.</p> <p>The regulatory target to inform members the options available to them upon leaving the scheme is two months following receipt of all the correct information from the employer via the PEN007 form.</p> <p>The fund's best practice target to calculate notify a member of their deferred benefit entitlement is 10 working days following receipt of correct information from the employer via the PEN007 form and confirmation that the member is a leaver via i-Connect data upload.</p> <p>To process and pay a refund on the next available payroll run date, this will usually be within 10 working days following receipt of all relevant documentation from the member/employer.</p> |





| <b>FORMER MEMBERS WITH DEFERRED BENEFITS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>EMPLOYERS' RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>FUND'S RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                |
| <p>To keep adequate records of the following for members who leave the scheme with deferred benefits, as early payment of benefits may be required:</p> <ul style="list-style-type: none"><li>• Name &amp; last known address</li><li>• National Insurance number</li><li>• Payroll number</li><li>• Date of birth</li><li>• Last job information including job description</li><li>• Salary details</li><li>• Date and reason for leaving</li></ul> <p>To determine, following an application from the former employee to have their deferred benefits paid early, as to whether or not they are eligible for early payment on ill health grounds in line with the criteria set in the relevant regulations and after seeking a suitable medical opinion from an (IRMP) approved by the administering authority, or to determine whether benefits should be released early and in some cases any actuarial reduction waived on compassionate grounds.</p> | <p>To record and update member records on the pensions administration system.</p> <p>To provide former members with an annual benefit statement of their deferred benefits, updated by the annual pensions increase award when applicable.</p> <p>To provide estimates of benefits that may be payable and any resulting employer costs within 10 working days of request upon request.</p> |



| <b>DEATH IN SERVICE &amp; TERMINAL ILLNESS</b>                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>EMPLOYERS' RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                              | <b>FUND'S RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>To inform the fund immediately on the death of an employee via the PEN007 leavers form, or when a member is suffering from a potentially terminal illness and to provide details of the next of kin.</p> <p>Further information can be found on the employer pages of our website<br/><a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p> | <p>To provide an initial letter of acknowledgement to the next of kin/informant within 5 working days following a notification of death.</p> <p>To provide a letter notifying dependents of benefits within five working days following receipt of identification/certificates and relevant documentation.</p> <p>To assist employer's, employees and their next of kin in ensuring the pension options are made available and that payment of benefits are expedited in an appropriate and caring manner.</p> <p>The fund's policy regarding payment of benefits in such situations, can be viewed in the Governance Compliance Statement.</p> |

| <b>FINANCIAL AND DATA OBLIGATIONS</b>                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>EMPLOYERS' RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                             | <b>FUND'S RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                |
| <p>To pay the fund all contributions deducted from payroll (not including AVCs) of its employees and employer contributions and any deficit lump sum payments due on a monthly basis, no later than the 19<sup>th</sup> day of the month following the period of deductions. Further information can be found in the Employer Guide via <a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p> | <p>To allocate correctly the contributions received to each employee record and to keep a log of contributions received from each employer.</p> <p>To charge interest for late payment in the following circumstances;</p> <ul style="list-style-type: none"><li>• Employer contributions (including deficit payment) are overdue if they are received a month later than the due date specified.</li></ul> |



|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Each payment must be accompanied by an i-Connect data extract providing the following data for each member;</p> <ul style="list-style-type: none"><li>• National Insurance number</li><li>• Payroll reference 1</li><li>• Member address and postcode</li><li>• Date of leaving</li><li>• Payroll period end date</li><li>• Additional contributions 1</li><li>• Additional contributions 2</li><li>• Surname</li><li>• Forenames</li><li>• Gender</li><li>• Date of birth</li><li>• Marital status</li><li>• Title</li><li>• Taxable earnings</li><li>• Annual pensionable salary (only required at month 12)</li><li>• Pensionable pay</li><li>• Date joined LGPS</li><li>• Job title</li><li>• Part-time hours effective date</li><li>• Part-time hours</li><li>• Part-time indicator</li><li>• Whole-time equivalent hours</li><li>• Employee's main section contributions</li><li>• Employer's contributions</li><li>• Scheme contribution rate</li><li>• Opt out date</li><li>• Opt in date</li><li>• Main section cumulative pensionable pay</li><li>• 50/50 section cumulative pensionable pay</li><li>• Full-time equivalent final pay</li></ul> | <ul style="list-style-type: none"><li>• All other payments are overdue if they are not received by the due date specified.</li></ul> <p>Inform each employer of any new contribution bandings tables in place from each April.</p> <p>Inform employers of any rechargeable items as they become due. Early Retirement Strain will be notified prior to benefits being put into payment.</p> <p>To keep the fund's Privacy Notice up to date on the website for all members. To keep a Memorandum of Understanding which explains the relationship between the administering authority and participating employers when sharing personal data.</p> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <ul style="list-style-type: none"><li>• Cumulative employee's main section contributions</li><li>• Cumulative employer's contributions</li><li>• Reason for leaving</li><li>• Cumulative employer Shared Cost APC's</li><li>• Cumulative employee APC's</li><li>• Employee's 50/50 section contributions</li><li>• Cumulative employees 50/50 section contributions</li><li>• Pay period Shared Cost APC's</li><li>• Pay period employee APC's</li></ul> <p>Employers are required to pay all rechargeable items to the Fund immediately on receipt of the invoice. The Fund, in certain circumstances, may not commence the member benefits until the invoice has been paid.</p> |  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

| <b>ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's (SCAPCs)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>EMPLOYERS' RESPONSIBILITY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>FUND'S RESPONSIBILITY</b>                                                                                                                                                                                                                                 |
| <p>To communicate to employees regarding the option of SCAPC's to cover periods of 'lost pension' and the timeframe they must elect to purchase a SCAPC. Members must elect within 30 days of returning to work following the absence, but employers have the discretion to extend this period. This should be laid out in the employer's Discretions Policy.</p> <p>To calculate and collect from the employee, payroll contributions and to arrange the prompt payment to the Fund, according to the published schedule and to be no later than the 19<sup>th</sup> of the month following the deduction. More information can be found in the employer area on <a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p> | <p>To provide information on APCs to members/employers through <a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a>, and direct employees to the national LGPS member website where a modeller can be found.</p> |



## 7. Standards of Data

---

Overriding Legislation in performing the role of administering the LGPS

The Fund and employers will comply with the overriding legislation, including:

- the Occupational Pensions Schemes
- (Disclosure of Information) Regulations 2015;
- The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015;
- the Pensions Act 1995, 2004 and 2014;
- any Transitional Regulations currently in place;
- the Discretionary and Compensation Regulations 2006;
- the Data Protection Act 1998;
- the Freedom of Information Act 2000;
- the Disability Discrimination Act 1995;
- the Age Discrimination Act 2006;
- the Finance Act 2004;
- Health and Safety legislation;
- Employment Rights Act 2010;
- HMRC Legislation and Current GAD Guidance;
- Public Service Pensions Act 2013;

and any future amendments to the above legislation.

### **Data Protection Act 2018**

The Shropshire County Pension Fund is a Data Controller as part of the Data Protection Act 2018 which incorporates the General Data Protection Regulation (GDPR). This means we store, hold, and manage personal data in line with statutory requirements to enable us to provide pension administration services. To enable us to carry out our statutory duty, we are required to share information with certain bodies, but will only do so in limited circumstances. More information about how we hold data and who we share it can be found in the Fund's Privacy Notice on [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk).

The fund has introduced a Memorandum of Understanding (MOU). The aim of the MOU is to set out that participating employers in the Local Government Pension Scheme (LGPS) can share data with the LG administering authority without a data sharing agreement being in



place. (There is no legal requirement for employers to have a data sharing agreement with LGPS administering authorities as they are both data controllers.) A copy of the MOU can be found on the employers' area of the website [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk).

### **Secure Data Transfer**

The Fund will follow Shropshire Council's as Administering Authority data security guidelines when sending any personal data, including its published data sharing policy. This means that members' personal data will only be transferred from one party to the other via an acceptable method specified by the Administering Authority which may include any of the following:

- (a) i-Connect data transfer service (Internet based application)
- (b) Secure email
- (c) Paper forms signed by an authorising officer from the employer
- (d) Password protected excel spreadsheet

All these measures start from the date of receipt of all relevant information. The annual performance of the fund is reported each year in the Annual Report.

### **Audit**

The fund is subject to an annual audit of its processes and internal controls. Employers are expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations will be considered and where appropriate implemented with employing authority cooperation.

### **Benchmarking**

The Fund will regularly monitor its costs and service performance by benchmarking with other administering authorities. Details of the costs of administration, quality measures and standards of performance will be published in the Annual Report.



---

## **8. Employer Performance Reporting**

---

As part of this Pensions Administration Strategy, the fund will develop arrangements for reporting on key performance measures.

This approach to reporting will facilitate engagement with employers and provide a mechanism for service level review and recognition of best practice.

### **Poor performance/additional work**

The fund will seek, at the earliest opportunity, to work closely with employers in identifying areas of poor performance, provide the necessary training and development, and to put in place appropriate processes to improve the level of service in the future.

In the event of continued poor performance, or additional work imposed on the fund as a result of employer poor performance and a lack of any evidence of any measures being taken to achieve improvement by an employing authority, the fund will seek to recover any additional costs arising.

Any third-party additional costs or regulatory fines incurred by the fund as a consequence of administrative failures, poor performance or delays in complying with the relevant legislation by the employing authority will be recovered from the employer. These may include legal costs, fines imposed by the courts, the Pensions Ombudsman or the Pensions Regulator and additional charges in respect of actuarial fees, third party computer charges and additional printing and distribution costs.

In dealing with poor performance the fund will:

- write to the main contact at the employer setting out the area(s) of poor performance;
- meet with the employing authority, where possible, to discuss area(s) of poor performance and how these can be addressed;
- contact the individual/body with overall authority for the Scheme employer (i.e., CEO/Chair of Trustee Board/Parish or Town Council)
- issue formal written notice, where no improvement is demonstrated by the employing authority or where there has been a failure to take agreed action by the employing authority;
- Make a claim for cost recovery, taking account of time and resources in resolving the specific area(s) of poor performance.



- Will report any claim for the cost of recovery to the Pension Committee/Pensions Board at the next available meeting and may form part of the administration report in the fund's published Annual Report.

### Reporting breaches

The fund has a procedure to be followed by certain persons in relation to reporting breaches of the law to the Pensions Regulator. The breaches procedure applies, in the main to;

- all members of the Shropshire Pension Board and Committee;
- all officers involved in the management of the Pension Fund including members of the Investments Team, Pensions Administration Team, Head of Pensions – LGPS Senior Officer and the Executive Director of Resources • Assistant Director of Finance, Governance and Assurance
- any professional advisers including auditors, actuaries, legal advisers, and fund managers; and
- officers of employers participating in the Shropshire County Pension Fund who are responsible for LGPS matters.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

If a breach occurs the breaches policy must be followed. The most up to date breaches policy can be found on the fund's website. If a breach occurs by an employer, the fund will notify the employer to ensure improvements are made and will record and monitor the breach. If this failure to comply with the regulations is likely to be material, it will be reported to the Pensions Regulator.



---

## 9. Associated Policy Statements and Documents

---

Participating employers are advised to familiarise themselves with the other policies issued by the fund.

### **Employer Events Policy**

The purpose of this document is to describe the various “life stages” of an employer participating in the fund. It summarises the events and possible outcomes from those events right through until it withdraws from the fund.

### **Communications Strategy Statement**

The statement outlines the fund’s policy on:

- information to members, representatives, and employers;
- the format, frequency, and method of distributing such information;
- the promotion of the scheme to prospective members and their employing authorities.

### **Governance Compliance Policy**

Shropshire Council has delegated to the Pensions Committee various powers and duties in respect of the administration of the Fund.

This statement sets out the scheme of delegation and the terms of reference, structure, and operational procedures of the delegation. It also includes information on how it will exercise certain discretions provided by the scheme.

### **Employer Discretions Policy**

Since 1997, the LGPS regulations have required every employing authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the scheme;
- keep it under review;
- revise as necessary.

A full list of employer discretions can be found on [www.lgpsregs.org](http://www.lgpsregs.org).



The fund has purchased a template to assist employers when making their policy. A copy of the template can be requested from the Pensions Team.

---

## Contact details

---

The Shropshire County Pension Fund is a data controller under data-protection law. This means we store, hold, and manage your personal information in line with statutory requirements to enable us to provide you with pension administration services. To enable us to carry out our statutory duty, we must share your information with certain bodies, but will only do so in limited circumstances. For more information about how we hold your information, who we share it with and what rights you have, you can ask for this information from the fund, please visit [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk).

If you can read this but know someone who cannot, please contact us on 01743 252130 so we can provide this information in a more suitable format.

### Office hours

|                           |                  |
|---------------------------|------------------|
| <b>Monday to Thursday</b> | 8.45am to 5.00pm |
| <b>Friday</b>             | 8.45am to 4.00pm |

### Contact details

**Email:** [pensions@shropshire.gov.uk](mailto:pensions@shropshire.gov.uk)

**Website:** [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)

**Tel:** 01743 252130

**Write:** Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

**Administered by**



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank