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

Date: Thursday, 23rd November 2023

Committee:
Pensions Committee

Date: **Friday, 1 December 2023**
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 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
Roger Evans
Simon Harris
Brian Williams

Co-opted Members (Voting):
Nathan England
Carolyn Healy

Co-opted Members (Non-Voting):
Jean Smith (Pensioner Representative)
Helen Macmillan (Employee Representative Shropshire Council)
Byron Cooke (Employee Representative Telford & Wrekin Council)

Substitute Members of the Committee:
Chris Schofield (SC)
Mark Williams (SC)
Andy Burford (T&W)
Paul Watling (T&W)
Vacancy (Pensioner Rep)
Vacancy (SC Employee Rep)
Vacancy (T&W Employee Rep)

Your Committee Officer is:

Sarah Townsend Committee Officer
Tel: 01743 257721
Email: 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 15 September 2023 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, 27 November 2023.

5 Pensions Administration Monitoring (Pages 9 - 132)

The report of the Pension Operations Team Leader is attached, marked 5.

Contact: Helen Tomkins (01743 281035)

6 Columbia Threadneedle Responsible Engagement Update (Pages 133 - 144)

Ms Anais Cothereau, Ms Albertine Pegrum Haram and Ms Chantelle Kelly, Columbia Threadneedle Investments, will be in attendance to present this item, marked 6.

7 Corporate Governance Monitoring (Pages 145 - 270)

The report of the Pensions Investment and Responsible Investment Manager is attached, marked 7.

Contact: Peter Chadderton (07990 086399)

8 **2023 Climate Risk Management Report** (Pages 271 - 344)

The report and presentation of Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, is attached, marked 8.

9 **TCFD (Taskforce for Climate Related Financial Disclosures)** (Pages 345 - 364)

The report of Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, is attached, marked 9. (Please note that the presentation for this agenda item is included within the agenda item 8 presentation).

10 **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 11 to 16 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.

11 **Exempt Minutes of the Previous Meeting (Exempted by Category 3)** (Pages 365 - 368)

The exempt minutes of the meeting held on 15 September 2023 are attached for confirmation, marked 11.

Contact: Sarah Townsend (01743 257721)

12 **2023 Climate Risk Management Report (Exempted by Category 3)** (Pages 369 - 438)

The exempt report and presentation of Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, is attached, marked 12.

13 **Investment Strategy Implementation Update (Exempted by Category 3)** (Pages 439 - 450)

The exempt report of the Pensions Investment and Responsible Investment Manager is attached, marked 13.

Contact: Peter Chadderton (07990 086399)

14 **Equity Protection and Financial Markets Update (Exempted by Category 3)** (Pages 451 - 468)

The exempt presentation of Mr Louis-Paul Hill, Aon, is attached, marked 14.

15 **Investment Monitoring - Quarter to 30 September 2023 (Exempted by Category 3)** (Pages 469 - 512)

The exempt report of the Head of Pensions – LGPS Senior Officer is attached, marked 15.

Contact: Justin Bridges (01743 252072)

16 **Governance (Exempted by Category 3)** (Pages 513 - 520)

The exempt report of the Pension Operations Team Leader is attached, marked 16.

Contact: Helen Tomkins (01743 281035)

17 **Mercer Training Session on Employer Exit Strategies**

Immediately after the meeting, there will be a training session for Members of the Pensions Committee on Employer Exit Strategies, presented by Ms Michelle Doman and Mr Mark Wilson, Mercer. The presentation in relation to this will be circulated separately.

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Shropshire Council

Pensions Committee

15 September 2023

10.00 a.m.

MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 15 SEPTEMBER 2023
10.00 AM - 12.35 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 Chris Schofield (Substitute) (substitute for Brian Williams)

Co-Opted Members (Voting):
Councillor Carolyn Healy

Co-Opted Members (Non-Voting):
Jean Smith and Byron Cooke

18 **Apologies and Substitutions**

Apologies for absence were received from Councillor Brian Williams, Councillor Nathan England and Ms Lindsay Short.

Councillor Chris Schofield was in attendance as a substitute for Councillor Brian Williams.

Ms Helen Macmillan was in attendance (remotely via MS Teams) as a substitute for Ms Lindsay Short and the Chairman welcomed her to her first meeting of the Pensions Committee.

19 **Disclosable Interests**

None were declared.

20 **Minutes of the Previous Meeting**

RESOLVED:
That the minutes of the meeting held on 23 June 2023 be approved and signed by the Chairman as a correct record.

21 **Public Questions**

Six questions had been received from members of the public and the first five public questioners were in attendance to ask their questions. The last public questioner was not in attendance to ask his question and it was therefore read out on his behalf by the Pensions Investment and Responsible Investment Manager. The responses to each question were read out by the Head of Pensions – LGPS Senior Officer. A full copy of the questions and responses provided are attached to the web page for the meeting and also attached to the signed minutes.

The Chairman explained that the next three items on the agenda would be considered together, as they were all interrelated.

22 **Third Line of Assurance - Internal Audit Outturn Report for Shropshire County Pension Fund 2022/23**

The Committee received the report of the Head of Policy and Governance which was presented to them by Mr Mark Seddon, Auditor. It provided them with a summary of the work undertaken by Internal Audit for the year ended 31 March 2023 and reported on progress against the annual audit plan agreed with the Head of Pensions – LGPS Senior Officer. It also provided the Chief Audit Executive'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.

It was noted that based on the work undertaken and Pension Fund management responses received, the Pension Fund's governance, risk management and internal control processes are sound and working effectively and the Chief Audit Executive can deliver a substantial year end opinion on the Fund's internal control environment for 2022/23. This was the highest assurance that could be given and on behalf of the Committee, the Chairman congratulated the Pensions Team and commented that this was an excellent achievement.

In responding to a question on Corporate Governance, Members' attention was drawn to page 18 of the agenda document pack, which detailed the various objectives that the audit looks at to ensure there are appropriate governance processes in place in respect of the Pension Fund. If it were felt that there were specific areas that needed to be looked at within the audit, these could be considered going forward in consultation with the Pensions Team.

23 **External Audit - The Audit Findings for Shropshire County Pension Fund 2022/23**

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 Pension Fund's financial statements for the year ended 31 March 2023 for those charged with governance.

Mr Grant Patterson (Key Audit Partner) and Ms Evah Mutama (Audit Manager) were in attendance from Grant Thornton to present the report, the headlines of which were

detailed on pages 23 and 24 of the agenda document pack and it was noted that the audit work had been completed remotely during July – September 2023. They confirmed that their work was substantially complete, subject to a few outstanding matters and assuming that nothing significant changed, it was anticipated that the audit opinion on the financial statements would be unmodified.

Whilst no material differences had been identified, attention was drawn to £10.053m of differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2023 and the valuation statements received from the third-party investment managers. Management were proposing not to amend the financial statements on the basis that the differences are not material (0.5% of investment assets) and both the Pensions Committee and the Audit Committee would be asked to confirm their agreement.

Members' attention was also drawn to the 'Financial statements' and 'Independence and ethics' sections of the report, as well as the various appendices, and the comments detailed therein.

An update was requested on the 2021/22 accounts which were yet to be signed off and Mr Patterson explained that they were working through the last few queries and reviewing the additional information provided. However, that work had now been completed and the finalisation of the accounts should happen within the next two weeks. Once completed, the opinion on both the Council accounts and the Pension Fund accounts would be issued.

24 **Pension Fund Annual Accounts 2022/23**

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 2022/23 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.

It was reported that in the year to the end of March 2023, the Fund decreased in value by £95 million to £2.244 billion.

Attention was drawn to the last actuarial valuation conducted at the end of March 2022, identifying that the Fund had a funding level of 100% using the Fund's standard assumptions which was an increase from 94% at the previous valuation in March 2019. This was the first time for over 23 years that the funding level has been 100% at the valuation date and Officers were congratulated on their work in achieving this.

Regarding management expenses which in 2022/23 totalled £18.8 million, an increase of £1.3 million from the previous year and whether this was excessive, it was commented that the Fund was a big Fund to administer and in terms of its value, this worked out to be a small percentage and the large majority of these fees related to investment manager fees.

In responding to a question regarding Mercer's climate scenario analysis, Officers explained that they are very complex scenarios and are not being relied on as an absolute, rather they provide a guide. However, a basis is needed to see what the

modelling may look like and in order that decisions are able to be made taking it into account. It was noted that climate change scenario is undertaken every two years by LGPS Central and they currently use Mercer. LGPS Central are responsible for going out to tender for this service and will review alternative providers next time the contract is up for renewal.

As to why the Pension Fund had decreased in value, the Head of Pensions – LGPS Senior Officer explained that factors such as economic geopolitical issues, high inflation and significant interest rate rises had impacted on the Fund, as well as 2022 being a particularly difficult year in financial markets. Further detail on this could be found within the investment performance section of the annual report.

In replying to a question on whether the performance of the Fund had got anything to do with Shropshire Council still investing in fossil fuels, attention was drawn to the Fund being 100% funded meaning that assets matched liabilities, which had been achieved through good management by investment managers. It was also explained that the issue of investing in fossil fuels had been vastly debated and when considering return on investment, there were many risks that the Fund had to manage, of which climate change was just one of them. It was the responsibility of the Pensions Committee to ensure that there were funds to pay pensions and as part of that, simply divesting away from fossil fuels or from companies completely, would not result in the issue going away. However, by engaging with companies, trying to get them to change and helping them on their journey towards a carbon free economy was something that the Pension Fund could actively do.

The Pensions Team were thanked for producing an extremely detailed and comprehensive document as well as for the vast amount of work that they did.

RESOLVED:

1. That Performance against the Audit Plan for the year ended 31 March 2023 be endorsed.
   (Agenda Item 5: External Audit – The Audit Findings for Shropshire County Pension Fund 2022/23).

2. That the Chief Audit Executive's substantial year end opinion on the Fund's internal control environment for 2022/23 based on the work undertaken and Pension Fund management responses received, be endorsed.
   (Agenda Item 5: External Audit – The Audit Findings for Shropshire County Pension Fund 2022/23)

3. That the Pension Fund Annual Report 2022/23 be approved and authority be delegated to officers to make any minor changes required.
   (Agenda Item 7: Pension Fund Annual Accounts 2022/23)

4. That the Chair and Executive Director of Resources sign the letter of representation for Grant Thornton.
   (Agenda Item 7: Pension Fund Annual Accounts 2022/23)

25 **Corporate Governance Monitoring**

The Committee received the report of the Pensions Investment and Responsible Investment Manager which informed them of Corporate Governance and socially responsible investment issues arising in the quarter period 1st April 2023 to 30th June 2023.

Officers were congratulated for their achievement in Shropshire County Pension Fund becoming a recognised signatory to the UK Stewardship Code. Mr Philip Hebson, Independent Advisor to the Committee, commented that a huge amount of work is involved to achieve this status and the process in terms of the application being approved is extremely rigorous.

Following a discussion, it was agreed that Columbia Threadneedle Investments would be invited to attend the next meeting of the Pensions Committee in order to present some of their engagement outcomes.

Replying to a question regarding investing in renewables, the Chairman explained that they had increased their allocation to infrastructure, which includes additional investments in renewables so should provide some reassurance.

RESOLVED:

1. That the position as set out in the report of the Pensions Investment and Responsible Investment Manger in respect of voting and engagement activity be accepted:
    - Manager Voting Reports from LGPS Central at Appendix A (A1 & A2),
    - Legal & General Investment Management (LGIM) at Appendix B,
    - Columbia Threadneedle Investments Responsible Engagement Overlay Activity Report at Appendix C and
    - LAPFF Engagement Report at Appendix D.

2. That it be noted that the Fund has successfully been recognised as a signatory of the Financial Reporting Council (FRC) UK Stewardship Code which promotes best practice on governance. The Committee wished to place on record their congratulations to Officers for this achievement as well as for the immense amount of work that they are doing.

26 **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.

The Chairman explained that this would be Debbie Sharp's last meeting as she would shortly be leaving Shropshire Council to take up a new position at South Yorkshire Pension Authority. He also commented on the enormous amount of work that was undertaken by the thirty members of staff within the Pensions Team, particularly in relation to the annual statements that were sent out to members and the ongoing McCloud situation.

A motion was proposed by Councillor Evans as follows: *'Members note it is four years since it last held an annual in-person or hybrid meeting for Members. We now request that one is held'.* This was seconded by Councillor Healy. In responding, the Chairman explained why an annual in-person meeting was no longer held, for the reasons that had been discussed at many previous Pensions Committee meetings and Councillor Evans commented that a request to hold one had now been received by a public questioner earlier in the meeting, as well as from the substitute Employee Representative for Shropshire Council and himself.

Mr Philip Hebson, Independent Advisor to the Committee, commented that many funds had moved away from Annual General Meetings and Local Government Pension Funds were now much better at communicating with their Members than ever before. Face to face Annual General Meetings were an airing place for people's personal views and thoughts, rather than being focussed on the wellbeing of the Pension Fund and he recommended that if an Annual General Meeting were to be held, it be conducted on line.

The Chairman asked each Member of the Committee for their views. Following a vote by the voting Members of the Committee, the motion was defeated.

RESOLVED:
That the position as set out in the report of the Pensions Administration Manager be accepted.

27 **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 11 to 15, 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.

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

RESOLVED:
That the exempt minutes of the meeting held on 23 June 2023 be approved and signed by the Chairman as a correct record.

29 **DLUHC Consultation Update (Exempted by Category 3)**

The Committee received the exempt report of the Pensions Investment and Responsible Investment Manager which provided the Fund with the background and the proposed draft response to the Department of Levelling Up, Housing & Communities pooling consultation on the proposed next steps for investments in the Local Government Pension Scheme.

RESOLVED:
That the recommendations as set out in the exempt report by the Pensions Investment and Responsible Investment Manager be approved.

30 **Investment Strategy Update (Exempted by Category 3)**

The Committee received the exempt report of the Pensions Investment and Responsible Investment Manager which provided them with an Investment Strategy update.

RESOLVED:
That the recommendations as set out in the exempt report by the Pensions Investment and Responsible Investment Manager be approved.

31 **Investment Monitoring - Quarter to 30 June 2023 (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 2023 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.

32 **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 01 April 2023 to 30 June 2023 that had been recorded in the breaches log. Also reported were any stage one or stage two appeals that 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.

Signed ..... (Chairman)

Date: .....

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Committee and Date	Item
Pensions Committee 01 December 2023 10am	Public

PENSIONS ADMINISTRATION MONITORING REPORT

Responsible Officer: Helen Tomkins
Email: helen.tomkins@shropshire.gov.uk
Tel: (01743) 281035

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 McCloud, the Pensions Dashboard Programme (PDP) and the Scheme Advisory Board (SAB).

2.2. The fund has been working on a Business Plan for 2024-2026. The business plan highlights the key priorities for the fund as well as areas of change and project like tasks which are in addition to day-to-day "business as usual" duties. A final version of the plan will be prepared for approval at the March committee meeting.

2.3. The Governance Compliance Statement and Administration Strategy Statement have been reviewed and no changes are required to these documents. The Communications policy has also been reviewed, minor changes are needed to the Communications Policy to reflect the fact the fund no longer sits on the national communications group but the Communications & Governance Team Leader is on a waiting list to join. The regional communications group is now chaired by the West Midlands Pensions Fund with Shropshire still involved but no longer the lead fund.

3. Recommendations

3.1. Members are asked to accept the position as set out in the report.

3.2. To approve, with or without comment, the Governance Compliance Statement, Administration Strategy Statement and Communications Policy at Appendices B, C and D, all of which have been reviewed.

3.3. Members are asked to note, with or without comment, the draft Business Plan in Appendix E.

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 the October 2023 is attached at Appendix A. The chart shows 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. The chart shows outstanding tasks and cases rising during the quarter. It also shows that processes completed on time also rose. This seems to indicate the amount of work the team are having to deal with is much greater than they can process. This would be mainly attributed to the number of vacancies on the team and staff assisting with the helpdesk queries.

7.2. Since last reporting the role of Pension Administration Manager has been appointed to, Vicky Jenks will take up post on 19th December 2023. This means the post will be vacant for 6 weeks from Debbie Sharp leaving.

7.3. The Senior Governance and Communications officer role has been appointed to with the new candidate taking up post on 13th November 2023. The development officer role on the Systems team was appointed to internally which meant the Governance Assistant role became vacant. This was a maternity cover and will become a job share when the

employee returns from maternity leave. The new employee has been appointed and will start on 13th November 2023. The post of Help Desk Officer became vacant as a team member gained a promotion elsewhere within Shropshire Council, this has been advertised externally and interviews are set.

7.4. The Communications and Governance team currently has 3 employees on long term sickness. . Temporary cover has been put in place for one of these posts from within the team.. A maternity cover will be required for a Communications Officer in the new year and this post has also been advertised.

7.5. Helen Macmillan, who was appointed as substitute Pensions Committee employer representative, will now be a full committee member following the resignation of employer representative Lindsay Short. The fund is awaiting to hear from Unison regarding the replacement of Helen as a substitute member of the committee.

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**.

8.2. September was a difficult month for helpdesk due to long-term sickness and planned annual leave meaning that there was just one officer taking calls throughout the month, accounting for the low rate of calls answered in this month. Other team members supported the helpdesk to ensure tasks were completed and pensioners paid on time and the call figures have started to rise again but will be impacted again in November as recruitment continues for a helpdesk officer. A higher number of calls was also received in September and October after an employer started a voluntary redundancy process without first advising us and this led to many members calling the fund for more details on their pensions to inform their decision-making.

8.3. With the McCloud ruling, the fund is anticipating extra calls from members who feel they may be impacted. To manage this additional demand with reduced capacity, a telephone triage has been set up directing any callers about McCloud to a recorded message that says we will contact them in due course and they do not need to do anything at the moment. With disclosure about McCloud having to be completed by the end of December, this triage system should help manage calls from other members who will also be notified of the ruling. So far only pensioners have been notified through the InTouch magazine.

	August 2023	**September 2023**	**October 2023**
Telephone calls received to helpdesk team	584	411	412
% of calls answered	92%	74%	87%

Emails received to pensions@shropshire.gov.uk	1121	1420	1244
% of emails responded to within 10 working days	100%	100%	100%
My Pension Online activation keys issued	100	69	56
Member updates made through My Pension Online	527	592	450
Opt out requests directly dealt with by helpdesk	27	63	15
Incoming post received and indexed to the pensions administration system	3759	2659	4100
1-2-1 video appointments held with scheme members	12	30	27
Users visiting the website	2823	2784	2755

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 2023 a total of 50% active members and 43% of deferred members were registered to view their records on 'My Pension Online'.

9.2. The employers meeting took place on 14/11/2023. This meeting was advertised to employers through a GovDelivery on 18/10/2023 and a reminder sent on 31/10/2023. The actuary Mercer led the meeting with a focus on McCloud, the Pensions Dashboard Programme and also a section on data quality and how important this is for employers.

9.3. The autumn edition of the pensioners newsletter, InTouch, was posted out to members the week commencing 04/11/2023. Articles included:

- The McCloud judgement
- Pensions Dashboard update
- Give your pension some attention campaign
- Scams - be on the alert

9.4. The vacancy for a new Pensions Board member representative was also advertised in InTouch. Applications are being collated with interviews planned for early December with recruitment in place before the January 2024 Board meeting.

9.5. A pensions tax webinar for members who received a Pensions Savings Statement was held on 10/10/2023. Invitations were also extended to any members earning over £50,000 after the actuary Mercer advised

these people could be impacted by the changes to pensions tax annual and lifetime allowances announced in the spring 2023 budget. 23 members attended the webinar and six took advantage of the 1to1s offered to discuss their individual circumstances. These figures are much lower than in recent years and this event will be reviewed when the number of members receiving Pensions Savings Statements for 2023-24 are known.

9.6. An employer update is sent monthly via an email bulletin to all registered contacts at participating employers within the fund. The topics covered in the last quarter were:

August

- 2023 annual pension benefit statements are ready - make sure you tell your members!
- Change to strain factors used in early retirement calculations
- McCloud
- Age 65 pay
- Pass through process
- McCloud
- New early retirement factors
- Strike FAQs

September

- Invite to Pensions Savings webinar on October 10 2023 for employers who may have employees affected.

October

- Employers' meeting invite

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 2023	September 2023	October 2023
i-Connect data	98.69%	98.67%	99.31%
Monthly contributions	98.69%	99.33%	98.62%
Monthly deficit	93.18%	97.73%	95.24%

11. Business Plan

11.1. The Business Plan has been pulled together by the fund's management team and is now in a draft state to be presented to this Committee for comment. It covers the fund's objectives and projects for 2024-2026. The plan will be presented to March Committee to approve as the final version and will then be followed by 6-monthly reviews for the management team to review and update the plan.

12. McCloud

12.1. The Local Government Pension Scheme (Amendment) (No.3) Regulations 2023 were laid before parliament and take effect on 1 October 2023. The regulations implement the McCloud remedy and amend the underpin rules to make sure they work correctly. Part 2 replaces the underpin rules in the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 and some changes to LGPS Regulations 2013. Part 3 requires administering authorities to check past calculations for events that happened between 1 April 2014 and 30 September 2023, or your go live date if later.

12.2. The Department for Levelling Up, Housing and Communities (DLUHC) have provided guidance on how to prioritise the range of McCloud affected cases. This is to ensure a broadly consistent approach; the top priority is to ensure all calculations from 1 October 2023 for new retirements or dependents are correctly calculated. They have also issued guidance on interfund transfers and Club transfers.

12.3. The team have continued to check data held and have requested some missing hours from a small number of employers. The team can update these records as they are being received.

12.4. A lot of time has been spent on testing the new McCloud functionality in the Altair system to allow all new calculations are correct by getting the records "McCloud ready". This means running several bulk processes to create additional data views and calculating an underpin to obtain any guaranteed addition to all records of protected members. Errors from these bulk processes are being looked at. The team have also had to update all documentation that is sent to new pensioners, dependents, and deferred members to ensure they are notified of how McCloud affects them. This has included letters, scheme guides and updating the website. At the time of writing, all of this is scheduled to go live on 8th November 2023.

12.5. An action plan is in place along with a project team to monitor and ensure all other actions from McCloud are carried out. All members will have to be notified under disclosure of the changes to legislation by 31 December 2023 and all past cases will need to be rectified.

13. LGPS England & Wales Scheme Advisory Board (SAB)

13.1. On 19 October 2023, the SAB published guidance on academy conversions. The guidance is published in response to a recommendation in the Section 13 Report on the 2019 fund valuations, produced by the Government Actuary's Department (GAD).

13.2. The guidance explains the common actuarial approaches LGPS administering authorities use when a local authority school converts to an academy. It was developed in a collaborative way by a working group. The group included representatives from GAD, the Department for Levelling Up, Housing and Communities (DLUHC), the Department for Education, fund practitioners, fund actuaries, academy school representatives and trade unions.

13.3. The SAB Compliance and Reporting Committee issued a knowledge and skills survey for completion by pension committee and local pension board members. It should take no more than eight minutes to complete and closes on 6 November 2023. The survey seeks to gather information on the experience of pension committee and local pension board members in obtaining the required knowledge and skills for their role. It builds on a survey issued earlier this year which also captured the views of officers. The data collected will not be shared on an individual or identifiable basis.

13.4. The SAB's website provides information about its work. Use the links below to find out more about:

- latest news
- SAB meeting and agenda papers
- committee meetings and agenda papers

14. Pensions Dashboard Programme

14.1. The Pensions Dashboards Programme (PDP) published a blog addressing some of the common dashboard questions.
The blog, written by Chris Curry, Principal of PDP, covers:

- How is connection guidance different to the connection deadline?
- When will guidance be published, and how will PDP engage with industry?
- Are there any examples of how dashboards will look?
- Will smaller schemes, 1 to 99 members, be required to connect to dashboards in the future?

14.2. PDP hosts a virtual connection forum via MS Teams around every eight to ten weeks. This is an informal platform that is not recorded or minuted. Attendees are provided with updates on PDPs progress and connection. The forum intends to facilitate discussion and questions and answers on relevant topics, such as data readiness, connection, standards, partial matching etc. To sign up, email eventspdp@maps.org.uk

14.3. The DAP is the point at which dashboards go live to the user and will only launch once a number of requirements have been reviewed by the Minister for Pensions including sufficient coverage, safety and security and user experience. The Secretary of State for Work and Pensions will issue a notice six months before this date occurs, but no later than 31 October 2026.

14.4. The LGA has published the draft LGPS Pensions Dashboards connection guide for administering authorities. The guide can be found on the: Administrator guides and documents page of the website The fund is currently intending to source an integrated service provider ISP in early 2024, in line with procurement rules.

15. September 2023 CPI rate announced

15. 1. On 18 October 2023, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2023 as 6.7%. Government policy in recent years has been to base increases under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI in September of the previous year. We await confirmation from Government that the revaluation and pensions increase that will apply to L G P S active pension accounts, deferred pensions and pensions in payment in April 2024 will be 6.7%.

16. New CEO at Money and Pensions Service (MaPS)

16.1 On 16 October 2023, MaPS announced in a press release the appointment of Oliver Morley as its new Chief Executive Officer (CEO). Oliver is the CEO of the Pension Protection Fund and will join MaPS on 1 February 2024.

17. General Code anticipated

17.1. The new General Code has been ready to be laid before Parliament for several months. The reason for the delay is unknown but the new code is still expected. It will come into force approximately two months after it has been laid and will set out internal controls and governance processes schemes are expected to have in place and monitor.

18. Cyber Security

18.1 A cyber security action plan has been in place since fund officers held a workshop in February 2022, with the Council's Infrastructure, Security and Innovations Manager and Principal Auditor (IT). A gap analysis was undertaken, and an action plan created.

18.2 The work undertaken over the past year has enabled the fund to gain additional assurances of the work SC undertakes on behalf of the fund. An action plan was put in place and reviewed and the actions completed.

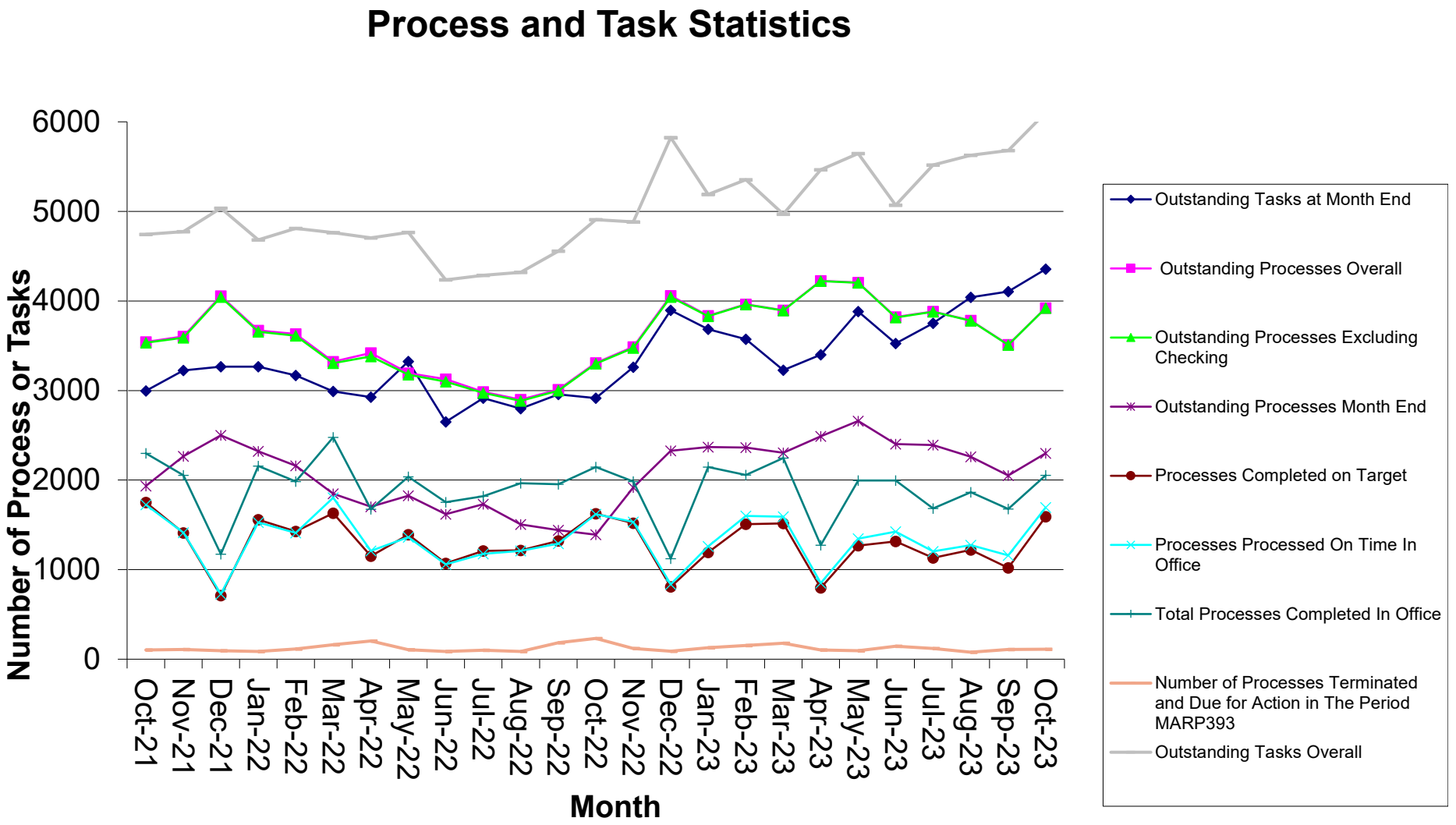
18.3 Internal Audit have recently undertaken a Cyber Assurance Assessment and there are a small number of recommendations to be considered. This will mean the fund will continue to work closely with Shropshire Council to understand its own policies and procedures. The fund have also been working with the Scheme Actuary in preparing a formal Cyber Policy Document.

19. New pensions minister appointed

19.1 MP for Blackpool North and Cleveleys, Paul Maynard, has been appointed as the new Pensions Minister at the Department for Work and Pensions (DWP). His appointment was announced following the news that former Pensions Minister, Laura Trott, had been promoted to the role of Chief Secretary to the Treasury as part of Prime Minister, Rishi Sunak's, latest ministerial reshuffle.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Pensions Committee Meeting 01 December 2023 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 Appendix D – Communications Policy Statement Appendix E – SCPF Business Plan

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Process and Task Statistics
Number of Process or Tasks
6000
5000
4000
3000
2000
1000
0
Oct-21
Nov-21
Dec-21
Jan-22
Feb-22
Mar-22
Apr-22
May-22
Jun-22
Jul-22
Aug-22
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23
Mar-23
Apr-23
May-23
Jun-23
Jul-23
Aug-23
Sep-23
Oct-23
Month
Outstanding Tasks at Month End
Outstanding Processes Overall
Outstanding Processes Excluding Checking
Outstanding Processes Month End
Processes Completed on Target
Processes Processed On Time In Office
Total Processes Completed In Office
Number of Processes Terminated and Due for Action in The Period MARP393
Outstanding Tasks Overall

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Governance Compliance Statement

Approved by the Pensions Committee December 2023



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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 and Wrekin Council (co-opted)	two members
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 administrating 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

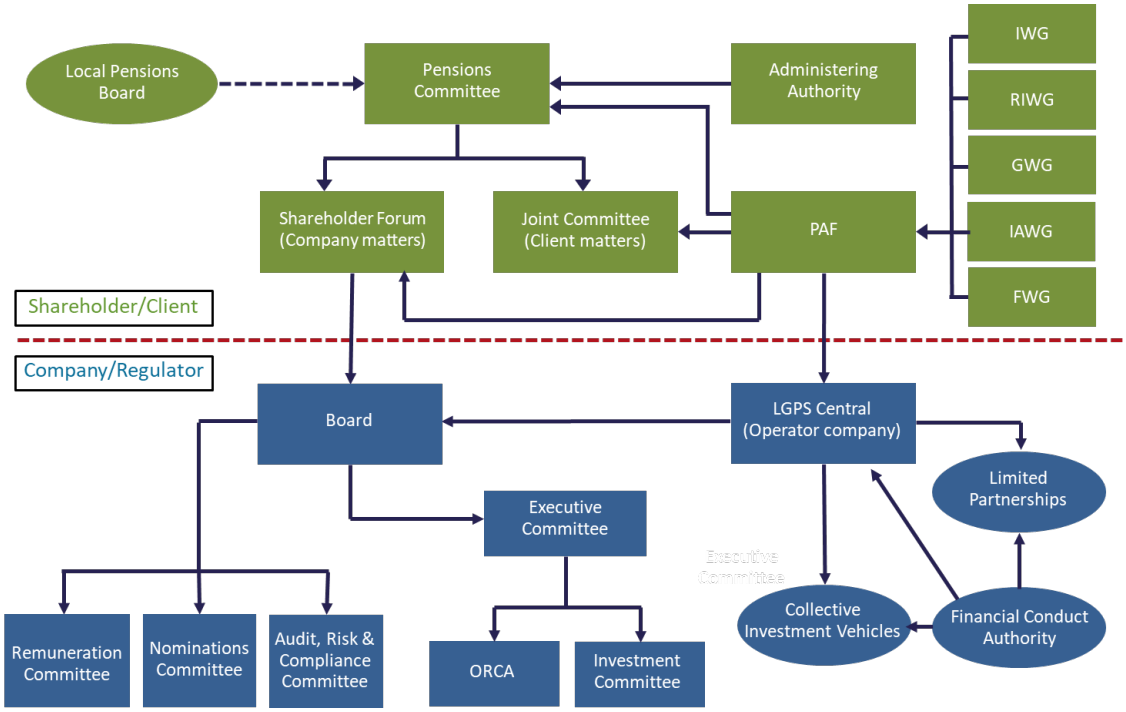
The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 formally introduced the concept of asset pooling. Because of this, the Shropshire County Pension Fund has joined with seven other LGPS funds across the Midlands (partner funds) to form an asset pool, known as LGPS 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
Total	100

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

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.

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) TP17 (5) TO (8) R40 (2) R43 (2) R46 (2) R82 (2) LGPS 1997 38 (1) & 155 (4) 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) 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) TP3 (1), TPSch2, paras 2 (1) and 2 (2) B30 (5) and B30A (5) 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) 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 - will be considered on the merits of the financial and / or operational business case put forward, - will set out whether, in additional to any pre-1 April 2008 benefits, the member will be permitted, as part of the flexible retirement agreement, to take a) all, some, or none of their 1 April 2008 to 31 March 2014 benefits, and /or b) all, some, or none of their post 31 March 2014 benefits, and - will require the approval of the scheme administrator.	Head of Pensions - LGPS Senior Officer
B39 & T14 (13) 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 19th 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) 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) 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	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: - 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; - 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; - where the available evidence indicates the member had not	Head of Pensions - LGPS Senior Officer

		been informed of the twelve-month time limit due to maladministration. - 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.	
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) R80(1)(b) & 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 19th 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) R76 (4) 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: www.shropshirecountypensionfund.co.uk	Head of Pensions - LGPS Senior Officer

TP3 (13) A70 (1) 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. 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) TP3 (6) TP4 (6)(c) TP8 (4) TP10 (2) a TP17 (2)(b) Tsch1 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 B27 (5) 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 RSch1 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 - LGPS Senior Officer
TSch 1 & L23 (9) B42 (1) (c) 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 - LGPS Senior 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 - LGPS Senior Officer
R36 (3) 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 Committee
R68 (2) TPSch 2, para 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 - LGPS Senior 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 - LGPS Senior 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.	To offer the use of 'Voluntary Scheme Pays' (VSP) where; • a member's pension savings within the fund are subject to the tapered annual allowance, **and** • the tax breach stems only from the member's Shropshire County Pension Fund LGPS benefits rather than via growth in multiple pension schemes, **and** • 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.	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

	- insolvency, winding up or liquidation of the body. - breach by that body of its obligations under the admission agreement. - failure by that body to pay over sums due to the fund within a reasonable period of being requested to do so		
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) 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 Practioner (IRMP).	Head of Pensions -LGPS Senior Officer
R38(6) 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 Practioner (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

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
Website: www.shropshirecountypensionfund.co.uk
Tel: 01743 252130
Write: Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

Administered by

Shropshire Council

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Pensions Administration Strategy Statement

Approved by the Pensions Committee December 2023



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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.

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).

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.

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 1 December 2023 and, as such, the contents of which apply to all existing and future employers of Shropshire County Pension Fund from this date.

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. 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 its 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 IDRP procedure.

Nominated person

Each employing authority is required to nominate and name the person to whom applications under Stage 1 of the IDRP 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 legalisation 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.

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. An online employers guide is available on the fund's website, 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:

NEW STARTERS	
EMPLOYER'S RESPONSIBILITY	FUND'S RESPONSIBILITY
To ensure that pensions information is included as part of any new employment induction process, including in contracts of employment and appointment letters. 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. 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. 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 the processes and timescales involved. Furthermore, the correct employee contribution rate according to the scheme the member is in – either the 50/50 or	To accurately create member records on the Pensions Administration System following notification from an employer of a new entrant to the scheme. To support employer requests to attend inductions. 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. www.shropshirecountypensionfund.co.uk 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. To accurately record and update member records on the pension administration system within following the receipt of a completed New Member Form.

100/100 scheme should be applied and (if appropriate) adjusted throughout the year according to the employer's discretionary policy on re-banding. 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. 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.	

CHANGES IN CIRCUMSTANCES FOR ACTIVE MEMBERS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
To ensure that the fund is informed of any changes in the circumstances of employees through i-Connect within four weeks of the change. Forms and guidance can be found in the employers' area of the fund website at: www.shropshirecountypensionfund.co.uk Changes may include: **Personal information:** • Change of name • Marital status • National insurance number **Conditions of employment affecting pension such as:** • Contractual hours (mandatory for members who meet the underpin requirements only)Any remuneration changes due to promotion and downgrading	To provide forms and spreadsheets for recording key changes in circumstance and to provide guidance on the secure submission of data through i-Connect. 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.

• 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 **Absence** 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. 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. 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 www.lgpsmember.org 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. Types of absences include: • Maternity, paternity, and adoption • Paid & unpaid leave of absence • Industrial action (SCAPC not available) • Any other material/authorised period of absence	

ANNUAL RETURN, VALUATION & ANNUAL BENEFIT STATEMENTS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
To ensure the fund receives accurate year to date information to 31 March through the month twelve i-Connect data submission. 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. 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. To provide the fund with up to date and correct information as and when requested in accordance with agreed timescales and the regulations. To ensure that all errors highlighted from the annual contribution and pensionable pay posting exercise are responded to and corrective action taken promptly.	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. To produce annual benefit statements for all active members by 31 August. To highlight annually if an individual has exceeded their annual allowance and issue a pensions saving statement by 5 October. Annual benefit statements will also be produced for deferred members, but no information from employers will be required. To provide data to the fund Actuary and Government Actuary's Department to enable employer contribution rates to be accurately determined. To provide an electronic copy of the actuarial valuation report and contributions certificate to each employer.

RETIREMENT AND TRANSFER IN/OUT ESTIMATES	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
To submit a request using form PEN010 by post or attaching it to an email. Each form must be signed by an authorising officer. 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. 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. To help the fund promote the 'My Pension Online' area for members when requested.	To issue the individual quotations/information within ten working days after all information required to process a quotation has been received. 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. Separate agreed timescales and any additional cost will be put in place for bulk requests. 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). To maintain and promote the 'My Pension Online' area on the website for members to log in and view their pension information.

DIVORCE AND OUTSOURCINGS ESTIMATES	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
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. **Staff transfers e.g., outsourcings** 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.	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. To provide guidance, arrange the relevant actuarial calculations to current employers participating in the fund who are considering outsourcing.

ACTUAL RETIREMENTS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
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. Further information can be found in the Employers area of the fund website at www.shropshirecountypensionfund.co.uk	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. 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. 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. To pay any pension payment on the 29th 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.

ILL HEALTH RETIREMENTS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
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. 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. 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. 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 www.shropshirecountypensionfund.co.uk	To calculate and pay the required benefits in line with actual retirement timescales. To assist the employer in performing their legislative responsibility to review Tier 3 ill health cases at eighteen months.

MEMBERS LEAVING EMPLOYMENT BEFORE RETIREMENT	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
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.	To accurately record and update member records on the pension administration system. 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. 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. 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.

FORMER MEMBERS WITH DEFERRED BENEFITS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
To keep adequate records of the following for members who leave the scheme with deferred benefits, as early payment of benefits may be required: • Name & last known address • National Insurance number • Payroll number • Date of birth • Last job information including job description • Salary details • Date and reason for leaving 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 waivered on compassionate grounds.	To record and update member records on the pensions administration system. To provide former members with an annual benefit statement of their deferred benefits, updated by the annual pensions increase award when applicable. To provide estimates of benefits that may be payable and any resulting employer costs within 10 working days of request upon request.

DEATH IN SERVICE & TERMINAL ILLNESS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
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. Further information can be found on the employer pages of our website www.shropshirecountypensionfund.co.uk	To provide an initial letter of acknowledgement to the next of kin/informant within five working days following a notification of death. To provide a letter notifying dependents of benefits within five working days following receipt of identification/certificates and relevant documentation. To assist employers, 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. The fund's policy regarding payment of benefits in such situations, can be viewed in the Governance Compliance Statement.

FINANCIAL AND DATA OBLIGATIONS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
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 19th day of the month following the period of deductions. Further information can be found in the Employer Guide via www.shropshirecountypensionfund.co.uk	To allocate correctly the contributions received to each employee record and to keep a log of contributions received from each employer. To charge interest for late payment in the following circumstances; • Employer contributions (including deficit payment) are overdue if they are received a month later than the due date specified.

Each payment must be accompanied by an i-Connect data extract providing the following data for each member; • National Insurance number • Payroll reference 1 • Member address and postcode • Date of leaving • Payroll period end date • Additional contributions 1 • Additional contributions 2 • Surname • Forenames • Gender • Date of birth • Marital status • Title • Taxable earnings • Annual pensionable salary (only required at month 12) • Pensionable pay • Date joined LGPS • Job title • Part-time hours effective date • Part-time hours • Part-time indicator • Whole-time equivalent hours • Employee's main section contributions • Employer's contributions • Scheme contribution rate • Opt out date • Opt in date • Main section cumulative pensionable pay • 50/50 section cumulative pensionable pay • Full-time equivalent final pay	• All other payments are overdue if they are not received by the due date specified. Inform each employer of any new contribution bandings tables in place from each April. Inform employers of any rechargeable items as they become due. Early Retirement Strain will be notified prior to benefits being put into payment. 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.

• Cumulative employee's main section contributions • Cumulative employer's contributions • Reason for leaving • Cumulative employer Shared Cost APC's • Cumulative employee APC's • Employee's 50/50 section contributions • Cumulative employees 50/50 section contributions • Pay period Shared Cost APC's • Pay period employee APC's 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.	

ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's (SCAPCs)	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
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. 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 19th of the month following the deduction. More information can be found in the employer area on www.shropshirecountypensionfund.co.uk	To provide information on APCs to members/employers through www.shropshirecountypensionfund.co.uk, and direct employees to the national LGPS member website where a modeller can be found.

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.

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.

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.

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.

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.

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.

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
Website: www.shropshirecountypensionfund.co.uk
Tel: 01743 252130
Write: Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

Administered by

Shropshire Council

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Communications Policy Statement

Approved by the Pensions Committee December 2023



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Introduction

This statement has been prepared in accordance with Regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013 by Shropshire County Pension Fund (the 'fund'). It sets out its communications approach with scheme members, employers, and other interested stakeholders.

The fund deals with over 220 employers and over 50,000 scheme members made up of contributing members, deferred members, and retired members in relation to the Local Government Pension Scheme (LGPS).

The main aim of the Shropshire County Pension Fund is to provide members and employers with an efficient pension administration service providing secure pension benefits which have been worked out accurately and paid on time. Timely and clear communication with both members and employers plays a key role in helping employers meet their statutory obligations and helps members plan their retirement.

The fund designs and delivers communications to scheme members and employers in a way that makes sure they can understand the LGPS. Information should be clear and simple to understand, as well as being accurate and easily accessible. It is important that members can understand their pension arrangements and make informed decisions when needed and employers understand their statutory responsibilities.

The Pensions Team work to maintain a thorough knowledge of the regulations to keep the confidence of its members. The Pensions Team should always be the first-place staff members turn to for LGPS pension information during their working life and in retirement.

The fund also takes part in several national groups, with the aim of sharing best communication practices. The Joint Communications Group allows the fund to work with other Local Government Authorities, giving group members the chance to share communication resources and develop joint projects, such as newsletters and member guides. The fund is also part of the Local Government Pensions Committee (LGPC), which publishes national communication material.

Principles of communication

The fund has adopted five key principles that supports all its communication. The fund is committed to making sure:

- Communication is factual and presented in plain, easy to understand language.
- Communication is designed in a manner appropriate to its audience.
- Communication is issued in a timely manner.
- Communication keeps up with the developments and improvements in new technology.
- Communication is planned, co-ordinated and reviewed.

The fund is ‘digital by default’ unless a member requires the information in a paper format. Digital communication is used by the fund to deliver scheme information, increase member engagement and to give regular updates to employers. It can help meet member demand and expectation to regularly access pension information. It can also reduce the fund’s environmental footprint by decreasing paper and printing usage. When information is asked for in paper format, a sustainable printing service will be used.

The fund makes every effort to make communication materials available in other formats such as large print, braille, audio tape and different languages, if requested.

The Local Government Pension Scheme is a desirable benefit for attracting employees to work in local government. For employers, it is a key part of their recruitment and retention package. The fund is also the last, and often the only, link between former staff members and their employers. The fund therefore has an important role in making sure effective communications continue even when members have left employment, have a deferred pension, or a pension in payment. The fund keeps in touch with all members and if contact is lost (for example, if a member has moved and not told the fund), a tracing exercise can be carried out to find the member and update their personal details.

The Pensions Team are committed to responding quickly to member requests for information. Information is given within set internal and regulatory timescales taking into consideration The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and other overriding legislation. The turnaround time for dealing with standard requests for information is normally ten working days but may take longer depending on the request timing and the request itself.

When a request for information has been made, an acknowledgement receipt will be given, usually within three working days. If it is going to take longer than 10 days to provide the information, members will be told when they are likely to receive it.

How the fund communicates

Scheme literature

A wide range of scheme literature is produced and updated by the fund for both members and employers. Copies are available on the fund website and can be provided in paper format upon request. All paper and electronic guides are made using similar branding and include full contact details for the Pensions Team. The fund has scheme guides which cover the scheme benefits, who is eligible and retirement options. Both new and prospective members are provided with basic information about the LGPS, such as how benefits are worked out, how member and employer contributions are calculated etc via the scheme guides.

One-to-one meetings

For members who require a one-to-one meeting communication, appointments can be made with a member of the team. Virtual meetings will be encouraged but face to face meetings can be attended, depending on venue availability, and must be booked in advance. The fund will organise one-to-one meetings at employer workplaces periodically. Employers can also ask for one-to-one meetings, but these requests will be considered depending on location and member interest.

Helpdesk

The fund has a dedicated helpdesk which deals with all the incoming post, emails and telephone calls. The helpdesk contact details are published on all scheme literature. The helpdesk telephone number is 01743 252130 and email address is pensions@shropshire.gov.uk

The helpdesk is open from 8.45am to 5.00pm Monday – Thursday and 8.45am to 4.00pm on Friday. During team meetings and busy periods an automated answering service will be in place.

All fund officers also have a direct telephone number and email address should they need to be contacted directly.

Website

The fund has a website, www.shropshirecountypensionfund.co.uk, which holds most of the scheme information including copies of scheme literature, policies and annual reports. There is a latest news page which is used to keep members up to date. There is also a news page on the employer's area of the website specifically aimed at employers. The website has been adapted to make sure it is accessible to view on electronic devices such as tablets and mobile phones. The website has been developed in line with accessibility standards and has a published compliance statement.

My Pension Online

A secure online portal gives members access to their pension record. The facility provides members with the opportunity to update their personal details, view annual benefit statements and perform benefit projections, as well as change death grant nominations. Members in receipt of a pension are also able to change bank details, check their annual pension and view monthly payments. The online system can be accessed via the fund's website homepage.

Material changes to the scheme

The fund will inform members when any material changes are made to the LGPS via the website, email alerts or newsletter unless a paper notification has been requested. This information is normally given as soon as possible after the change takes effect, but in any event within three months after the change.

Email alerts

The fund asks all members for an email address, so they can be contacted by the fund with the latest scheme news.

Presentations

The fund delivers standard or tailored presentations on a wide range of pension topics for both employers and members around the county. These presentations are provided by fund staff at the request of employers, or organised by the fund, at geographically convenient locations or using virtual meeting technology. Presentations keep members informed of any changes that may affect their benefits.

Newsletters

'Pension update' is the fund's in-house newsletter for active and deferred members and is sometimes produced as a collaborative project with other funds. This newsletter is issued periodically and aims to provide topical news articles and the latest information about the scheme and pensions in general. The newsletters are usually issued via email and published on the fund website.

InTouch is the fund's in-house newsletter for retired members. The newsletter is a useful way of providing updates on relevant changes in legislation as well as topical news articles.

Annual report & accounts

The annual report is a statutory financial reporting document showing the fund's accounts over the previous 12 months, along with details on both investment and administration performance. Members and employers are notified when the report has been published via email and the news pages of the fund website.

Annual update

Members and employers will be provided with information annually from the fund's management team on the latest fund news. Information will be provided either through a news update on the website, the annual report, an in-person meeting or via a webinar/video update. Information covered will be scheme benefit changes, valuation position and how the fund considers economic, social and governance issues with its investments.

Videos

When needed, the fund uses short videos to help explain the scheme.

Annual benefit statements

It is a statutory requirement to provide annual benefit statements to both active and deferred members. Annual benefit statements are issued via My Pension Online, unless a paper copy has been requested. The statements include various pension details such as the current value of benefits, how they are calculated and when they become payable. The format of the statement is continually reviewed to provide members with the required statutory information in a clear and concise manner. Statements for active members must

be issued by the 31 August each year and members are notified via email when statements become available to view.

Pension savings statement

A Pensions Saving Statement will be supplied to a member by the 6 October each year if their pension savings in the fund, during a pension input period, are more than the annual allowance limit.

Active members - new starters

When eligible members are enrolled into the scheme, the employer is instructed to provide basic scheme information by issuing a scheme booklet either in paper format or via a link to the fund website. The fund also provides basic scheme information to new starters following a new employment notification. The fund produces a brief scheme guide on the Local Government Pension Scheme. This should be provided by scheme employers to all new employees as part of their letter of employment, terms and conditions – some employers choose to email this to new employees.

Retirement process booklet

All active members on reaching retirement receive a comprehensive booklet providing information on the scheme and the retirement process.

Corporate induction courses

Officers of the fund are invited to attend, or to contribute to, employer corporate inductions (including e-learning) for prospective members or new joiners.

Promotional campaigns

The fund periodically produces dedicated marketing literature that is sent to those who choose not to join or opt to leave the scheme. This literature promotes the benefits of having an occupational pension and gives members who have opted out an option to re-join the scheme.

P60 notification

Each member receiving a pension will have a P60 issued each year by the statutory deadline of 31 May.

Pension increase notification

Following the publication of a Pensions Increase (Review) order, the fund will adjust the relevant pensions in payment according to the order and make available the new annual pension amount to the member in My Pension Online.

Existence checks of retired members living abroad

The fund will, when appropriate, undertake to establish the continued existence of pensioner members living abroad.

Other employer communications

The increasing role of communication within all organisations means that more employers have staff newsletters, intranets and other communication facilities. The fund actively works to provide their employees with the best information and opportunities regarding the scheme and often provides information to be made available on intranets and websites.

Employer specific communications

New or prospective employers

Scheme information is given to all new and prospective scheme employers via information booklets or the employer's areas on the fund website.

Employer meetings & training sessions

Meetings and training sessions are arranged for employers on a regular basis and will be delivered either in person or using virtual meeting technology. They are used to communicate issues with employers such as benefit regulation changes, administration changes, employer contribution rates and the funding level of the fund at each actuarial valuation.

Employers' guide

An employers' guide is available to all employers, explaining the processes, procedures and forms needed to effectively discharge their pension administration responsibilities. The employers' guide is held on the employers' area of the website: www.shropshirecountypensionfund.co.uk

Employers bulletins

Regular email bulletins are sent to all employers who are registered contacts. These emails aim to tell employers about the latest news, issues, events and regulatory changes. The bulletin is also used to communicate any consultations about policy and regulations.

Monthly data requirements and end of year procedure

Employers must send monthly data to the Pensions Team for their scheme members to make sure their pension record is accurate. Employers in the fund must use a "middleware" facility called I-Connect that helps the fund and employers by improving the flow of member data from employers to the fund, minimizing the risk of fines from the Pension Regulator by ensuring data is regularly supplied. The cost of this system is met by the fund. Guides for using I-Connect are published on the employer's area on the fund website.

Each year employers must submit a year end return and compliance statement. Employers are contacted towards the end of the financial year with the year-end template, forms and instructions for completion.

Webinars

Webinars are used to give information to employers without them having to travel for meetings. Employers can learn from the comfort of their desks and ask questions while the presentation is taking place. Webinar content varies depending on feedback received from employers and target specific topics where they feel they lack knowledge. Webinars can also be recorded and sent to employers who were unable to attend.

Reporting breaches

The fund has a reporting breaches policy and procedure. This makes sure anyone responsible for reporting and whistle blowing can find, assess and report (or record if not reported) a breach of pensions law. All potential breaches of the law are recorded by the fund and the scheme employer informed that it has been recorded as a breach. Each employing authority must choose a named individual to act as the main point of contact about any aspect of administering the LGPS. If an employer has built up multiple recorded breaches, the main contact will be told and asked to help resolve any outstanding issues and reduce the risk of reoccurrence.

Governance and communications

Pension Committee

The Pension Committee is made up of member representatives, employing authorities, trade union representatives and a retired member representative. The committee has an on-going training programme for members and officers to ensure that decision making is on an informed basis. Training forms part of the quarterly committee meeting.

Knowledge building and training is provided via the fund's officers, advisors and external training courses. Pension Committee reports are available on the council's website www.shropshire.gov.uk and by following the link for 'Committees, meetings and decisions' and on the 'Pension Committee' page on www.shropshirecountypensionfund.co.uk

Pensions Board

Under the LGPS Governance Regulations 2015, a Pension Board was introduced on 1 April 2015 to ensure effective governance and administration of the Scheme.

The Local Pension Board is responsible for assisting Shropshire Council, the Scheme Manager, to secure compliance with:

- The Local Government Pension Scheme Regulations;
- Any other legislation relating to the governance and administration of the Scheme, and;
- Requirements imposed by The Pensions Regulator in relation to the Scheme and to ensure the effective governance and administration of the Scheme.

The Pension Board consists of an equal number of employer and employee representatives. Training can form part of the Pensions Board meeting and Board members are invited to all other LGPS related training sessions and Pension Committee meetings/training sessions.

Pension Board reports are available on the council's website www.shropshire.gov.uk and by following the link for 'Committees, meetings and decisions' and on the 'Pension Board' page on www.shropshirecountypensionfund.co.uk

Surveys and self-assessments of the knowledge and skills of both the Pensions Committee and Pensions Board members are regularly undertaken. More information can be found in the Training Policy.

Management team

The Head of Pensions – LGPS Senior Officer is responsible for the Pensions Administration Team and the Pension Investment Team. The Pensions Management Team meets on a weekly basis to discuss items in relation to the running of the team and regulation changes. It comprises the Pensions Administration Manager and Team Leaders. A similar monthly meeting is held between the Head of Pensions - LGPS Senior Officer, the Pensions Administration Manager, Pension investment staff and Team Leaders on a rotational basis.

Team meetings

Team meetings involving all staff are held monthly. Notes of all meetings and items arising from such meetings are passed through to the Head of Pensions – LGPS Senior Officer and to Shropshire Council's s151 Officer, if necessary.

Training

The fund seeks to continually improve the ability of staff to communicate effectively and to understand the importance of good communication. Both general and pension-specific training is provided to all staff as part of the fund's commitment to staff development. This includes the Public Sector Pension Scheme modules on the Pensions Regulators online e-portal. The fund conducts performance appraisals for its entire staff. The fund's training requirements are documented in the Training Policy held on the fund website.

Intranet and email

Each member of staff has access to email and a storage drive which contains electronic copies of many of the key documents, procedures, minutes and circulars.

Policy documents

All the fund's approved policies can be found on the website www.shropshirecountypensionfund.co.uk.

Communication with other bodies

Mercer (Pension Fund Actuary)

The fund performs an actuarial valuation as required by the regulations. The actuary also deals with interim valuations when needed and gives information and advice about a range of issues affecting the fund. These issues include dealing with new and ceasing employers, bulk transfers and regulatory changes.

Legal advice

The fund obtains legal advice from Shropshire Council as appropriate on benefits administration and investment matters. External legal advice is also obtained as and when required.

Department for Levelling up, Housing and Communities (DLUHC)

The fund communicates with the DLUHC while in consultation on proposals for changes to the scheme regulations or any other legislation matters.

Trade unions or member representatives

The fund liaises with trade unions or other member representatives to ensure that details of the LGPS availability are brought to their members' attention and assist in providing information, in circumstances such as negotiations under TUPE, to make sure, whenever possible, continued access to the LGPS. The fund works with the trade unions to check the scheme is understood by all interested parties. The fund ensures that all pension-related issues are communicated effectively with the trade unions through representation on the Pensions Committee or via member representatives on the Pensions Board.

Press & media

The fund, in conjunction with the council's communications unit, actively engages with the press and other media organisations in order to ensure clarity, facts and fair representation.

Shrewsbury Regional Pension Officer's Group (SPOG)

The Shropshire County Pension Fund (SCPF) hosts the Shrewsbury Pension Officers Group which meets on a quarterly basis. The group, comprised of a number of local authority funds, discuss technical queries and legislation matters of common interest.

National working groups

The fund is involved at national level in an LGPS technical officer group and LGPS Central Strategic Administration group.

Joint working with other pension funds

To reduce costs and share best practice, the fund works collanoratively with other pension funds. Representatives from each fund meet quarterly to discuss communications issues.

LGPS Central Investment Working Group/Practitioners Advisory Forum

The fund has an active involvement in the LGPS Central Investment Working Group and Practitioners Advisory Forum with the seven LGPS Funds in the West Midlands region where common investment issues between funds are discussed.

The fund also participates in the LGPS Central Pension Administration Working Group. This where responsible administration officers attend, on a regular basis, to discuss key LGPS issues and working practices.

Software provider group

Members of the team attend user group meetings with the pensions administration software provider, to make sure the administration system can deal with regulation changes when they happen, and to discuss how the system is used on a day-to-day basis.

How communication is measured

Surveys

Surveys are issued to members periodically with various correspondences, including retirements and benefit quotes. Surveys are also published to the website and via email. This allows the fund to evaluate the service provided. Survey responses are collated and reviewed at regular intervals when running a satisfaction exercise.

Employer satisfaction survey

A survey is given to employers, periodically to allow the fund to review the service and methods of communication provided to employers. The responses are collated and used to identify any employer requirements and possible areas for improvement.

Compliments, complaints and comments

Any compliments, complaints or comments made in letter, e-mail or verbally, are recorded. The fund aims to always learn from the feedback received and to make improvements to the service.

Data Protection

Data Protection Act

The fund is required to hold and keep a record of certain information on scheme members which is needed to administer the fund. The fund is a data controller under the Data Protection Act 2018 and is required to protect the information it holds about scheme members and communicate the legal basis for holding, storing and using the information. The fund has published a summary and full privacy notice for scheme members and employers. Statements on 'how we use your data' are published on documentation supplied to scheme members.

The fund is committed to keeping member data safe and uses Shropshire Council's policies on information sharing. Pension benefits information can only be provided directly to the scheme member and cannot be requested by a third-party. Information shared with employers will only be supplied when necessary and via a secure portal or email encryption. Further information can be found in the fund's full privacy notice.

All fund officers are required to undertake annual 'Protecting Information' training.

Dealing with freedom of information requests

The Freedom of Information Act (FOI) means that members of the public and organisations have rights of access to information held by public bodies. Requests for information under the Freedom of Information Act or similar legislation should be sent to: information.request@shropshire.gov.uk

Fund publications				
Document	**Issued**	**Aimed at**	**Availability**	**Reviewed**
Brief scheme guide	Upon notification of a new employment / when requested	All members	Paper on request/ website	Annually and as regulations change
Retirement process booklet	With retirement forms	To retiring active members	Paper/ website	Annually and as regulations change
Thinking of retiring- guide for active members	To active members when required	Active members	Website	Annually and as regulations change
Thinking of retiring- guide for deferred members	To deferred members when required	Deferred members	Website	Annually and as regulations change
Leaving before retirement booklet	As required	Prospective Deferred Members	Website	Annually and as regulations change
Topping up your pension guide	As required	Active members	Paper on request/ website	Annually and as regulations change
Internal Dispute Resolution Procedure (IDRP) booklet	As required	All members and employers	Paper on request/ website	Annually and as regulations change
Divorce booklet	As required	All members	Paper on request/PDF on website	Annually and as regulations change
Annual benefit statements	Annually by 31 August	Active/deferred/pension credit	Paper on request /online via My Pension Online	Annually
P60	Annually by 31 May	Pensioner members/dependents	Paper	Annually
Pensions increase notification	Annually	Pensioner members	My Pension Online	Annually

Monthly pension payment confirmation	Monthly	Pensioner members/dependents	My Pension Online	Monthly
Annual report	Annually in line with regulations	All stakeholders	Paper upon request / website	Annually
Members newsletter	As required	Active/deferred members	Paper when requested / on website	As regulations change / when required
InTouch- pensioner newsletter	As required	Retired members	Paper / website	As required
Valuation report	Every three years	Employers/ all stakeholders	Website	Every three years
Investment strategy statement	Continuously	All members/ stakeholders	Website	As required*
Governance compliance statement	Continuously	All members/ stakeholders	Website	As required*
Administration strategy statement	Continuously	Scheme employers	Website	As required*
Funding strategy statement	Continuously	Employers	Website	Every three years
Climate Change Strategy/Climate Risk Reports	Annually	All members/stakeholders	Website	Annually
Reporting breaches policy	Continuously	All stakeholders	Website	As required*
Training policy	Continuously	All stakeholders	Website	As required*
Employer events policy	Continuously	All employers	Website	As required*
Communications policy statement	Continuously	All stakeholders	Website	As required*

*At least every three years

Fund meetings, presentations, and training				
Event	**Frequency**	**Available to**	**Availability**	**Reviewed**
Annual updates	Annually	All members / employers / Fund managers	Website, video on website	Annually
Workplace presentations	As required	Prospective/active members	Face-to-face or virtual meeting	As required
Induction presentations	When requested by employer	Prospective members	Face-to-face or virtual meeting	As required
Employer meetings and training	As required	Scheme employers	Face-to-face / webinars / videos on website	As regulations change/as required

Other fund communications				
Method	**Frequency**	**Available to**	**Availability**	**Reviewed**
Website	Continually	All stakeholders	Online	Continuously
Help desk	Within office hours	All members / employers and all other stakeholders	Face-to-face (if available) or virtual meeting appointment/ telephone / paper correspondence /email	N/A
Email alerts	As required, when there is a significant website update / event / regulation change	All members/ employers	Email	As required
Pension consultations	As required	Active members	Face to face (if available) or virtual meeting	As required
New starter letter	Monthly	Active members	Paper	As regulations change/as required
Encouraging new members campaign	When required	Prospective eligible members	When required	When required

Existence checks of pensioners living abroad	As required	Pensioner members	As required	As required
Service quality survey	Continually	Active/ deferred/ retired members	Paper / email	As required
Employers guide including forms	As required	Employers	Website	As regulations change/ as required
Employers email bulletin	As required	Employers	Email alerts	As regulations change/ as required
Employer satisfaction survey	As required	Employers	Paper /online survey	As required

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.

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
Website: www.shropshirecountypensionfund.co.uk
Tel: 01743 252130
Write: Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

Administered by

Shropshire Council

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Shropshire County Pension Fund

Business Plan

2024-2026



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Version History

Version Number	Revision Date	Author(s)	Change
V0.1	24/05/2023	Justin Bridges, Debbie Sharp, Peter Chadderton, Cheryl Morrell, Helen Tomkins, Alison Grange, Ben Driscoll, Ed Roberts, Jake Glover	Document creation and initial content added.
V0.2	18/10/2023	Justin Bridges, Debbie Sharp, Peter Chadderton, Cheryl Morrell, Helen Tomkins, Alison Grange, Ben Driscoll, Ed Roberts, Jake Glover	Content amended / further additions. Photos added.
V0.3	07/11/2023	Justin Bridges, Peter Chadderton, Cheryl Morrell, Helen Tomkins, Alison Grange, Ben Driscoll, Ed Roberts, Jake Glover	Added Revision History section. Further photos added. Action Plan updated.
V0.4	20/11/2023	Jake Glover	Accepted all changes and resolved all comments - finalised to be shared with Pensions Committee in December 2023.

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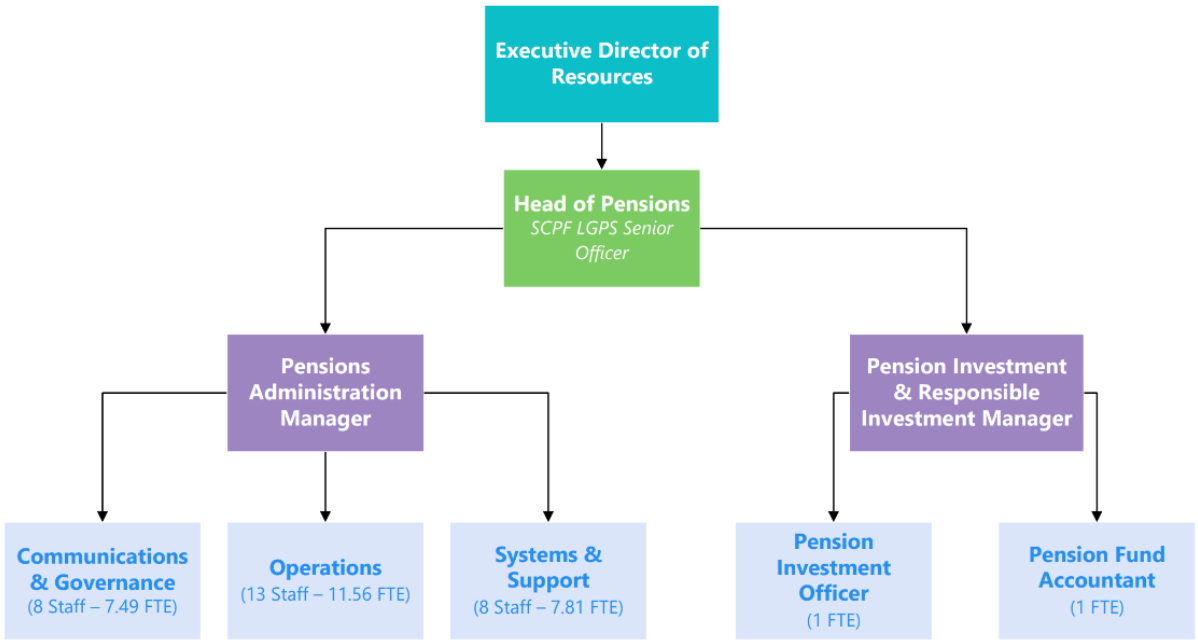
Background

This is the Business Plan for the Shropshire County Pension Fund, which is part of the Local Government Pension Scheme (LGPS) and has more than 49,500 members, including 14,316 in receipt of a pension. It makes investments so that it can pay pensions to these members when they reach retirement age. At its last financial year end - 31st March 2023, these investments were valued at £2.244 billion.

Shropshire Council is the administering authority for the Shropshire County Pension Fund. It has delegated responsibility for this to the Pensions Committee who are charged with the governance and management of the Pension Fund. The Committee meets quarterly or more often if required and has 9 members, made up of six councillors, two scheme member representatives and a pensioner employer representative. A Pension Board consisting of 3 employer representatives and 3 member representatives has also been set up to assist with oversight and governance of the Pension Fund These membership arrangements have been designed to allow all key stakeholders to have the opportunity to be represented.

The Executive Director of Resources (section 151 Officer) is responsible for the preparation of the Shropshire County Pension Fund's statement of accounts in accordance with proper practices as set out in the CIPFA code of practice on local accounting in the United Kingdom.

Responsibility for administration of the Shropshire County Pension Fund has been delegated by the Executive Director of Resources to the Head of Pensions - LGPS Senior Officer. Shropshire County Pension Fund carry out the day-to-day administration of the fund. There are 30 full time equivalent (FTE) staff involved in the administration and governance of the fund.



The management and administration of the fund are both carried out in conjunction with several key suppliers, in particular the fund's Actuary - Mercers, its bank - NatWest, custodian of the fund's investment – Northern Trust and the administration software supplier – Heywood. More details of the fund's suppliers, including its arrangements for investment management, are contained in its Annual Report published on the website http://www.shropshirecountypensionfund.co.uk/

Shropshire County Pension Fund is a member of LGPS Central Limited with eight other funds in the Midlands region. LGPS Central Ltd is jointly owned on an equal share basis by the eight pension funds and is a Collective Portfolio Management Investment Firm (CPMI) regulated by the Financial Conduct Authority (FCA). The participating pension funds are Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. West Midlands Integrated Transport Authority (ITA) Pension fund will also be an investor, but not a shareholder, with its shareholder rights represented by West Midlands.

LGPS Central Ltd has been established to manage investment assets on behalf of its eight Local Government Pension Scheme (LGPS) funds across the Midlands region. It is a multi-asset manager, investing up to potentially £55.3 billion of assets (£26.4 billion invested as of March 2023), on behalf of 900,000 LGPS members and 2,500 employers. As at the 31st March 2023 the Fund had approx. £700 million of assets and commitments with LGPS Central. The transition of assets to LGPS Central will continue as appropriate opportunities arrive.

The Pensions Committee takes responsible investment and environmental, social and governance issues very seriously. The Pension Fund is a signatory of the Stewardship Code 2020, Principles of Responsible Investment (PRI) and has adopted the principles of the Taskforce for Climate-Related Financial Disclosure (TCFD). The Fund has agreed its own climate strategy and publishes climate risk reports annually.


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Introduction

The Local Government Pension Scheme (LGPS) is a national scheme administered on a local basis by Shropshire Council providing current and future benefits for over 53,000 scheme members.

The fund is governed by the Superannuation Act 1972 and the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
- the Public Services Pensions (Information about Benefits) Directions 2014 [with effect from 01/04/15]

As of 31st March 2023, there were 227 employer organisations in the fund, including the Council, with 88 scheme employers, 42 scheduled / designated employers and 97 admitted employers.

Membership numbers as of 31st March 2023 were:

Active members	16,825
Pensioner members	12,682
Deferred members	18,448
Widows / Dependents	1,634
Total membership	**49,589**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on triennial actuarial valuations. The last valuation was 31st March 2022, and employer contribution rates were set ranging from 0% to 27.6% of pensionable pay. Some employers also pay annualised cash sums in respect of the recovery of their pension deficit.

The value of the Fund on 31st March 2023 was £2.244 billion. The Funds strategic asset allocation was agreed in June 2023 following the completion of the Actuarial Valuation and can be found in the Investment Strategy Statement (ISS) on the fund's website. The actual allocation at any point in time reflects the decisions and views of the fund's investment managers and the movement of financial markets. The next valuation will be undertaken on 31 March 2025.

Governance: To put stakeholders at the centre of everything we do, act with integrity and be accountable for decisions made. This will be achieved through a robust and well-based governance framework which considers risk management, compliance and appropriate resourcing.

Investments and funding: 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.

Administration and communication: To continue delivering high-quality administration service to all stakeholders. This will be done through working closely with our

partners and the continual review of processes and procedures to ensure that the fund receives all income due and payments are made to the right people at the right time. There is clear communication with all stakeholders and robust accounting and reports.

The Business Plan is an important document which sets out the aims and objectives of the Fund over the coming few years and the outcomes the Committee and Board want to achieve for its stakeholders. The Business Plan is one of several documents that govern how the Pension Fund is managed. These are:

- Administration strategy statement
- Climate Change strategy
- Communication Policy
- Employer Events Policy
- Funding Strategy Statement
- Governance Compliance Statement
- Investment Strategy Statement
- Reporting Breaches Policy
- Training Policy

These policies are published on the fund's website http://www.shropshirecountypensionfund.co.uk and reviewed at least once a year by the Pension Committee and Board.

The key actions and areas of focus in the business plan are grouped into the areas of governance, funding and investments, and administration; the objectives for these are summarised as follows:





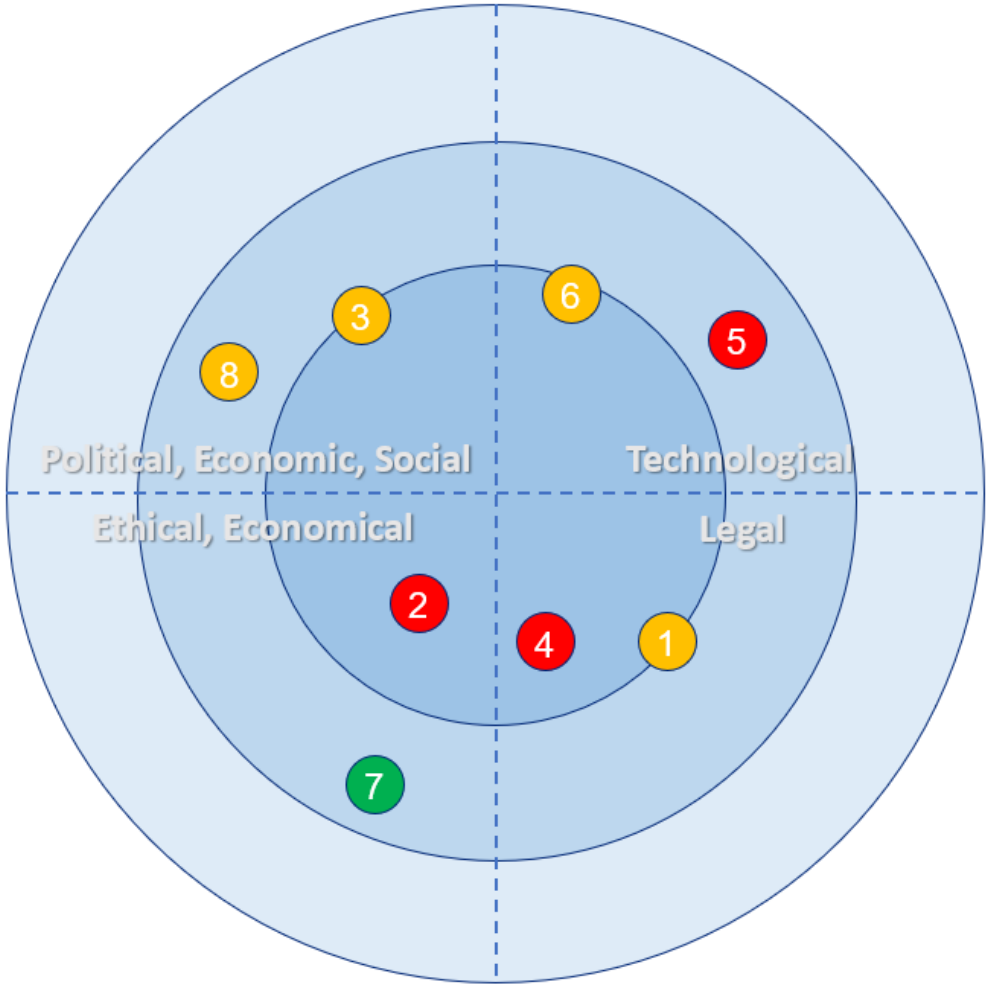
Horizon Scanning

Within the LGPS, certain elements are known under current legislation and can be included on the business plan and processes developed. However, there are also changes that occur to new legislation or reviews of best practice. The fund is aware of the following potential changes, and these will be kept under constant review. Any unknowns will be added at the appropriate time.

Event	
1	TPR expectations on Cyber Risk
2	Climate Reporting compliance
3	Good Governance regulations
4	McCloud Judgement
5	Pensions Dashboards
6	Bots and AI
7	Member Demographic changes
8	Asset Transfer to LGPS Central

Impact Assessment					
	Low		Medium		High

Time Horizon	
	5+ years
	Within 5 years
	Already here





Delivering the Business Plan

Monitoring and Reporting

In order to identify whether we are meeting our agreed business plan we will:

- continue to monitor progress of the key priorities and the agreed budgets on an ongoing basis within the Pension Fund Management Team.
- provide updates on progress against these key priorities on a quarterly basis to the Pension Fund Committee, which will be shared with the Pension Board.
- As part of these quarterly updates, we will:
    i. highlight any areas where we are exceeding or failing to achieve our targets and the reasons why and identify any changes to the planned priorities as a result of this.
    ii. highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

Business as Usual

The business plan highlights the key priorities for the next three years. This focuses on area of change and project like tasks which are in addition to day-to-day “business as usual” duties.

Managing the fund on a day-to-day basis involves a wide range of processes and procedures, examples of which are outlined below and all of which support achievement of the Funds objectives. The management of the Fund is significant, complex and highly regulated requiring expert knowledge of officers and external advisors.

The following key elements are examples of day-to-day duties.

Governance

- Setting the agendas, reporting and presenting to the Pensions Board and Committee.
- Implementing and monitoring the achievement of other governance areas such as training policy, conflict of interest policy, risk register and compliance against The Pensions Regulator’s Code of Practice.

- Ensuring we adhere to legal requirements for procurement, health & safety and data protection.
- Replying to Freedom of Information requests.
- Assisting internal and external auditors with their role.
- Preparing and publishing the fund's Annual Report and Statement of Accounts.
- Preparation of statutory and non-statutory returns as required.
- Running an annual meeting for employers.
- Ensuring any breaches are recorded and reported to Board/committee.
- Having a cyber security policy.

Investments

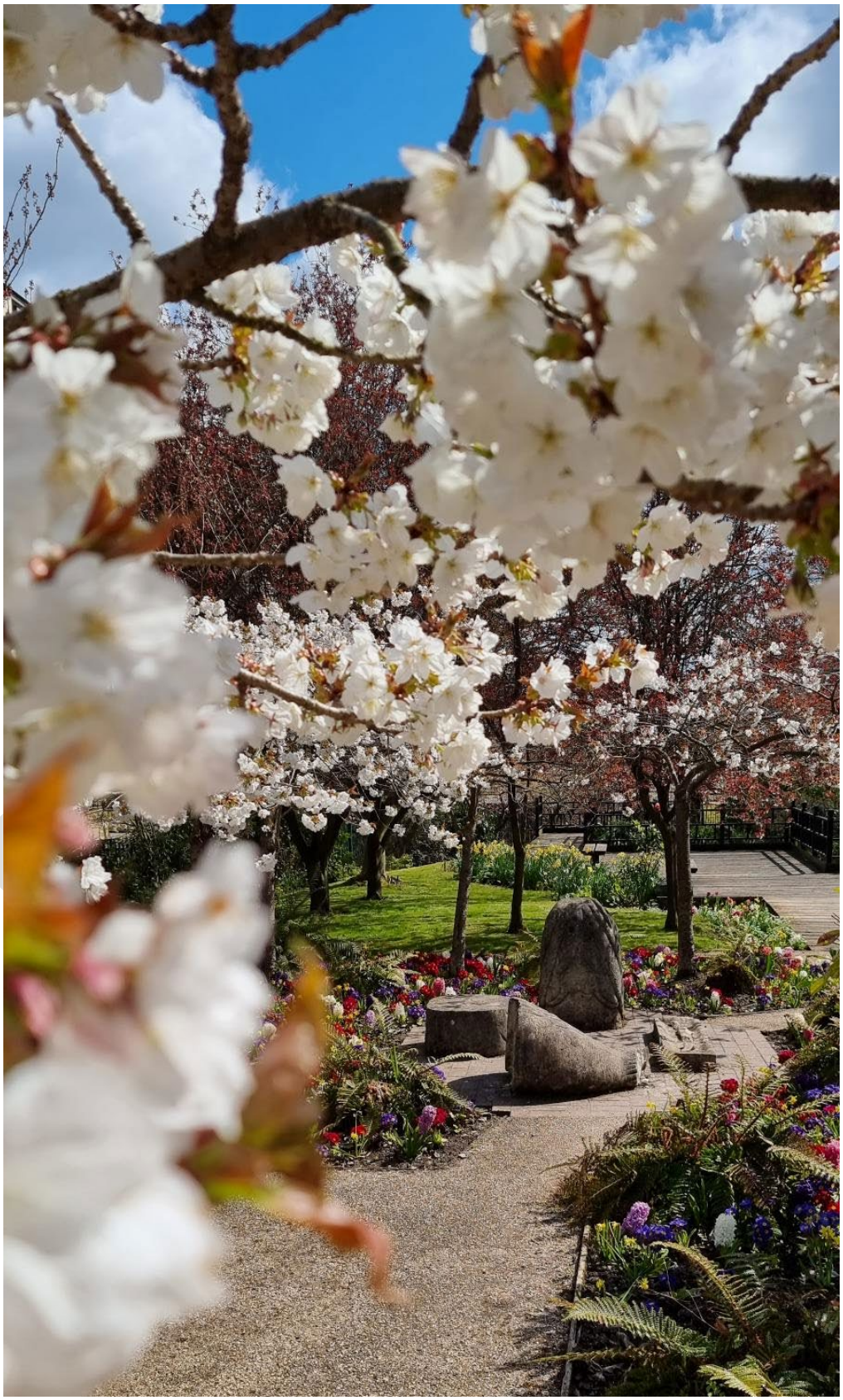
- Production of year end annual accounts and annual report
- Quarterly monitoring and reporting of the investment position and governance re investor engagement for both Pensions Board and Committee.
- Quarterly reconciliation of private market investments to investment manager capital account statements.
- Monitoring and review of investment costs in line with Cost transparency initiative.
- Completion of statutory returns.
- Monitoring of fund's cashflow position including the raising and payment of invoices across a number of areas.
- Bank Reconciliation.
- Preparation of monthly management accounts with reconciliation between manager and custodian records.
- Working with LGPS Central and other funds within the pool through investment and responsible investment working groups
- Preparation of data in respect of IAS 19 accounting disclosures for employers.
- Monitoring of strategic asset allocation.

Administration

- Maintaining accurate and up-to-date scheme member records.
- Calculating and notifying entitlement to pension and death benefits.
- Providing estimates of retirement benefits, including any additional costs to employers.
- Calculating and paying monthly pensions to all pensioners and beneficiaries.
- Producing Annual Benefit Statements for all active and deferred scheme members and payslips and P60s for pensioner members and making these documents available on 'My Pension Online'.
- Providing ongoing information to scheme members and their beneficiaries as they join, leave, or change their status in the fund.
- Answering ad-hoc enquiries received by phone, email, letter, or 'My Pension Online' message.
- Maintaining the fund's website and member portal 'My Pension Online'.
- Provide new employers with information about their fund responsibilities.
- Providing on-going training and technical updates to employers.
- Maintaining records of all Officer, Committee and Board training completed as well as future needs.
- Administering the fund's Internal Dispute Resolution Procedure.
- Providing information to the fund's Actuary as required.
- Managing any employers who wish to join or leave the fund.
- Completing statutory reporting requirements and other provisions of information to stakeholders, including reporting against KPIs.
- Maintaining and updating the pensions software system.

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- Regular updates to employers and members regarding LGPS legislation changes and how it impacts on them including newsletters and emails.



Business Plan

Project Name	Context	Actions	Progress
ADMINISTRATION			
Year-end 2023/2024	All records to be checked from postings. All employer forms to be reconciled to total of monthly postings	Data cleansing to be undertaken following last i-Connect submission for March 2024. Reconciliation forms and communication to employers to be issued February 2024. Forms reconciled to accounts. Project to completed by 30th June 2024.	
Annual Benefit Statements	All Annual Benefit Statements issued by 31 August	Project plan to be put in place by 31st March 2024. Statement preparation to commence following completion of year end processes.	
Preparation of Pension Fund Annual Report	To produce annual report by statutory deadline of 1st December 2024.	Project plan to be put in place by March 2024. Review new guidance when available. This will be compulsory from 2025. Draft version available to be signed off by September 2024 pension committee.	

Project Name	Context	Actions	Progress
TPR One Code of Practice outcome	To demonstrate compliance with any recommendations/regulation changes put in place	Review guidance when available.	
SAB Good Governance Review Outcome	To demonstrate compliance with any recommendations/regulation changes put in place	Review guidance when available.	
McCloud Remedy	To implement the 1st October 2023 McCloud legislation and to ensure any guaranteed amounts are paid to protected members.	Ensure the system is configured to allow all calculations to perform the underpin calculation. All relevant documentation to be amended. Disclosure requirements to be met by 31st December 2023 due to the change in legislation. Rectification cases of past cases during the remedy period to be undertaken.	Went live 8th November 2023. Priority documentation updated for go live. Website updated. Pensioners notified by InTouch newsletter October 2023.
Employer Spreadsheet	Creation of a central spreadsheet of employers to track starters, leavers, and actuarial data.	Spreadsheet created by Mercer for use by the team.	In use from November 2023.
Heywood Contract Performance Monitoring	Working with GMPF and Audit to produce a contract performance monitoring document for the hosted service.	Document to be finalised and presented to Heywood's	
External Audit of Pension Fund	Annual requirement	Providing information required within the agreed timescales.	

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Project Name	Context	Actions	Progress
Production of Pension Savings Statements	Comply with HMRC regulations	Identify the members who have breached the annual allowance. Provide a pension saving statement by the 5th October 2024 deadline.	
Pensions Increase 2024	To ensure pensioners and deferred are uprated with annual increase amount	Bulk process to update the system with the confirmed CPI increase on 8th April 2024.	
Pensions Dashboard Implementation	Implement in line with national guidelines by October 2026.	To procure an ISP provider in 2024.	
Bulk Revaluation	Annual CARE uprating to be applied to active records	Bulk process to be run after year end postings are complete in May/June 2024	
P60 to Pensioners	To produce a P60 for pensioner members by 31st May	Following year end 2023/24 payroll processes run P60 production in end March/April 2024.	
INVESTMENTS			
UK Stewardship Code	Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The UK Stewardship Code 2020 comprises a set of 12 'apply and explain' Principles for asset owners. As part of the Fund's desire to demonstrate its good governance and stewardship of its	ESG monitoring is in place as part of business as usual. Resources have been allocated to review positions with Investment Managers at end of 2022 to address any points from the 2022 application. Lead Officer: Pensions Investment and Responsible Investment Manager	An updated draft application will be presented to the Pensions Committee in March 2024 for submission in May 2024

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Project Name	Context	Actions	Progress
	assets, the Fund submitted its first report in October 2022. The Fund was successful in its submission and is now a signatory to the UK Stewardship Code. The Fund has received feedback from the FRC on its submission and the Fund will develop its submission following this feedback. The Fund will submit a report annually to the Financial Reporting Council ("FRC") to maintain its status as signatory to the Code. As part of the work on the Stewardship Code the Fund will review its approach to stewardship and engagement to ensure that it continues to meet the requirements of the Committee.		
Triannual Valuation Results	Work with Actuary to prepare and consider the Actuarial valuation results. The next valuation date is the 31st March 2025 alongside the Fund's Funding Strategy Statement.	Regular update meetings are held with the Actuary. Communications will be issued to scheme employers in 2024/25 in respect of the valuation process. The Funding Strategy Statement has been updated as part of the 2022 valuation and will be reviewed and issued for consultation following the 2025 valuation. Lead Officer: Head of Pensions – LGPS Senior Officer	All action has been taken in respect of the March 2022 valuation and an indicative timeline of work is in place for the 2025 valuation.
Covenant Review	Work with Actuary to review Employer covenants on an annual basis to monitor risk to fund.	Meetings have been held with Actuary to discuss employers subject to	The covenant review for 2023/24 is currently in progress

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Project Name	Context	Actions	Progress
		review and the terms and reference of the reviews. Lead Officer: Pensions Investment and Responsible Investment Manager	
Climate Change Risk	The Fund issues an annual climate risk report and TCFD report as part of its commitment to net zero. In addition, the Fund supports these reports by undertaking Climate scenario analysis on a bi-annual basis to ensure that developments in this field are fed into ongoing analysis.	Climate Risk reports and TCFD reports have been commissioned with LGPS Central. Alternative Investment managers ESG policies and progress on Climate Risk monitoring are reviewed periodically with a view to establishing full portfolio monitoring. Lead Officer: Pensions Investment and Responsible Investment Manager	The 2023 Climate Risk & TCFD Reports will be presented to Pensions Committee in December 2023
Investment Strategy Statement	The Fund sets a triannual investment strategy which was last reviewed in June 2023 and the Fund is currently working on transition plans to meet the new strategic asset allocation. The investment strategy review took place concurrently with the review of the Funding Strategy Statement in 2022/23. The outstanding actions now are implementing the agreed changes to the investment strategy. The implementation of the revised investment strategy will occur over a period to manage transition risks.	Reports on the Investment transition to meet the new ISS were presented to Pensions Committee in September 2023. The transition will take approx. 18 to 24 months to fully implement given some of the illiquid asset classes involved. A full timetable is in place and Pensions Committee will be updated on a quarterly basis of major changes. Lead Officer: Head of Pensions – LGPS Senior Officer	The Investment strategy was agreed in June 2023 Transition to Investment Grade Corporate Bonds was completed in October 2023.

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Project Name	Context	Actions	Progress
Pooling	The Fund works directly with LGPS Central to ensure that appropriate products are available to meet future investment requirements and allow transition from legacy managers as investments mature. The Fund will review and respond to DLUHC consultations on the future development of pooling	The Fund Continues to work with LGPS Central to ensure that appropriate investment vehicles are available to allow the transfer of the Funds uncommitted assets. The transition of illiquid assets will continue to be reviewed based on maturity profiles and investment opportunities available. The Fund has responded to the DLUHC consolation on moving pooling forward. Lead Officer: Head of Pensions – LGPS Senior Officer	The Fund Continues to transition assets as opportunities arise. The outcome of the DLUHC consultation on moving pooling forward is awaited.

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Budget

The pension fund categorises its expenditure for the management of the Pensions Fund according to CIPFA's definitions:

- **Investment management** – the cost of managing the Fund's assets, which includes fees paid to the Funds Investment managers and custodian.
- **Administration** – All activities the Administering Authority must perform to administer entitlements and provide members with scheme and benefit entitlement information.
- **Oversight & Governance** – the costs of accounting for and monitoring the Pension Fund, including any professional advice and support the Fund requires.

Operational Expenses	2022/23 Actual £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
Investment Management				
Management & Performance Fees	8.618	9.450	9.600	9.750
Transaction Costs	4.305	3.800	3.900	4.000
Other Fees	2.899	2.990	3.082	3.174
Total	**15.822**	**16.240**	**16.582**	**16.924**
Administration				
Staff Costs	1.074	1.128	1.162	1.196
IT	0.278	0.600	0.450	0.450
Premises	0.019	0.020	0.020	0.020
Supplies and Services	0.086	0.138	0.147	0.156
Total	**1.457**	**1.886**	**1.779**	**1.822**
Oversight & Governance	**1.530**	**1.554**	**1.609**	**1.669**
Total Management Expenses	**18.809**	**19.680**	**19.970**	**20.415**

The Budget is reviewed annually and has been prepared to reflect the cost of delivering the Pension Fund's statutory responsibilities for the administration of the scheme and

management of investments. The resources within the budget are sufficient to meet the Fund's regulatory requirements at the time of writing. The new developments and initiatives in the Fund's Business Plan are included in the forward budget.



Risk Register

Risk management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling or responding to them. Shropshire Council has a formal risk management strategy and risk registers for Pension Fund Investment, Investment Pooling and Pension Administration are included within this overall Strategy. Please see below a summary of the Pension Fund's key risks which were identified for 2022/23.

Risks	Controls in Place
Climate change and responsible investment (RI) – Funds are facing increasing pressure on divestment and to take action to address climate risks in the portfolio.	Climate risk assessment carried out. Robust RI policies, engagement and collaboration. Public TCFD report. Climate Strategy/Climate Stewardship plan in place. Signatory to the UK Stewardship Code. Work finalised to become signatory to the new Stewardship Code.
Regulatory risk – climate and responsible investment (RI)	RI integrated into the investment process. Monitoring of developments, responding to consultations when issued. Appointment of new Pension Investment and Responsible Investment manager post.
Cyber-attack resulting in loss of data leading to fines by the ICO and reputational damage.	Cyber security currently undertaken by Shropshire Council ICT. Separate Cyber Security policy being developed for SCPF.
Loss or inappropriate disclosure of personal data leading to fines and reputational loss.	ICT security used such as data encryption, secure mail and document management software with strict security profiles. Secure

Risks	Controls in Place
	working environment. Protecting information training undertaken by all staff annually.
The insolvency of an employer places additional liabilities on the fund and ultimately the remaining employers.	Admission agreements, employer covenant check across fund employers, some bonds in place. Shorter deficit recovery periods for some employers. Funding Strategy Statement approved by Pension Committee.
Failure of pension fund investment managers to meet expected returns resulting in increased costs to the Council and other employers.	Rigorous selection process established. Rigorous and continual Investment Manager monitoring arrangements. Diversification of managers. External expert advice. Reporting and monitoring arrangements. Investment Strategy Statement and Funding Strategy Statement published. Clear and relevant mandates. Audit of investment managers.
Liquidity risk in government bond markets due to higher interest rates and tighter monetary policy. Potential for quantitative tightening by Bank of England to further reduce liquidity from Bond markets.	Monitoring of investment performance relative to estimated growth in liabilities on an annual basis. Some investment in bonds (and similar investments) helps to mitigate this risk. Investment Strategy reviewed regularly with Aon and full review with committee.
Vulnerable to loss of or over-reliance of key staff due to long-term sickness or staff turnover resulting in reduction of service to scheme employers.	Procedure notes updated. Team restructured and additional resource added in 2022 to allow for succession planning. Training undertaken annually. Training policy and training log put in place.
Savings from pooling are not realised as fully or as quickly as planned for due to market factors or inaccurate assumptions in LGPS Central's business plan.	Research is being undertaken to ensure predictive savings are realistic. Plan for reviewing progress against the business plan has been agreed with the Board. Prudent assumptions have been used when estimating fee reductions and transition timescales. Financial model is continually updated.
Investments in LGPS Central not delivering the required investment return which could result in the need for increased employer contributions.	Investment performance regularly reported and monitored by the Pension Committee and action taken to report any concerns via the Joint Committee and Shareholders Forum.
Insufficient range of asset classes or investment styles being available through the investment pool.	Investment workstream set up to create sub-funds to implement participating funds investment strategies. Participating fund data gathered and analysed in detail at Officer Practitioner Advisory Forum meetings. Product Development Plan agreed by the Partner Funds/LGPS Central.
Inappropriate investment strategy	Funding strategy statement published following consultation with scheme

Risks	Controls in Place
	employers outlining how the fund plans to meet its liabilities. External expert advice. Trained and experienced staff. Three yearly actuarial valuation. Investment strategy statement. Regular review of investment strategy with Aon.
Failure to meet good governance	Compliance against Myners Principles considered on an annual basis as part of the review and updating of the Investment Strategy Statement. The fund has produced a Governance Compliance Statement. Audit of governance arrangements.
Economic recession impacting on investment returns.	Diversified investment strategy to spread risk across a number of different asset classes.
Pay and price inflation significantly higher than anticipated and pensioners in receipt of pensions for longer resulting in an increase in the Fund's liabilities, deterioration in funding position and increase in employer contribution rates.	Actuarial valuation process focuses on real returns on assets. Monitoring of investment performance in relation to the estimated growth in liabilities. Some investment in index-linked bonds (and other inflation linked investments) helps to mitigate this risk. Triennial strategic asset allocation review considers appropriateness of assets. Mortality assumptions are set with some allowance for future increases in life expectancy as part of the valuation process which the fund actuary monitors. Equity protection strategy in place.
Incorrect information/benefits provided to members of the scheme.	Benefits calculations are checked. All supporting calculations are provided to the member. Team training, Employer training.
Late payment of contributions by fund employers leading to the fund having to report to the Pension Regulator and possibly be fined.	Employer training/guidance on website. Employer newsletter. Contributions check and balance. Adhere to internal governance compliance statement. Adhere to Pension Regulator code of practice. Breaches log monitoring. Engage with employers to ensure contributions received on time.
Failure of employers to provide accurate data leading to incorrect benefit statement/payments or Fund valuations.	Employer training. Administration Strategy Statement. Team training. Introduction of i-Connect has resulted in improvement of data. Employers trained on TPR Code. Breaches log records any issues which are reported to Pension Committee/Pension Board.
Policies or strategies of the administering authority adversely impacting on the work	Segregation of duties, delegated decision making to Pension Committee and LGPS Senior Officer. Quarterly report to Pension

Risks	Controls in Place
of the pension team for the Shropshire County Pension Fund.	Committee on administration. Embedding of Pension Board and Pension Regulator Code and Scheme Advisory Board.
Failure to identify and report breaches of law, in accordance with the requirements of the Pensions Regulator leading to reputational damage and potential fines.	Breaches policy in place together with a breaches log which is reported to the Pension Committee, Pension Board and LGPS Senior Officer. Training undertaken by key staff.
Non-compliance with the law around LGPS Benefit Administration leading to fines by the Pensions Regulator.	The use of a good LGPS administration software solution together with experienced trained staff mitigates the risks to the council.
Failure of support systems: ERP, CIVICA Icon which will result in incorrect data collection, payment of benefits and incorrect accounting.	Key systems reviews, contractual arrangements, systems administration and IT support.
Regulatory change occurs which impacts either LGPS Central or partner funds. Government changing stance on pooling such that the model no longer meets requirements.	Regulatory intelligence and working collaboratively with partner funds and pool project. Lobbying through Government working groups. Responding to consultations on legislative change. Collaborating with partner pools to share best practice.
Key persons for either LGPS Central or partner funds either choose to leave or unable to fulfil their responsibilities.	Succession planning taking place with LGPSC and partner funds. Exit/handover plans. Different notice periods for key roles. Use of temporary resources. Governance structures – collective decision-making process.



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Governance

Governance Compliance Statement

This statement has been prepared by Shropshire Council (the administering authority) to set out the governance arrangements for the Shropshire County Pension Fund, in accordance with The Local Government Pension Scheme Regulations 2013 (Regulation 55).

Pension Administration Strategy Report

Pension fund administering authorities have discretion as to whether to prepare a pensions administration strategy statement. Shropshire Council, as administering authority do produce a report under Regulation 59 of The Local Government Pension Scheme Regulations 2013.

This report sets out the administration processes for the fund and outlines the policies and performance standards towards providing a cost-effective, inclusive and high-quality administration service.



Funding and Investments

Funding Strategy Statement

Administering authorities have been required to prepare, publish and maintain a funding strategy statement (FSS) under Regulation 58 of The Local Government Pension Scheme 2013 (as amended).

This document provides the basis for the actuarial valuation which occurs every three years. The funding strategy statement formed the basis of the 2022 actuarial valuation. It sets out in

a transparent way the fund's prudent approach to meeting pension liabilities and maintaining stable employer contribution rates. It outlines the financial assumptions used in the actuarial valuation and identifies the risks and countermeasures employed by the fund.

The FSS sets out the Funds approach to the following key areas:

- Actuarial Method and Assumptions: These define the approach used for assessing the funding position of the fund and individual employers.
- Deficit Recovery and Surplus Offset Plans: These set out the key principles in considering deficit recovery and surplus offset plans as part of the valuation.
- Ill Health Insurance Arrangements: This sets out the captive insurance arrangement which pools the risk 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.
- Employer Events Framework: This provides details of key areas of employer participation in the fund, such as joining the fund or exiting the fund etc.

The FSS is developed alongside the Investment Strategy Statement (ISS) detailed below) 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 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.

Investment Strategy Statement

Pension fund administering authorities are also required to prepare, maintain and publish an investment strategy statement (ISS) under regulation 7 of the LGPS (Management and Investment of Funds) Regulations 2016.

This document sets out the investment objectives of the fund and how investments are allocated between equities, bonds and alternatives. Target investment performance is defined for each of the investment managers. The fund's approach to social, environmental and ethical issues is also explained as is the fund's compliance with Myners Principles.

Members of the Pension Committee recognise that they have a fiduciary duty to safeguard, above all else, the financial interests of the fund's beneficiaries. Beneficiaries, in this context, are considered to be the fund members (pensioners, employees and employers), other stakeholders being local council taxpayers.

The fund's intention is to invest its assets through the LGPS Central Pool as and when suitable pool investment solutions become available.
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 low and stable employers' contribution rates. Given the constraints on local authority spending, volatility in the employer's contribution rate is undesirable.

The committee formulates the investment strategy with a view to:

- the advisability of investing money in a wide variety of investments.
- the suitability of particular investments and types of investment.

- ensuring that asset allocation strategies are sufficiently diversified.

The committee will consider a full range of investment opportunities including:

- quoted and unquoted equity.
- government and non-government bonds.
- Property, private equity and infrastructure.
- absolute return investments such as hedge funds, absolute return bond funds, insurance linked securities and other liquid alternative investments.
- derivatives, including equity options.

The following investment beliefs are taken into account when agreeing an asset allocation policy:

- A long-term approach to investment will deliver better returns.
- The long-term nature of the fund's liabilities is well suited to a long-term approach to investment.
- Asset allocation policy is the most important driver of long-term return.
- Risk premiums exist for certain types of assets and taking advantage of these can help to improve investment returns.
- Markets can be inefficient, and sometimes 'mispriced' for long periods of time, and there is a place for both active and passive investment management.
- Diversification across investments with low correlation improves the risk/return profile, but over-diversification is both costly and adds little value.
- The fund should be flexible enough in its asset allocation policy to take advantage of opportunities that arise as a result of market inefficiencies, and also flexible enough to protect against identifiable short-term risks when this is both practical and cost-effective.
- Responsible investment can enhance long term investment performance and the fund expects responsible investment integration to be a key part of the selection criteria for appointing new managers.
- Investment management fees are important and should be minimised wherever possible, but it is ultimately the net return to investors (i.e. the return after all fees and costs) that is the most important factor.

Climate Change

Climate change has been identified as a significant investment risk by the Committee and as a result the Fund has a Climate Strategy that is due for review in 2024 confirming the funds commitment to net zero by 2050.

Below are some of the steps the Fund has taken to address climate change issues:

- Established carbon benchmarks to allow the funds carbon footprint to be reviewed on an annual basis and track progress against the stated commitments.
- Transition all passive equity into a low carbon transition fund.
- Transitioned former UK active equity mandate into global sustainable equity portfolio's with LGPS Central.
- Commitment to new equity investments being in sustainable funds.
- Working with LGPS Central to ensure better carbon data for wider portfolio.
- Working with private market managers to collect both responsible investment and climate data on portfolios.

The Task Force on Climate-Related Financial Disclosures ("TCFD") have released climate-related financial disclosure recommendations to help organisations provide better information to support informed capital allocation. The Fund has issued three TCFD reports to date and each report has been supported by a climate risk report and a climate Stewardship plan setting out the actions required in the following 12 months.

The DLUHC consultation on climate risk was launched in Q3 2022, which the Fund responded to. Whilst the Fund note that TCFD reporting at this stage was not compulsory and that report was likely to evolve over time to ensure that the reporting meets the necessary LGPS requirements, the Fund Believes that early adoption is the best way to show transparency over actions taken.

The Taskforce on Nature-related Financial Disclosures ("TNFD") aims to replicate the success of the TCFD. It seeks to understand the interactions between business and natural capital, with the aim of agreeing a framework to monitor nature impacts, and to encourage businesses and investors to minimise negative impacts and maximise positive impacts on nature. TNFD will seek to create a toolkit for business leaders and the financial community to allocate capital away from nature-negative and towards nature-positive outcomes. Nature based solutions are one of the few investment opportunities that are net negative in terms of carbon emissions and natural capital opportunities will form a vital and increasingly important part of investment portfolios as investors seek to realise their net zero ambitions. The Fund will be considering how to integrate TNFD into its investment strategy as more information becomes available.



Training Policy and Plan

Shropshire Council recognises the importance of its role as Administering Authority of the Shropshire County Pension Fund. In relation to training, the Administering Authority's objectives are to ensure that:

- Those persons charged with the financial management and decision-making with regard to the LGPS Fund are fully equipped with the knowledge and skills required to discharge the duties and responsibilities allocated to them.
- Those persons responsible for the day-to-day administration and running of the fund are appropriately equipped with the knowledge and skills required to discharge their duties and responsibilities in relation to the fund.
- Those persons responsible for providing governance and assurance of the fund have sufficient expertise to be able to evaluate and challenge the advice they receive, to

ensure their decisions are robust and soundly based, and to manage any potential conflicts of interest.
- All to whom this policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To assist in achieving these objectives and the creation of this policy, the fund adopts the following seven principles and the guidance included in the Chartered Institute of Public Finance (CIPFA) Code of Practice 2021:

- This LGPS administering authority adopts the key principles of the Code of Practice on LGPS Knowledge and Skills.
- This LGPS administering authority recognises that effective management, governance, decision making and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.
- This administering authority has in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of LGPS knowledge and skills for those responsible for the management, delivery, governance, and decision making of the LGPS.
- These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as those set down in the CIPFA LGPS Knowledge and Skills Framework.
- This administering authority will ensure that it has adequate resources in place to ensure all staff, members, or other persons responsible for the management, decision making, governance and other aspects of the delivery of the LGPS acquire and retain the necessary LGPS knowledge and skills.
- This administering authority will report annually on how its knowledge and skills policy has been put into practice throughout the financial year in the fund's annual report.
- This administering authority has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the appropriate officer, who will act in accordance with the administering authority's knowledge and skills policy statement, and, where they are a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).

Training Policy

The fund has adopted a training policy which sets out how the fund intends to meet its training responsibilities. The current training policy can be found on the fund's website.

This policy has been prepared following the key areas of relevant legislation and guidance include the following:

- The Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills framework for LGPS Committee members and LGPS Officers, Pension Board Members and the Code of Practice
- MiFID II
- Pensions Act 2004
- Public Service Pensions Act 2013
- Statutory Government guidance
- Guidance from England and Wales Scheme Advisory Board (SAB)
- The Pensions Regulator's (TPR) Code of Practice

Training will be delivered through a variety of methods including:

- in-house training sessions provided by officers and/or external providers.

- virtually using webinars, online conferences and e-learning platforms
- shared training with other LGPS Funds or framework arrangements
- training at meetings (e.g. committee or pension board) provided by officers and/or external advisers.
- external training events, such as those organised by the Local Government Association (LGA), CIPFA, or Pensions and Lifetime Saving Association (PLSA)
- attendance at seminars and conferences offered by industry-wide bodies, such as those organised by the LGA, LGC Pension Investment Seminars, CIPFA, Local Authority Pension Fund Forum or PLSA
- circulation of reading material, including fund committee reports and minutes from attendance at seminars and conferences.
- attendance at meetings and events with the fund's investment managers and advisors
- links to on-line training such as that provided by The Pensions Regulator.
- the fund's website www.shropshirecountypensionfund.co.uk and national LGPS websites where scheme information is available.
- fund policies and documents such as the Annual Report, Governance Compliance Statement, Administration Strategy, Funding Strategy Statement and Investment Strategy Statement.
- Telephone conference briefings
- Qualifications, particularly those relevant to senior officers

The fund has also invested in the Hymans e-learning platform which allows all officers, committee and Board members to access the latest updates with modules covering:

- Introduction to the LGPS
- Governance & Regulators
- Administration & Management
- Funding & Actuarial Matters
- Investments
- Current Issues including McCloud, Goodwin, cost-sharing, cyber security, GAD Section 13,
- Pensions Dashboard and cost cap.

Pensions Committee

The Pensions Committee meets quarterly or more often if required and at each meeting there is a training session usually delivered by the fund investment advisors, Aon, LGPS Central, investment fund managers, Mercer, Columbia Threadneedle Investments or officers.

Topics are wide ranging and have included the following:

• Actuarial Valuation
• Market Outlook
• Equity Protection
• Responsible Engagement Overlay Service (REO)
• LGPS Central Limited Update
• Investment Strategy & Equity Protection update
• Targeted Return Fund
• Audit findings for SCPF
• Climate risk report

In addition, three investment strategy training workshops were run by Aon, Mercer & LGPS Central in 2022/23 in preparation for agreeing the investment strategy statement at a future committee meeting.

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Pensions Board

Each Pension Board member received training throughout 2022/23. The training was either provided by the Local Government Association (LGA), Aon, TPR, CIPFA or was provided by officers in-house. Each Pension Board member and senior officers have completed the Pensions Regulator's eLearning programme and a skills assessment to identify areas where further training may be required in the future. Pension Board members also attended the investment strategy training workshops and Pension Committee meetings where key themes this year were the actuarial valuation results, cyber security, McCloud, Pensions Dashboards and the TPR Single Code of Practice.

The following information is also available on the fund's 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.

Both Board and Committee members have completed an online questionnaire to assess their knowledge and skills against the CIPFA framework and responses are being used to determine future training needs.

Workforce Planning

This is a lower priority item, it will be revisited at scheduled 6-monthly reviews and updated accordingly.

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Columbia Threadneedle Investments *reo*®

Shropshire County Pension Fund (SCPF)

For professional investors only

December 1st, 2023

Presenters



Chantelle Kelly

Client & Sales Director



Anaïs Cothereau, CFA

reo® Product Specialist



Albertine Pegrum Haram

Climate Engagement Specialist

reo® – Responsible engagement overlay service

Manager-agnostic, market-leading engagement and voting

Through *reo*®, clients enjoy greater influence to effect positive change by pooling assets to create one single, powerful voice

Assets engaged — **£899** billion[1]

Track Record — **23 years** of reo®

Team members — **40+** specialists

Client focused and manager /strategy agnostic

- We incorporate client views into our engagement programme through an annual Client Consultation

Aligned with individual client goals

- Engagement activities – and related progress – organised by themes, projects and SDGs, facilitating alignment with client goals and reporting requirements.

Comprehensive and transparent reporting

- Customised reporting
- Access to a quality suite of content and our online reo® Partner Portal

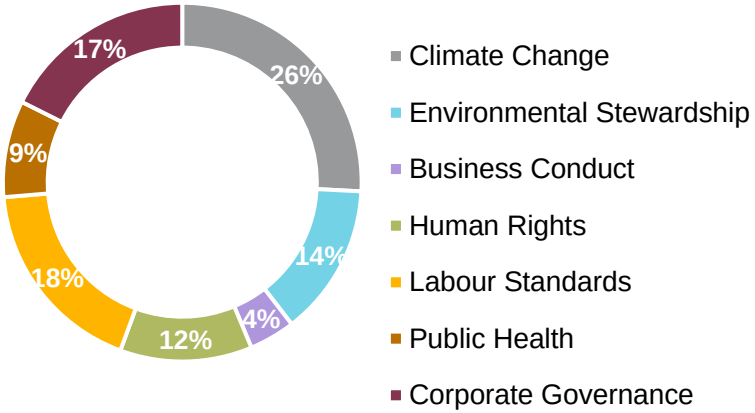
Source: Columbia Threadneedle Investments as at 30th June 2023. [1]reo® clients assets under engagement.. Please note that the reo® service is not available in all jurisdictions.

Engagement on SCPF holdings

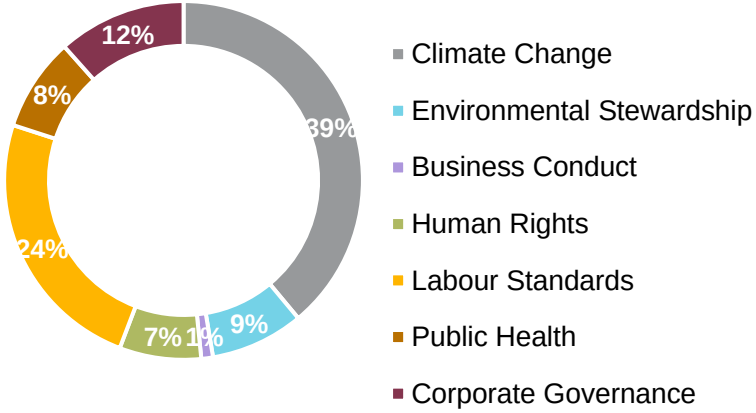
31 October 2022 – 1 November 2023

Engagement Activities	Companies Engaged	Milestones Achieved	Countries Covered
601	304	95	25

Engagement Activity by Theme



Milestone by Theme



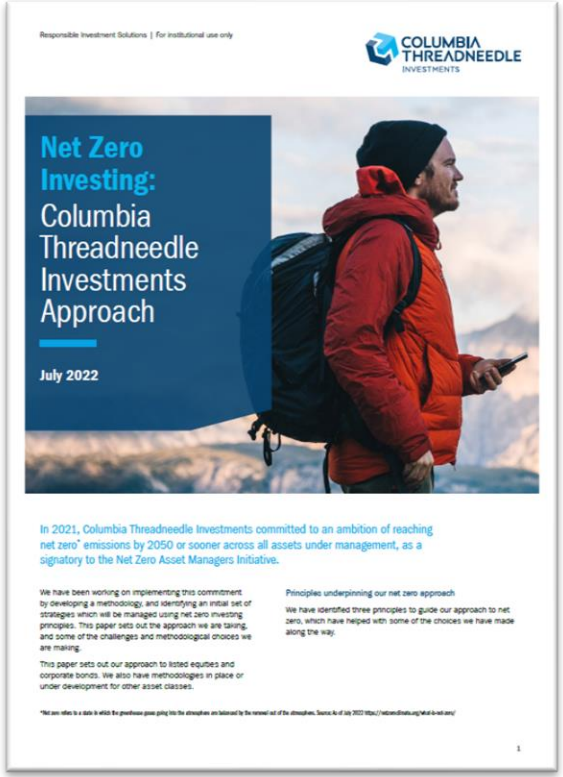
Note: Companies may have been engaged on more than one issue.

Our approach to Climate Change

A Stewardship-led Approach

- We are a signatory to the Net Zero Asset Manager initiative.
- Stewardship is at the heart of our approach.

- A clear engagement methodology:
  - We engage with issuers in companies and sectors where we believe climate risk is material.
  - Our objectives are closely aligned with the Climate Action 100+ benchmark.
    - We also have identified specific focus areas for key industries, recognising that there are unique circumstances that must be understood for individual companies in their transition pathway.



Materials sector and climate transition risks

- After water, concrete is the most consumed material globally.
- Cement and steel **has very low substitution risk**, due to the low price and mineral abundance.
- Demand for steel and cement is expected grow, particularly in emerging economies.

BUT…

- Cement production is a major source of CO2 about 8% of global emissions
- Cement production generates the most emissions per revenue dollar
- Iron ore demand is driven by steel sector – new steel may need less iron ore

HENCE…

- Sectors are exposed to high transition risks (customer demands and carbon pricing)
- Sector needs to find a way to decarbonize while sustaining growth
- Cement/steel/mining is a capital allocation puzzle for net-zero investors

Capital is needed for transition → growth is expected → few alternative investments = **need strategic allocation to companies ready to manage transition**





Research Briefing | Published: 05 January 2023

Europe's net-zero goal increases infrastructure investment needs

Sources: photo from CarbonBrief: Punjab, 2011. Credit: imageBROKER/Alamy Stock Photo.

CRH and Holcim Engagement Case Studies

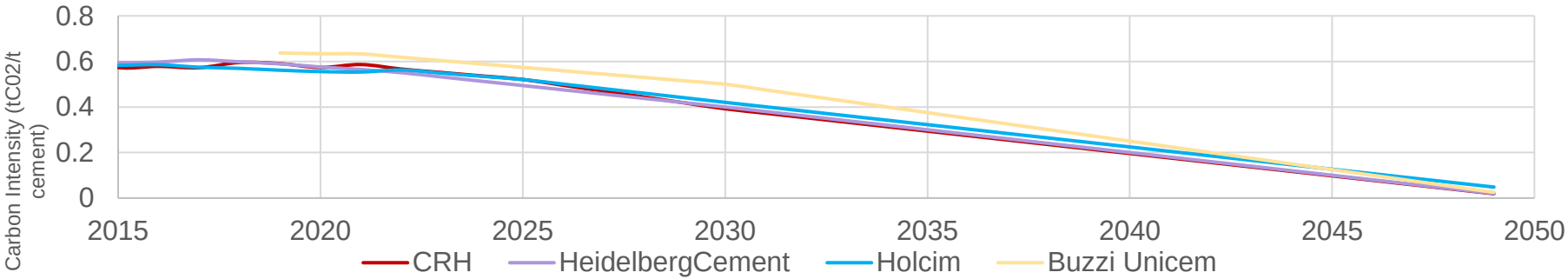


NZ score: Aligning
Meets core expectations

Engagement objectives
1. Align capex with 1.5C
2. Publish procurement strategy
3. Impact assessment 100% of assets

NZ score: Aligning
Meets core expectations

Engagement objectives
1. Improve climate accounting
2. Increased transparency on JV accounting
3. Impact assessment 100% of assets



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Appendix

reo® coverage
SCPF holdings

- Statistics based on SCPF holdings
  - Engagement with 304 unique companies during the last 12 months
    - 29% coverage of SCPF holdings over 1 year
  - Engagement with 554 unique companies during the last 36 months
    - 53% coverage of SCPF holdings over 3 years

Note: Statistics based on 30 September 2023 holdings and 12 months ending on 31 October 2023.

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Committee and Date	Item
Pensions Committee	**7**
01 Dec 2023	Public
10.00am	

CORPORATE GOVERNANCE MONITORING

Responsible Officer Peter Chadderton
e-mail: peter.chadderton@shropshire.gov.uk Tel:(07990) 086399

1. Synopsis

1.1 The report is to inform members of Corporate Governance and socially responsible investment issues arising in the quarter, 1st July 2023 to 30th September 2023.

2. Recommendations

2.1 Members are asked to accept the position as set out in the report in respect of voting and engagement activity.

- Manager Voting Reports from LGPS Central at Appendix A (A1 & A2),
- Legal & General Investment Management (LGIM) at Appendix B,
- Columbia Threadneedle Investments Responsible Engagement Overlay Activity Report at Appendix C and
- LAPFF Engagement Report 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 and has a Climate Change Strategy in place committing to net zero by 2050 in line with the Paris accord on climate change adopted in 2015.

5.2 Responsible investment is a key process the investment managers go through before investing and something the fund considers as part of investment opportunities. Thorough due diligence is undertaken considering all risks including climate change. The investment managers vote where applicable on the Fund's behalf, Columbia Threadneedle Investments engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which undertakes engagements on behalf of all LGPS members.

5.3 Shropshire County Pension Fund is a signatory to the UK stewardship code.

5.4 Shropshire County Pension Fund has also received and published Climate Risk Reports and TCFD reports since December 2020. The 2023 reports will be presented today by LGPS Central to Committee and will be published on our website shortly afterwards.

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 Investments 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 A1 LGPS Central Voting statistics
Appendix A2 LGPS Central Stewardship Report for Quarter including examples of engagement action.
Appendix B LGIM – Voting summary and key examples.

7.2 Both the LGPS Central and Legal and General Investment Management (LGIM) reports are generic report across all their investment activity and not specific to the funds in which the Fund is invested. Examples that relate to the Funds portfolio as at 30th September 2023 in the LGPS Report include Constellation Brands, Nike, Bank of Ireland, Suzanno, Nestle and FedEx. Examples that relate to the Funds portfolio as at 30th September 2023 in the LGIM Report include FedEx and Electronic Arts.

8. Responsible Engagement Activity

8.1 During the last quarter Columbia Threadneedle Investments 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 C in the REO Activity report. This report covers companies across all the Fund's equity portfolio's.

8.2 As requested by Committee Columbia Threadneedle Investments will present to the Committee today examples of the impacts of engagement based on examples from companies listed in the Fund's Stewardship Plan.

8.3 In addition to the service provided by Columbia Threadneedle Investments, the Fund is also a member of the LAPFF (Local Authority Pension Fund Forum). The LAPFF use the combined power of LGPS Members to engage with companies on behalf of the LGPS. An update on the engagement activities of the LAPFF for the quarter is attached at Appendix D.

8.4 As with the earlier reports at Appendix A & B, the LAPFF engagement is not specific to companies in the Fund's portfolio. The LAPFF use Pension Fund share holdings at an aggregate level to determine engagement companies. Examples of some of the companies within the Shropshire portfolio on 30th September 2023 include financial institutions such as Barclays, HSBC and Standard Chartered. Mining Companies such as BHP and Glencore. Water companies such as United Utilities and Severn Trent. Car manufacturers such as Volvo and Volkswagen and specific company engagements such as Shell, Taylor Wimpey, National Grid, SSE and Unilever.

9. LGPS Central Stewardship Themes

9.1 LGPS Central are presently reviewing their stewardship themes. The current themes which have been in place for the last three years are:

- Climate Change
- Plastic
- Human Rights Risk

- Fair Tax and Tax Transparency

The proposed changes for 2024 to 2027 are:

- Climate Change
- Natural Capital
- Human Rights Risk
- Controversial Activities

9.2 The Fund is supportive of these changes and the inclusion of Natural Capital will assist in preparing the Fund for potential requirements brought in by TNFD (Taskforce on Nature-related Financial Disclosures).

9.3 Whilst plastic and tax are no longer stand-alone items, plastic pollution will continue to be monitored as part of the impact on natural capital and fair tax and tax transparency will fall under controversial activities.

9.4 In addition to revising the stewardship themes LGPS Central have devised revised measures of engagement that will assist transparency in the success and impacts of engagement.

The engagement response will be measured across 4 levels:

- Level 0 No progress has been made as a result of engagement.
- Level 1 Minimum expectations have been met.
- Level 2 Moderate progress.
- Level 3 Successful outcome.

9.5 The strategy is still being fully drafted and not all measures of success have been defined yet for all stewardship areas but as an example the following would apply to climate change:

Level 0 No progress or a failure by the company to engage.

Level 1 Companies disclosing data to facilitate carbon performance assessment.

Level 2 Progress observed in Climate Action100+ Benchmark Framework,

Companies improving on TPI (Transition Pathway Initiative) quality ladder,

Companies partly aligning with LGPS Central Net Zero Strategy.

Level 3 Complete and demonstratable alignment to LGPS Central Net Zero Strategy.

9.6 The revised strategy will be brought in for the period from 2024 to 2027 and we should start to see enhanced reporting from the middle of 2024.

10. Columbia Threadneedle Stewardship Themes

10.1 Columbia Threadneedle Investments (CTI) operate a rolling program of 10 projects across five engagement themes. The table below shows the current projects:

Theme	Project	Status
Climate Change	Coal phase out	2024
	Climate change and banks	BAU
	Physical risks of climate change	BAU
	Deforestation	2024
Environmental Stewardship	Emissions and plastic waste	2024
Human Rights	Mandatory human rights due diligence	BAU
	Mitigation of social harms in supply chains	BAU
	Responsible governance of Artificial Intelligence	2024
Public Health	Diversity in clinical trials	2024
Governance	Improving board gender diversity in Asia	2024

10.2 The projects with a status of 2024 will remain as priorities where the others will move to business as usual (BAU).

10.3 CTI are currently consulting with all stakeholders on the four new projects for 2024 with all parties allowed a single vote.

10.4 The Fund have requested the following projects be added for 2024:

- Sustainable Supply and Demand of Critical Minerals
- Responsible Water Stewardship
- Sustainable Food Systems

- Geopolitical Risks and Mining Supply Chains

10.5 The outcome of the consultation will be advised to Committee in March 2024.

11. DLUHC TCFD Consultation

11.1 As reported in December 2022, the Fund has formally responded to this consultation alongside our pooling company LGPS Central. At the time of writing there has been no response from the DLUHC in response to the consultation which ended on the 24 November 2022. The latest update on the Government website is that DLUHC are still analysing feedback received. It is expected that the policy will come into place in 2024 and the Fund in consultation with LGPS Central continues to produce reports based on the expected outcomes. The 2023 TCFD report will be presented today by LGPS Central.

12. DLUHC Local Government Pension Scheme: Next Steps on Investments

12.1 The government published its response to the consultation on the next steps on investments as part of the Chancellor's Autumn statement. The draft response to this consultation was presented to Committee in September 2023.

12.2 The key points coming out of the consultation are:

1)Funds will be required to consider an allocation of 5% to Levelling Up assets and 10% to private equity but are not mandated to invest in these areas if it does not fit within their investment strategy.

2)The Government will revise pooling guidance to set out its preferred model (including delegation of manager selection and strategy implementation), which could be different to the current model of some pools.

3) Government announced all assets should be transferred to pools by the 31 March 2025 under a comply and explain framework.

12.3 The consultation response has addressed few of the concerns raised by LGPS Schemes, though it is noted that the asset allocations are not mandatory, and the fund is well placed to explain why certain asset classes have yet to be transferred and are likely to remain outside the pool as at 31st March 2025.

12.4 The Fund will await the detailed guidance in respect of point 2 though it is believed that the LGPS Central model meets the Governments criteria in that the pool are responsible both for manager selection within funds and the strategy adopted by those managers to achieving both the required investment returns and the appropriate ESG (Environmental, Social and Governance) outcomes.

12.5 Upon receipt of the revised guidance the Fund will work with LGPS Central and the other seven LGPS funds in the Central pool to work through the proposals within the response in more detail.

13. Climate Change Training

13.1 Formal climate change training covering the following four key areas agreed with Members was presented following the September Committee.

- What does "Net Zero" mean.
- Review of the carbon metrics that are being used to assess progress.
- How climate risk is assessed within strategic risk.
- The 2023 climate risk report (New features and what they mean).

13.2 LGPS Central will today take members through the resulting Climate Risk Management Report and TCFD for 2023 to demonstrate the approach in practice.

13.3 The Climate Risk Management Report assesses the Fund's maturity against a TCFD maturity map produced by The Prince's Accounting for Sustainability Project. There are a number of recommendations in this report that the Fund will consider for future reporting and as part of the review of the Fund's Climate Strategy for 2024.

14. Net Zero Strategy

14.1 In October 2023 LGPS central launched a Net Zero Strategy a copy of which is attached at **Appendix E**. the policy is consistent with the Funds stated aim of achieving net zero by 2050 and achievement of the goals of the Paris Agreement on climate change.

14.2 Based on the developments and timescales set out the Fund is now reviewing our own Climate Strategy to enhance coverage and ensure an ongoing consistent approach with our pooling company. We will look to bring the updated strategy to Committee in March 2024.

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 2 December 2022

TCFD Report, Pensions Committee 2 December 2022

Climate Risk Report, Pensions Committee 2 December 2022

Corporate Governance Monitoring report, Pensions Committee 17 March 2023

Corporate Governance Monitoring report, Pensions Committee 24 June 2023

Corporate Governance Monitoring report, Pensions Committee 15 September 2023

DLUHC Consultation Update, Pensions Committee 15 September 2023

Cabinet Member

N/A

Local Member

N/A

Appendices

A. LGPS Central Manager Voting Activity Reports

B. LGIM Manager Voting Activity Report

C. Columbia Threadneedle Responsible Engagement Overlay Reports

D. LAPFF Quarterly Engagement Report

E. LGPS Central Net Zero Strategy

Federated Hermes EOS

Engagement Report

Q3 2023

EOS at Federated Hermes

LGPS Central - ACS

Engagement by region

We engaged with 233 companies held in the LGPS Central - ACS portfolio on a range of 744 environmental, social and governance issues and objectives

Global

We engaged with 233 companies



- Environmental 39.7%
- Governance 17.2%
- Social 28.5%
- Strategy, Risk & Comm 14.7%

Australia & New Zealand

We engaged with 14 companies



- Environmental 62.1%
- Governance 13.8%
- Social 13.8%
- Strategy, Risk & Comm 10.3%

Developed Asia

We engaged with 37 companies



- Environmental 43.2%
- Governance 22.7%
- Social 26.1%
- Strategy, Risk & Comm 8.0%

Emerging & Developing Markets

We engaged with 34 companies



- Environmental 33.3%
- Governance 24.2%
- Social 30.3%
- Strategy, Risk & Comm 12.1%

Europe

We engaged with 53 companies



- Environmental 38.8%
- Governance 16.9%
- Social 24.7%
- Strategy, Risk & Comm 19.7%

North America

We engaged with 74 companies



- Environmental 36.5%
- Governance 14.4%
- Social 33.3%
- Strategy, Risk & Comm 15.8%

United Kingdom

We engaged with 21 companies



- Environmental 50.8%
- Governance 13.8%
- Social 24.6%
- Strategy, Risk & Comm 10.8%

Engagement by Meta theme

We engaged with 233 companies held in the LGPS Central - ACS portfolio on a range of 744 environmental, social and governance issues and objectives

Environmental

Environmental topics featured in 39.7% of our engagements



- Circular Economy & Zero Pollution 19.0%
- Climate Change 63.4%
- Natural Resource Stewardship 17.6%

Social

Social topics featured in 28.5% of our engagements



- Human & Labour Rights 38.2%
- Human Capital 50.0%
- Wider Societal Impacts 11.8%

Governance

Governance topics featured in 17.2% of our engagements



- Board Effectiveness 43.0%
- Executive Remuneration 48.4%
- Investor Protection & Rights 8.6%

Strategy, Risk & Communication

Strategy, Risk & Communication topics featured in 14.7% of our engagements



- Corporate Reporting 32.1%
- Purpose, Strategy & Policies 45.9%
- Risk Management 22.0%

Federated Hermes EOS

Voting Report

Q3 2023

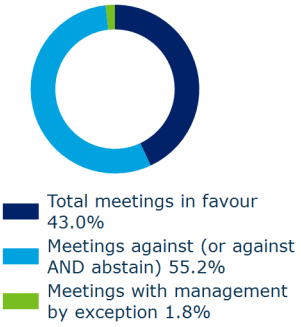
LGPS Central - ACS

EOS at Federated Hermes

Over the last quarter we made voting recommendations at 395 meetings (4,064 resolutions). At 218 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at seven meetings and abstaining at zero meetings. We supported management on all resolutions at the remaining 170 meetings.

Global

We made voting recommendations at 395 meetings (4,064 resolutions) over the last quarter.



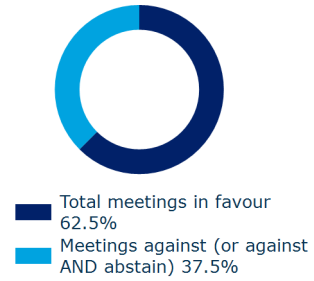
Australia & New Zealand

We made voting recommendations at 11 meetings (51 resolutions) over the last quarter.



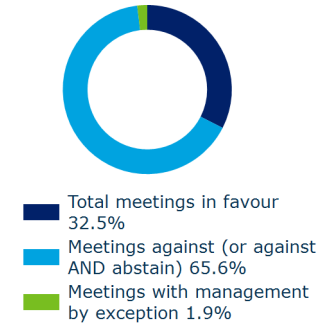
Developed Asia

We made voting recommendations at 48 meetings (372 resolutions) over the last quarter.



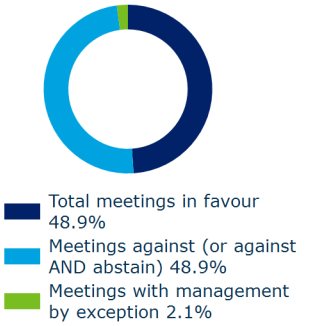
Emerging & Developing Markets

We made voting recommendations at 157 meetings (1,138 resolutions) over the last quarter.



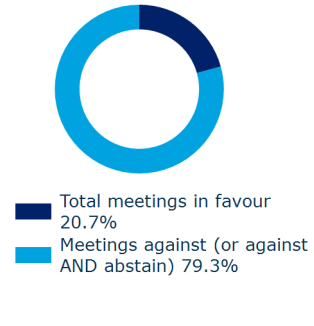
Europe

We made voting recommendations at 47 meetings (527 resolutions) over the last quarter.



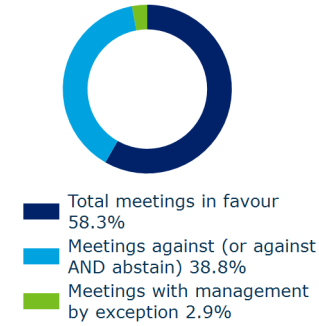
North America

We made voting recommendations at 29 meetings (338 resolutions) over the last quarter.



United Kingdom

We made voting recommendations at 103 meetings (1,638 resolutions) over the last quarter.



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

Global

We recommended voting against or abstaining on 525 resolutions over the last quarter.



- Board Structure 50.5%
- Remuneration 28.0%
- Shareholder Resolution 6.1%
- Capital Structure + Dividends 5.0%
- Amend Articles 3.4%
- Audit + Accounts 2.7%
- Poison Pill/Anti-Takeover Device 0.6%
- Other 3.8%

Australia & New Zealand

We recommended voting against or abstaining on 22 resolutions over the last quarter.



- Board Structure 45.5%
- Remuneration 54.5%

Developed Asia

We recommended voting against or abstaining on 57 resolutions over the last quarter.



- Board Structure 64.9%
- Remuneration 3.5%
- Shareholder Resolution 21.1%
- Capital Structure + Dividends 8.8%
- Amend Articles 1.8%

Emerging & Developing Markets

We recommended voting against or abstaining on 262 resolutions over the last quarter.



- Board Structure 56.1%
- Remuneration 21.4%
- Shareholder Resolution 1.1%
- Capital Structure + Dividends 6.1%
- Amend Articles 5.7%
- Audit + Accounts 4.2%
- Other 5.3%

Europe

We recommended voting against or abstaining on 63 resolutions over the last quarter.



- Board Structure 41.3%
- Remuneration 33.3%
- Shareholder Resolution 6.3%
- Capital Structure + Dividends 6.3%
- Amend Articles 1.6%
- Audit + Accounts 3.2%
- Other 7.9%

North America

We recommended voting against or abstaining on 57 resolutions over the last quarter.



- Board Structure 47.4%
- Remuneration 28.1%
- Shareholder Resolution 22.8%
- Amend Articles 1.8%

United Kingdom

We recommended voting against or abstaining on 64 resolutions over the last quarter.



- Board Structure 28.1%
- Remuneration 62.5%
- Capital Structure + Dividends 1.6%
- Audit + Accounts 1.6%
- Poison Pill/Anti-Takeover Device 4.7%
- Other 1.6%

LGPS Central Limited

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 Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
07/07/2023	China Resources Power Holdings Co., Ltd.	Extraordinary Shareholders	All For		
14/07/2023	Hua Hong Semiconductor Limited	Extraordinary Shareholders	All For		
19/07/2023	Link Real Estate Investment Trust	Annual	All For		
20/07/2023	Lenovo Group Limited	Annual	Against	3a 3b 3c 5,7	Combined CEO/Chairman Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity Concerns related to attendance at board or committee meetings Concerns related to succession planning Issue of equity raises concerns about excessive dilution of existing shareholders
28/08/2023	Beijing Enterprises Holdings Limited	Extraordinary Shareholders	All For		
28/08/2023	Vitasoy International Holdings Limited	Annual	Against	3A1,3A3 5A 5C 3A5 5D 5E	Concerns related to approach to board gender diversity Insufficient/poor disclosure Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board Pay is misaligned with EOS remuneration principles
30/08/2023	Swire Pacific Limited	Extraordinary Shareholders	All For		
26/07/2023	ITO EN, LTD.	Annual	Against	3.2 4.3	Concerns related to approach to board gender diversity Lack of independence on board
28/07/2023	Ain Holdings, Inc.	Annual	Against	2.1,2.7,2.9,2.10,2.11	Lack of independence on board
04/08/2023	ASKUL Corp.	Annual	All For		
10/08/2023	TSURUHA Holdings, Inc.	Annual	Against	1.6,1.7,2.2,2.3 8,9 3.1,3.2,3.3,4.1,4.2,5 11	Concerns about overall performance SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes appropriate accountability or incentivisation SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks Shareholder proposal promotes enhanced shareholder rights
17/08/2023	Activia Properties, Inc.	Special	Against	4.2 4.1,5	Concerns related to approach to board gender diversity Lack of independence on board
17/08/2023	Kusuri No Aoki Holdings Co., Ltd.	Annual	Against	2.2,2.6,2.10 4,5,6	Lack of independence on board SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
22/08/2023	COSMOS Pharmaceutical Corp.	Annual	All For		
22/08/2023	Kenedix Office Investment Corp.	Special	All For		
24/08/2023	Oracle Corp Japan	Annual	Against	1.7	Lack of independence on board Concerns related to inappropriate membership of committees
29/08/2023	United Urban Investment Corp.	Special	All For		
01/09/2023	SBI Shinsei Bank Ltd.	Special	Against	1,2	Concerns to protect shareholder value
05/09/2023	Japan Prime Realty Investment Corp.	Special	Against	4.1	Lack of independence on board
27/09/2023	Lasertec Corp.	Annual	All For		
27/09/2023	Pan Pacific International Holdings Corp.	Annual	Against	2.7 2.1	Lack of independence on board Lack of independence on board Concerns related to approach to board gender diversity
27/09/2023	SHO-BOND Holdings Co. Ltd.	Annual	All For		
28/09/2023	Asahi Intecc Co., Ltd.	Annual	Against	3.8,3.10	Lack of independence on board
28/09/2023	Mercari, Inc.	Annual	All For		
28/09/2023	TechnoPro Holdings, Inc.	Annual	All For		
28/09/2023	ULVAC, Inc.	Annual	Against	2.3,2.6	Lack of independence on board
19/07/2023	Mapletree Industrial Trust	Annual	All For		
19/07/2023	NetLink NBN Trust	Annual	All For		

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
19/07/2023	NetLink NBN Trust	Annual	All For		
19/07/2023	Singapore Post Ltd.	Annual	All For		
20/07/2023	Mapletree Logistics Trust	Annual	All For		
20/07/2023	SIA Engineering Company Limited	Annual	All For		
21/07/2023	SATS Ltd.	Annual	All For		
27/07/2023	Singapore Airlines Limited	Annual	All For		
28/07/2023	Mapletree Pan Asia Commercial Trust	Annual	All For		
28/07/2023	Singapore Telecommunications Limited	Annual	Against	4	Concerns related to inappropriate membership of committees
02/08/2023	Flex Ltd.	Annual	All For		
11/08/2023	GS Engineering & Construction Corp.	Special	All For		
30/08/2023	KT Corp.	Special	All For		
30/08/2023	KT Corp.	Special	All For		
31/08/2023	SD Biosensor, Inc.	Special	Against	1	Concerns related to approach to board gender diversity
18/09/2023	Korea Electric Power Corp.	Special	All For		
26/09/2023	Kangwon Land, Inc.	Special	All For		
26/09/2023	Korea Gas Corp.	Special	All For		
30/08/2023	Ta Chen Stainless Pipe Co., Ltd.	Special	Against	1.1	Lack of independence on board
26/07/2023	ALS Limited	Annual	Against	5 1,2	Pay is misaligned with EOS remuneration principles Concerns related to approach to board gender diversity
27/07/2023	Macquarie Group Limited	Annual	Against	2a,3	Pay is misaligned with EOS remuneration principles
15/09/2023	Metcash Limited	Annual	Against	3	Pay is misaligned with EOS remuneration principles
26/09/2023	Suncorp Group Limited	Annual	Against	3b 1	Concerns regarding Auditor tenure Insufficient disclosure 2- Low shareholding requirement
27/07/2023	Mainfreight Limited	Annual	Against	2 1	Concerns regarding Auditor tenure Lack of independence on boardConcerns related to inappropriate membership of committeesConcerns regarding Auditor tenure
27/07/2023	Ryman Healthcare Limited	Annual	Against	1,5	Concerns regarding Auditor tenure
17/08/2023	Infratil Limited	Annual	Against	6 5	Insufficient/poor disclosure Pay is misaligned with EOS remuneration principles
17/08/2023	Xero Limited	Annual	Against	2	Concerns about remuneration committee performance
29/08/2023	Fisher & Paykel Healthcare Corporation Limited	Annual	Against	1,2 3,4,5	Concerns regarding Auditor tenure Pay is misaligned with EOS remuneration principles
19/09/2023	Mercury NZ Limited	Annual	Against	1	Concerns regarding Auditor tenure
26/09/2023	Air New Zealand Limited	Annual	Against	2	Inadequate management of climate-related risks Concerns regarding Auditor tenure
13/07/2023	Johnson Electric Holdings Ltd.	Annual	Against	4c 7,8 9	Concerns related to succession planning Issue of equity raises concerns about excessive dilution of existing shareholders Pay is misaligned with EOS remuneration principles
19/07/2023	VTech Holdings Limited	Annual	Against	7,8	Pay is misaligned with EOS remuneration principles
23/08/2023	China Gas Holdings Limited	Annual	Against	3a1 3a3 3a4 6 7 3a2 8,9,10	Combined CEO/Chairman Concerns related to inappropriate membership of committees Concerns related to attendance at board or committee meetings Concerns related to succession planning Insufficient/poor disclosure Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board Pay is misaligned with EOS remuneration principles
24/08/2023	First Pacific Company Limited	Special	All For		
07/09/2023	Cafe de Coral Holdings Ltd.	Annual	Against	3.1 6 8 3.2	Concerns related to inappropriate membership of committees Insufficient/poor disclosure Issue of equity raises concerns about excessive dilution of existing shareholders Overboarded/Too many other time commitments
28/07/2023	Grupo de Moda Soma SA	Extraordinary Shareholders	All For		
10/08/2023	Companhia Paranaense de Energia	Extraordinary Shareholders	Against	1,3	
22/08/2023	Companhia de Saneamento Basico do Estado de Sao Paulo	Extraordinary Shareholders	Against	2	Lack of independence on board
07/07/2023	Chow Tai Fook Jewellery Group Ltd.	Annual	Against	3a 7 5 3b,3c 3d	Concerns related to inappropriate membership of committees Concerns to protect shareholder value Issue of equity raises concerns about the excessive dilution of existing shareholders Lack of independence on board Overboarded/Too many other time commitments Concerns related to succession planning

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
21/07/2023	Topsports International Holdings Limited	Annual	Against	6,8 5a1 5a3	Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board Overboarded/Too many other time commitments
25/07/2023	Kingdee International Software Group Co., Ltd.	Extraordinary Shareholders	All For		
22/08/2023	Want Want China Holdings Limited	Annual	Against	3a2,3a4 3a3 6,7	Concerns related to approach to board gender diversity Concerns related to approach to board gender diversity Inadequate management of deforestation risks Issue of equity raises concerns about excessive dilution of existing shareholders
28/08/2023	Chinasoft International Ltd.	Extraordinary Shareholders	All For		
28/09/2023	Alibaba Group Holding Limited	Annual	All For		
28/09/2023	Alibaba Group Holding Limited	Annual	All For		
04/07/2023	Jiangxi Copper Company Limited	Extraordinary Shareholders	All For		
18/07/2023	Shenzhen Mindray Bio-Medical Electronics Co., Ltd.	Special	All For		
31/07/2023	Sinotrans Limited	Extraordinary Shareholders	Against	1.1,1.2,1.3	Concerns related to approach to board gender diversity
08/08/2023	PICC Property and Casualty Company Limited	Extraordinary Shareholders	Against	2 6 3,4,5	Combined CEO/Chairman Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees Lack of independence on board
15/08/2023	China National Building Material Co., Ltd.	Extraordinary Shareholders	All For		
15/08/2023	Inner Mongolia Yili Industrial Group Co., Ltd.	Special	Against	1,2	Pay is misaligned with EOS remuneration principles
17/08/2023	China Oilfield Services Limited	Extraordinary Shareholders	Against	2,7.1,7.2	Lack of independence on board
21/08/2023	China State Construction Engineering Corp. Ltd.	Special	All For		
24/08/2023	By-health Co., Ltd.	Special	Against	2.1 1.3 8 1.2 1.4	Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees Concerns related to shareholder rights Lack of independence on board Lack of independence on board Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity
04/09/2023	The People's Insurance Company (Group) of China Limited	Extraordinary Shareholders	All For		
15/09/2023	Sinopharm Group Co., Ltd.	Extraordinary Shareholders	Against	9 1	Concerns related to inappropriate membership of committees Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity
19/09/2023	Aluminum Corporation of China Limited	Extraordinary Shareholders	Against	1	Lack of independence on board
25/09/2023	New China Life Insurance Company Ltd.	Extraordinary Shareholders	All For		
05/07/2023	Nestle India Ltd.	Special	All For		
05/07/2023	Tata Steel Limited	Annual	Against	4	Concerns related to inappropriate membership of committees Overboarded/Too many other time commitments
06/07/2023	ICICI Lombard General Insurance Company Limited	Annual	Against	16,17,18	Pay is misaligned with EOS remuneration principles
12/07/2023	Vedanta Limited	Annual	Against	4 6 5	Lack of independence on board Lack of independence on board Inadequate management of climate-related risks Lack of independence on board Pay is misaligned with EOS remuneration principles
12/07/2023	Wipro Limited	Annual	All For		
13/07/2023	Zee Entertainment Enterprises Limited	Special	Against	1	Concerns related to attendance at board or committee meetings
17/07/2023	LTIMindtree Ltd.	Annual	Against	4	Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity
18/07/2023	Persistent Systems Limited	Annual	Against	6,7,8,9	Pay is misaligned with EOS remuneration principles
20/07/2023	Ambuja Cements Limited	Annual	Against	3 1	Concerns related to approach to board gender diversity Concerns to protect shareholder value
24/07/2023	TVS Motor Company Limited	Annual	Against	3 2	Lack of independence on board Lack of independence on board Concerns related to approach to board gender diversity
25/07/2023	Bajaj Auto Limited	Annual	Against	3 4,5,6	Concerns related to inappropriate membership of committees Lack of independence on board Concerns related to approach to board gender diversity Lack of independence on board
26/07/2023	Shree Cement Limited	Annual	Against	3	Concerns related to approach to board gender diversity
27/07/2023	Bajaj Finserv Limited	Annual	Against	3	EOS manual override. See analyst note; Lack of independence on board
27/07/2023	Dr. Reddy's Laboratories Ltd.	Annual	All For		
27/07/2023	Dr. Reddy's Laboratories Ltd.	Annual	All For		
27/07/2023	MRF Limited	Annual	Against	5	Pay is misaligned with EOS remuneration principles
27/07/2023	Tech Mahindra Limited	Annual	Against	4 5 6	Concerns related to inappropriate membership of committees Lack of independence on board Lack of independence on board Pay is misaligned with EOS remuneration principles

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
28/07/2023	Axis Bank Limited	Annual	All For		
28/07/2023	JSW Steel Limited	Annual	All For		
28/07/2023	Siemens Limited	Special	Against	1 5 2 3,4	Concerns related to approach to board gender diversity Insufficient basis to support a decision Overboarded/Too many other time commitments Pay is misaligned with EOS remuneration principles
31/07/2023	United Spirits Limited	Annual	All For		
01/08/2023	Cholamandalam Investment & Finance Co. Ltd.	Annual	Against	7 8 4	Concerns related to approach to board gender diversity Concerns related to attendance at board or committee meetings Concerns related to inappropriate membership of committees
03/08/2023	Cummins India Limited	Annual	Against	4	Lack of independence on board Concerns related to inappropriate membership of committees
04/08/2023	DLF Limited	Annual	Against	3,4	Lack of independence on board
04/08/2023	Mahindra & Mahindra Limited	Annual	Against	4,5	Lack of independence on board
08/08/2023	Exide Industries Limited	Annual	Against	3	Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity
08/08/2023	Tata Motors Limited	Annual	Against	4	Concerns related to inappropriate membership of committees Overboarded/Too many other time commitments
09/08/2023	Hero Motocorp Limited	Annual	All For		
09/08/2023	Larsen & Toubro Limited	Annual	Against	4	Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity Concerns related to attendance at board or committee meetings
10/08/2023	Cipla Limited	Annual	Against	4	Lack of independence on board
10/08/2023	Dabur India Limited	Annual	Against	4	Lack of independence on board
10/08/2023	Pidilite Industries Limited	Annual	Against	6 3,4,7	Concerns related to board gender diversity, Lack of independence on board Lack of independence on board
10/08/2023	Tata Steel Limited	Court	All For		
11/08/2023	Berger Paints India Limited	Annual	Against	5 3,4	Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees Lack of independence on board
11/08/2023	HDFC Bank Ltd.	Annual	All For		
11/08/2023	ITC Limited	Annual	Against	7	Concerns related to approach to board gender diversity
11/08/2023	Marico Limited	Annual	All For		
11/08/2023	UltraTech Cement Ltd.	Annual	Against	3	Lack of independence on board Overboarded/Too many other time commitments
18/08/2023	Bandhan Bank Limited	Annual	Against	5 3	Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees
19/08/2023	Kotak Mahindra Bank Limited	Annual	Against	6	Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity
22/08/2023	HCL Technologies Limited	Annual	Against	2	Lack of independence on board
23/08/2023	Coal India Ltd.	Annual	Against	7 8 4	Concerns about candidate's experience/skills Concerns related to approach to board gender diversity Insufficient/poor disclosure Concerns related to inappropriate membership of committees Inadequate management of climate-related risks Inadequate management of climate-related risks from exposure to coal
23/08/2023	Eicher Motors Limited	Annual	Against	6 3 5	Lack of independence on board Lack of independence on board Concerns related to inappropriate membership of committees Lack of independence on board Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity
23/08/2023	GAIL (India) Limited	Annual	Against	8 7	Concerns related to inappropriate membership of committees Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity
24/08/2023	Bharti Airtel Limited	Annual	Against	6	Pay is misaligned with EOS remuneration principles
25/08/2023	Alkem Laboratories Ltd.	Annual	Against	3,4 5	Concerns related to inappropriate membership of committees Concerns related to shareholder rights
25/08/2023	Aurobindo Pharma Ltd.	Annual	Against	5	Concerns related to attendance at board or committee meetings
25/08/2023	Grasim Industries Limited	Annual	Against	3,4	Lack of independence on board Concerns related to inappropriate membership of committees Overboarded/Too many other time commitments
25/08/2023	Indian Oil Corp. Ltd.	Annual	Against	10	Concerns related to shareholder rights
25/08/2023	Larsen & Toubro Limited	Special	All For		
25/08/2023	Vedanta Limited	Special	Against	1	Lack of independence on board Overboarded/Too many other time commitments
28/08/2023	Bharat Electronics Limited	Annual	Against	3 4	Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity Concerns related to shareholder rights

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
28/08/2023	Bharat Petroleum Corporation Limited	Annual	Against	8 1 3,7	Concerns about candidate's experience/skills Inadequate management of climate-related risks Lack of independence on board
28/08/2023	Britannia Industries Limited	Annual	Against	4 2	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
28/08/2023	Jindal Steel & Power Ltd.	Annual	Against	3	Inadequate management of climate-related risks Inadequate management of climate-related risks from exposure to coal
28/08/2023	Reliance Industries Ltd.	Annual	Against	4 3	Concerns related to board gender diversity, Lack of independence on board Inadequate management of climate-related risks, Lack of independence on board
28/08/2023	Samvardhana Motherson International Limited	Annual	All For		
28/08/2023	Sun Pharmaceutical Industries Limited	Annual	Against	4	Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity
29/08/2023	Maruti Suzuki India Limited	Annual	Against	4,5,6	Lack of independence on board
29/08/2023	Oil & Natural Gas Corp. Ltd.	Annual	Against	1 3,7	Inadequate management of climate-related risks Lack of independence on board
30/08/2023	ICICI Bank Limited	Annual	Against	7	Concerns related to approach to board gender diversity
30/08/2023	NTPC Limited	Annual	Against	1	Inadequate management of climate-related risks Inadequate management of climate-related risks from exposure to coal
30/08/2023	Power Grid Corporation of India Limited	Annual	Against	5	Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity
31/08/2023	Hindustan Aeronautics Ltd.	Annual	Against	3,9,10 6	Lack of independence on board Lack of independence on board Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity
31/08/2023	NHPC Limited	Annual	Against	6 3	Concerns related to approach to board gender diversity Concerns about candidate's experience/skills Concerns related to inappropriate membership of committees
07/09/2023	Cholamandalam Investment & Finance Co. Ltd.	Special	All For		
07/09/2023	Hindustan Unilever Limited	Special	All For		
08/09/2023	Berger Paints India Limited	Special	All For		
11/09/2023	Tata Steel Limited	Special	All For		
15/09/2023	Asian Paints Limited	Special	All For		
18/09/2023	Tata Steel Limited	Court	All For		
19/09/2023	MRF Limited	Special	All For		
27/09/2023	Indraprastha Gas Limited	Annual	Against	2	Concerns related to attendance at board or committee meetings
28/09/2023	DLF Limited	Special	All For		
28/09/2023	Petronet Lng Limited	Annual	Against	3 4	Concerns related to approach to board gender diversity Concerns related to attendance at board or committee meetings
29/09/2023	Muthoot Finance Limited	Annual	Against	3 2	Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees
29/09/2023	NHPC Limited	Court	All For		
14/08/2023	PT Astra International Tbk	Extraordinary Shareholders	All For		
30/08/2023	PT Unilever Indonesia Tbk	Extraordinary Shareholders	All For		
19/09/2023	PT Bank Negara Indonesia (Persero) Tbk	Extraordinary Shareholders	Against	1	
17/07/2023	Bank Leumi Le-Israel Ltd.	Annual	Abstain Against	7 A,B1,B2 4	Cumulative/slate voting in favour of individual candidates/slates Administrative declaration Concerns related to inappropriate membership of committees
17/07/2023	NICE Ltd. (Israel)	Annual	Against	A,B1,B2	Administrative declaration
24/07/2023	Plus500 Ltd.	Special	All For		
03/08/2023	Check Point Software Technologies Ltd.	Annual	All For		
10/08/2023	Bank Leumi Le-Israel Ltd.	Special	Against	A,B1,B2	Administrative declaration
16/08/2023	Israel Discount Bank Ltd.	Annual	Abstain Against	3.3,4.2 A,B1,B2	Concerns about candidate's experience/skills Administrative declaration
05/09/2023	Mizrahi Tefahot Bank Ltd.	Special	Against	A,B1,B2	Administrative declaration
19/09/2023	Axiata Group Berhad	Extraordinary Shareholders	Against	1,2,3	Pay is misaligned with EOS remuneration principles
03/07/2023	Prologis Property Mexico SA de CV	Ordinary Shareholders	All For		
18/07/2023	Terrafina	Special	All For		
20/07/2023	Santander Bank Polska SA	Special	Against	5,6	Insufficient/poor disclosure
13/09/2023	Powszechny Zaklad Ubezpieczen SA	Special	All For		
19/07/2023	Growthpoint Properties Ltd.	Special	All For		

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
19/07/2023	Pick N Pay Stores Limited	Annual	Against	3.1 2.1,2.2 2.1	Concerns related to inappropriate membership of committees Lack of independence on board Pay is misaligned with EOS remuneration principles
20/07/2023	Vodacom Group Ltd.	Annual	Against	2,6,7 9	Lack of independence on board Pay is misaligned with EOS remuneration principles
24/08/2023	Naspers Ltd.	Annual	Against	4.4 2 6 6 7 8 5	Concerns related to inappropriate membership of committees Concerns to protect shareholder value Concerns to protect shareholder value 2- Multiple voting rights Inappropriate use of one-time awards 2- Pay is misaligned with EOS remuneration principles Issue of capital raises concerns about excessive dilution of existing shareholders 2- Multiple voting rights Multiple voting rights Pay is misaligned with EOS remuneration principles
07/09/2023	The Foschini Group Ltd.	Annual	Against	7 3 13	Concerns about overall performance Concerns related to inappropriate membership of committees Pay is misaligned with EOS remuneration principles
08/09/2023	Spar Group Ltd.	Special	Against	1.1,1.2,1.4,1.15,1.16,1.17	Pay is misaligned with EOS remuneration principles
06/09/2023	Bangkok Dusit Medical Services Public Co. Ltd.	Extraordinary Shareholders	Against	2	Insufficient/poor disclosure
06/07/2023	Girisim Elektrik Sanayi Taahhut ve Ticaret AS	Annual	Against	9,11	Insufficient/poor disclosure
11/07/2023	Penta Teknoloji Urunleri Dagitim Ticaret AS	Annual	Against	7,10	Insufficient/poor disclosure
25/07/2023	Turk Hava Yollari AO	Annual	Against	7,9,11	Insufficient/poor disclosure
02/08/2023	Turkiye Halk Bankasi AS	Annual	Against	3,6,9 7,8	Concerns to protect shareholder value Insufficient/poor disclosure
02/08/2023	Turkiye Vakiflar Bankasi TAO	Annual	Against	3,4 8,9,10 5	Concerns to protect shareholder value Insufficient/poor disclosure Issue of equity raises concerns about excessive dilution of existing shareholders
09/08/2023	Turk Telekomunikasyon AS	Annual	Against	7	Insufficient/poor disclosure
22/08/2023	Ulker Biskuvi Sanayi AS	Special	All For		
24/08/2023	Koc Holding A.S.	Special	All For		
25/08/2023	Dogan Sirketler Grubu Holding AS	Special	Against	2	Issue of equity raises concerns about excessive dilution of existing shareholders
29/08/2023	Dogan Sirketler Grubu Holding AS	Special	All For		
13/09/2023	TURKCELL Iletisim Hizmetleri AS	Annual	Against	6 8,9	Concerns related to shareholder rights Insufficient/poor disclosure
22/09/2023	Aselsan Elektronik Sanayi ve Ticaret AS	Special	Against	2	Insufficient/poor disclosure
26/09/2023	Turkiye Petrol Rafinerileri AS	Special	All For		
05/07/2023	voestalpine AG	Annual	Against	3 4 9 7	Concerns related to below-board gender diversity Inadequate management of climate-related risks 2- Lack of independence on board 3- Lack of independent representation at board committees Insufficient/poor disclosure Pay is misaligned with EOS remuneration principles
01/08/2023	Telekom Austria AG	Extraordinary Shareholders	All For		
11/07/2023	Alstom SA	Annual/Special	Against	13	Insufficient disclosure
20/07/2023	Remy Cointreau SA	Annual/Special	Against	4 10,11,12	Insufficient justification for related party transaction Pay is misaligned with EOS remuneration principles
25/07/2023	Soitec SA	Annual/Special	All For		
27/09/2023	Ubisoft Entertainment SA	Annual/Special	Against	4	Insufficient justification for related party transaction
13/07/2023	Fielmann Group AG	Annual	Against	4 6	Lack of independence on board 2- Lack of independent representation at board committees Pay is misaligned with EOS remuneration principles
14/07/2023	Fresenius Medical Care AG & Co. KGaA	Extraordinary Shareholders	All For		
05/07/2023	Jumbo SA	Annual	All For		
20/07/2023	Eurobank Ergasias Services & Holdings SA	Annual	Against	10 5,8	Concerns related to approach to board gender diversity Pay is misaligned with EOS remuneration principles
27/07/2023	Alpha Services & Holdings SA	Annual	All For		
28/07/2023	National Bank of Greece SA	Annual	Against	11	Insufficient/poor disclosure
29/08/2023	Mytilineos SA	Extraordinary Shareholders	All For		
15/09/2023	LAMDA Development SA	Extraordinary Shareholders	All For		
13/07/2023	C&C Group Plc	Annual	Against	3c	Lack of independent representation at board committees
13/07/2023	DCC Plc	Annual	All For		
13/07/2023	DCC Plc	Annual	All For		

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
20/07/2023	Kingspan Group Plc	Special	All For		
20/07/2023	Northern Trust Global - The Sterling Fund	Special	All For		
20/07/2023	Northern Trust Global - The US Dollar Fund	Special	All For		
20/07/2023	Northern Trust Global Funds PLC - The Euro Liquidity Fund	Special	All For		
24/07/2023	Linde Plc	Annual	Against	1f 1c,3	Concerns related to approach to board gender diversity High variable pay ratioOptions/PSUs vest in less than 36 months
25/07/2023	ICON plc	Annual	Against	1.6	Pay is misaligned with EOS remuneration principles
27/07/2023	Horizon Therapeutics Public Limited Company	Annual	Against	1a 1b 3	Concerns about remuneration committee performance Concerns related to approach to board gender diversityConcerns related to approach to board diversityConcerns about overall board structure High variable pay ratioExcessive CEO pay
27/07/2023	STERIS plc	Annual	All For		
03/08/2023	James Hardie Industries Plc	Annual	Against	3b 2,5,6	Concerns to protect shareholder value Pay is misaligned with EOS remuneration principles
03/08/2023	Jazz Pharmaceuticals Plc	Annual	Against	1b	Concerns about overall board structure
31/07/2023	Pirelli & C. SpA	Ordinary Shareholders	Against	1.1,1.2.2,1.3,1.4 2.1,2.2.3	Pay is misaligned with EOS remuneration principles
25/07/2023	B&M European Value Retail SA	Annual	All For		
25/07/2023	B&M European Value Retail SA	Extraordinary Shareholders	All For		
29/08/2023	Reinet Investments SCA	Annual	Against	6.1 8	Concerns related to approach to board gender diversity Issue of equity raises concerns about excessive dilution of existing shareholders
22/09/2023	B&M European Value Retail SA	Ordinary Shareholders	All For		
27/09/2023	L'Occitane International S.A.	Annual	Against	4 6,7 9A,9C 3,8	Concerns related to inappropriate membership of committees Concerns related to succession planning Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
05/07/2023	Koninklijke Ahold Delhaize NV	Extraordinary Shareholders	All For		
23/08/2023	Prosus NV	Annual	Against	2	Pay is misaligned with EOS remuneration principles
07/09/2023	Aalberts NV	Extraordinary Shareholders	All For		
29/09/2023	Aegon NV	Extraordinary Shareholders	All For		
30/09/2023	Aegon NV	Extraordinary Shareholders	All For		
11/07/2023	Industria de Diseno Textil SA	Annual	All For		
13/07/2023	Castellum AB	Extraordinary Shareholders	All For		
15/08/2023	Swedish Orphan Biovitrum AB	Extraordinary Shareholders	All For		
12/08/2023	EMS-Chemie Holding AG	Annual	Against	6.1.1 8 3.2.2	Concerns related to approach to board gender diversity Inadequate management of climate-related risks Insufficient/poor disclosure Pay is misaligned with EOS remuneration principles
06/09/2023	Compagnie Financiere Richemont SA	Annual	Against	5.1 5.2,5.5,5.12,6.3 10.3 11 9.2,9.3	Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees Concerns related to shareholder rights Insufficient/poor disclosure Pay is misaligned with EOS remuneration principles
13/09/2023	Logitech International S.A.	Annual	Against	A	Insufficient/poor disclosure
15/09/2023	Novartis AG	Extraordinary Shareholders	Against	3	Insufficient/poor disclosure
11/08/2023	Saputo Inc.	Annual	All For		
07/09/2023	Alimentation Couche-Tard Inc.	Annual	Against	2.11 3	Concerns related to succession planning Concerns related to board ethnic and/or racial diversityConcerns related to approach to board diversityConcerns about remuneration committee performance Pay is misaligned with EOS remuneration principles
14/09/2023	Empire Company Limited	Annual	Against	1	Pay is misaligned with EOS remuneration principles
14/09/2023	Open Text Corporation	Annual	Against	1.7 1.11 3	Concerns about remuneration committee performance Concerns related to succession planningConcerns related to board ethnic and/or racial diversityConcerns related to approach to board diversity Pay is misaligned with EOS remuneration principles
05/07/2023	Snowflake Inc.	Annual	Against	1b 2	Concerns about remuneration committee performanceCombined CEO/ChairConcerns about overall board structureConcerns related to approach to board diversityConcerns to protect shareholder valueLack of independent representation at board committees Low shareholding requirement
12/07/2023	F&G Annuities & Life, Inc.	Annual	Against	1.2	Concerns related to approach to board gender diversityConcerns related to approach to board diversity Concerns about overall board structure

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
13/07/2023	VMware, Inc.	Annual	Against	1a 1c	Concerns about overall board structure Overboarded/Too many other time commitments
17/07/2023	Liberty Media Corporation	Special	All For		
18/07/2023	Avangrid, Inc.	Annual	Against	1.9	Lack of independent representation at board committeesConcerns related to approach to board gender diversity
18/07/2023	Constellation Brands, Inc.	Annual	Against	1d 1k 3 5,6	Concerns about remuneration committee performance Concerns related to shareholder value High variable pay ratioExcessive CEO payTotal pay targets a range above peer medianOptions/PSUs vest in less than 36 months SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
18/07/2023	Extra Space Storage Inc.	Special	All For		
21/07/2023	McKesson Corporation	Annual	Against	1g 3	Concerns about remuneration committee performance High CEO to average NEO payHigh variable pay ratio
25/07/2023	VF Corp.	Annual	All For		
10/08/2023	Electronic Arts Inc.	Annual	Against	1d 2	Concerns about remuneration committee performance High variable pay ratioOptions/PSUs vest in less than 36 months
15/08/2023	Qorvo, Inc.	Annual	Against	1h 1a 2	Concerns about remuneration committee performance Concerns related to approach to board gender diversityConcerns related to approach to board diversity High CEO to average NEO payNo hedging policyLow shareholding requirementHigh variable pay ratioOptions/PSUs vest in less than 36 months
16/08/2023	The J. M. Smucker Company	Annual	Against	1c 3	Concerns about remuneration committee performance High CEO to average NEO payOptions/PSUs vest in less than 36 months
22/08/2023	Microchip Technology Incorporated	Annual	Against	1.6 7	Concerns related to succession planning Concerns related to approach to board gender diversity SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
12/09/2023	Gen Digital Inc.	Annual	Against	1f 3	Concerns about remuneration committee performance No hedging policyHigh variable pay ratioOptions/PSUs vest in less than 36 months
12/09/2023	NIKE, Inc.	Annual	Against	1a,1c,2,5,6	Shareholder proposal promotes better management of SEE opportunities and risks
13/09/2023	NetApp, Inc.	Annual	Against	1h 7 5	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles Shareholder proposal promotes appropriate accountability or incentivisation
14/09/2023	Conagra Brands, Inc.	Annual	Against	1j 3 6	Concerns about remuneration committee performance High CEO to average NEO payHigh variable pay ratioExcessive CEO pay Shareholder proposal promotes appropriate accountability or incentivisation
20/09/2023	Darden Restaurants, Inc.	Annual	Against	5	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks 2- SH: For shareholder resolution, no management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
21/09/2023	FedEx Corporation	Annual	Against	6,7,8 5	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks Shareholder proposal promotes appropriate accountability or incentivisation
21/09/2023	ONEOK, Inc.	Special	All For		
21/09/2023	Take-Two Interactive Software, Inc.	Annual	Against	1d 4	Concerns about remuneration committee performance Pay is misaligned with EOS remuneration principles
26/09/2023	General Mills, Inc.	Annual	Against	1i,5 6	Concerns to protect shareholder value Shareholder proposal promotes appropriate accountability or incentivisation
28/09/2023	Lamb Weston Holdings, Inc.	Annual	Against	1j 1b 2	Concerns about remuneration committee performance Concerns related to approach to board gender diversity Concerns related to approach to board diversity High CEO to average NEO pay Low shareholding requirement High variable pay ratio Excessive CEO pay Options/PSUs vest in less than 36 months
10/07/2023	Sirius Real Estate Limited	Annual	All For		
19/07/2023	HarbourVest Global Private Equity Ltd	Annual	All For		
01/08/2023	Syncona Limited	Annual	All For		
02/08/2023	Sequoia Economic Infrastructure Income Fund Ltd	Annual	All For		
16/08/2023	NextEnergy Solar Fund Ltd	Annual	All For		
08/09/2023	JLEN Environmental Assets Group Ltd	Annual	All For		
13/09/2023	BH Macro Limited	Annual	All For		
14/09/2023	TwentyFour Income Fund Limited	Annual	All For		
06/07/2023	3i Infrastructure PLC	Annual	All For		
19/07/2023	Experian Plc	Annual	Against	2,3	Concerns with director compensation 2- Excessive CEO pay 3- High variable pay ratio 4- Low shareholding requirement
02/08/2023	Wizz Air Holdings Plc	Annual	Against	2,3,4,6,9,10	Pay is misaligned with EOS remuneration principles

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
02/08/2023	Wizz Air Holdings Plc	Special	All For		
21/09/2023	WNS (Holdings) Limited	Annual	Against	6 8	Concerns about overall board structure Concerns to protect shareholder value
04/07/2023	Airtel Africa Plc	Annual	Against	6 3,4	Failure to provide DEI disclosures in line with UK listing rules Pay is misaligned with EOS remuneration principles
04/07/2023	Marks & Spencer Group Plc	Annual	All For		
05/07/2023	Capital Gearing Trust PLC	Annual	All For		
06/07/2023	Assura Plc	Annual	Against	12	Lack of independent representation at board committees
06/07/2023	Great Portland Estates Plc	Annual	All For		
06/07/2023	J Sainsbury Plc	Annual	All For		
06/07/2023	Land Securities Group Plc	Annual	All For		
06/07/2023	Pets At Home Group Plc	Annual	Against	5C 3	Lack of independent representation at board committees Pay is misaligned with EOS remuneration principles
06/07/2023	Severn Trent Plc	Annual	All For		
06/07/2023	Workspace Group Plc	Annual	Against	2	Pay is misaligned with EOS remuneration principles
07/07/2023	Liontrust Asset Management Plc	Special	All For		
07/07/2023	Liontrust Asset Management Plc	Special	All For		
10/07/2023	National Grid Plc	Annual	All For		
11/07/2023	The British Land Co. Plc	Annual	All For		
12/07/2023	Burberry Group Plc	Annual	Against	13 2	Overboarded/Too many other time commitments Pay is misaligned with EOS remuneration principles
12/07/2023	Bytes Technology Group Plc	Annual	All For		
12/07/2023	LondonMetric Property Plc	Annual	Against	3	Pay is misaligned with EOS remuneration principles
12/07/2023	Safestore Holdings Plc	Special	Against	1,2	Pay is misaligned with EOS remuneration principles
13/07/2023	BT Group Plc	Annual	All For		
13/07/2023	Dr. Martens Plc	Annual	All For		
13/07/2023	Liberty Global Plc	Court	All For		
13/07/2023	Liberty Global Plc	Court	All For		
13/07/2023	Liberty Global Plc	Special	All For		
13/07/2023	Liberty Global Plc	Special	All For		
13/07/2023	Personal Assets Trust PLC	Annual	All For		
13/07/2023	RS Group Plc	Annual	Against	2	Pay is misaligned with EOS remuneration principles
14/07/2023	TEMPLETON EMERGING MARKETS INVESTMENT TRUST	Annual	All For		
18/07/2023	Urban Logistics REIT PLC	Annual	All For		
18/07/2023	Worldwide Healthcare Trust PLC	Annual	All For		
19/07/2023	Caledonia Investments PLC	Annual	Against	5	Concerns related to approach to below-board gender diversity
19/07/2023	HICL Infrastructure PLC	Annual	All For		
19/07/2023	JPMorgan European Discovery trust PLC	Annual	All For		
19/07/2023	The Edinburgh Investment Trust PLC	Annual	All For		
20/07/2023	Big Yellow Group Plc	Annual	All For		
20/07/2023	Dechra Pharmaceuticals Plc	Court	All For		
20/07/2023	Dechra Pharmaceuticals Plc	Special	All For		
20/07/2023	Fidelity China Special Situations PLC	Annual	Against	7	Overboarded/Too many other time commitments
20/07/2023	Halma Plc	Annual	All For		
20/07/2023	Intermediate Capital Group Plc	Annual	Against	2,3	Pay is misaligned with EOS remuneration principles
20/07/2023	International Distributions Services Plc	Annual	Against	3	Pay is misaligned with EOS remuneration principles
20/07/2023	Johnson Matthey Plc	Annual	Against	3	Pay is misaligned with EOS remuneration principles
20/07/2023	Pennon Group Plc	Annual	Against	18 4	Inadequate management of climate-related risks Pay is misaligned with EOS remuneration principles
20/07/2023	Premier Foods Plc	Annual	All For		
20/07/2023	QinetiQ Group plc	Annual	Against	8	Overboarded/Too many other time commitments
20/07/2023	SSE Plc	Annual	All For		
20/07/2023	TR Property Investment Trust PLC	Annual	All For		
21/07/2023	FirstGroup Plc	Annual	Against	2	Pay is misaligned with EOS remuneration principles
21/07/2023	United Utilities Group Plc	Annual	All For		

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
24/07/2023	Cranswick Plc	Annual	Against	9	Lack of independent representation at board committees
24/07/2023	discoverIE Group Plc	Annual	Against	4 3	Concerns related to below-board gender diversity Pay is misaligned with EOS remuneration principles
25/07/2023	MITIE Group Plc	Annual	Against	11	Concerns about overall board structure
25/07/2023	Vodafone Group Plc	Annual	Against	13,23	Pay is misaligned with EOS remuneration principles
26/07/2023	Molten Ventures Plc	Annual	All For		
26/07/2023	Ninety One Plc	Annual	Against	22.3 7 10	Concerns related to inappropriate membership of committees Lack of independent representation at board committees Pay is misaligned with EOS remuneration principles
27/07/2023	CMC Markets Plc	Annual	Against	5	Concerns related to below-board gender diversity
27/07/2023	Tate & Lyle Plc	Annual	All For		
28/07/2023	The Global Smaller Companies Trust Plc	Annual	All For		
03/08/2023	Future Plc	Special	All For		
03/08/2023	Investec Plc	Annual	Against	13	Pay is misaligned with EOS remuneration principles
04/08/2023	Network International Holdings Plc	Court	All For		
04/08/2023	Network International Holdings Plc	Special	All For		
04/08/2023	Telecom Plus Plc	Annual	Against	3,4,5	Pay is misaligned with EOS remuneration principles
18/08/2023	ME Group International Plc	Special	Against	2	Concerns to protect shareholder value
30/08/2023	Vistry Group Plc	Special	Against	1,2	Pay is misaligned with EOS remuneration principles
31/08/2023	Watches of Switzerland Group Plc	Annual	Against	7	Lack of independent representation at board committees
05/09/2023	DS Smith Plc	Annual	All For		
06/09/2023	Ashtead Group Plc	Annual	Against	2	Excessive CEO pay 2- High variable pay ratio
07/09/2023	Currys Plc	Annual	All For		
07/09/2023	LXI REIT PLC	Annual	All For		
07/09/2023	Monks Investment Trust PLC	Annual	All For		
07/09/2023	Polar Capital Technology Trust PLC	Annual	All For		
08/09/2023	Berkeley Group Holdings Plc	Annual	Against	2	Pay is misaligned with EOS remuneration principles
11/09/2023	SDCL ENERGY EFFICIENCY INCOME TRUST PLC	Annual	All For		
12/09/2023	Warehouse REIT PLC	Annual	All For		
14/09/2023	Auto Trader Group Plc	Annual	Against	2	Pay is misaligned with EOS remuneration principles
18/09/2023	Baillie Gifford US Growth Trust plc	Annual	All For		
19/09/2023	Aston Martin Lagonda Global Holdings Plc	Special	All For		
19/09/2023	Oxford Instruments Plc	Annual	All For		
20/09/2023	Frasers Group Plc	Annual	Against	3 2	Concerns related to below-board gender diversity Concerns related to ethnic and/or racial diversity Failure to provide DEI disclosures in line with UK listing rules Pay is misaligned with EOS remuneration principles
20/09/2023	Games Workshop Group Plc	Annual	Against	10	Pay is misaligned with EOS remuneration principles
20/09/2023	IG Group Holdings plc	Annual	Against	2	Pay is misaligned with EOS remuneration principles
21/09/2023	Kainos Group Plc	Annual	All For		
21/09/2023	Liontrust Asset Management Plc	Annual	All For		
22/09/2023	TI Fluid Systems Plc	Special	Against	1	Concerns to protect shareholder value
26/09/2023	Redde Northgate Plc	Annual	All For		
27/09/2023	AO World Plc	Annual	Against	2	Pay is misaligned with EOS remuneration principles
27/09/2023	Baltic Classifieds Group Plc	Annual	Against	16	Concerns to protect shareholder value
28/09/2023	Babcock International Group Plc	Annual	All For		

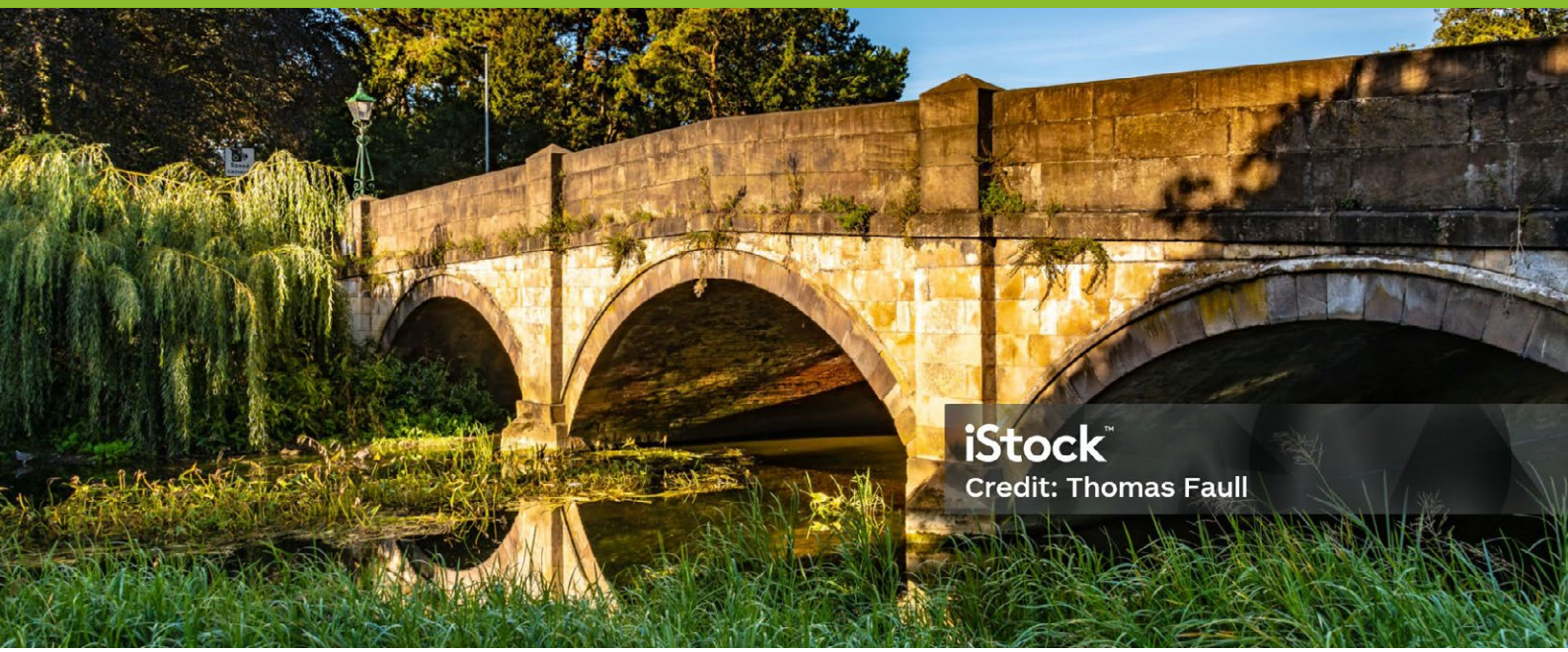
Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
28/09/2023	Diageo Plc	Annual	Against	4 3 2	The proposed DLTIP can be awarded in the form of share options, which we cannot support. We prefer equity-based remuneration to take the form of performance shares instead of options, since the use of a strike price below which options are out-of-the-money changes significantly the risk-reward profile faced by their holders and can encourage management to focus too much on share price performance. The use of options also brings unnecessary complexity. We have concerns regarding the maximum pay opportunity. Our guideline is that a ratio of more than four times base salary is concerning, and more than six times is unlikely to gain our support without a compelling justification. In this remuneration policy, the maximum variable opportunity exceeds six times base salary. We also prefer equity-based remuneration to take the form of performance shares instead of options, since the use of a strike price below which options are out-of-the-money changes significantly the risk-reward profile faced by their holders and can encourage management to focus too much on share price performance. The use of options also brings unnecessary complexity. We informed Diageo Plc that we expected to vote against the remuneration policy on these grounds and did not receive a response. Without a sufficient justification from management, we cannot support this remuneration policy. While total variable pay sat below the six times base salary ratio threshold this year, we cannot support the remuneration report due to the granting of option shares under this year's long-term incentive awards. We prefer equity-based remuneration to take the form of performance shares instead of options, since the use of a strike price below which options are out-of-the-money changes significantly the risk-reward profile faced by their holders and can encourage management to focus too much on share price performance. The use of options also brings unnecessary complexity.

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LGPS Central Limited

Stewardship Update

SECOND QUARTER · 2023-24 (JULY - SEPTEMBER 2023)



Cheshire Pension Fund

Derbyshire Pension Fund

Leicestershire County Council Pension Fund

Nottinghamshire Pension Fund

Shropshire County Pension Fund

Staffordshire Pension Fund
Local Government Pension Scheme

West Midlands Pension Fund

Worcestershire Pension Fund

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Responsible Investment & Engagement:

LGPS Central's approach

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

OBJECTIVE #1

Support investment objectives

OBJECTIVE #2

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

These are met through three pillars:

Our **Selection** of assets

Our **Stewardship** of assets

Our commitment to **Transparency & Disclosure**

This update covers LGPS Central's *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: PRI Principles for Responsible Investment

UK STEWARDSHIP CODE

employers network for equality and inclusion Member

LGPS ADVISORY BOARD CODE OF TRANSPARENCY

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01 A summary of engagement and voting activities and key stewardship developments

Key Stewardship developments

- **Taskforce on Nature-related Financial Disclosures:** Biodiversity has been the subject of increased attention from the Responsible Investment community. Several investor initiatives, such as Nature Action 100 and PRI's Nature Reference Working Group, have been announced this quarter. The Taskforce on Nature-related Financial Disclosures (TNFD) was launched at Climate Week NYC, after two years of development and testing. The TNFD's 14 recommendations have been released, and the reporting framework is now officially open for market adoption. Several prominent firms, including GlaxoSmithKline, have announced that they will adopt the recommendations and publish their first TNFD disclosures from 2026. This framework, which is largely based on the Taskforce for Climate-related Financial Disclosure (TCFD) framework, requires organizations to disclose how biodiversity is incorporated into the same four key pillars: Governance; Strategy; Risk Management; and Metrics and Targets.
- **Voting Season 2023 Summary:** the 2023 vote season was characterised by investor frustration over companies' inadequate responses to climate change, and stakeholder concerns about labour rights and pay as the cost-of-living crisis continued to bite. Shareholders continued to call for change at companies this year, bringing a raft of proposals in the US and Europe on collective bargaining rights, climate lobbying, child safety in the digital realm, animal welfare, racial equity and tax transparency. Executive compensation also came under scrutiny as the cost-of-living crisis continued. Companies continued to give investors the opportunity to vote on their climate transition plans – either for the first time, or by providing an annual update to already-approved plans. However, there was a marked reduction in the number versus 2022, according to EOS tracking data.
- During the period, the team also joined efforts with the **Nature Action 100** and the **CDP Science-Based Target** engagement programmes. Nature Action engages companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. The CDP Science-Based Target engagement programme will request more than 2,100 high-emitting companies to set science-based emission reduction targets. The company's outreach of both initiatives is set for the next quarter (i.e., 2023 Q4).
- Last but not least LGPS Central launched a **proprietary tool** for tracking engagement activities, including advocacy-type engagements. The tool will track progress against engagement's KPIs and it is fully integrated with the 2024-2027 Stewardship Plan.

STEWARDSHIP THEME REVIEW

As part of the three yearly Stewardship theme refresh, throughout October 2023, LGPSC's Stewardship team met with all Partner Funds to discuss a proposed set of stewardship themes. We will collate feedback and discuss with all our Partner Funds with a view to agree a revised set of stewardship themes for the next three years. We would like to thank all Partner Funds for their continued engagement throughout this process.

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Below is a high-level summary of key engagements and AGM votes that have taken place during Q2 of the financial year 2023-24. These and other engagements and voting examples will be covered in more detail later in this update.

ENVIRONMENTAL

Société Générale is the fifth largest European provider of financing to 50 of the top oil and gas companies, having provided over $34 billion between 2016 – 2021[1]. In February 2023, LGPSC co-signed a letter to Société Générale's Chief Executive Officer and Chairman of the Board of Directors, requesting that the company commit to stopping direct financing for new Oil & Gas fields. We attended an engagement call with the firm's Chief Sustainability Officer in September 2023. As responsible investors we were pleased to learn that the company committed to cease financing upstream oil and gas pure players and new greenfield projects from 1st January 2024. The firm also unveiled its refreshed Oil and Gas policy with several new net zero targets. There is potential to re-engage with the company in H1 2024 to discuss extending the commitment to cease financing new oil and gas fields. There is an opportunity to include state-owned companies in this commitment and to discuss the firm's approach to the Just Transition.

We recognise our fiduciary duty to act in the best long-term interests of our beneficiaries and the crucial role that tropical forests and other types of native vegetation play in tackling climate change, protecting biodiversity and ensuring ecosystem services. To this end, LGPSC are active members in the collaborative investor initiative, **Investor Policy Dialogue on Deforestation (IPDD)**. IPDD sent a letter to several Brazilian Senators raising concerns over Projeto de Lei 2903 which risks undermining protection for indigenous territory and thereby facilitating deforestation. The letter outlines the key role indigenous communities play in ensuring compliance with Brazil's world-leading Forest Code and makes clear that IPDD would like to see the proposed legislation defeated in the Senate.

In response to the government's recent public statements and policy signals, LGPSC co-signed a letter to **Prime Minister Rishi Sunak** in August 2023, along with investment manager, banks, asset owners and other financial institutions representing £1.5 trillion in Assets Under Management. The letter urged the government to provide long-term policy certainty to ensure the UK is a world leader in sustainable finance by making clear that important policy pillars driving investment, like predictable carbon pricing mechanisms, the transition to EVs, and improved energy efficiency standards for housing, will not be changed abruptly.

SOCIAL

We are directly engaging with an **Information Technology company** on the issue of upholding the United Nations Guiding Principles on Business and Human Rights (UNGPs). We held a meeting with the Chief Compliance Officer in September 2023 to discuss our expectations of the company to undertake human rights due diligence and have established access to remedy programmes encompassing human rights. We requested to see evidence of the firm's Human Rights Due Diligence assessment. We will continue to pursue this engagement.

As part of the PRI Tax Engagement, LGPSC is leading on the review of the Experian's latest Tax report. Feedback will be discussed with the other members of the group. Whilst the company's tax disclosure remains good, there has not been much improvement from previous years. Country to country reporting remains outstanding, as well as explanation behind the changes in the tax rate.

GOVERNANCE

LGPSC responded to the Corporate Governance Code and the FCA Vote Report consultations. The FRC is proposing a revision to the Code to enhance its effectiveness in promoting good corporate governance. The main changes focus on strengthening assurance in accordance with a company's audit and assurance policy, and reporting on malus and clawback arrangements. This Vote Reporting Group consultation proposes a voluntary, standardised, and comprehensive 'vote reporting template' for asset managers to communicate with asset owner clients on their voting activities.

[1] Oil-Gas-Expansion-lose-lose.pdf (assets-servd.host)

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Voting highlights

Constellation Brands

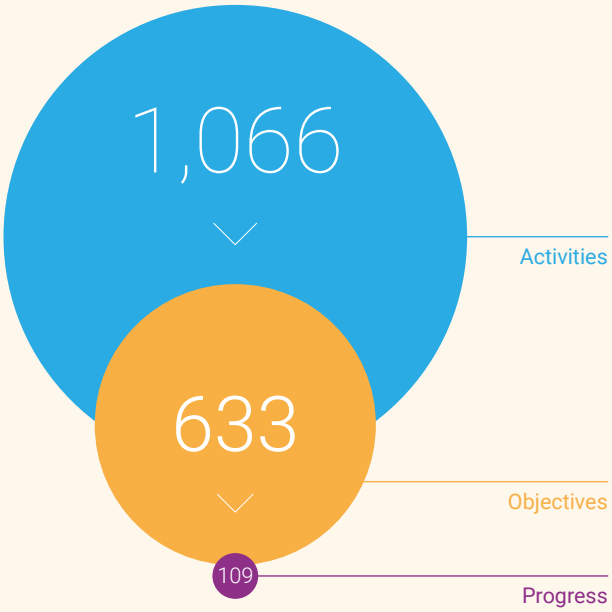
CONSTELLATION BRANDS, INC.

We supported a shareholder proposal requesting a report disclosing how the company intends to reduce the full range of its Scope 1 through 3 greenhouse gas emissions in alignment with the Paris Agreement's 1.5-degree Celsius goal requiring Net Zero emissions by 2050. Constellation Brands can be viewed as a laggard in comparison to other alcoholic beverage companies including Molson Coors, Anheuser-Busch InBev, and Diageo who have all set Paris aligned targets. These targets have been validated by the Science Based Targets initiative for their Scope 1, 2, and 3 emissions. Given the firm's lagging position relative to its peers, we supported this shareholder resolution. We believe that shareholders would benefit from additional information on how the company plans to align its operations with the Paris Agreement goals, manage its greenhouse gas emissions, and address climate risks. See further detail on page 13.

NIKE, INC.

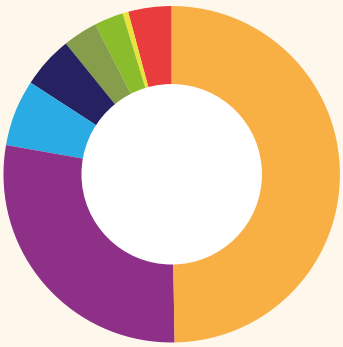
A shareholder proposal was put forward requesting NIKE to report on its gender and racial pay gaps, including various associated risks. The median pay gap statistic provides benefits such as transparency and comparability across time and organisations, as well as measuring the representation of women and racial and ethnic minorities in senior positions. As the company discloses its pay gap data for its UK workforce, investors would benefit from a report concerning the unadjusted median pay gap data for its U.S. or its global workforce. This report would allow them to better gauge how well the company is advancing opportunities for women globally and for racial and ethnic minorities in the U.S. It also assists in mitigating risks related to the increasing public scrutiny on gender and racial/ethnic pay equity issues. This is particularly relevant for NIKE as the company is currently facing a lawsuit alleging sexism and unequal pay for women. We supported this shareholder resolution because we would benefit from global median pay gap statistics, which would allow us to compare and measure the progress of the company's diversity and inclusion initiatives. See further detail on page 13.

ENGAGEMENT ACTIVITIES DURING THE QUARTER



GLOBAL VOTING

We recommended voting against or abstained on **494** resolutions over the last quarter.



- Board structure **49.8%**
- Remuneration **27.9%**
- Shareholder resolution **6.5%**
- Capital structure and dividends **5.1%**
- Amend articles **3.2%**
- Audit and accounts **2.8%**
- Poison pill/Anti-takeover device **0.6%**
- Other **4.0%**

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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.



ENGAGEMENT SET[2] COMPRISED	ENGAGEMENT ACTIVITY ON
439 COMPANIES	1066 ISSUES AND OBJECTIVES[3]
THERE WERE	**ACHIEVEMENT OF SOME OR ALL ON**
633 OBJECTIVES	109 OBJECTIVES

This quarter our engagement set[2] comprised 439 companies. There was engagement activity on 1066 engagement issues and objectives[3]. Against 633 specific objectives, there was achievement of some or all on 109 occasions. Most engagements were conducted through letter issuance or remote company meetings, where we, our partner or our stewardship provider in a majority of cases met or wrote to the Chair, a Board member or a member of senior management.

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

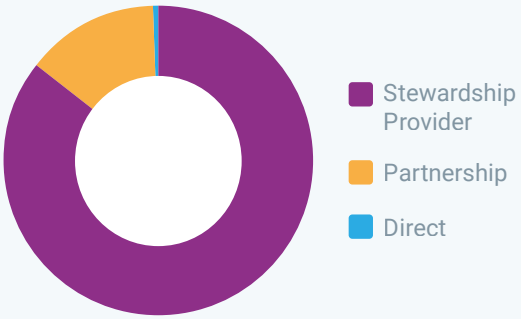
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CLIMATE CHANGE ENGAGEMENTS

This quarter, our climate change engagement set comprised 196 companies with 355 engagement issues and objectives[4]. There was progress on 57 specific engagement objectives.

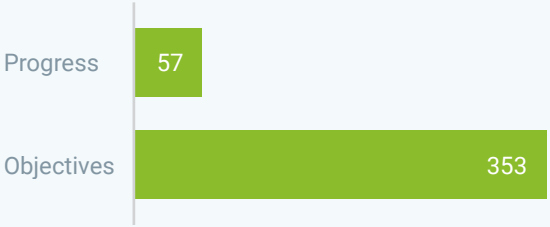


ENGAGEMENT VOLUME BY TYPE



- 353 engagements during the quarter.

ENGAGEMENT VOLUME BY OUTCOME



BANK OF IRELAND GROUP PLC

Theme: Climate Change

Objective: Bank of Ireland Group PLC (the 'Bank') is investigating ways to implement full scope emissions targets for its operations and Scope 3 portfolio emissions, and how this will align with science-based pathways. This strategy implies changes to lending practices as well as managing down legacy emissions in historical lending. Our stewardship provider, EOS at Federated Hermes ('EOS') have set an objective for this to be achieved, with a net-zero target across all scopes and lending that can be achieved well before 2050.

Engagement: During a Q3 2022 engagement, the bank provided an outline of its intended strategy to disclose a planned science-based pathway for Scopes 1, 2 and 3 and lending portfolio emissions reductions. EOS engaged with the bank throughout the process and reported on the bank's progress on the science-based pathway, and the strategy to achieve this, as well as greater detail on how net zero can be achieved. EOS also reviewed its sustainable business disclosure, which has outlined the work it will carry out in its internal asset class working groups to establish approaches to science-based targets.

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

Outcome: At the end of Q3 2023, the bank has published a full and detailed strategy for science-based emissions reduction pathways of which the targets have been validated by the SBTi. These consist of a 49% reduction in GHG emissions from operations (Scope 1 and 2) by 2030 and reduction targets have been set for emissions arising from lending (Scope 3). To achieve this, the Bank has increased sustainable lending by committing to a 48% reduction in mortgage portfolio emissions and a 56% reduction in commercial real estate portfolio emissions by 2030, with 2020 as the base year.

Under the targets, 25% of the Bank's corporate loan portfolio will also need to have SBTi-validated targets by 2025. Whilst the wider objective is achieved, EOS continues to engage with the Bank on how it is executing against the commitments to complete the requirement above.

In Q3 2023, EOS discussed challenges and opportunities of executing lending against emissions pathways. The Bank have implemented strategies to increase adoption of decarbonisation, adaptation and resilience-related lending amongst agriculture and home mortgage borrowers. EOS will continue to monitor achievement of emissions and lending targets and provide feedback on how the bank is providing quantitative disclosure in this regard.

DELTA ELECTRONICS INC

Theme: Climate Change

Objective: The objective is for the company to enhance its disclosure in line with the TCFD recommendations to demonstrate that its strategy is consistent with the Paris Agreement goals or the International Energy Agency's 1.5 degrees scenario.

Engagement: Our stewardship partner, EOS at Federated Hermes (EOS) raised concerns about the company's use of internal carbon funds or capex to fund its climate transition. The company stated it has been using internal carbon funds or capex to fund other activities in order to meet its carbon neutrality goals. During an engagement in November 2021, EOS requested further disclosure on the use of the fund. EOS discussed the company's internal carbon pricing and asked how the mechanism, whereby internally generated funds are directed to energy conservation, emissions reduction, and renewable energy investment, works in practice. The company was unable to provide a detailed answer, investor relations advised that more information should be provided in the upcoming ESG report.

Outcome: Delta Electronics' 2022 ESG report contains significant new information on how its internal pricing mechanism helps it to achieve its climate ambitions. It quantifies funds totalling US$120m raised by the mechanism in 2022. The report explained the carbon fee charged by the mechanism and also explained how the mechanism is used to help finance its transition to electric vehicles, which is in line with its commitment to using only zero-emission company vehicles by 2030.

SUZANO SA

Theme: Biodiversity

Objective: Our stewardship provider, EOS at Federated Hermes (EOS) scrutinised the company's long-term biodiversity strategy. The company was requested to produce evidence in terms of biodiversity restoration, land use and social impact outcomes in its 2021 to 2023 disclosures. The strategy needs to account for and report against historic problems in biodiversity and land use that the company has faced in previous decades.

Engagement: Following the 2021's Company biodiversity strategy and targets, EOS has engaged with the company on disclosure on the targets and its long-term alignment towards biodiversity restoration and land use. In addition, the Company has previously faced criticism on its approach towards land use and biodiversity.

Outcome: The Company has set up a target on restoring ecological connective corridors in three focus biomes. This will lead to biodiversity restoration across a total of 4 million hectares to be conserved overall. The target covers directly owned lands and expands to joint ventures. As of 2022, around 180 hectares have been planted, about 1% of its restoration goal. Despite initially slow progress, the company is encouraged to remain committed to its long-term partnership and ambition, given the environmental and social materiality of resilient biomes to the company's financial health.

The engagement is still ongoing. The company reports the impact the strategy is having in its 2021 ESG disclosures and changes made to improve effectiveness. The company has begun to demonstrate early results of its biodiversity, land use their reporting, but more progress is needed. Our engagement provider, EOS, continues to monitor this.

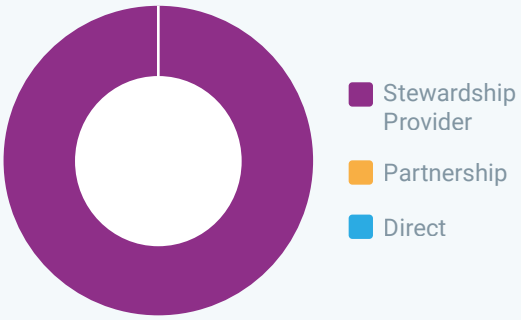
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PLASTIC ENGAGEMENTS

This quarter our plastic-related engagement set comprised 17 companies with 18 engagement issues and objectives. There was progress on 1 specific engagement objective.



ENGAGEMENT VOLUME BY TYPE



- 18 engagements during the quarter

ENGAGEMENT VOLUME BY OUTCOME



ANSELL LTD

Theme: Plastics

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. The objective is for the company to develop and publishes a circular economy strategy with goals that include sourcing, demand, use and disposal.

Engagement: In the most recent engagement, held in Q3 2023, the company confirmed to EOS, our partner, plans to launch a new framework to outline the sustainability characteristics of individual products. It is calling this initiative Ansell Earth and expects it to be helpful in informing customer choice on sustainability. This supports its target for 80% of products to be designed with a reduced environmental impact by 2026. The company has also undertaken a lifecycle analysis of the environmental impact of multiple products. For its reusable gloves, around 50% of the carbon footprint relates to the yarn, while for its single-use gloves the biggest impacts occur at manufacturing (being addressed) and through end-of-life waste generation. The creation of a dedicated team of sustainability specialists that work across innovations underlines the increased importance of sustainability at Ansell. In 2023 it partnered with a French recycling company to trial the processing of gloves, including nitrile gloves, into second life material for use.

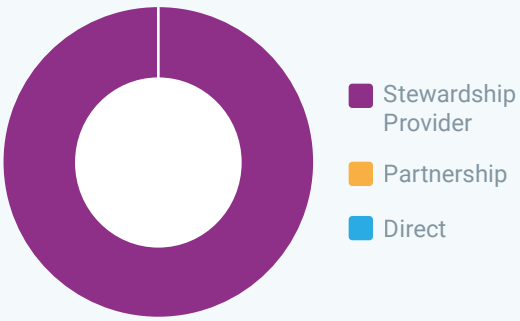
Outcome: EOS will continue to engage with the company until the firm has developed and published a robust circular economy strategy as outlined in the engagement objective.

FAIR TAX PAYMENT AND TAX TRANSPARENCY ENGAGEMENTS

This quarter, our tax transparency engagement set comprised 1 company with 2 engagement issues and objectives.



ENGAGEMENT VOLUME BY TYPE



- 2 engagements during the quarter

EXXON MOBIL CORP

Theme: Responsible Taxation policy

Objective: The objective is for the company to publish a responsible taxation policy in line with the Global Reporting Initiative Tax Fairness Standard, and disclose itemised payments to governments at the national, state, and local levels.

Engagement: In February 2023, our Stewardship Partner, EOS at Federated Hermes, encouraged the company to publish a responsible taxation policy in line with the Global Reporting Initiative Tax Fairness Standard, and disclose itemised payments to governments at the national, state, and local levels. In response, the company said it was prepared to increase disclosure on the topic in line with emerging Dodd Frank regulations - regulation that restricts banks from trading with their own funds, monitors systemic risk, tightens regulation of financial products, and creates new agencies to oversee the process.

Outcome: In Q3 2023, the company outlined that it is prepared to comply with emerging tax regulations that require country-by-country reporting. EOS will continue to engage with the firm on this matter.

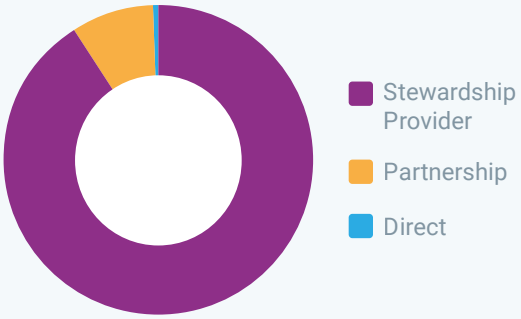
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HUMAN RIGHTS

This quarter our human rights related engagements comprised 129 companies with 223 engagements issues and objectives. There was progress on 29 specific engagement objectives.



ENGAGEMENT VOLUME BY TYPE



- 223 engagements during the quarter

NESTLE SA

Objective: The objective of this engagement is to ensure the company is advocating for the industry to stop the marketing of unhealthy products to children under 18 years of age and extends its Responsible Marketing to Children Policy to all children under the age of 18.

Engagement: EOS raised concerns regarding the absence of company advocacy for the industry to stop the marketing of unhealthy products to children under 18 years of age and the importance of extending its Responsible Marketing to Children Policy to all children under the age of 18. Our engagement provider challenged marketing policies that allow for up to 25% of marketing to target children under 12 and questioned why its 'Responsible Marketing to Children Policy' cannot be extended to all children under the age of 18. The company acknowledged their concerns but argued that there needs to be an industry-wide level-playing field on marketing policy. As a result, our stewardship provider pushed the company to evidence that it is advocating for the industry to stop the marketing of unhealthy products to children under 18 years of age as well extending its own policy to this whole age group. EOS participated in a collaborative Access to Nutrition Index engagement with the company's head of public affairs, head of food, and head of governance in Q4 2022 to further challenge the company on responsible marketing to children.

Outcome: The company raised its minimum age for marketing to children from 13 years to 16 years and its advocacy plan to raise industry standards. The company reiterated its recent commitment during a collaborative engagement with the Healthy Markets Coalition and the company's global head of food and global head of public affairs in Q4 2022. During ShareAction's Healthy Markets Coalition in July 2023, we found that the company is strengthening its responsible marketing to children, and refrains from marketing indulgent products or portions over a certain number of calories to children under 16 years of age.

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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.

LGPS Central's approach to voting aligns with our responsible stewardship responsibility towards clients, i.e. Partner Funds. LGPS Central exercises voting rights to support the long-term economic interests of its stakeholders and to ensure boards of directors are accountable to shareholders.

COMMENTARY

Between July – September 2023, we:

VOTED AT	OPPOSED ONE OR MORE RESOLUTIONS AT	SUPPORTED
394 MEETINGS (4,128 resolutions) globally	215 MEETINGS	69.2% OF SHAREHOLDER PROPOSALS (36 out of 52 resolutions)

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 on our website here.

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EXAMPLES OF VOTING DECISIONS

Constellation Brands

Company: Constellation Brands Inc

Theme: Climate Change

Rationale: We supported a shareholder proposal requesting a report disclosing how the company intends to reduce the full range of its Scope 1 through 3 greenhouse gas emissions in alignment with the Paris Agreement's 1.5 degree Celsius goal requiring Net Zero emissions by 2050. Most of the firm's emissions fall under Scope 3, which is not covered by its current emissions targets. According to the company's ESG Impact Report 2022, it aims to reduce Scope 1 and Scope 2 greenhouse gas emissions by 15 percent by FY 2025, from a baseline FY 2020 emissions. The firm is implementing a three-year strategy and operating plans to achieve its targets. However, Constellation Brands can be viewed as a laggard in comparison to other alcoholic beverage companies including Molson Coors, Anheuser-Busch InBev, and Diageo who have all set Paris aligned targets. These targets have been validated by the Science Based Targets initiative for their Scope 1, 2, and 3 emissions. Given the firm's lagging position relative to its peers, we supported this shareholder resolution. We believe that shareholders would benefit from additional information on how the company plans to align its operations with the Paris Agreement goals, manage its greenhouse gas emissions, and address climate risks.

Result: The vote received 31.0% support which sends a strong message to the Board that investors would like to see improved greenhouse gas disclosures, in line with peers.

Company: NIKE, Inc

Theme: Human Rights

Rationale: A shareholder proposal was put forward requesting NIKE to report on its gender and racial pay gaps, including various associated risks. NIKE does not publish for its U.S. or global workforce the same gender pay gap statistic as it publishes in the UK. The company is facing a lawsuit filed in 2018, by two former employees alleging the company promoted a culture of sexism and fear of retaliation as well as unequal pay for women.

The median pay gap statistic provides benefits such as transparency and comparability across time and organisations, as well as measuring the representation of women and racial and ethnic minorities in senior positions. As the company discloses its pay gap data for its UK workforce, investors would benefit from a report concerning the unadjusted median pay gap data for its U.S. or its global workforce. This report would allow them to better gauge how well the company is advancing opportunities for women globally and for racial and ethnic minorities in the U.S. It also assists in mitigating risks related to the increasing public scrutiny on gender and racial/ethnic pay equity issues. This is particularly relevant for NIKE as the company is currently facing a lawsuit alleging sexism and unequal pay for women. We supported this shareholder resolution because we would benefit from global median pay gap statistics that would allow us to compare and measure the progress of the company's diversity and inclusion initiatives.

Result: The proposal received 29.6% support which sends a strong signal to NIKE's Board on investor concern over the firms approach to Diversity, Equity, and Inclusion.

FedEx

Company: FedEx Corporation

Theme: Climate Change

Rationale: We supported a shareholder proposal that requested the Board of Directors to commission an independent study of how FedEx is addressing the impact of its climate change strategy on relevant stakeholders, including but not limited to its employees, workers in its supply chain, and communities in which it operates. The report should be consistent with the "Just Transition" guidelines of the International Labor Organization and indicators of the World Benchmarking Alliance.

The World Benchmark Alliance's 2022 Transportation Benchmark report scored FedEx 1.9 out of 20 on the Just Transition and raised concerns about sufficient disclosure and strategy around planning for the impact of the low-carbon energy transition on workers and communities. The firm is pursuing electric and autonomous vehicles as part of its climate strategy and research suggesting that the shift to electric vehicles and autonomous vehicles may introduce significant workplace challenge. As responsible investors we are interested in how FedEx will manage these impacts. The company does not provide disclosure around whether it anticipates its climate strategy to have a significant impact on its workforce development strategy. It is also unclear whether its current workforce development efforts would be well-positioned to address potential changes. While the company's efforts exceed those of its key peers, in this case, there appear to be concerns about the state of disclosure within the entire transportation sector. Greater disclosure around the company's just transition strategy would allow shareholders to better evaluate any related risks and opportunities.

Result: The proposals received 29.7% shareholder support and continues to send a strong message to the Board that investors are cognisant of risks associated with the Just Transition.

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Company: Wizz Air Holdings Plc

Theme: Remuneration

Rationale: Shareholder approval was sought for a non-binding resolution to approve the company's remuneration policy, which would be effective from August 2023 to August 2026. The company proposed to amend the performance conditions and period of the Value Creation Plan (VCP) award granted to the CEO in 2021. Key changes to the in-flight policy include:

- The performance period is being extended from five years to seven years;
- Amendments have been made to allow full payout if 100% target share price is hit during two consecutive quarters before end date, otherwise defaulting to measured achievement based on 1H CY 2028 VWAP.
- The Company is removing the financial underpin related to the payout of the ESG portion of the award.

As a responsible investor, we have concerns about the changes in the executive package. The removal of financial underpin relaxes the conditions for the award being granted which is worsened by the fact that full payout can be paid if the 100% target share price is achieved during 2 consecutive quarters. We believe these metrics are not stretching and as challenging as the original executive policy (e.g. financial underpin attached to the ESG metrics).

Result: The proposal resulted in 28.2% voting against the resolution. Although the resolution passed it sent a strong message to the company over investor concern of the remuneration policy.

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LGPS CENTRAL LIMITED'S

Partner Organisations

LGPSC actively contributes to the following investor groups



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All information is prepared as of **24/08/2023**.

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For professional investors only.
All investing involves risk.



Q3 2023

ESG impact report

Global engagement to deliver positive change

LGIM

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.

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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.



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Action and impact

This quarter, we look at our continued Climate Impact Pledge engagement, the main driver behind our increased engagement figures. We also include updates from our Global Research and Engagement Groups, discuss our work on income inequality, and highlight our engagement with stock exchanges in Asia.



Environmental | Social | Governance

ESG: Environment

Climate

Climate Impact Pledge update: our largest written campaign to date

Regular readers will notice that our Q3 engagement statistics have increased substantially compared with last year. The primary reason behind this is the expansion of our Climate Impact Pledge and the continuation of engagement with the 5000+ companies within the programme. In order to count written communication as an engagement, it must include a clear statement of our asks and expectations, a clear timeframe for these to be achieved, and what sanctions will be applied if our expectations are not met.

Identify and engage

In this written campaign, we **aim to write to all 5,000+ companies** (for which we have contacts) covered within our expanded Climate Impact Pledge scoring tool. We are coordinating a written engagement campaign through four batches of letters.

The content of all the letters aims to:

- Communicate our campaign
- Showcase and explain our Climate Impact Pledge score website as an assessment tool against our climate expectations
- Call companies to action to improve indicators flagged as red or amber in our tool, and specially to address and aim to meet our minimum standards
- Communicate the voting implications linked to our minimum standards

The results so far:

1,500
Letters sent

90%
Delivery rate

250+
Companies identified for potential voting sanctions contacted

Next steps

We are currently centralising and streamlining responses from investee companies. We have engaged with technology and telecommunications companies – newly added to the programme as part of our 2022 expansion – as set out in our 2023 Climate impact Pledge update. We aim to understand specifically how climate-related issues are prioritised within the board's discussions and how they are integrated into companies' strategies, including challenges encountered and industry-specific characteristics of which we should be aware with regard to climate transition and reporting on progress.

Our annual climate engagement cycle with the 100+ 'dial-mover' companies begins in October 2023.



CDP non-disclosure campaign and SBTi campaign

During the quarter, we supported two campaigns coordinated by CDP:

1. CDP's Non-Disclosure Campaign (NDC) with the aim to engage with companies that have failed to respond to requests to disclose through CDP's climate change, forests and/or water security questionnaires. This campaign runs alongside the main CDP disclosure request, to boost transparency and drive up rates of corporate disclosure. By participating in this initiative, we aim to promote transparency and accountability from investee companies. We have co-signed letters to all targeted companies that will be engaged by selected leads and the campaign reached a record number of sign-ups with 280+ participants, targeting 1,600 non-disclosing companies
2. This is the third year we have supported CDP's Science-Based Targets Campaign requesting large, impactful companies to set science-based targets. The 2023 campaign called on the 2,100 most impactful companies globally to set science-based targets

We would encourage companies to participate in CDP questionnaires and disclose through them as CDP data is often used by other data providers such as Bloomberg, ISS, GRESB, Sustainalytics and MSCI, as well as asset managers and other investor initiatives. As a large global investor[1], we always seek consistent and comparable information from our investee companies and third-party data providers.

1. LGIM has £1158 billion of assets under management (AUM), (Source: LGIM internal data as at 30 June 2023. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong (2018-2019 only). The AUM includes the value of securities and derivatives positions.)

Climate week: from commitments to accountability

As a large, global investor engaging with companies and policymakers around the world, we want to be part of the discussions shaping global dialogue on stewardship and responsible investment. Climate week took place in New York in the third week of September and our participation in panels and discussions was an opportunity to connect and collaborate with peers, clients and stakeholders on some of the most pressing issues facing asset owners and investors today.

In terms of participation and panels, some highlights included:

- **Global Climate Finance – sharpening up shareholder strategy**, organised by the Australian Centre for Corporate Responsibility (ACCR), Carbon Tracker, As You Sow, and Institute for Energy Economics and Financial Analysis (IEEFA). Our participation in the panel introduced our Climate Impact Pledge programme and our broader investment stewardship philosophy
- **FSDA (Finance Sector Deforestation Action)** meeting of signatories: we are part of the steering committee and the meeting was an opportunity to assess progress across signatories and forthcoming developments in deforestation data
- **Ceres and 'Freedom to Invest':** a talk which we attended, covering rebranding of ESG in the US to 'responsible business'
- **Carbon Disclosure Project:** a roundtable of asset managers and owners, discussing net-zero commitments, reporting on progress and assessing transition risk
- **ClimateArc:** we attended a workshop of NGOs, data providers, activists and consultants, on identifying existing tools (common datasets, scenarios, and understanding levers) to shift the market from net-zero commitments to accountability



In addition to strengthening our ties with the collaborations of which we are already part, and helping to shape their future direction, we were also able to glean more information about newer organisations set up to tackle climate change, and to hear in depth from a variety of stakeholders about challenges and opportunities in climate change.

Two core themes we would identify from the week were:

- A shift among from climate commitment to climate accountability
- The need for more precise language to describe 'ESG'

And we will be looking at how to integrate these considerations into our global stewardship engagement work, both with companies and policymakers.

Nature

NA100 collaboration

We are excited to announce that LGIM is a formal member of Nature Action 100 (NA100), a global investor initiative co-led by Ceres and the IIGCC (with support from Finance for Biodiversity and Planet Tracker). Focused on corporate engagement, NA100 aims to encourage greater corporate ambition and action on nature and biodiversity loss, by setting a common agenda and clear set of expectations for companies. 190 institutional investor participants – representing US$23.6 trillion in assets under management or advice – have joined NA100 and will be participating in direct engagement with 100 companies through the initiative.[2]

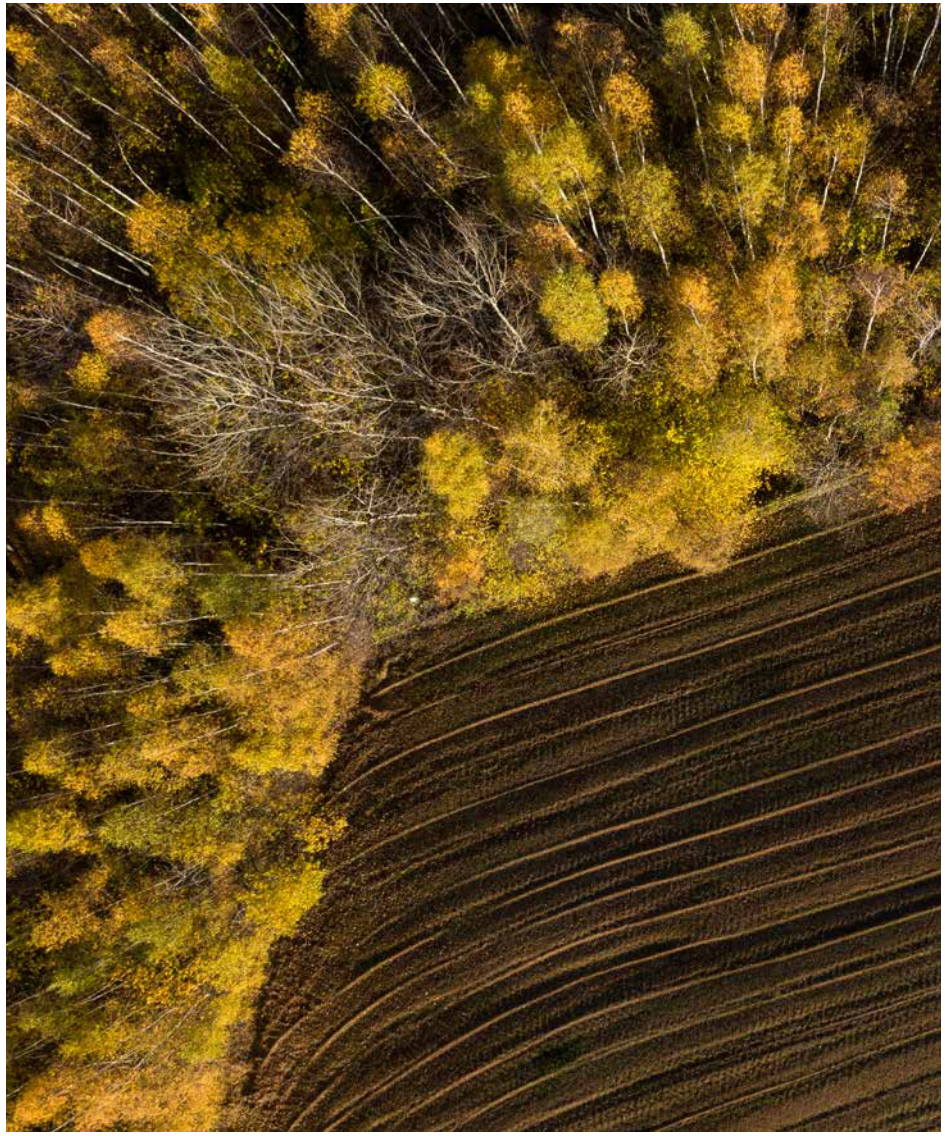
Joining NA100 is an important part of acting on the commitments LGIM has made regarding collaboration and knowledge-sharing under the Finance for Biodiversity Pledge, as set out in our biodiversity policy.

As corporate disclosure and assessments of companies' interactions with nature continue to evolve rapidly, we would hope that NA100 membership will provide both resources and insights that will help us develop our expectations and understanding in this area. We also note that NA100 is being framed broadly through a focus on sectors that are major drivers of nature loss through their impact upon natural habitats, overexploitation of resources, and soil, water and solid waste pollution.



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2. Investors – Nature Action 100



Deforestation

Policy update

Having published our deforestation policy initially in the third quarter of 2022, we recently updated it to reflect the progress we have made on the milestones set out, our strengthening expectations of companies, and data improvements which have allowed us to broaden the scope and increase the depth of our assessments and engagement. We have also integrated the social aspects of commodity-driven deforestation and consideration of human rights, including indigenous people and land rights. LGIM has steadily evolved its approach to assessing and engaging on deforestation risk, most recently with a new risk assessment tool and a refresh of our assessment, with voting sanction implications, of deforestation policies and programmes.

Our minimum expectation is that all companies in 'deforestation-critical sectors',[3] for which we have data, have both a deforestation policy and programme.[4]

Additionally, we include some examples of best practice for companies regarding deforestation management and mitigation that we expect increasingly to monitor and engage on.

For further details, please read our updated deforestation policy.

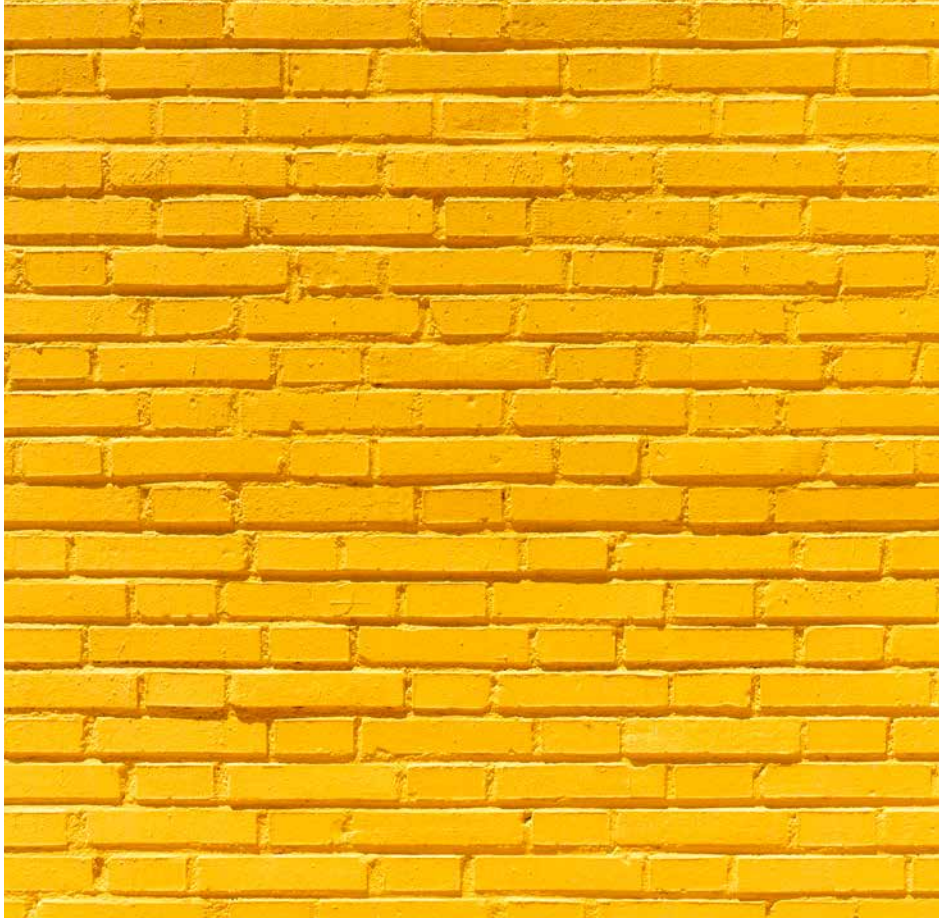
3. 'Deforestation-critical' sectors or 'high-risk' sectors are defined using Ceres' Investor Guide to Deforestation and Climate Change. We also follow Deforestation Free Finance guidance on which GICS sub-industries to cover.
4. As assessed by Sustainalytics, using its criteria. Companies in selected sectors, where we have data, scoring 0 on either deforestation policy or programme will receive a vote against.

Significant votes

Company name	EMS-Chemie Holding AG*
ISIN	CH0016440353
Market cap	US$16.16 billion[5]
Sector	Basic materials: chemicals
Issue identified	EMS-Chemie does not meet our minimum standards with regard to climate risk management, as set out in our net-zero guide for the chemicals sector. According to the International Energy Agency (IEA), the chemicals sector is the largest industrial energy consumer and the third-largest industry subsector in terms of direct CO2 emissions.[6]
Summary of the resolution	Resolution 6.1.1: Elect Bernhard Merki as Director, Board Chair, and Member of the Compensation Committee AGM date: 12 August 2023
How LGIM voted	AGAINST resolution 6.1.1 (i.e. against management recommendation)
Rationale for the vote decision	The company's climate-related disclosures are lacking in the transparency and robustness that we believe is necessary for shareholders to obtain a sound picture of the company's climate transition plans and strategy. We also have concerns with regards to the scope and credibility of its net-zero commitment, as well as its medium-term targets, alignment to a 1.5°C scenario, and reliance on offsets. The company currently does not align executive remuneration with its medium-term emissions targets, which raises governance concerns regarding prioritisation and accountability for climate-related issues. Further, we have been disappointed in the company's lack of response to its shareholders' requests for dialogue regarding its climate strategy and disclosures. Our decision to vote against the re-election of the Chair of the Board, Bernhard Merki, is an escalation of our collaborative engagement with ShareAction and a reflection of our longstanding climate concerns at the company.
Outcome	94.7% votes were in favour of resolution 6.1.
Why is this vote 'significant'?	At LGIM, we believe that the chemicals sector has a crucial role to play in the global transition to net zero and in addition to publishing our sector-specific expectations under the Climate Impact Pledge, we have also joined a collaborative initiative to engage with the largest European chemicals companies, organised by ShareAction.

* For illustrative purposes only. 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.

5. As at 25 September 2023, Ems-Chemie (EMSN.SW) – Market capitalization (companiesmarketcap.com)
6. Source: Chemicals - IEA



Case studies
Heidelberg Cement*: GREGs focus

Identify

Cement production is responsible for around 8% of global carbon emissions per year.[7] Therefore, the cement industry needs to decarbonise significantly for the world to reach net zero; the sector is included within the 'climate critical' sectors of our Climate Impact Pledge. Heidelberg believes it has an industry-leading decarbonisation policy as well as first-mover advantage in carbon capture and storage (CCS).

Engage

During the quarter, LGIM participated in discussions with Heidelberg's management team to discuss the progress and economic viability of the company's planned CCS projects. Questions focused on:

1. The economics of CCS (cost of capture, transport and storage versus carbon pricing)
2. The external factors affecting viability of CCS projects (regulation, government subsidies etc.)
3. Demand expectations for 'carbon-free' cement

Next steps

LGIM will continue to engage with Heidelberg as well as other competitors in the cement industry on their decarbonisation targets and trajectory. For Heidelberg, the economics of CCS will only become economical with either an increase in the carbon price or if customers are willing to pay a premium for carbon-free cement. LGIM will continue to monitor these dynamics and discuss with management.

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7. Concrete needs to lose its colossal carbon footprint (nature.com)



Water: GREGs focus

Identify

Water is a key component within our global stewardship theme of 'Nature'. We believe that water is at the core of resilient, sustainable economic development, and it is linked to a broad spectrum of concerns, from net zero, food and human health, to involuntary migration, and social and political instability.

We believe that in its current form, the water system presents a long-term systemic market risk that is financially material for our clients; it is therefore a specific area where we are focusing our activities in the Investment Stewardship team, and within the Global Research and Engagement Groups (GREGs).

The water industry in England and Wales, in particular, is facing a number of environmental issues, many of which have received frequent press coverage in recent months. From pollution and monitoring of outflows, water security and infrastructure investment, to high levels of debt and evolving regulation, there are a number of financially material challenges that we have identified for engagement within the GREGs. As a major lender in the sterling corporate bond market, we believe we have a responsibility to push for positive change at underperforming companies.

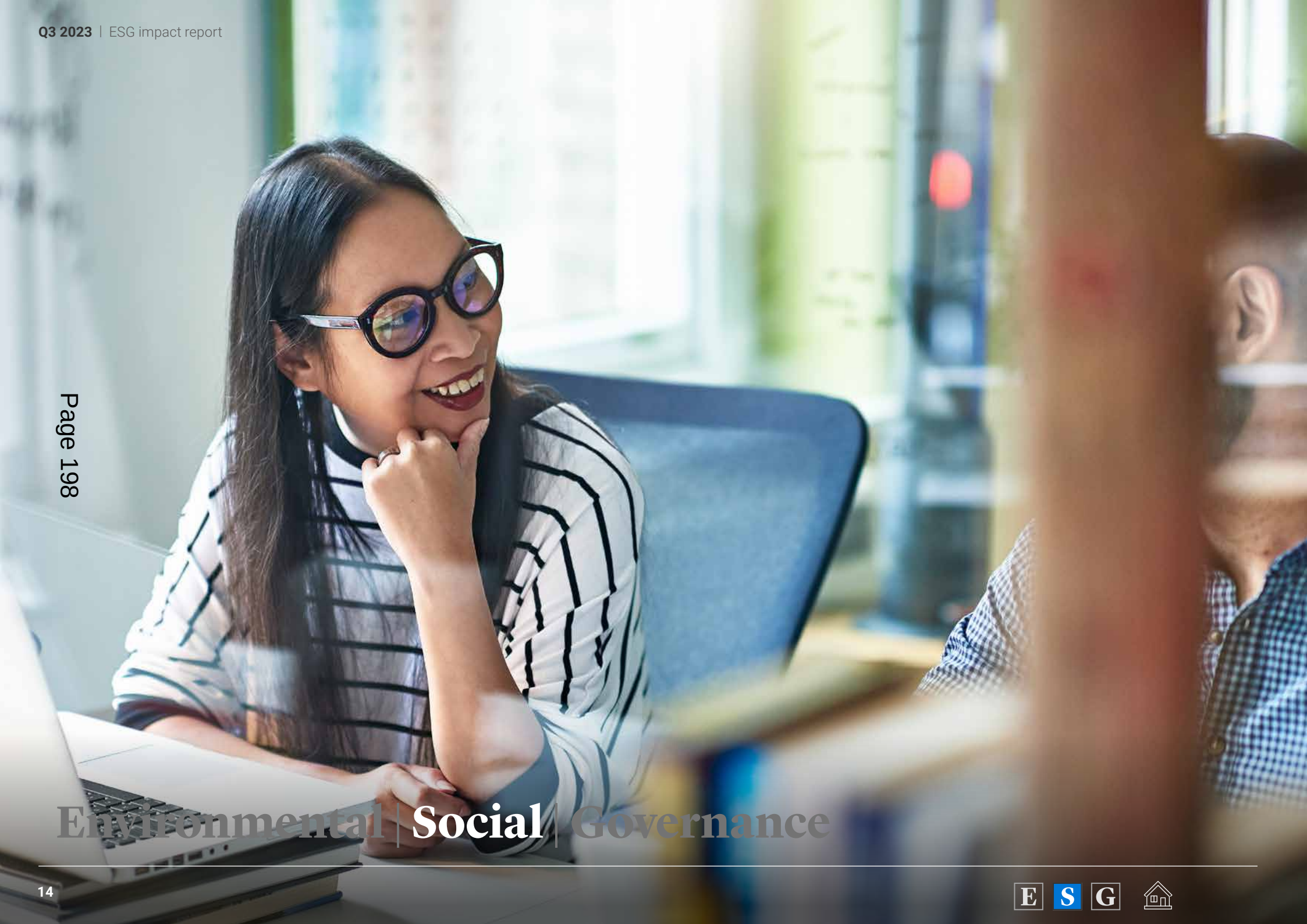
Engage and escalate

Within the GREGs, members of our Investment Stewardship and investment teams have been forming a sector-wide engagement strategy, incorporating both corporate engagement and policy dialogue.

With regards to engagement, LGIM has joined a collaborative working group that is being led by the Investor Forum focused on short-, medium- and long-term concerns regarding the UK water system. The collaborative engagement is crucially approaching the topic at both a corporate and policy and regulatory level. To date, exploratory meetings have been held with United Utilities*, Severn Trent* and Pennon Group*. Topics discussed with these companies have included UK water infrastructure and investor concerns. We have also met with other large investors in the sector to help us understand broader concerns and formulate expectations. LGIM directly engages when companies are marketing bonds, and also amplifies its voice through its leading role at UK industry body The Investment Association.

The outcomes of our engagements will help to form the basis of our expectations for the sector going forward, enabling us to work with industry stakeholders towards solutions and improvements. For more information about how we believe active credit investors can help flush out UK sewage pollution, please see our blog.

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Environmental | Social | Governance

ESG: Social

Nutrition

UN Food Systems Summit

In July 2023, we were invited to speak during the United Nation Food Systems Summit +2 Stocktaking Moment held in Rome. The summit was convened by the UN Secretary-General to review progress in implementing the outcomes from the previous summit held in 2021 and towards achieving the 2030 Agenda for Sustainable Development.

Our participation was aimed at providing an institutional investor perspective on nutrition in general, how we as institutional investors engage with relevant stakeholders, and how we can contribute to positive change within the food sector.

In looking at why we engage on the issues of nutrition and obesity, we explained why we believe these are financially material issues for our clients. The Access To Nutrition Initiative (ATNI), of which we are a member, estimates that the interconnected issues of obesity, under-nutrition and micronutrient deficiencies cost as much as 5% global income (US$3.5 trillion) per year.[8] We outlined the work we do with ATNI and in particular the engagement with the 20 largest listed food and beverage companies in the world, outlining specific company examples.[9]

Through our participation in events such as these, we continue to contribute to raising the profile of our engagements beyond the sphere of individual companies and understanding the roles and actions of other stakeholders linked to the issues surrounding global nutrition. We are doing this so that we can both share the work that LGIM has been doing and encourage other asset managers to follow suit, while also learning from others seeking the same developments and exploring collaborative and knowledge-sharing opportunities.

Antimicrobial resistance

World AMR Congress

The World Anti-Microbial Resistance (AMR) Congress took place on 7 and 8 September 2023 in Philadelphia, USA. The LGIM Investment Stewardship team was invited to attend and to speak at the conference.

This annual congress gathers academics, medics, healthcare professionals, companies, government officials, international organisations, policymakers and regulators from around the world to share research, innovations, new developments and thoughtful and thought-provoking thinking on AMR. The conference attracted 1,400 attendees.

On the second day, we sat down with FAIRR for a fireside chat on *How institutional investors can curb the silent pandemic*. As the only two representatives of institutional investors, we first needed to explain why LGIM considers AMR and the systemic risk it poses to our investments, and what we can contribute to the fight against AMR. We outlined the tools we have at our disposal, such as engagement with companies, voting shares, filing shareholder proposals and policymaker engagement. We wanted to make the audience aware of the very critical role institutional investors can play in curbing AMR and to encourage the various representatives from academia, healthcare professionals, international organisations and so forth to consider us as partners to engage with and combine forces, to enable us all to take co-ordinated action on this crucial issue. As a global investor and a universal owner, we strive for market-level improvements, and we seek to collaborate with like-minded stakeholders to speak with one voice on important global issues such as AMR which we believe are financially material for our clients.

8. Global-Index-2021-Full-Report-6.pdf (accesstonutrition.org)
9. For some examples, please see p.78 of our latest Active Ownership report

Significant votes

Company name	FedEx Corporation*
ISIN	US31428X1063
Market cap	US$66.6 billion[10]
Sector	Industrial: transportation
Issue identified	Paid sick leave. At LGIM, we believe human capital issues represent risk to a company's operations, whether through heightened attrition or decreased productivity.
Summary of the resolution	Resolution 7: Adopt a paid sick leave policy AGM date: 21 September 2023
How LGIM voted	LGIM voted FOR Resolution 7 (i.e. against management recommendation)
Rationale for the vote decision	A vote in favour was applied as LGIM supports the adoption of a paid sick leave policy for all employees as it is set to improve employee wellbeing which is critical to human capital management and gender equality.
Outcome	34.6% shareholders voted in favour of the proposal
Why is this vote 'significant'?	This vote is significant because it relates to human capital management issues, which have been a focus of engagement for us, and reflects our broader campaign in 2022 on paid sick leave at US railway companies, described in our Q1 2023 ESG Impact Report

10. ISS, 6 October 2023)
11. Source for both figures: Presenteeism Costs 10x More Than Absenteeism. How Can Leaders Tackle This? - Thrive Global



Income inequality

Identify

At LGIM, we believe that failure to address the issues of income inequality and poverty can pose a material risk to investee companies. Our focus is on in-work poverty. This includes workers within a company's direct operations and workers within their supply chains. Some of the risks to a company in perpetuating poverty wages include lower morale and productivity, higher levels of absenteeism and presenteeism, higher rates of staff turnover which results in recruitment and training costs, increase in theft, reputation loss.

We believe paying a living wage to workers present businesses with opportunities such as improved morale, productivity, higher retention rates, improved mental and physical health. Income inequality can also represent a major risk for companies: according to the US Bureau of Labor Statistics, the cost of absenteeism to businesses in the US in 2018 was US$150 billion per year, and it has been estimated that employees who are demotivated, burned out, or unproductive due to other health reasons cost US$1,500 billion per year.[11]

We have been engaging on the living wage for a number of years, both individually and collaboratively – a summary can be found in our 2022 Active Ownership report.

Over the quarter, we broadened our corporate engagement on income inequality. We launched our first engagement campaign, which carries with it a voting sanction for those companies that fail to meet our minimum expectations. We targeted the food retail sector, as we believe these companies to be generally more resilient due to the community service they provide, and financially less impacted by the COVID-19 pandemic than other sectors. It is also a sector with a high proportion of its workforce earning low wages.

* For illustrative purposes only. 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.

We identified 15 supermarket retailers in developed economies as targets for this campaign. We have chosen these companies because of their size and influence. The companies are:

- North America: Costco*, Kroger*, Target* and Walmart*
- UK: Tesco*, Sainsbury*
- Europe: Ahold Delhaize*, Carrefour*, Casino*, Metro*
- Japan: Lawson*, Seven & I*, Aeon Co*.
- Australia: Woolworths*, Coles*

Engage and escalate

We have written to these companies setting out our expectations of them and the timeframe in which we expect these expectations to be met. Our expectations for the companies' own operations are as follows:

I. Develop a strategy to ensure all employees receive at least a living wage

II. Define what you consider to be a living wage

III. Provide key information:

- Name those organisations that have helped you to determine the living wage for each of your geographic operations
- Set out the current gap between pay per hour and the living wage per hour
- A timeline within which to close this living wage gap
- More information about sick leave policies, regardless of voluntary or regulated
- Whether the company offers financial education to employees
- If apprenticeship or other programmes are offered to school leavers and how selection is aimed to help children from a diverse mix of backgrounds

And our expectations for their supply chains are:

i. Set out a living wage strategy for supply chain workers

ii. Include your definition of a living wage

iii. Disclose any partners you are working with to determine living wages

iv. Disclose target supply chains, e.g., certain products/regions

v. Disclose changes made to purchasing practices in order to facilitate the payment of a living wage.

vi. Disclose current pay gaps

vii. Set out a timeline to close the living wage gap

We plan to engage directly with these companies over the coming year and assess their progress.

If, by 2025, these companies have failed to provide the disclosures set out in our minimum expectations, we will:

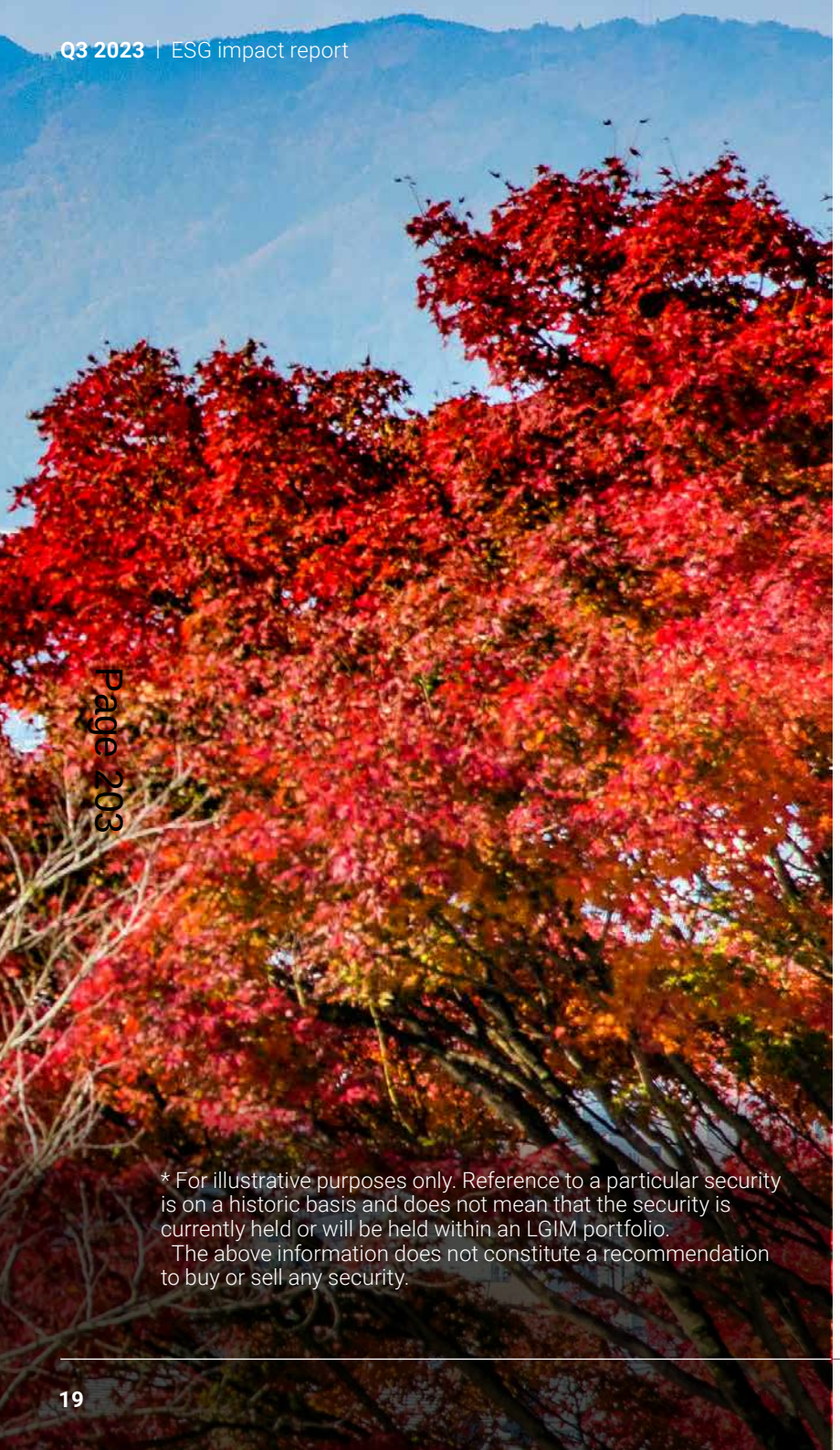
- Vote against the re-election of the Chair or Chair/CEO or President
- Pre-declare our voting intentions

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Environmental | Social | Governance



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ESG: Governance

Update: AGM season in Japan

In this section, we provide an overview of some key observations gleaned from the results of the AGM season in Japan.[12]

Governance-related shareholder proposals

2023 was another record year in Japan with over 300 shareholder proposals, tripling in number over the last 10 years. Proposals were primarily related to director appointments, shareholder returns, and other governance issues such as board independence and remuneration disclosures. LGIM voted in favour of 37% of shareholder proposals filed during the season.

Climate-related shareholder proposals

Among the largest 500 companies in Japan, we saw 21 climate-related shareholder proposals filed at 11 companies, of which two-thirds received over 10% support and four gained more than 20% votes in favour. LGIM supported 12 of these proposals, including all 11 proposals that called for enhanced disclosures around fossil fuel and other climate related issues.

While the focus of such proposals in previous years has typically been on the utilities, energy and financial sectors, this year we also saw a shareholder proposal filed at Toyota* regarding climate lobbying disclosure, which LGIM supported and pre-declared, in line with our published stance. Ambitious climate policy and responsible corporate climate lobbying are essential to keeping hope of a 1.5°C world alive. We believe economic actors must use their influence positively and advocate for public policies that would support the delivery of a net-zero economy.

12. Please note, the figures quote in this section relate to the period from April-June 2023.

Director accountability

In the Japan AGM season, we voted against the re-election of 707 directors due to lack of board independence and 83 due to board diversity concerns. At LGIM, we vote against the re-appointment of the most senior member of the board or the nomination committee chair unless:

- The board includes at least 1/3 independent outside directors. For listed subsidiaries with controlling parents, an against vote will be applied unless the majority of the board are independent outsiders
- For TOPIX 100 companies, at least 15% of the board are women. For companies listed on the Prime Market and not included in the TOPIX100, an against vote will be applied unless the board includes at least one female director

We have seen an increasing number of investors use their votes against management to signal disapproval over issues such as board effectiveness and capital management. We would highlight three examples:

- **Canon***, where the chairman/CEO received only 50.6% approval, dropping by almost 40% from two years ago. LGIM has for many years voted against his re-appointment due mainly to board independence and diversity concerns
- **Fuji Media Holdings***, where the chairman/CEO received a support rate of 56.6%, and **KYOCERA Corporation*** where support for the chairman slumped to 66.0%. We voted against these re-appointments on account of a number of reasons, including board composition issues and excessive cross-shareholdings.

We will continue to tighten our board independence and diversity policies, paying attention to features specific to the market (e.g., different board structures and listed subsidiaries) and being mindful to ensure a company's nomination and selection process is well-thought-out and not rushed.

Stock exchange engagement campaign

Identify

Having begun our engagement campaign on diversity in some emerging markets, one of our conclusions was the understanding that engagement between investors and companies needs to be aligned with international capital markets' expectations.

We see a potential opportunity to engage with stock exchanges which have an important role in terms of driving improvements in market standards, from setting listing rules to strengthening disclosure requirements. We hope to leverage their position through engagement on a number of our global investment stewardship themes. Additionally, we aim to raise awareness with these key stock exchanges of LGIM's work on these material themes, including diversity, governance, climate, nature and transparency.

We have taken the following factors into consideration when identifying markets for our stock exchange engagement campaign:

- **Markets where progress is lagging –** referencing UN stock exchange analysis and our transparency theme work outlining own transparency and corporate reporting requirements to reflect the dynamic regulatory environment and increased expectations of companies
- **Markets that have not promoted global reporting framework alignment**, or markets that need to do more work to improve the quality of disclosure
- **Markets where LGIM holds investments on behalf of our clients**, and where we have established relationships

Please note, the figures quoted in this section relate to the period from April-June 2023.

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The preliminary stock exchanges we are targeting for our campaign include:

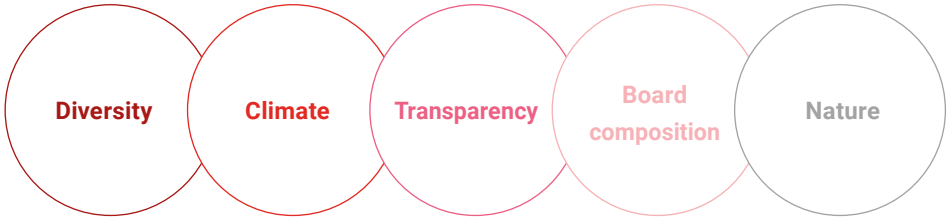
- Singapore Stock Exchange (SGX)
- Stock Exchange of Thailand (SET)
- Stock Exchange of Hong Kong (HKEX)
- Tokyo Stock Exchange (TSE) in Japan, Korea Exchange (KRX)
- Bursa Malaysia, and
- São Paulo Stock Exchange

Engage

In terms of the themes we will focus on and specific engagement objectives, we have prioritised those where we believe stock exchanges have a fundamental role in driving the positive changes we seek. Within these, we will select what we consider to be the most relevant topics and refine our market-specific objective.

We will review the progress of the campaign and adjust as appropriate to reflect progress and the results of our engagement.

5 Key themes



Significant votes

Company name	Electronic Arts Inc*
ISIN	US2855121099
Market cap	US$32.6 billion[13]
Sector	Technology: Software
Issue identified	Joint Chair/CEO
Summary of the resolution	Resolution 1h: Elect Director Andrew Wilson AGM date: 10 August 2023
How LGIM voted	LGIM voted AGAINST Resolution 1h (i.e. against management recommendation).
Rationale for the vote decision	A vote against was applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.
Outcome	92% shareholder voted in favour of Resolution 1h.
Why is this vote 'significant'?	This vote is significant as it reflects LGIM's long-held stance: the roles of chair and CEO are substantially different and require distinctly different skills and experience; we therefore expected the two roles to be separated. Since 2020, we have been taking a stronger stance on combined roles and now vote against the election or re-election of any individual holding such a combined role. We believe that a separation of the roles of board chair and CEO is positive for culture, board discussions, remuneration policy and shareholder rights. More information can be found in our global corporate governance and responsible investment policy.

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13. ISS, 6 October 2023

Public policy update

Nature related risk management

Release of Taskforce for Nature-related Financial Disclosures (TNFD)

September brought the much-anticipated release of the Taskforce for Nature-related Financial Disclosures framework, following on from the agreement of the Kunming-Montreal Global Biodiversity Framework (GBF) at COP15 last year.

TNFD aims to address the complex and pressing need to incorporate nature into financial and business decision-making. It was developed collaboratively with input from academia, civil society, governments and over 1,000 market participants, including LGIM. It's been formally endorsed by the G7 and G20. It aims to be the primary risk-management and disclosure framework that organisations will use to better understand, assess and act on their nature-related dependencies, impacts, risks and opportunities.

The TNFD aims to support a shift in global financial flows away from nature-negative and toward nature-positive outcomes by increasing transparency. It has three core elements:

- A homogenising system of core concepts and definitions that relate to nature-related risks and opportunities, impacts and dependencies, as well as biome and sector-specific concepts
- Recommended disclosures aligned to TCFD pillars, with 14 different elements and six general requirements
- An integrated risk and opportunity assessment approach, referred to as LEAP

For more details on TNFD and what it means for investors and the planet, please see our blog post.





Engaging national policymakers on TNFD

Target 15 is a transformative part of the GBF. It commits signatories to implement legal, policy and regulatory measures to strengthen how all businesses monitor, manage and disclosure nature-related risk, impacts and dependencies. Unfortunately, parties could not agree on making this mandatory; something we – and several others – believe is key to changing our relationship with nature and meeting the GBF commitments. LGIM is a signatory of the Business for Nature Make it Mandatory campaign, which brings together over 400 businesses and financial institutions from 52 countries.[14] calling for governments at COP15 to adopt Target 15 of the Global Biodiversity Framework, requiring all large businesses and financial institutions to assess and disclose their risks, impacts and dependencies on biodiversity by 2030.

Japan: Ministry of the Environment

The Japan Ministry of Environment (MOE) recognises the importance of the recent release of the TNFD framework. In support of listed companies in Japan in understanding the importance of and gaining practical insights from the framework, the MOE organised a "Workshop on Disclosure of Financial Information Related to Nature".

LGIM was invited to speak at the first seminar, Introduction and Practice of the Tools for Assessing Interface with Nature, to provide an investor's perspective on the importance of nature-related information disclosure on 15 September 2023. The seminar welcomed over 60 representatives from listed companies in Japan.

We explained our expectations of companies regarding nature and emphasised why nature is financially material, drawing on, for example, business opportunities, the role of nature in achieving net zero, and increasing global regulation.

We ended the session by sharing four recommendations for Japanese companies:

1. Leverage previous learnings from adoption of TCFD for new TNFD adoption
2. Gain board and executive management support to initiate action on addressing nature related issues
3. Form taskforces amongst departments to create collaborative efforts to address nature related issues and opportunities
4. Encourage positive lobbying directly or indirectly with industry associations

14. Make it mandatory - EN — Business For Nature

Implementation of the Global Biodiversity Framework

EU Nature Restoration law

In July, we were pleased to see that the amended EU Nature Restoration Law was finally approved, after much debate. Having signed the open letter to EU heads of state and government, members of the European Parliament and the President of the European Commission, co-ordinated by Business for Nature, we are pleased to see that EU leaders are taking steps towards protecting and restoring nature and implementing the Global Biodiversity Framework agreed at COP15 in November 2022.

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Agriculture

Reforming Subsidies

Reforming the agricultural system has been a focus area for a number of years. The agricultural system is highly relevant for our focus on 'Nature', as it cuts across all the key drivers of nature loss. Previously, we have engaged on reforming the vast and unaligned subsidy programme in the European Union. More recently, together with FAIRR and over 30 investors, we engaged G20 countries on the need to align agricultural subsidies with their international commitments in the Paris Agreement (climate) and Montreal Agreement (nature) goals by the end of the decade. This is an opportunity for policymakers to demonstrate their commitment and utilise significant resources in a

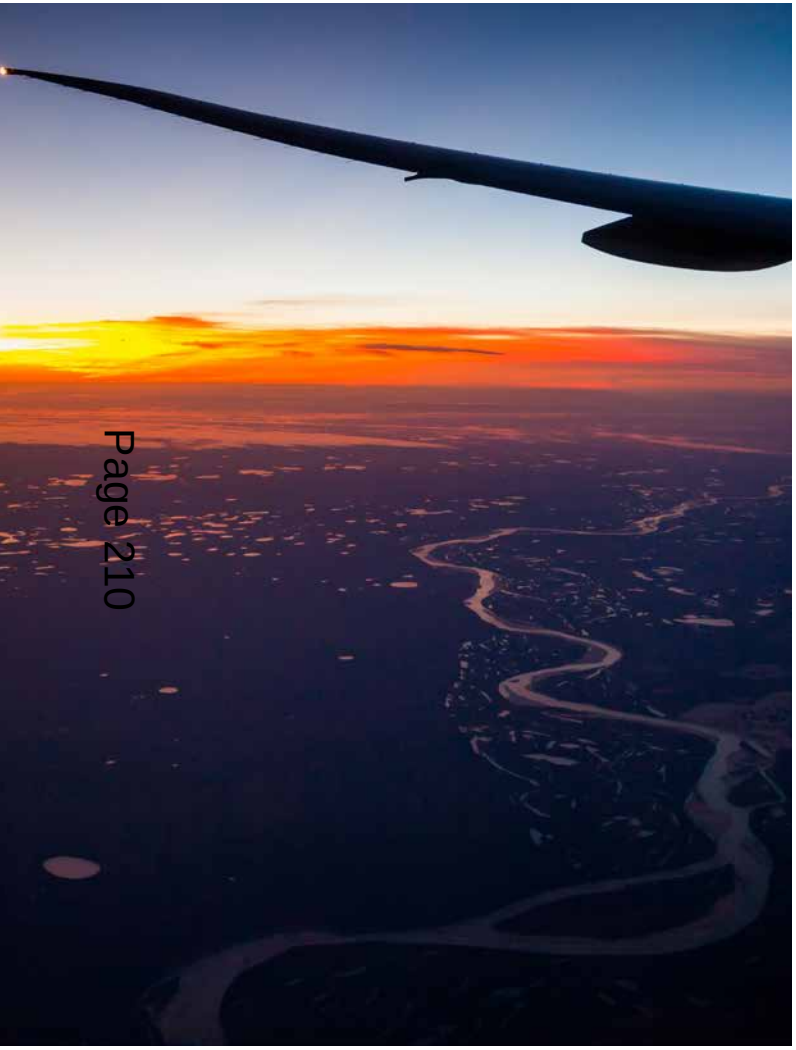




Governance: ACGA

The Asian Corporate Governance Association (ACGA) aims to 'engage in a constructive dialogue with regulators, institutional investors, listed companies and auditors on key corporate governance issues and work towards making positive improvements in the corporate governance landscape in Asia'.[15] As a member, our Head of Investment Stewardship in Japan joined the September delegation to participate in meetings with regulators (including the Japan Ministry of Economy, Trade and Industry, and the Japan Financial Services Authority), the Japan Stock Exchange, sustainability standard setting organizations, and select companies to discuss a range of important governance topics, from corporate takeovers, cross-shareholdings and capital management, to gender diversity, climate and sustainability. By joining forces with collaborative organisations such as ACGA, we aim to broaden our reach through gaining access to important stakeholders and strengthen our voice by collaborating with like-minded peers in the financial services industry, and beyond.

15. ACGA | Asian Corporate Governance Association (acga-asia.org)



Regional updates

Global - Q3 2023 voting summary

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Management (total)	**11525**	**3162**	**98**	**77%**	**21%**	**1%**
Routine Business	1713	106	0	94%	6%	0%
Director Related	842	136	0	86%	14%	0%
Compensation	900	951	0	48%	51%	0%
Audit Related	738	130	2	84%	15%	0%
Director Election	3883	1239	96	74%	24%	2%
Capitalization	1943	133	0	94%	6%	0%
Strategic Transactions	457	124	0	79%	21%	0%
No Research	5	142	0	3%	76%	0%
Non-Routine Business	295	67	0	81%	19%	0%
Company Articles	389	90	0	81%	19%	0%
Miscellaneous	138	24	0	85%	15%	0%
Social	60	11	0	85%	15%	0%
Takeover Related	147	8	0	95%	5%	0%
E&S Blended	2	0	0	100%	0%	0%
Mutual Funds	10	0	0	100%	0%	0%
Environmental	3	1	0	75%	25%	0%

Global - Q3 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Shareholder (total)	**321**	**106**	**1**	**73%**	**24%**	**0%**
Audit Related	72	0	0	100%	0%	0%
Director Election	191	51	1	76%	20%	0%
Director Related	7	4	0	54%	31%	0%
Non-Routine Business	0	0	0	0%	0%	0%
Miscellaneous	29	36	0	45%	55%	0%
Compensation	6	7	0	46%	54%	0%
Social	5	1	0	83%	17%	0%
Company Articles	1	3	0	17%	50%	0%
Corporate Governance	4	1	0	80%	20%	0%
E&S Blended	0	1	0	0%	100%	0%
Environmental	6	1	0	86%	14%	0%
Routine Business	0	1	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	11846	81%
Against	3268	81%
Abstain	99	69%

Number of	Values
Resolutions	15337
AGM Resolutions	10841
EGM Resolutions	4493
AGM	1047
EGM	808

Number of companies where LGIM voted:	Values
In Total	1779
For in all resolutions	654
Against or Abstain in at least one resolution	1125



UK - Q3 2023 voting summary

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Management (Total)	**2513**	**151**	**1**	**94%**	**6%**	**0%**
Strategic Transactions	20	6	0	77%	23%	0%
Capitalization	543	20	0	96%	4%	0%
Routine Business	283	3	0	99%	1%	0%
Director Election	1007	50	1	95%	5%	0%
Audit Related	277	18	0	94%	6%	0%
Compensation	215	53	0	80%	20%	0%
Social	47	0	0	100%	0%	0%
Takeover Related	98	0	0	100%	0%	0%
Mutual Funds	8	0	0	100%	0%	0%
No Research	0	0	0	0%	0%	0%
Non-Routine Business	2	0	0	100%	0%	0%
Company Articles	5	0	0	100%	0%	0%
Director Related	4	1	0	80%	20%	0%
Environmental	3	0	0	100%	0%	0%
Miscellaneous	1	0	0	100%	0%	0%

UK - Q3 2023 voting summary

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	2513	95%
Against	151	95%
Abstain	1	100%

Number of	Values
Resolutions	2671
AGM Resolutions	2629
EGM Resolutions	42
AGM	155
EGM	23

Number of companies where LGIM voted:	Values
In Total	174
For in all resolutions	99
Against or Abstain in at least one resolution	75



Europe ex UK - Q3 2023 voting summary

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Management (total)	**781**	**184**	**0**	**81%**	**19%**	**0%**
Routine Business	153	24	0	86%	14%	0%
Director Related	179	14	0	93%	7%	0%
Compensation	78	61	0	56%	44%	0%
Audit Related	53	4	0	93%	7%	0%
Director Election	144	55	0	72%	28%	0%
No Research	3	0	0	100%	0%	0%
Capitalization	99	11	0	90%	10%	0%
Company Articles	40	7	0	85%	15%	0%
Non-Routine Business	5	3	0	62%	38%	0%
E&S Blended	2	0	0	100%	0%	0%
Strategic Transactions	14	1	0	93%	7%	0%
Takeover Related	0	2	0	0%	100%	0%
Miscellaneous	10	2	0	83%	17%	0%
Social	1	0	0	100%	0%	0%

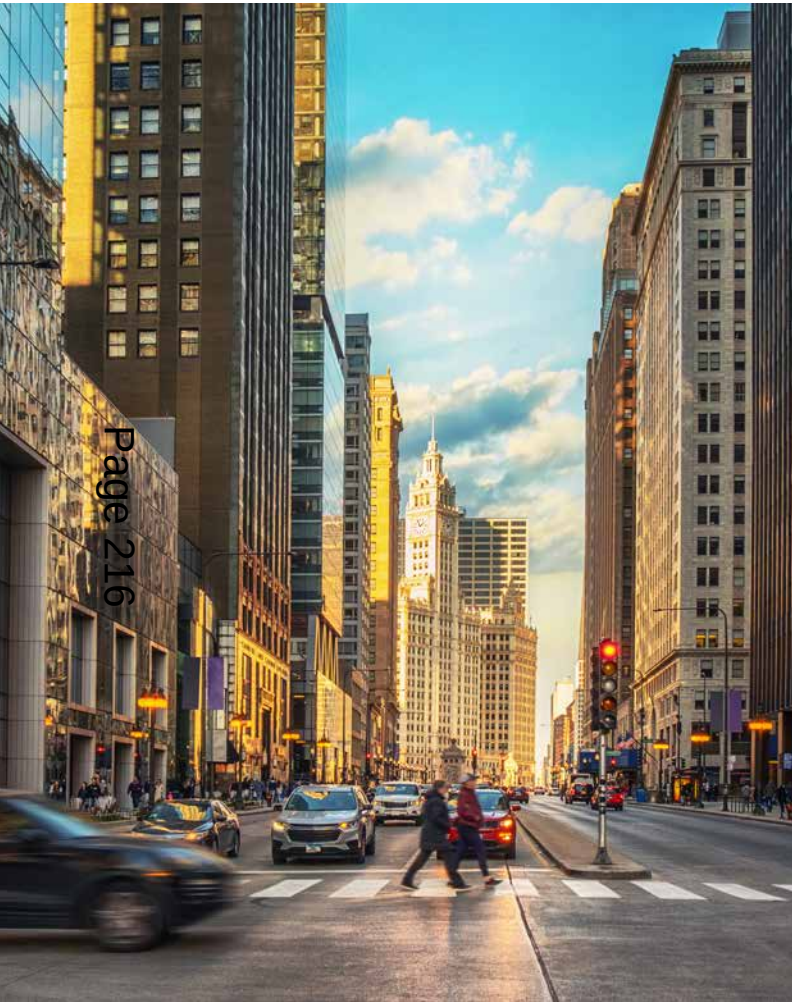
Europe ex UK - Q3 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Shareholder (total)	**6**	**4**	**0**	**60%**	**40%**	**0%**
Audit Related	1	0	0	100%	0%	0%
Director Related	3	0	0	100%	0%	0%
Director Election	2	1	0	67%	33%	0%
Company Articles	0	2	0	0%	100%	0%
Compensation	0	1	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	787	81%
Against	188	81%
Abstain	0	0%

Number of	Values
Resolutions	975
AGM Resolutions	813
EGM Resolutions	159
AGM	52
EGM	43

Number of companies where LGIM voted:	Values
In Total	96
For in all resolutions	39
Against or Abstain in at least one resolution	57



North America - Q3 2023 voting summary

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Management (total)	**1334**	**726**	**5**	**64%**	**35%**	**0%**
Director Election	869	425	3	67%	33%	0%
Compensation	116	223	0	34%	66%	0%
Audit Related	145	56	2	71%	27%	1%
Director Related	40	3	0	93%	7%	0%
Capitalization	44	9	0	83%	17%	0%
Takeover Related	47	4	0	92%	8%	0%
Strategic Transactions	32	2	0	94%	6%	0%
Company Articles	20	0	0	100%	0%	0%
Routine Business	12	4	0	75%	25%	0%
No Research	1	0	0	100%	0%	0%
Miscellaneous	6	0	0	100%	0%	0%
Mutual Funds	2	0	0	100%	0%	0%

North America - Q3 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Shareholder (total)	**19**	**7**	**0**	**56%**	**21%**	**0%**
Director Election	0	0	0	0%	0%	0%
Director Related	2	0	0	50%	0%	0%
Non-Routine Business	0	0	0	0%	0%	0%
Compensation	2	3	0	40%	60%	0%
Social	5	1	0	83%	17%	0%
Corporate Governance	4	0	0	100%	0%	0%
E&S Blended	0	1	0	0%	100%	0%
Environmental	6	1	0	86%	14%	0%
Miscellaneous	0	1	0	0%	100%	0%

Number of	Values
Resolutions	2103
AGM Resolutions	1980
EGM Resolutions	123
AGM	206
EGM	43

Number of companies where LGIM voted:	Values
In Total	249
For in all resolutions	26
Against or Abstain in at least one resolution	223

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	1353	64%
Against	733	64%
Abstain	5	40%



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Japan - Q3 2023 voting summary

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Management (total)	**465**	**92**	**0**	**83%**	**17%**	**0%**
Strategic Transactions	3	1	0	75%	25%	0%
Company Articles	19	4	0	83%	17%	0%
Director Election	354	66	0	84%	16%	0%
Director Related	39	12	0	76%	24%	0%
Routine Business	30	0	0	100%	0%	0%
Compensation	15	8	0	65%	35%	0%
Capitalization	1	0	0	100%	0%	0%
Non-Routine Business	1	0	0	100%	0%	0%
Audit Related	1	0	0	100%	0%	0%
Takeover Related	0	1	0	0%	100%	0%
Miscellaneous	2	0	0	100%	0%	0%

Japan - Q3 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Shareholder (total)	**13**	**4**	**0**	**76%**	**24%**	**0%**
Director Election	7	0	0	100%	0%	0%
Miscellaneous	1	0	0	100%	0%	0%
Director Related	2	0	0	100%	0%	0%
Compensation	3	3	0	50%	50%	0%
Routine Business	0	1	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	478	84%
Against	96	83%
Abstain	0	0%

Number of	Values
Resolutions	574
AGM Resolutions	509
EGM Resolutions	65
AGM	50
EGM	12

Number of companies where LGIM voted:	Values
In Total	62
For in all resolutions	16
Against or Abstain in at least one resolution	46



Asia Pacific ex Japan - Q3 2023 voting summary

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Management (total)	**254**	**54**	**1**	**82%**	**17%**	**0%**
Routine Business	37	4	0	90%	10%	0%
Non-Routine Business	6	1	0	86%	14%	0%
Company Articles	13	1	0	93%	7%	0%
Audit Related	24	1	0	96%	4%	0%
Compensation	35	21	0	62%	38%	0%
Director Related	1	0	0	100%	0%	0%
Director Election	64	23	1	73%	26%	1%
Capitalization	53	2	0	96%	4%	0%
Miscellaneous	13	0	0	100%	0%	0%
Strategic Transactions	8	0	0	100%	0%	0%
Social	0	1	0	0%	100%	0%

Asia Pacific ex Japan - Q3 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Shareholder (total)	**0**	**6**	**0**	**0%**	**100%**	**0%**
Director Election	0	6	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	254	83%
Against	60	75%
Abstain	1	100%

Number of	Values
Resolutions	315
AGM Resolutions	238
EGM Resolutions	77
AGM	34
EGM	15

Number of companies where LGIM voted:	Values
In Total	48
For in all resolutions	22
Against or Abstain in at least one resolution	26



Emerging Markets - Q3 2023 voting summary

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Management (total)	**5231**	**1719**	**91**	**73%**	**24%**	**1%**
Routine Business	1124	59	0	95%	5%	0%
Compensation	396	526	0	42%	56%	0%
Director Election	1243	570	91	64%	29%	5%
Capitalization	792	25	0	97%	3%	0%
Audit Related	201	47	0	79%	18%	0%
Director Related	528	91	0	85%	15%	0%
Company Articles	267	56	0	82%	17%	0%
Strategic Transactions	306	110	0	74%	26%	0%
No Research	1	142	0	1%	81%	0%
Non-Routine Business	271	62	0	81%	19%	0%
Miscellaneous	90	19	0	83%	17%	0%
Social	10	10	0	50%	50%	0%
Environmental	0	1	0	0%	100%	0%
Takeover Related	2	1	0	67%	33%	0%

Emerging Markets - Q3 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Shareholder	**233**	**76**	**1**	**74%**	**24%**	**0%**
Audit Related	60	0	0	100%	0%	0%
Director Election	143	35	1	78%	19%	1%
Director Related	0	4	0	0%	100%	0%
Miscellaneous	28	35	0	44%	56%	0%
Company Articles	1	1	0	25%	25%	0%
Corporate Governance	0	1	0	0%	100%	0%
Compensation	1	0	0	100%	0%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	5464	78%
Against	1795	80%
Abstain	92	79%

Number of	Values
Resolutions	7457
AGM Resolutions	4278
EGM Resolutions	3179
AGM	516
EGM	582

Number of companies where LGIM voted:	Values
In Total	1031
For in all resolutions	395
Against or Abstain in at least one resolution	636

Global engagement summary

Regular readers will notice that our Q3 engagement statistics have increased substantially compared to last year. The primary reason behind this is the expansion of our Climate Impact Pledge and the continuation of engagement with the 5000+ companies within the programme. For more information, please see page 6 of this report.

In Q3 2023, the Investment Stewardship team held

1,303 engagements **with** **1,285** companies

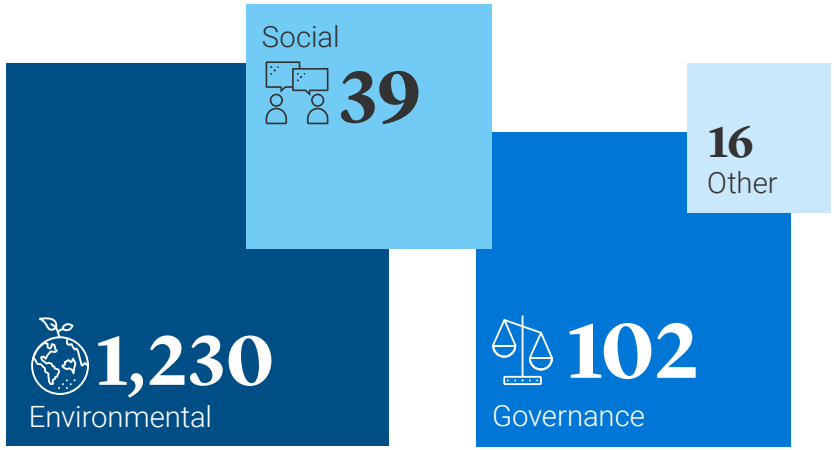
(vs. 167 engagements with 146 companies last quarter)



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Breaking down the engagement numbers - Q3 2023

Breakdown of engagement by themes



Engagement type

59
Company meetings

1,243
Emails / letters

Top five engagement topics*

1,209
Climate Impact Pledge

44
Remuneration

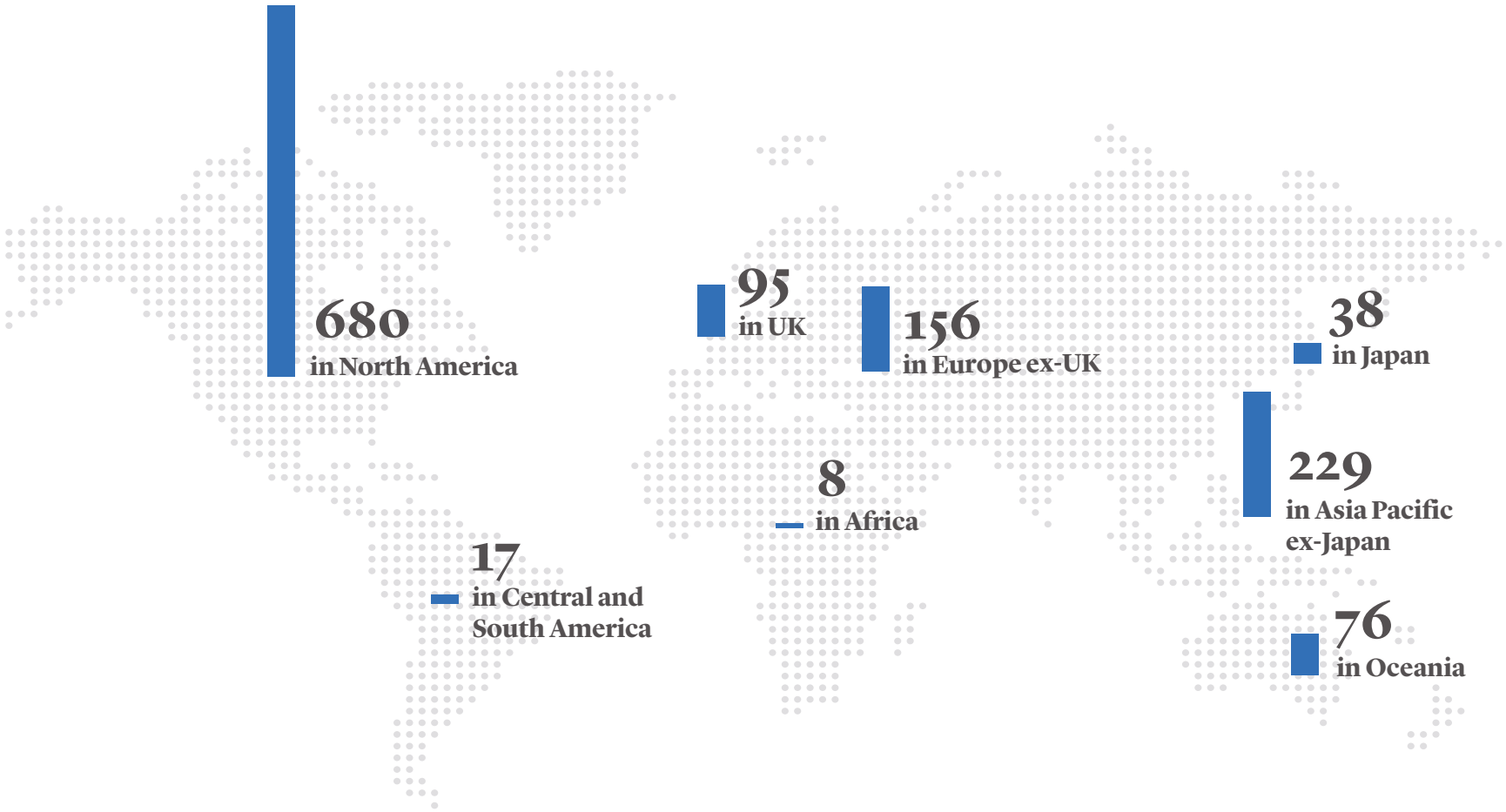
22
Income inequality

20
Board composition

14
Strategy

*Note: an engagement can cover more than a single topic

Regional breakdown of engagements



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Contact us

For further information about LGIM, please visit lgim.com or contact your usual LGIM representative

**For illustrative purposes only. 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.

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.

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D006706

Shropshire County Council

Q3 2023

The purpose of the ***reo***® (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***® 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
100	80	11	18

Companies engaged by region



Engagement by theme *



Climate Change	47
Environmental Stewardship	33
Human Rights	26
Labour Standards	41
Public Health	11
Corporate Governance	28
Business Conduct	9

Milestones achieved by theme



Climate Change	5
Environmental Stewardship	1
Labour Standards	5

* Companies may have been engaged on more than one issue.

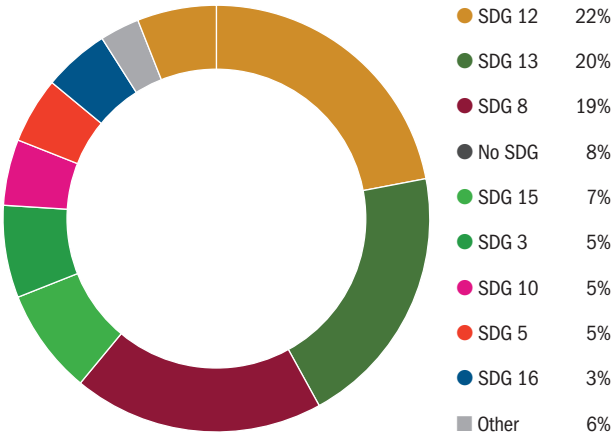
COLUMBIA THREADNEEDLE INVESTMENTS

Engagements and Sustainable Development Goals (SDGs)

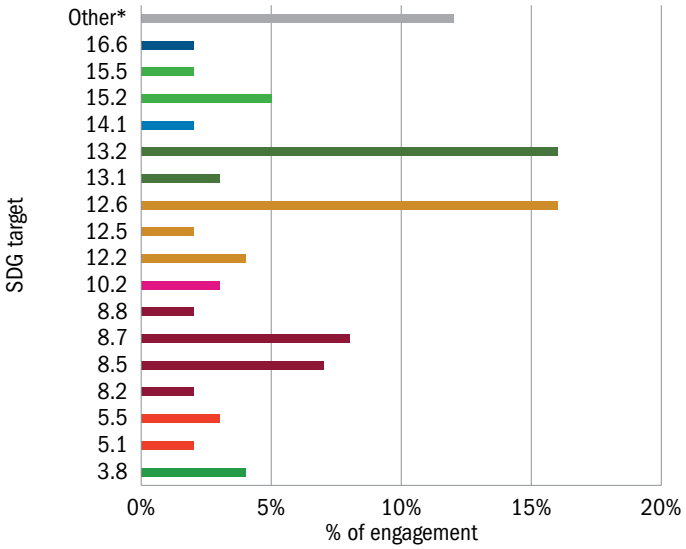
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

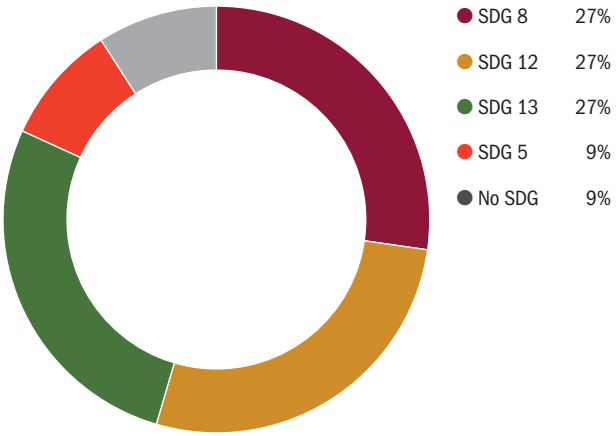
Engagement: SDG level



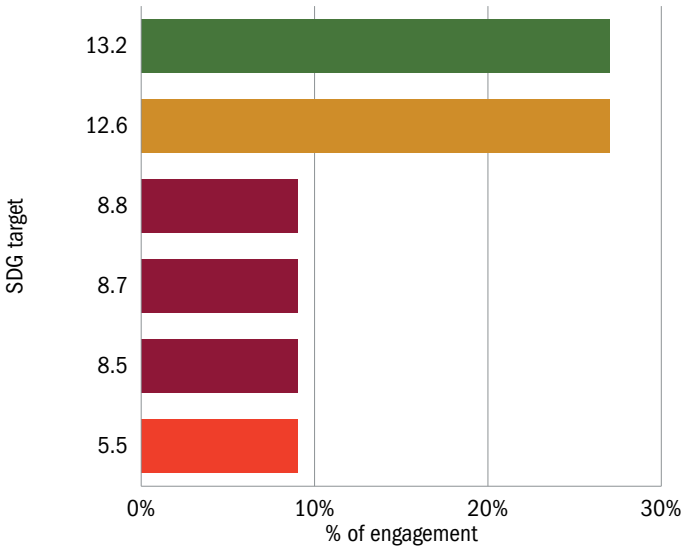
Engagement: SDG target level



Milestone: SDG level



Milestone: SDG target level



*Other represents SDG targets less than 2% of the relevant SDG Goal.

Engagement case studies

Company: Fresenius SE & Co KGaA | **Country:** Germany | **Sector:** Health Care

Priority Company: ✔ | **ESG Risk Rating:** | **Response to engagement:** Good

Theme: Human Rights, Labour Standards, Public Health, Corporate Governance | **Issue:** Fresenius SE group restructuring – enhanced ESG oversight to be expected

SDG: 3.8 8.5 16.6

Background

Fresenius SE is a German healthcare group that has historically operated four specialised business segments. In an effort to improve oversight and control, the company is currently being restructured which will include the deconsolidation of its business segments focused on service provision and dialysis. Our engagement focus has been on ensuring the restructuring process results in a more sustainable business model that embeds enhanced oversight on the material ESG issues into corporate strategy.

Action

We met with the company's sustainability leads to discuss the company's restructuring process and the impact this will have on key ESG topics such as product quality and animal welfare. The Fresenius sustainability department has struggled for a long time to be effective with limited resources and a fragmented business structure, with little group level target setting and oversight. There has been a relative lack of centralised management information, including the absence of a single human resources database. This has resulted in implications for business strategy setting and oversight. From our discussions with the company, we believe that progress should be forthcoming as the business structure is being simplified. The group is on a clear path to quantified ESG-related KPIs for material issues of medical quality/patient satisfaction and employee engagement being embedded in performance incentive plans. Fresenius also explained that they are now aligning corporate strategy around a newly articulated central mission of "advancing patient care".

Verdict

The operational challenge of organisational change will still dominate resourcing for the coming months, but for the first time there is broad agreement of goals and direction across the Management and Supervisory Boards. We look forward to more granular data and targets being published in due course and will revisit progress in the coming months.

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: GREEN Second quartile: YELLOW Third quartile: ORANGE Bottom quartile: RED

Engagement case studies

Company: General Mills Inc | **Country:** United States | **Sector:** Consumer Staples

Priority Company: - | **ESG Risk Rating:** | **Response to engagement:** Adequate

Theme: Corporate Governance | **Issue:** Capital Structure and Shareholder Rights

Background

General Mills is an American based food manufacturer. Over the years, our engagements with the company have led to positive improvements in environmental stewardship, in particular on water management and plastics packaging. Most recently we have focused on Governance topics – at its 2023 Annual General Meeting, General Mills tabled a management proposal to allow shareholders holding 25% of common stock to request a special meeting. This was shortly followed by a shareholder proposal of a 10% threshold.

Action

We engaged with the company to discuss the management proposal and implications for shareholder rights. We highlighted that given the company's by-laws currently do not allow shareholders the right to call a meeting, we view this proposal as a positive step. However, we inquired about the considerations the company took in determining the 25% threshold and underscored that it would be unlikely for shareholders to reach such a high percentage, given the more passive investment strategies of their largest institutional investor shareholders.

Verdict

We view special meetings as a positive shareholder right, allowing shareholders displeased with the company or the board to request a meeting to enact change. While our view is that 10% is a more suitable threshold than 25%, we believe that General Mills opening this avenue to shareholders is nonetheless a positive development. As such, we chose to support both the management and shareholder proposals, thereby underscoring the suitability of the 10% threshold. Both proposals passed, with management receiving c71% support and the proponent receiving c60%. In these circumstances, we anticipate the Board adopting the 10% threshold, leading to a significant step forward in shareholders rights at General Mills.

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: GREEN Second quartile: YELLOW Third quartile: ORANGE Bottom quartile: RED

Engagement case studies

Company: Johnson & Johnson | **Country:** United States | **Sector:** Health Care

Priority Company: - | **ESG Risk Rating:** | **Response to engagement:** Good

Theme: Public Health, Corporate Governance, Business Conduct | **Issue:** Engaging with Johnson & Johnson on the value of transparency

SDG: 3.8 12.2

Background

Pharmaceutical giant Johnson & Johnson (J&J) has been grappling in recent years with more than 38,000 lawsuits alleging that its talc products, including Johnson's Baby Powder, can contain asbestos and caused cancers including ovarian cancer and mesothelioma. J&J has attempted to resolve this litigation, offering $8.9 billion to end all current and future lawsuits alleging that talc causes cancer. The company's Senior Director of Sustainability and Engagement as well as the Company Secretary attended an in -person investor meeting in London to address investor concerns and queries regarding litigation, drug pricing, and ESG metrics.

Action

A key theme of the engagement was transparency. Regarding the lawsuits, we encouraged increased transparency and communication around changes in corporate practices and processes implemented to mitigate current and future harm. In relation to drug pricing, we acknowledge that companies such as J&J must strike a balance between expensive drug discovery and development processes and setting final drug prices. While noting the complexities involved, we urged the company to create more transparency (where feasible) on price increases in order to understand how these align with input costs and added patient value. Along with other investors, we recommended increased clarity around ESG metrics, such as how they are implemented and how they align with the company's ESG materiality assessment. J&J stated that while they currently only have qualitative ESG metrics, they are cognisant of differences in regional regulations and sentiment around ESG targets and disclosures which they must take into consideration when considering disclosure.

Verdict

In our view, J&J displayed a willingness to listen to our recommendations and we anticipate increased disclosure from the company as a result. We will continue our dialogue with the company on access to medicine and litigation in the next quarter, as well as discussing board renumeration and climate disclosure.

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: GREEN Second quartile: YELLOW Third quartile: ORANGE Bottom quartile: RED

Appendix



SDG	Target	Target Summary
SDG2	2.4	Implement climate-resilient and sustainable food production
SDG3	3.5	Increase the prevention and treatment of substance abuse
SDG3	3.8	Access to medicines and health-care
SDG5	5.1	End all forms of discrimination against women and girls
SDG5	5.5	Ensure full equality of opportunity for women, including at leadership levels
SDG6	6.3	Improve water quality by reducing pollution
SDG6	6.4	Increase water-use efficiency to address water scarcity
SDG8	8.2	Achieve greater productivity through innovation.
SDG8	8.3	Promote development-oriented policies
SDG8	8.5	Achieve full and productive employment for all
SDG8	8.7	Eradicate forced labour, modern slavery & human trafficking
SDG8	8.8	Protect and promote safe working environments for all workers
SDG9	9.1	Develop resilient and sustainable infrastructure
SDG9	9.4	Upgrade and retrofit industries to increase sustainability
SDG10	10.2	Empower and promote inclusivity for all
SDG10	10.3	Ensure equal opportunity and legislation for all
SDG10	10.7	Facilitate safe migration through managed policies
SDG10	10.a	Implement the WTO's special rights provisions
SDG12	12.2	Sustainably manage and make efficient use of natural resources
SDG12	12.5	Reduce waste through prevention, reduction, recycling and reuse
SDG12	12.6	Encourage companies to adopt sustainable practices and enhance ESG reporting
SDG13	13.1	Strengthen adaptive capacity to climate-related events
SDG13	13.2	Integrate climate change plans into policies and strategies
SDG13	13.a	Address climate change mitigation for developing countries
SDG14	14.1	Prevent and reduce marine pollution of all kinds
SDG15	15.2	Promote the implementation of sustainable management of forests
SDG15	15.5	Take urgent action to reduce degradation of natural habitats

Appendix (continued)



SDG	Target	Target Summary
SDG16	16.6	Develop effective, accountable and transparent institutions
SDG16	16.10	Ensure public access to information and protect fundamental freedoms

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Quarterly Engagement Report

July-September 2023

Local Authority Pension Fund Forum

Climate and Finance Engagement, Minimum Wage, Water Companies, New Member

UPDATES

Smoke from Canadian wildfires blows south over New York, June 2023



Climate and Finance

Objective: LAPFF has been engaging with financial institutions on climate for a number of years now. Most notably, it has issued voting alerts for Barclays, HSBC, and Standard Chartered in recent years. In 2020, LAPFF also sent letters to 11 insurers asking how they approached climate change from a strategic perspective. Discussions with these companies suggested that they tended to approach climate in terms of its effect on the companies rather than in terms of the companies' effects on climate.
While investors are clearly interested in the impact climate change is having on insurers, LAPFF's approach is to ask first what companies' impacts are on climate. This approach aligns with the approach set out in the UN Guiding Principles on Business and Human Rights, which call for companies to assess their impacts on human rights and rights holders before assessing the impact of human rights on their businesses. This framing is supported not least because risks to the business are missed if the human rights and impact analysis is not undertaken. In LAPFF's experience, the same logic applies in relation to climate change. LAPFF therefore began a process of following up with the eleven insurers, but also expanded the engagement to cover additional insurers of global impact in which LAPFF holds a significant number of shares. It also wrote to large global banks in which members have large holdings. Finally, in line with a growing interest of the LAPFF membership in biodiversity and environmental impacts of climate change, the engagement will explore these companies' strategies in relation to natural resources and their link to climate.

Achieved: LAPFF has now written to 13 global insurers to engage on their approaches to decarbonisation and natural resources. There have been responses from four companies so far. One company with which LAPFF will clearly not be engaging is Berkshire Hathaway. Its pro forma email stated that no one is reading messages sent to the investor relations email address, and no one is likely to respond to a letter sent to the company's physical address. LAPFF would have hoped for more from Mr. Buffett, but LAPFF found this response to be in line with that of many US companies, which tend to be less willing to engage in a meaningful way than companies in many other markets, including the UK and Australia. For a full list of companies approached so far through this engagement, please see the company engagement table at the back of this report.

In Progress: LAPFF will continue to send letters and set up meetings with these companies over the course of the year.

Cover image: ask first what companies' impacts are on climate

New Member

LAPFF would like to welcome its newest member, the ACCESS pool. LAPFF's membership now comprises 87 LGPS funds and seven pooled companies, the vast majority of the LGPS family. The more LGPS funds who become LAPFF members, the greater leverage LAPFF gains in engaging with investee companies in relation to their environmental, social, and governance practices as they impact on financial returns. With a membership that in aggregate holds over £350 billion in assets under management, LAPFF's financial clout is already equivalent to that of one of the top ten largest global pension funds. However, any additional members can only help.



Given the success of LAPFF's annual conference in Bournemouth, LAPFF decided to hold its first mid-year conference at Church House in London. This event also proved to be a success with speakers from Unseen UK, Rathbones, and DiCello Levitt. The sessions covered a summary of the 2023 AGM season, the link between climate and executive pay, modern day slavery, investor litigation in Europe, and the ESG backlash in the US.

COMPANY ENGAGEMENTS



Investors are often not provided with a specific vote on company climate plans for shareholder approval

Say on Climate

Objective: It is almost universally recognised that climate change poses significant systemic and company-level risks. Yet, despite the level of investment risks and the need for capital expenditure to deliver the transition, investors are not provided with a specific vote on their climate plans for shareholder approval.

Issuers are increasingly setting out their climate ambitions within a transition plan. It is also something regulators are looking at. For example, the UK's Transition Plan Taskforce, established by HM Treasury, is developing a 'gold standard' for climate transition plans.

Over the past two years, LAPFF has sent letters to the FTSE All-Share companies requesting a vote on climate transition plans. While LAPFF has been encouraged by the substantive responses, such resolutions during 2023 were far from standard practice, including among high-emitting companies.

Achieved: To continue to encourage companies to provide shareholders with such a vote, LAPFF organised a letter to 35 companies in high-emitting sectors considered to face heightened climate risks, whose actions are essential to the accelerated action required to meet the Paris goals and where the risks investors face are substantial.

The letter, like the previous one, was supported by CCLA Investment Management, Sarasin & Partners and the Ethos Foundation. LAPFF gained the support of a wider group of investors and in total had 18 signatories which collectively represented £1.8 trillion in assets under management. The letter stressed the climate-related risks to investors. It also urged companies to provide such votes to enable shareholders to first express their view on climate strategies through a specific AGM vote rather than immediately voting against the chair or another board member. The letter requested a response so that the signatories could make an informed assessment of the company's position.

In Progress: LAPFF will be tracking the responses to the letter and will continue to engage with companies about holding a climate transition plan vote. This could become an important area of shareholder focus if the recommendations of the Transition Plan Taskforce are introduced. LAPFF supports such votes becoming mandatory and will raise the issue where appropriate with policymakers.

Mining and Human Rights

Objective: While LAPFF is continuing to engage with **Anglo American, BHP, Glencore, Rio Tinto**, and **Vale** on their human rights practices, LAPFF has picked up a new mining company engagement with **Grupo Mexico**. LAPFF has been approached by community members affected by a 2014 leak at one of the company's tailings ponds in Sonora, Mexico.

The main objective of these engagements is to ensure that the companies understand that any failure to respect human rights and environmental impacts could have financial consequences for them and for their shareholders. One of the main milestones LAPFF is looking for is how well the companies acknowledge and engage with the workers and communities they affect. Effective stakeholder engagement is important to LAPFF both as a human rights imperative and because it can expedite less costly solutions to operational, reputational, legal, and financial concerns at companies.

LAPFF is pleased that both the Anglo American and Vale groups in the PRI Advance initiative have recognised the importance of stakeholder engagement. There are plans for both groups to engage with relevant affected stakeholders.

Achieved: LAPFF met a Grupo Mexico representative for the first time. LAPFF Chair, Cllr Doug McMurdo, spoke with an investor relations contact, who he found to be open to the engagement. It was interesting to hear that the company has been approached by a number of investors in relation to environmental, social, and governance (ESG) issues of late. This increase in attention on ESG issues might not be a coincidence as the company is one of those chosen for inclusion in PRI's Advance human rights initiative.

As with many mining companies, LAPFF's view is that Grupo Mexico has a number of processes in place, some of which appear to be sound on paper.

COMPANY ENGAGEMENTS

However, there appears to be significant work to be done in practice. Once again, the company accounts of its human rights practices and the community accounts differ drastically.

In relation to its PRI engagements, LAPFF has reached out to a couple of non-governmental organisations and community representatives on behalf of the Anglo American PRI Advance group to see if they would be willing to meet the group. There have been positive responses.

In Progress: Cllr McMurdo is now seeking to speak with the Sonora community group affected by Grupo Mexico's operations. As LAPFF has done in other such engagements, it will use the community and company perspectives to form a view of how to encourage improved human rights practices at the company.

LAPFF will now work to set up the community meetings for both the Anglo American and Vale PRI Advance groups.

Water Companies and Sewage Pollution

Objective: Water companies are currently facing considerable reputational risks and regulatory scrutiny around their environmental performance. The focus of concern centres on the use of storm overflow drains. These drains are used to stop water backing up into people's homes when there is heavy rain but result in sewage being released into the waterways. As water companies are effectively regional monopoly suppliers subject to environmental and economic regulation, there are considerable regulatory risks, not least those driven by current reputational perceptions and public concern. The sector has faced further recent public scrutiny when financial concerns about Thames Water came to light.

The main objective of the engagement activity, which started in 2022, is to ensure that these risks are being appropriately addressed and that environmental performance improves. An important focus was ensuring plans were in place and progress is being made in reducing the amount of sewage being released into waterways. In addition, LAPFF sought to ensure companies had credible climate transition plans and progress was being made against them.



Water companies are currently facing considerable reputational risks

Achieved: During the quarter, LAPFF's chair, Cllr Doug McMurdo, met with the Chair of **Severn Trent**, Christine Hodgson. The meeting was held against the backdrop of the problems facing Thames Water and covered the challenges facing the sector as a whole. This meeting was very constructive, and it was welcome news that the company was ahead of its targets on reducing overflows. The discussion covered the company's longer-term plans and targets and capital investment. The company also set out how it was addressing climate change, including through capturing emissions from the sewage treatment process.

LAPFF met with the chair of **United Utilities**, David Higgins. The meeting was positive despite the significant challenges that remain in the sector. The company outlined how it had reduced the number of overflows in the past couple of years. The meeting also covered plans to reduce overflows further and investment to address overflow issues. As with the discussion with Severn Trent, issues facing the sector were raised. The company also set out its plans regarding climate adaptation and mitigation.

LAPFF's chair also met the Head of Environment and Sustainability at **Northumbrian Water**. The company is owned by three holding companies, two of which (CK Hutchinson and CK Asset Holdings Limited) a large number of LAPFF members hold. It was a useful meeting which covered the company's plans and targets to reduce storm overflows and capital investment required to do so. The meeting also covered the company's wider environmental performance and its climate change ambitions.

In Progress: While there is progress, significant risks remain. Adverse publicity and concerns about sewage overflows show few signs of diminishing while there is continued focused from regulators. LAPFF therefore will be continuing to engage with the companies on their progress and plans.

COMPANY ENGAGEMENT ACTIVITY

Electric Vehicles and Human Rights

Objective: Continuing its engagement with electric vehicle manufacturers to better understand how they are addressing the risks associated with minerals for batteries for their vehicles, LAPFF wrote to a number of companies seeking further engagement with those it has already engaged on this issue and to meet others for the first time.

Achieved: LAPFF met with **Volkswagen** (VW) and **Volvo Group** (trucks and HGVs) this quarter, both for the first

COMPANY ENGAGEMENTS

time. LAPFF had a detailed discussion with Volkswagen, which published its third iteration of its raw materials report this year. The discussion covered the company's overall human rights programme and more focussed attention on individual minerals. LAPFF also broached questions about the scrutiny VW faced for one of its joint ventures linked to auto manufacturer supply chains allegedly associated with Uyghur forced labour in Xinjiang. VW has publicly announced that it will be undertaking a social audit of this factory, although it has faced scrutiny from various NGOs and labour groups that social audits in China are ineffective based on political pressures.

Volvo provided a high-level overview of its human rights programme, which in terms of reporting, appears to be lacking compared to some of its peers, particularly on risk management of human rights in critical mineral and material supply chains. Despite this lack of transparency in reporting, Volvo provided a promising conversation on its aspirations to improve various parts of its human rights work.

In Progress: More and more legislative instruments pertaining to corporate sustainability are being enacted around the world, such as the EU Battery Regulation which came into effect in August 2023. These new regulations impose sustainability, recycling, and safety requirements on all battery manufacturers, importers and distributors in the EU. Responsibility and due diligence requirements are also extended to supply chains for materials like cobalt, lithium and nickel. The EU's Corporate Sustainability Due Diligence Directive, whilst still in development, will require companies to conduct due diligence on, and take responsibility for, human rights abuses and environmental harm throughout their global value chains. Therefore, LAPFF will continue to monitor and engage on how companies are set to meet these requirements, including for minerals and materials being used in the production of electric vehicles, where human rights abuses continue to be a major source of concern.



A number of companies not adhering to wage floor requirements including listed companies such as M&S. Above: M &S in Truro City centre in Cornwall

Minimum Wage

Objective: LAPFF believes that good employment practices are linked to long-term corporate prosperity and hence the creation of investment value. It is therefore concerning when investee companies are found to be in breach of statutory national minimum wage standards. In June, the Department of Business and Trade announced that an investigation had found a number of companies not adhering to wage floor requirements including listed companies such as **WH Smith, Marks & Spencer, Argos** (which is owned by **Sainsbury's**) and Whitbread. LAPFF therefore sought to ensure that changes were in place to avoid future incidents.

Achieved: LAPFF wrote to the four companies requesting details around how the incidents occurred, what actions were taken to address the breach, and how they would be prevented in the future. All four companies responded and provided information about the nature of the breaches. Companies provided details of actions taken and gave assurances about seriousness with which they took the issue.

In Progress: LAPFF will continue to monitor breaches in labour law and engage companies where any issues are found to ensure that they are addressed.

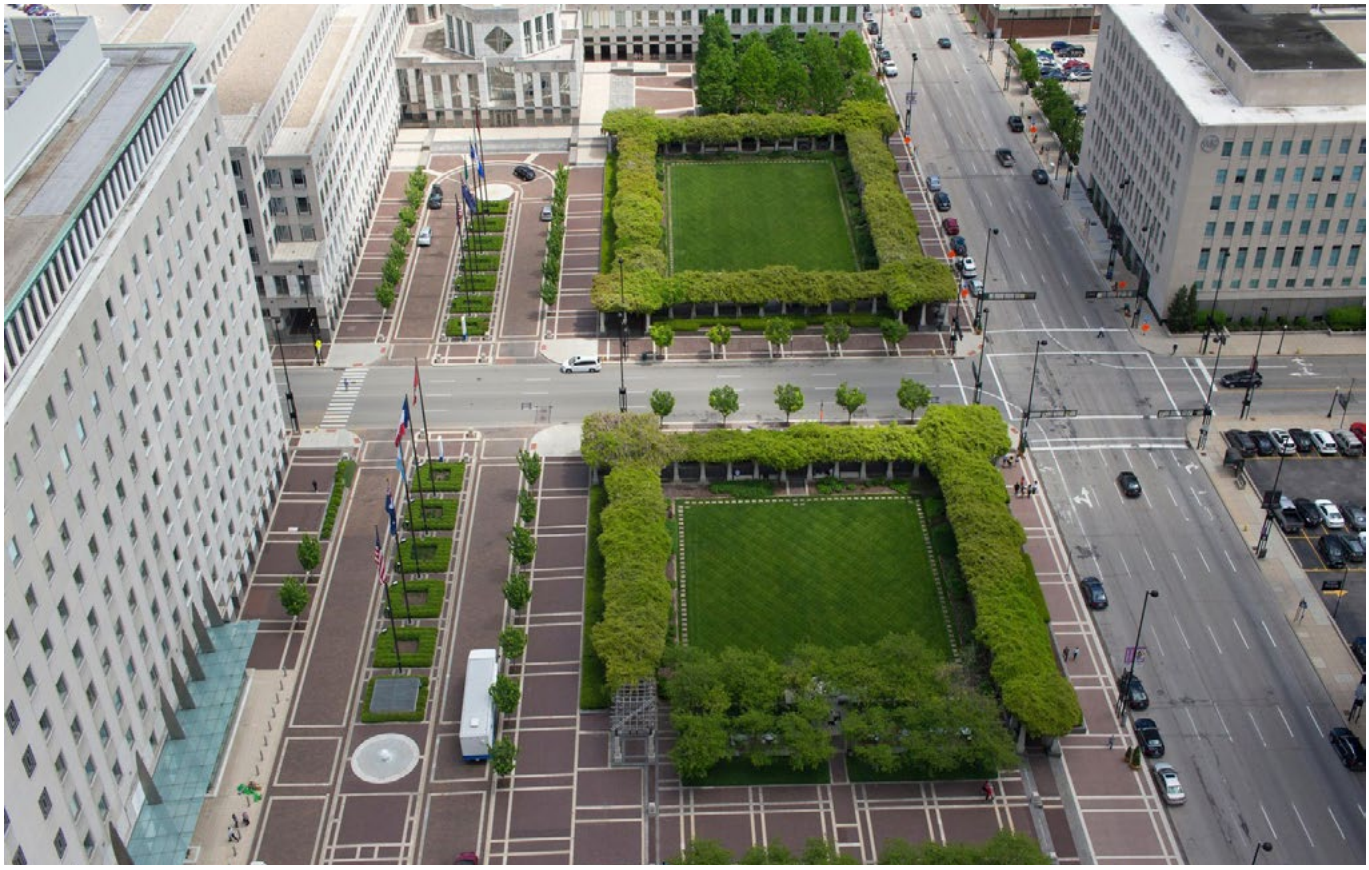
Biodiversity

Objective: Alongside writing to financial institutions regarding their role in supporting positive developments on biodiversity and climate change, LAPFF has also sought to understand approaches to biodiversity at companies in other industries. For example, Procter & Gamble was recently reported to have removed policy commitments not to buy wood pulp from degraded forests. This action comes three years after a majority of investors supported a non-binding shareholder resolution at the company's AGM requesting that Proctor & Gamble assess how it could improve efforts to eliminate deforestation and forest degradation in its supply chains. LAPFF also aimed to find out more about Nestlé's approach to regenerative agriculture.

Achieved: LAPFF has written to **Procter & Gamble** regarding this engagement. LAPFF also wrote to **Nestlé**, who hosted the Forum at its chair's roundtable in March 2023. The request seeks to discuss the company's plans for regenerative agriculture and how it contributes to the company's pathway to halve its greenhouse gas emissions by 2030 and reach net-zero by 2050.

In Progress: Deforestation is becoming an increasingly important topic for LAPFF members and wider investors,

COMPANY ENGAGEMENTS



A city park owned by the Proctor and Gamble company in Cincinnati, Ohio

particularly as the Taskforce on Nature-related Financial Disclosures (TNFD) published its final recommendations in September 2023. TNFD will have implications for a wide range of market participants. LAPFF will be monitoring how relevant companies incorporate the TNFD recommendations and will seek to engage those lagging behind on biodiversity and deforestation.

Shell

Objective: Further to Shell's rowing back from its already unsatisfactory Energy Transition Plan, the company is now a point of special focus, given both its size and importance as an investment, as well as the scale of its emissions. LAPFF continues to aim to have the company understand its role in the energy transition and take action accordingly.

Achieved: LAPFF has met with the chair of Shell with some meeting of minds on some issues. Comments from the new leadership at the Shell Annual General meeting, that Shell does not have enough visibility on some putative sources of future revenue and growth to attach numbers to, does accord with LAPFF's critique in LAPFF's voting alerts since 2020.

In Progress: Given Shell's historically poor investment performance (over 20 years barely better than a bond return), which is indicative of poor investment decision making, alongside no appreciable record or prospect of investment, further effort will be put into understanding the numbers and the business model as well as direct engagement.

Centrica

Objective: Growing energy prices following the end of Covid lockdowns and since the start of the war in Ukraine have become a major business, economic, social and political issue. Rising costs have been a driver of inflation and reduction in the household standard of living. With prescribed economic regulations this backdrop has led to mounting scrutiny of energy companies' practices, especially those related to low-income households. LAPFF sought to understand how energy companies were managing the regulatory and reputational risks around the cost-of-living crisis, including changes needed to support those on low incomes or in arrears.

Achieved: LAPFF wrote to Centrica one of the major UK energy suppliers and owner of British Gas. The company responded by setting out how it is supporting customers through the cost-of-living crisis. The company also outlined ongoing support and advice that it provides low-income customers.

In Progress: With energy prices remaining high, LAPFF will be seeking to meet the major UK energy suppliers on their approaches to supporting households and managing the ongoing risks.

COMPANY ENGAGEMENTS



One of LAPFF's main concerns is to ensure that the National Grid's transition plan allows for a sufficiently speedy transition for the users of its grid

National Grid

Objective: LAPFF has continued its engagement with National Grid through the CA100+ forum. One of LAPFF's main concerns is to ensure that the company's transition plan allows for a sufficiently speedy transition for the users of its grid.

Achieved: LAPFF's view is that the company is missing some opportunities to decarbonise more quickly, so LAPFF issued a voting alert for National Grid ahead of the company AGM in July. LAPFF cited three main concerns in the voting alert: the company's confusing approach to the use of gas, delays in connecting clean energy projects to the grid, and disclosure on the energy transition. Consequently, LAPFF recommended opposition to the company report and accounts and to the resolution on political donations.

In Progress: LAPFF will continue to engage National Grid on its transition plan, including on the specific points mentioned above.

SSE

Objective: LAPFF has a longstanding engagement with SSE and has found the company to be open and responsive to engagement. Because it is progressive on a number of issues, including a fair and just transition, LAPFF seeks to maintain this relationship and push the company to entrench its leadership role in areas such as just transition and living wage.

Achieved: LAPFF Executive member, John Anzani, attended SSE's AGM again this year and asked a two-pronged question about SSE's approach to a just transition. First, he asked whether the SSE is looking to review its just transition principles in the near future. Second, he asked about capital allocation and whether money being spent on carbon capture and storage (CCS) could be better spent elsewhere.

In Progress: LAPFF has requested a follow-up meeting to discuss SSE's responses in greater detail.

Taylor Wimpey

Objective: Housing is a major contributor to greenhouse gas emissions and a focus of environmental regulation. To reduce the climate risks associated with overall emissions and the specific consumer and regulatory risks companies face, LAPFF therefore seeks to engage housebuilders on having credible transition plans. Following concerns from consumers and policymakers around leasehold arrangements and fire safety LAPFF also seeks to ensure the issues were being managed.

Achieved: The LAPFF Chair, Cllr Doug McMurdo, met with the Chair of Taylor Wimpey to discuss the company's approach to climate change. Since LAPFF last met the company, Taylor Wimpey has produced a transition plan, which has emission targets covering scopes 1-3 emissions and with a net zero by 2045 commitment. The meeting was informative and covered the company's progress and plans for reducing operational emissions, its approach to residual emissions, emissions from its homes when sold, and supply chain emissions such as from concrete and diesel. The issue of the just transition was raised as was putting the company's transition plan to a vote. The meeting also covered issues and costs associated with the agreement with the CMA on leaseholds and works related to fire safety.

In Progress: LAPFF will continue to meet with companies in the sector to ensure they have credible plans in place.

Unilever

Objective: Unilever has received quite a lot of press regarding its decision to remain in Russia after Russia's invasion of Ukraine. LAPFF heard from Total last year about that company's difficulties in deciding whether to leave Myanmar and recognises the significant challenges companies face in taking these decisions. Therefore, LAPFF wanted to understand better Unilever's challenges in deciding whether to remain in or exit Russia.

Achieved: LAPFF's Chair, Cllr Doug

COLLABORATIVE ENGAGEMENTS

McMurdo, met with Unilever Chair, Nils Anderson, to discuss Unilever's challenges in Russia. Mr. Anderson was not only open about the obstacles the company faces in Russia but also appeared to be open to working with LAPFF and others to determine appropriate solutions.

In Progress: LAPFF is continuing to participate in investor webinars on human rights and conflict zones. It will also continue to work with Unilever on this issue and will likely seek to partner with other investors who have been investigating the role of companies in conflict zones over the last couple of years.

COLLABORATIVE ENGAGEMENTS

FAIRR

Objective: The FAIRR initiative is a collaborative investor network that raises awareness of material ESG risks and opportunities caused by intensive animal production. The initiative's engagements have a wide-reaching impact on how business models contribute to material risks for investors. LAPFF aims to increase its understanding of the material ESG risks and opportunities and to engage with relevant companies associated with this issue.

Achieved: LAPFF has re-signed onto a FAIRR engagement focusing on working conditions at food producers, mainly in North and South America. LAPFF has also signed onto two new engagement streams, one examining antimicrobial resistance in animal pharmaceutical industry and the other analysing quick-service restaurant antibiotic policies, both with a focus on the concern about increasing global antimicrobial resistance. More than 20 companies have been contacted across these three workstreams.

In Progress: LAPFF will join calls as appropriate in due course which are being coordinated by FAIRR.



Farm land in Uruguay. This is the result of intensive livestock business in South America

Asia Research and Engagement's Energy Transition Platform

Objective: LAPFF joined calls hosted through Asia Research and Engagement's Energy Transition Platform which seeks to engage both financial companies and coal-exposed power companies. During the second quarter of 2023, LAPFF joined calls with **Mizuho Financial Group, China Construction Bank** (CCB), and **Huaneng Power.**

Achieved: Engagement with Mizuho assessed the feasibility of the company discontinuing all financing of oil and gas projects, and how the company was exploring its reduction targets for upstream activities within these industries. During the engagement, LAPFF raised inquiries regarding Mizuho's transition risk rating matrix, specifically inquiring about the scoring criteria applied to its clients. Additionally, investors sought insights into Mizuho's approach to navigating national policy restrictions, allocating budgets for the development of new green technologies, and leveraging its internal expertise in sustainable finance.

The conversation with CCB revolved around inquiries into CCB's environmental, social, and governance (ESG) rating system for clients, its disclosure practices concerning credit exposure linked to high-carbon industries, and the establishment of green sector targets. Similar to the discussion with Mizuho, this dialogue also delved into considerations related to national policy boundaries and restrictions.

The call with Huaneng Power covered questions around the company's previous disclosures on reaching peak emissions by 2024, as well as continuing aspirations for the company's targets for renewable energy production by the end of China's 14th Five-Year Plan, which comes to an end in 2025.

In Progress: Whilst there are many difficulties with aligning investor expectations with company progress in various markets due to challenging and conflicting national policies, ARE's Energy Transition Platform continues to build positive and meaningful

COLLABORATIVE ENGAGEMENTS

engagement with a variety of financial institutions and coal-exposed power companies.

Nature Action 100

Objective: Nature loss is a financially material risk. As the world's GDP is highly reliant on nature and its services, biodiversity loss creates significant risks for investors. As such, LAPFF's workplan seeks to engage companies to promote positive environmental impacts and reduce the operational, reputational and regulatory risks associated with nature loss.

Achieved: Alongside our own engagement work on biodiversity, this quarter saw LAPFF sign onto a major new collaborative initiative Nature Action 100. The global investor-led engagement initiative led by Ceres and IIGCC seeks to reverse biodiversity loss and drive nature action. The initiative sent letters to 100 companies from eight key sectors systemically important in reversing nature loss. The letter supported by over 190 investors sets out the initiative's expectations.

In Progress: LAPFF will seek to be involved in engagements as part of its participation in Nature Action 100.

30% Club Investor Group

Objective: LAPFF continues to support the 30% Club Investor Group. Initially, the group focused on enhancing gender diversity within UK boards, advocating for a minimum representation of 30 percent women on FTSE 350 boards and senior management positions within FTSE 100 companies. Over recent years, its scope has expanded to cover racial equity in UK boardrooms and promote gender diversity in global boardrooms.

Achieved: LAPFF is supporting the Group's Global Workstream, which looks to markets outside of the UK, namely in the USA and Asia, where boardroom diversity is lacking compared to the EU and UK. Through this workstream, LAPFF wrote to KKR & Co Inc. and Shinhan Financial Group asking the companies to set targets for diversity at board level and seeking to discuss individual company approaches to diversity more widely.

In Progress: LAPFF hopes to secure meetings with both companies in the fourth quarter of 2023 and continues to support other meetings held by the 30% Club Investor Group on an ad hoc basis as appropriate.

Valuing Water Finance Initiative

Objective: LAPFF is co-chair of the Valuing Water Finance Initiative (VWFI), a global investor-led effort, facilitated by the NGO Ceres, to engage companies with a significant water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems.

Achieved: Along with other members of the VWFI, LAPFF met with Burberry Plc during the quarter to discuss the company's approach to water stewardship. A headline aim of the VWFI is to work with companies so as not to negatively impact water availability or water quality in areas across their value chain. Water scarcity poses a material risk throughout Burberry's cotton and leather supply chains whilst disposal of wastewater at manufacturing sites and dye houses risks polluting local watersheds. The company outlined its process for assessing risk at a commodity, regional and individual facility level. The outcome of the assessment resulted in the facilities with the highest risk being designated a hot spot. The company has subsequently set a target for zero hot spots within its supply chain by 2030. Burberry has made good progress in identifying water risk in recent years.

In Progress: The VWFI will release a detailed assessment and benchmark of all focus companies by the end of October 2023, including Burberry. LAPFF will assess the benchmark to identify potential shortcomings in the company's approach to manging water risk and follow up accordingly. The VWFI benchmark will provide a means through which performance on this issue can be tracked over time.

SIGN-ON LETTERS AND STATEMENTS

CDP - Science-Based Targets Campaign

LAPFF signed onto the CDP's science-based targets campaign for the third straight year. This campaign offers CDP investor signatories and Supply Chain members the opportunity to accelerate the adoption of science-based climate targets, by collaboratively engaging companies on this matter.

WDI – ISSB Letter

LAPFF signed onto a letter to the International Sustainability Standards Board (ISSB) requesting that the body 'prioritise researching' human capital and human rights indicators in its work plan.

Bank Track – Investor Statement on Global Human Rights Benchmark

Bank Track has finalised its investor statement on banks and human rights and is encouraging signatories to use it as a basis of engagement with banks on human rights. LAPFF is a signatory.

POLICY UPDATES

Letter to the UK Prime Minister

LAPFF signed onto a letter organised by the PRI, IIGCC and UKSIF regarding a statement by the Prime Minister on climate change.

Climate Risks

An updated briefing note for members was produced on LAPFF and climate risks. The briefing document includes an overview of LAPFF expectations of companies regarding climate change and how LAPFF supports change through engagement. The document is available to members on the member section of the website.

Water Risks

During the quarter LAPFF met with the Director of Investor Relations at Ofwat. In a highly regulated sector, Ofwat and

COLLABORATIVE ENGAGEMENTS

other regulators play an important role in shaping what individual companies can do and charge. At the meeting LAPFF discussed issues around capital expenditure, affordability, delivery of investment plans, the resilience of the sector, and the impact of climate change.

Reliable Accounts

Objective: LAPFF has continued to focus on policy making in the area of reliable accounts, given problems with accounting standards and standards of auditing. The focus also extends to climate change aspects of accounts, including decarbonisation. There are cross-cutting issues with capital markets (see later) given the impact that two Parliamentary Committees have given to the effect of pension fund accounting on pension fund asset allocations away from UK equities.

Achieved: The concept of Paris aligned accounts is now a mainstream issue. Two Parliamentary Committees, the DWP Select Committee of the Commons and the Industry and Regulators Committee put the accounting standards at the centre of their criticisms of the regulatory and advisory environment.

Freedom of Information Act requests are revealing more troublesome insights into the way Ministers have been briefed by officials at the Department of Business Energy and Industrial Strategy (BEIS), now the Department for Business and Trade (DBT). Requests first made in the summer of 2021 have elicited new information that had been held back but now released in July 2023 given interjection by the Information Commissioner. Further developments are expected and will be reported in full when the sensitivity of a live case has been settled. There are strong parallels with the circumstances of the Freedom of Information Act requests done in 2015 and 2016 which revealed that the Financial Reporting Council was not portraying the position of His Majesty's Government lawyers properly.

In Progress: The focus on the Freedom of Information Act requests continues, and Parliamentarians have been kept updated. See also capital markets working group (later).

Capital market reform and Capital Markets Working Group

Objective: LAPFF has for over a decade been concerned about the dropping of standards required of companies listing on UK capital markets, with specific problems with certain mining and extractive companies. More recently a group of City of London interests bereft of asset owner representation has made efforts to drop standards even further. There are overlapping issues with the poor quality of some companies coming to the UK for listing, as with NMC Health which joined the FTSE 100 and then collapsed, and poor-quality accounting. There are also ongoing issues given the work being done by the DWP Select Committee on pensions.

Achieved: LAPFF made strong response to the Financial Conduct Authority's consultation on relaxing the Listing Regime further. That response was met by equally strong condemnation of the FCA proposals by other large asset owners, including RailPEN. In the light of this, the LAPFF Executive has decided to set up a Capital Markets Working Group.

In Progress: With Parliament coming out of recess for the autumn session, attention will be given to this area, in association with the newly formed Capital Markets Working Group.

Party conference fringe events

Objective: LAPFF hosts fringe events at the political conferences. The meetings are a valuable way for LAPFF to engage with national politicians and stakeholders. The focus of this year's meetings was greenwashing. LAPFF has raised concerns about greenwashing, including in specific company engagements, and the fringe meetings provided the opportunity to raise such concerns with policymakers.

Achieved: Within the quarter, LAPFF held a meeting at the Lib Dem party conference. Alongside the chair of LAPFF, other speakers included Lord Robin Teverson, Lords Spokesperson Energy and Climate Change, Cllr Keith Melton, Chair of the Green Lib Dems, and Sarah George, Deputy Editor of Edie. LAPFF outlined the work it undertakes, how investors can tackle greenwashing by companies, and the role governments and policymakers could play. The discussion covered how regulations can guard against greenwashing, green taxonomies and labels, the importance of transparency and the role of reporting.

Progress: Meetings at the Conservative and Labour party conferences were planned for the following quarter. LAPFF will also continue to engage national policymakers on the issue and around the importance of reporting and corporate governance standards.

CONSULTATION RESPONSES

UN Consultation on Investors, ESG, and Human Rights

LAPFF has responded to the UN Working Group on Business and Human Rights consultation on investors, ESG, and human rights. The Working Group is tasked with identifying ways to implement the UN Guiding Principles on Business and Human Rights and has been increasingly interested in the role investors can play in this regard. LAPFF set out a range of measures it employs to supporting both ESG and human rights. You can find LAPFF's response posted here on its website.

MEDIA COVERAGE

Climate

Net Zero Investor: UK stewardship stocktake: engagement at a gridlock?

Human Rights

Corporate Secretary/IR Magazine: Trillion-dollar coalition calls for human and worker rights focus at ISSB

Investments & Pensions Europe: Investors urge ISSB to focus on human and labour rights

Edie: Investment giants press for new global disclosure standards on human rights

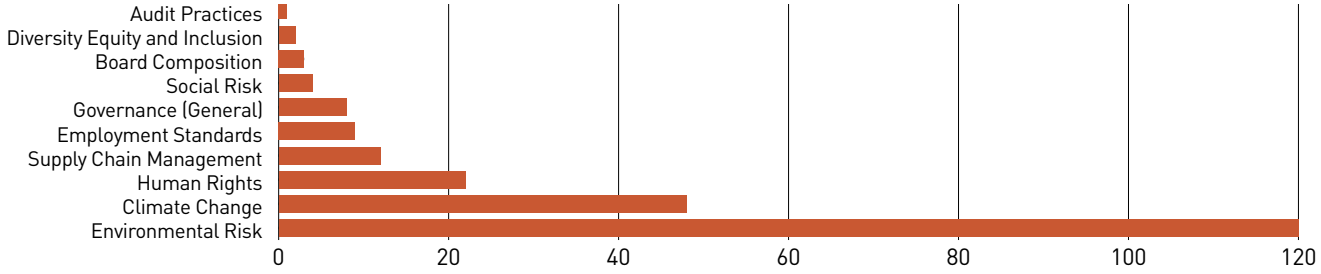
COMPANY PROGRESS REPORT

182 companies were engaged over the quarter. This number includes collaborative engagement letters sent to companies as part of the LAPFF-led Say on Climate initiative and the Nature Action 100 initiative. Excluding these engagement letters, LAPFF engaged with 54 companies.

Company/Index	Activity	Topic	Outcome
AIA GROUP LTD	Sent Correspondence	Environmental Risk	Awaiting Response
ALLIANZ SE	Sent Correspondence	Environmental Risk	Awaiting Response
ALPHABET INC	Sent Correspondence	Diversity Equity and Inclusion	Awaiting Response
APPLE INC	Sent Correspondence	Diversity Equity and Inclusion	Awaiting Response
ASSOCIATED BRITISH FOODS PLC	Received Correspondence	Human Rights	No Improvement
AVIVA PLC	Sent Correspondence	Environmental Risk	Awaiting Response
AXA	Sent Correspondence	Environmental Risk	Awaiting Response
BARRATT DEVELOPMENTS PLC	Sent Correspondence	Climate Change	Awaiting Response
BAYERISCHE MOTOREN WERKE AG	Sent Correspondence	Supply Chain Management	Awaiting Response
BERKSHIRE HATHAWAY INC.	Sent Correspondence	Environmental Risk	Awaiting Response
BOOKING HOLDINGS INC.	Sent Correspondence	Human Rights	Dialogue
BURBERRY GROUP PLC	Meeting	Environmental Risk	Small Improvement
CENTRICA PLC	Received Correspondence	Social Risk	Dialogue
CHINA CONSTRUCTION BANK CORP	Meeting	Climate Change	Dialogue
CHINA LIFE INSURANCE (CHN)	Sent Correspondence	Environmental Risk	Awaiting Response
DEVON ENERGY CORPORATION	Sent Correspondence	Environmental Risk	Dialogue
FEDEX CORPORATION	Alert Issued	Climate Change	Dialogue
FORD MOTOR COMPANY	Sent Correspondence	Human Rights	Awaiting Response
GENERAL MOTORS COMPANY	Sent Correspondence	Human Rights	Awaiting Response
GRUPO MEXICO SA DE CV	Meeting	Human Rights	Dialogue
HENNES & MAURITZ AB (H&M)	Received Correspondence	Human Rights	Dialogue
J SAINSBURY PLC	Received Correspondence	Employment Standards	Satisfactory Response
KKR & CO INC	Sent Correspondence	Board Composition	Awaiting Response
LEGAL & GENERAL GROUP PLC	Meeting	Environmental Risk	Awaiting Response
LLOYDS BANKING GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
MARKS & SPENCER GROUP PLC	Received Correspondence	Employment Standards	Satisfactory Response
MERCEDES-BENZ GROUP AG	Sent Correspondence	Human Rights	Awaiting Response
META PLATFORMS INC	Sent Correspondence	Human Rights	Awaiting Response
METLIFE INC.	Sent Correspondence	Environmental Risk	Awaiting Response
MIZUHO FINANCIAL GROUP INC	Meeting	Climate Change	Small Improvement
MUENCHENER RUECK AG (MUNICH RE)	Meeting	Environmental Risk	Awaiting Response
NATIONAL GRID GAS PLC	AGM	Climate Change	Dialogue
NESTLE SA	Sent Correspondence	Climate Change	Awaiting Response
NORTHUMBRIAN WATER GROUP	Meeting	Environmental Risk	Moderate Improvement
OCCIDENTAL PETROLEUM CORPORATION	Sent Correspondence	Environmental Risk	Dialogue
PERSIMMON PLC	Sent Correspondence	Climate Change	Awaiting Response
PING AN INSURANCE GROUP	Sent Correspondence	Environmental Risk	Awaiting Response
PRUDENTIAL PLC	Sent Correspondence	Environmental Risk	Awaiting Response
RENAULT SA	Sent Correspondence	Human Rights	Awaiting Response
RIO TINTO GROUP (AUS)	Sent Correspondence	Human Rights	Dialogue
RYANAIR HOLDINGS PLC	Alert Issued	Remuneration	No Improvement
SALESFORCE INC	Sent Correspondence	Board Composition	Awaiting Response
SEVERN TRENT PLC	Meeting	Environmental Risk	Moderate Improvement
SHINHAN FINANCIAL GROUP LTD	Sent Correspondence	Board Composition	Awaiting Response
SSE PLC	AGM	Climate Change	Dialogue
SUZANO SA	Meeting	Climate Change	Small Improvement
TAYLOR WIMPEY PLC	Sent Correspondence	Climate Change	Awaiting Response
TESLA INC	Sent Correspondence	Human Rights	Awaiting Response
THE PROCTER & GAMBLE COMPANY	Sent Correspondence	Environmental Risk	Awaiting Response
TOTAL ENERGY SERVICES INC	Sent Correspondence	Human Rights	Dialogue
UNILEVER PLC	Meeting	Human Rights	Small Improvement
UNITED UTILITIES GROUP PLC	Meeting	Environmental Risk	Moderate Improvement
VALE SA	Sent Correspondence	Human Rights	Dialogue
VOLKSWAGEN AG	Meeting	Human Rights	Small Improvement
VOLVO AB	Meeting	Human Rights	Small Improvement
WH SMITH PLC	Received Correspondence	Audit Practices	Satisfactory Response
WHITBREAD PLC	Received Correspondence	Employment Standards	Satisfactory Response
ZURICH INSURANCE GROUP AG	Sent Correspondence	Environmental Risk	Awaiting Response

ENGAGEMENT DATA

ENGAGEMENT TOPICS



ACTIVITY



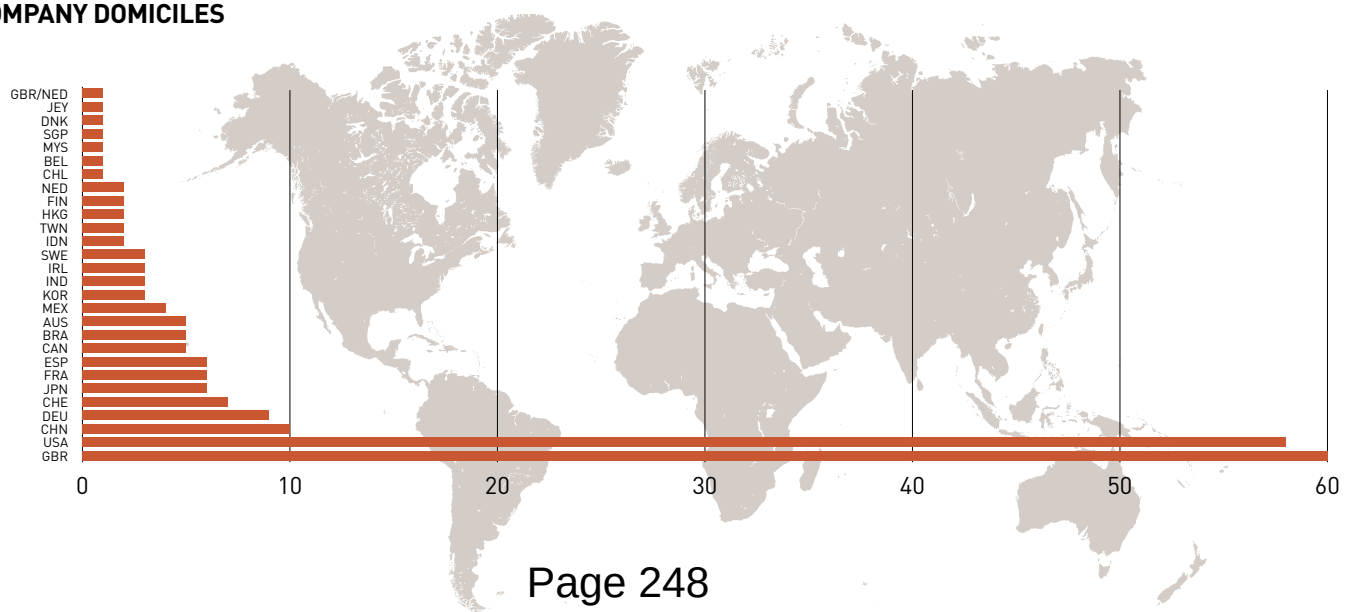
MEETING ENGAGEMENT OUTCOMES



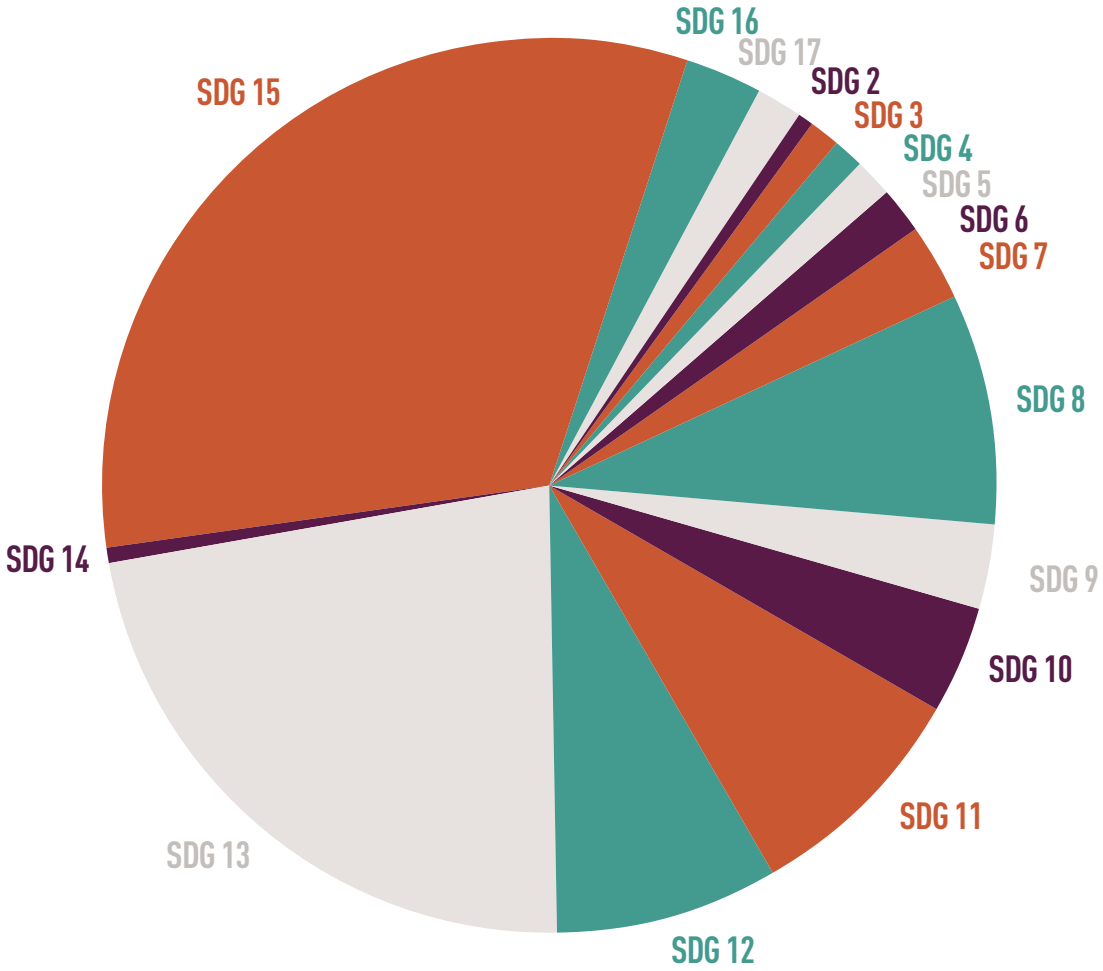
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	0
SDG 2: Zero Hunger	2
SDG 3: Good Health and Well-Being	4
SDG 4: Quality Education	4
SDG 5: Gender Equality	4
SDG 6: Clean Water and Sanitation	6
SDG 7: Affordable and Clean Energy	9
SDG 8: Decent Work and Economic Growth	27
SDG 9: Industry, Innovation, and Infrastructure	10
SDG 10: Reduced Inequalities	13
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LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

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

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



LGPS Central Limited

LGPS CENTRAL LIMITED

Portfolio & Real-World Decarbonisation in Public and Private Markets

NET ZERO STRATEGY FOR FINANCED EMISSIONS

October 2023

Contents

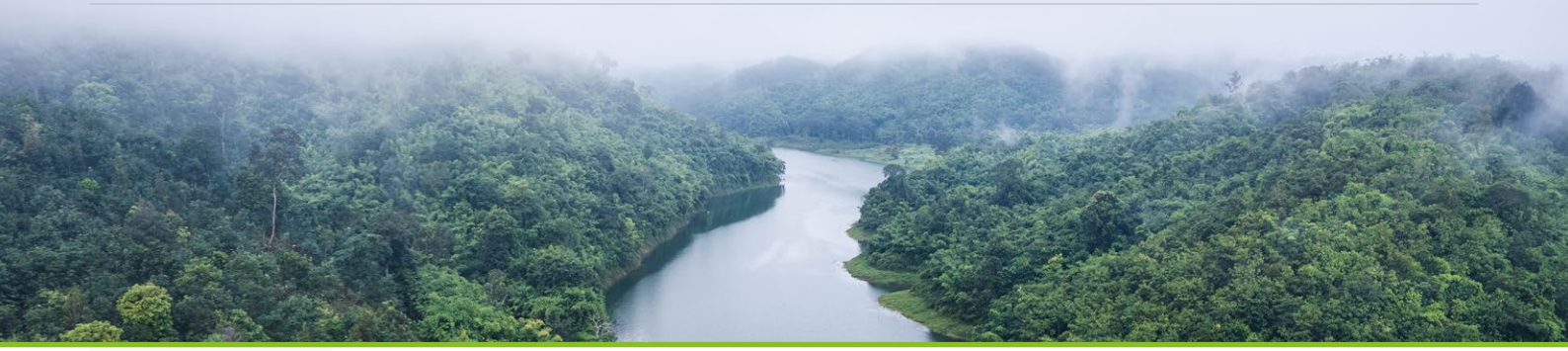
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LGPS Central Limited

About LGPS Central Limited

LGPS Central Limited is an FCA-regulated institutional investment manager responsible for the pooled assets of eight Local Government Pension Funds in Central England (known hereinafter as Partner Funds). LGPS Central was formed in April 2018 and is owned equally by its Partner Funds.

At the end of 2022, the Partner Funds had combined assets of approximately £55 billion. LGPS Central managed £21 billion of Partner Funds' assets with 80% of their assets invested in listed equity (active and passive) and fixed income portfolios and 20% invested in private market portfolios (private equity, private credit, and infrastructure).



FOREWORD BY:



Joanne Segars
OBE, Chair



John Burns
Interim CEO

Foreword

The adoption of the Paris Agreement was a landmark in multilateral climate negotiations. At the time, we celebrated with tremendous relief and renewed optimism.

We also knew that reaching an agreement on a successor to the Kyoto Protocol was only the beginning and that governments, businesses and civil society need to collaborate more closely and allocate trillions of pounds worth of capital towards minimising global temperature rises and avoiding the worst effects of climate change.

The global response has been encouraging. Governments across all regions of the world have set net zero commitments, introduced climate legislations and allocated budgets for climate solutions. Businesses have been announcing climate targets, developing transition plans, disclosing their emissions performance, and rolling out carbon-reduction programmes. Civil society have been increasingly campaigning for more action and are transitioning towards a new low-carbon world.

Investors have also been committing to net zero targets and implementing climate strategies. In addition, they have been engaging with companies and governments on their climate ambitions and supporting investor-led organisations and initiatives whose mission is to help their members reduce their investment portfolio emissions. This collaborative work has permanently changed investment practices in the investment industry.

LGPS Central share the belief among investors that urgent climate action must start now, and that collaboration is the most effective way to achieve real-world decarbonisation. Consequently, we are actively engaging with companies, investors and responsible investment organisations and initiatives, such as the Transition Pathway Initiative and Climate Action 100+.

We also recognise that climate change poses financially-material risks, and that due consideration of climate risk falls within the scope of our fiduciary duty. Since our inception in 2018, we have taken steps to monitor and manage our exposure to climate risks and opportunities. For example, we launched our Climate Risk Monitoring Service (CRMS) to assist our Partner Funds with their strategic response to climate risk and we have integrated our climate expectations into our voting principles.

To align with the goals of the Paris Agreement, we announced two net zero targets in January 2022 that commit us to halve our portfolio emissions from listed equities and corporate bonds in 2030 and decarbonise all our assets to net zero by 2050. Subsequently, we have spent significant time on designing a net zero strategy that is relevant to our company and assets, and supportive of real-world decarbonisation.

We are proud of our net zero strategy and believe that it demonstrates leadership and responsible stewardship of assets. We are confident that we can meet our net zero targets and develop market-leading tools and practices that will reduce the carbon emissions generated by our assets.

While we know that net zero strategies are not one-size-fit-all, we hope that our net zero strategy assists investors in the development of their own net zero strategies and supports the development of more sophisticated climate tools and data. We look forward to working with other investors, companies and investor-led organisations to accelerate the positive momentum towards tackling climate change.

Executive Summary

What are LGPS Central's Net Zero Ambitions?

LGPS Central is committed to decarbonising its assets under management (referred to hereinafter as "pooled assets") in a manner that contributes to reducing global emissions to net zero by 2050.

To demonstrate our support for the goals of the Paris Agreement, we set two climate targets for our financed emissions – emissions associated with our pooled assets - at the beginning of 2022:

1) Net zero (scope 1 & 2 carbon equivalent (CO_2e)) financed emissions by 2050 or sooner for listed equities, corporate bonds, sovereign debt, and property.
2) 50% reduction of (scope 1 & 2 CO_2e) financed emissions by 2030 for listed equities and corporate bonds.

We have since designed a net zero strategy after extensive research of climate frameworks and associated guidance, and sectoral analysis of the financed emissions of our pooled assets. LGPS Central's net zero strategy is based on a twin-track target and implementation framework that includes:

- series of emission-reduction and engagement targets from 2025 to 2050 (See section LGPS Central's Climate Targets for a table that summarises our targets);
- carbon footprinting across all our public market and private market assets by 2026; and
- processes, practices, tools, and data for tracking progress and to decarbonise our assets.

The implementation of our net zero strategy and our approach to achieving our climate targets is through the integration of ESG and net zero considerations into our investment processes and stewardship activities. We will conduct in-depth climate analysis and collaborate with our external fund managers on the reduction of the carbon emissions generated by our pooled assets. We will also extend our existing stewardship programme with an increased focus on high emitters from our combined listed equity and corporate bond portfolio that have not implemented credible strategies or demonstrated progress towards net zero.

The effectiveness of our net zero strategy will be reviewed in 2026. However, we believe that we have an ambitious, credible, and practical net zero strategy that will remain relevant over time and is consistent with our fiduciary responsibility. We will actively share our experiences and collaborate with our peers to assist their net zero ambitions and to improve the availability and accuracy of climate data and tools.



Summary of Climate Targets

We have summarised our climate targets in the following table.

- The overarching target of net zero by 2050 or sooner for our pooled assets is found at the top of the table.
- The asset-class targets have been divided into two columns, highlighting our twin-track target and implementation framework for two asset-class groups: 1) listed equities and corporate bonds (left-hand side column); and 2) sovereign debt and private markets (right-hand side column).

The definitions of terms that are highlighted in quotation marks and followed with a superscript are found in the Glossary of Terms. The superscript corresponds with the bullet point in the Glossary of Terms.

POOLED ASSETS

PORTFOLIO TARGET

Net zero (scope 1 & 2 CO_2e) financed emissions[7] by 2050 or sooner

LISTED EQUITIES & CORPORATE BONDS

ASSET-CLASS TARGETS

EMISSION-REDUCTION TARGETS

50% reduction in (scope 1 & 2 CO_2e) financed emissions in 2030

Reduction of (scope 1 & 2 CO_2e) financed emissions per £m invested:

50% in 2030	**60%** in 2035	**80%** in 2040	**90%** in 2045	**100%** by 2050 or sooner

FOOTPRINTING TARGETS

Track **relevant** scope-3-category emissions of top 20 companies by scope 3 financed emissions in 2024

SOVEREIGN DEBT & PRIVATE MARKETS

ASSET-CLASS TARGETS

EMISSION-REDUCTION TARGETS

Net zero (scope 1, 2 & Scope 3, category 13 CO_2e) financed emissions **by 2050 or sooner** for direct property investments based on a "whole-building and operational approach"[11]

FOOTPRINTING TARGETS

Carbon footprints for all assets in 2024 using:

estimated scope 1 & 2 CO_2e emissions data for sovereign debt	estimated scope 1 & 2 CO_2e emissions for private market assets

Carbon footprints for all assets in 2025 using:

estimated scope 1 & 2 CO_2e emissions data for sovereign debt	estimated and **actual** scope 1 & 2 CO_2e emissions for private market assets

LISTED EQUITIES & CORPORATE BONDS

ALIGNMENT AND ENGAGEMENT TARGETS

Engagement with external managers on LGPS Central's net zero strategy and stewardship programme: **100%** in 2023

Engagement threshold targets[2] for companies from "material sectors"[4]:

	Listed equities & corporate bonds	Active equities	Passive equities	Corporate bonds
2025	80%	85%	75%	85%
2030	90%	90%	90%	90%

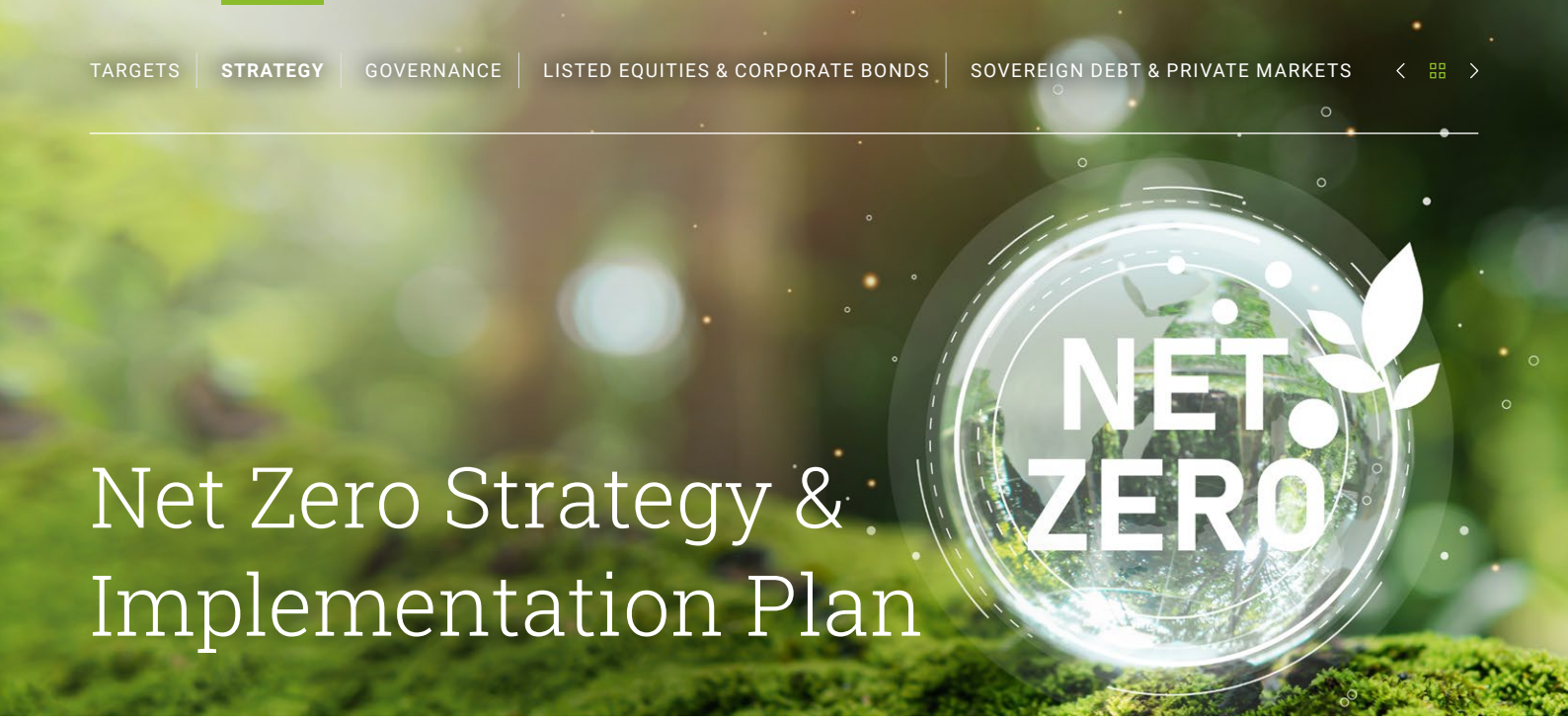
Portfolio coverage targets[6] for companies from material sectors:

	Active equities	Passive equities	Corporate bonds
2030	50%	60%	50%
2035	75%	80%	75%
2040	100%	100%	100%

SOVEREIGN DEBT & PRIVATE MARKETS

ALIGNMENT AND ENGAGEMENT TARGETS

Engagement with external managers on climate targets and data: **100%** in 2023



Net Zero Strategy & Implementation Plan

Strategy

Throughout the development of LGPS Central's net zero strategy, we have worked closely with our investment team, Investment Committee, Executive Committee, and our Board. Our shared aim was to implement a strategy that is all-encompassing and stretching so that LGPS Central is in the position to effectively decarbonise all pooled assets in the near term and long term.

The design of LGPS Central's net zero strategy is based on a twin-track target and implementation framework that covers **all public market and private market assets**. It has two objectives:

1) To decarbonise our pooled assets to net zero by 2050, while achieving interim climate targets for each asset class.
2) To contribute towards the global effort to reduce global emissions and achieve the goals of the Paris Agreement.

Interim Targets

To meet the first objective of our net zero strategy, we set interim targets for our pooled assets, spread between 2025 and 2050. The interim targets, which are in addition to the two climate targets set in 2022, were carefully selected for and allocated to two asset-class groups:

1) Listed equities and corporate bonds:
   - 5-year interval targets for financed emissions normalised by £m invested.
   - Multiple engagement threshold and portfolio coverage targets.
2) Sovereign debt and private markets:
   - Engagement with external managers on climate targets and data.
   - Targets for carbon footprinting.

All targets cover scope 1 & 2 CO_2e emissions. Scope 3 category 13 (downstream leased assets) emissions, which are emissions related to property and floorspace that we do not have operational control, is also included in the 2050 target for direct property investments.

A key milestone that shaped our target selection was carbon footprinting of our public market and private market assets in 2024 and 2025. This achievement will ensure that we can track the financed emissions from our entire pooled assets in 2026. The carbon footprints are also essential for the selection of portfolio companies for stewardship programmes to be designed for public markets and private markets. (Please refer to the relevant Targets & Implementation section for a more detailed explanation of our climate targets: for listed equities and corporate bonds, and for sovereign debt and private markets.)

Stewardship & ESG Integration

Stewardship is a core pillar to our net zero strategy and crucial for achieving its second objective, which is to decarbonise our pooled assets in a manner that contributes to the reduction of global emissions. We also rely on robust integration of ESG considerations into investment processes and in-depth analysis that rewards companies actively embracing the transition.

We recognise that contributing to global decarbonisation can only be done through ownership rather than a transfer of high emitting assets from our pooled assets to other investors. Therefore, our strategy for achieving LGPS Central's climate commitments is driven by the notion of being a good steward for those assets whose decarbonisation progress is integral for wider change in the real economy. We assertively deploy engagement and voting as tools for achieving net zero. We also seek to partner with external managers who share our commitment and integrate engagement outcomes into their investment decisions.

5 Phases of Implementation

The twin-track target & implementation framework at the core of our net zero strategy recognises the data and carbon footprinting challenges for each asset class. Moreover, the framework – which divides and applies specific targets to the abovementioned two asset-class groups – considers our expertise in carbon footprinting. While we have significant knowledge and experience in carbon footprinting of listed equity and corporate bond portfolios, we are in the process of building our understanding on the carbon footprinting of sovereign debt and private market assets. This has meant that we are at different phases of implementation for these asset-class groups.

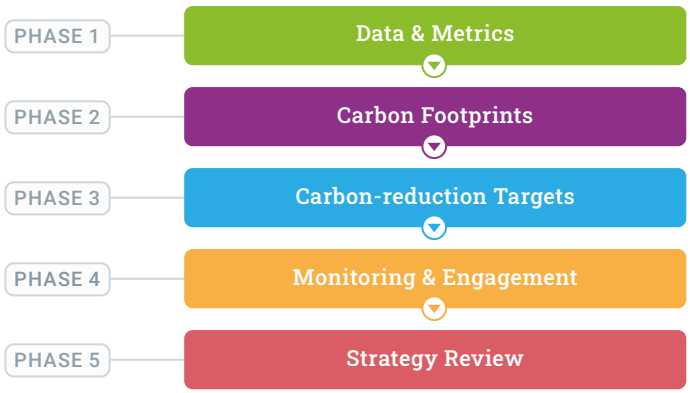
CLIMATE REPORTING FOR OUR PARTNER FUNDS

Since 2019, LGPS Central's Climate Risk Monitoring Service (CRMS) has been calculating carbon footprints for listed equity and corporate bond funds. The information from the carbon footprints have been used to generate climate risk reports and TCFD reports bespoke to our Partner Funds.

These reports offer in-depth analysis on climate risk at the portfolio level, asset-class level, and company level. They include the following climate metrics:

- Absolute financed emissions.
- Financed emissions normalised by £m invested.
- Weighted Average Carbon Intensity (WACI).
- Exposure to fossil fuel.
- Exposure to thermal coal reserves.
- Exposure to coal power.
- Exposure to clean technology.
- Net zero target coverage.

The five phases of implementation for both asset-class groups are identical:



The first and second phases involve identifying meaningful data metrics and sources and generating carbon footprints for each asset classes. We review industry norms and climate frameworks before testing and selecting indicators and methodologies for carbon footprinting.

Once we have calculated carbon footprints, we ascertain the emission sources at the strategy level, sector level and company level. This in-depth analysis provides invaluable information when setting realistic and stretching interim targets for carbon reduction. During phase 4, we monitor progress against these interim targets and engage with portfolio companies directly and through our external managers, engagement service providers and industry engagement vehicles.

The fifth phase of implementation involves the review of the strategy, targets, and stewardship activities for each asset-class group. In addition to this review, there will be a strategy review for all our pooled assets in 2026 to assess the progress of both asset-class groups. (We note that future events, such as a lack of innovation in private markets, may mean that the five phases of implementation are not completed in order.)

Currently, our listed equity and corporate bond portfolios are at phase 4 of implementation. Sovereign debt and private market portfolios are at phase 1 of implementation. While we have set targets for our sovereign debt and private market portfolios, they relate to completing phase 1 and 2. (We have elaborated on each track of our target and implementation framework in the sections: Targets & Implementation: Listed Equities & Corporate Bonds; and Targets & Implementation: Sovereign Debt & Private Markets.)

Climate Solutions & Offsetting

We recognise that the achievement of net zero requires investment in climate emission abatement technologies alongside effective corporate decarbonation and bold regulatory shift. We work with our Partner Funds in appointing managers with the objective of delivering the best returns for beneficiaries. Investment opportunities on climate solutions are considered within the mandate construction.

We do not intend to purchase carbon credits to offset our financed emissions. Off-setting, where required, is likely to be done by portfolio companies. Our role as a responsible owner and steward of assets is to scrutinise our portfolio companies' approach to off-setting and challenge where required. We expect portfolio companies to only deploy offsetting once decarbonisation efforts are exhausted.

Governance

Oversight responsibilities and implementation responsibilities for LGPS Central's net zero strategy have been distributed across the organisation (see Table 1).

Approval for our net zero strategy and oversight responsibilities rests with the Board. The Executive Committee is accountable for execution, undertaking quarterly reviews on the performance of the net zero strategy.

Implementation responsibilities lie with the investment teams and our Responsible Investment & Engagement (RI&E) team, who also has responsibility for strategy development and implementation. The RI&E team works closely with our investment committee and colleagues on the integration of climate risk into investment processes and across all asset classes. They report annually on the effectiveness of our net zero strategy to the Board, Executive Committee and Partner Funds.

TABLE 1

	PARTNER FUNDS	BOARD	EXECUTIVE COMMITTEE	INVESTMENT COMMITTEE	RI&E TEAM	INVESTMENT TEAM
Annual reporting	✓	✓	✓	✓		
Strategy approval & oversight responsibilities		✓				
Strategy execution accountability			✓			
Quarterly review			✓	✓		
Strategy development & implementation accountability					✓	
Implementation responsibilities					✓	✓

Targets & Implementation: Listed Equities & Corporate Bonds



Targets

EMISSION-REDUCTION TARGETS

In January 2022, LGPS Central committed to achieving a "50% reduction of financed emissions in 2030" target and "net zero by 2050 or sooner" target for listed equities and corporate bonds. We have now supplemented these commitments with interim targets.

Our interim emission-reduction targets are based on scope 1 & 2 CO_2e financed emissions normalised by £m invested, also known as portfolio carbon footprint. We believe that this normalised climate metric presents a more accurate reflection of the effectiveness of LGPS Central's net zero strategy as an increase/decrease in assets under management naturally brings an increase/decrease in absolute financed emissions.

Relative to 2019 baseline financed emissions (our approach to calculating the baseline financed emissions is detailed in the following section Base Year & Baseline Financed Emissions), we aim to reduce the portfolio carbon footprint of our combined listed equity and corporate bond portfolio by:

1) 50% in 2030
2) 60% in 2035
3) 80% in 2040
4) 90% in 2045
5) 100% by 2050

By setting these 5-year interval targets from 2030 to 2050, we have created a clear pathway to track the decarbonisation of our assets to net zero. In light of our commitment to the Paris Agreement, we have aligned our 2030, 2040 and 2050 targets with IPCC's pathways that limit global warming to 1.5°C.

We are conscious that ultimately net zero means net zero absolute emissions. As such we are also tracking the progress of our absolute emissions from 2019 onward and aiming to achieve 50% reduction of financed emissions in 2030.

ALIGNMENT AND ENGAGEMENT TARGETS

To meet our emission-reduction targets, we require our portfolio companies to reduce their scope 1 and 2 CO_2e emissions. We expect portfolio companies from material sectors to set medium-term and long-term science-based climate targets and report on their emissions performance. In addition, they must develop realistic, ambitious, and detailed net zero strategies.

LGPS Central has been engaging with companies on our climate expectations since inception. We will expand our stewardship activities and have set 2025 and 2030 engagement threshold targets that commit us to increase the percentage of financed emissions from portfolio companies in material sectors covered by engagements. There are targets specific for the combined listed equity and corporate bond portfolio and the underlying asset classes active equities, passive equities, and fixed income. These targets are known as engagement threshold targets and found in Table 2.

TABLE 2: ENGAGEMENT THRESHOLD TARGETS FOR COMPANIES FROM MATERIAL SECTORS

	Listed equities & corporate bonds	Active equities	Passive equities	Corporate bonds
Current Engagement threshold	74.6%	80.7%	70.7%	80.9%
2025 target	80%	85%	75%	85%
2030 target	90%	90%	90%	90%

We have defined our engagement threshold target as the percentage of the financed emissions from portfolio companies in material sectors that are: 1) indirectly or directly engaged by LGPS Central; or 2) aligned or aligning with a net zero pathway.

To qualify as a "company that is engaged", LGPS Central must:

- exercise their voting rights in line with its net zero ambition;
- engage directly or indirectly through our external managers, engagement service providers and collaborative engagement vehicles such as Climate Action 100+; and
- conduct two meaningful engagement interactions a year with the company's senior representatives by either LGPS Central, an external manager, engagement service provider or a collaborative engagement vehicle.

To be labelled as a company that is either "aligned or aligning with a net zero pathway", it must:

- achieve a carbon transition score or equivalent score of more than 5; and
- meet one of the following criteria:
  - the company has medium-term and long-term science-based climate targets; or
  - an implied temperature rise rating of 2.0°C or lower.

Our current engagement threshold across our listed equities and corporate bonds is 74.6%. This was calculated using our holdings at the end of 2022 and with the most recent available scope 1 & 2 CO_2e emissions data. When reviewing the current engagement threshold across asset class, our engagement thresholds for active equities (80.7%) and corporate bonds (80.9%) are significantly higher than for passive equities (70.7%). We plan to increase our engagement threshold to 90% by 2030 for all asset classes and the combined listed equity and corporate bond portfolio.

In addition to our engagement threshold targets, we have set a series of portfolio coverage targets for active equities, passive equities, and corporate bonds (see Table 3). Our definition for a portfolio coverage target is "the percentage of financed emissions from portfolio companies in material sectors that are either aligned or aligning with a net zero pathway".

A review of methodologies for classifying companies as either "aligned or aligning with a net zero pathway" found that there were several methodologies used by investors. As these methodologies generated a range of current portfolio coverage from 1% to 44% (this range of results is likely to be a function of the different sectors and asset classes that form the universe for calculating current portfolio coverage), we decided to develop and test a variety of methodologies that we believe will encourage companies to align with a net zero pathway.

Under our chosen methodology, to be identified as "aligned" or "aligning", companies need to achieve a climate transition score or equivalent score of more than five from our data provider. Companies with a score that is less than five are considered to not have developed a net zero strategy that effectively manages the risks associated with a low carbon transition.

Companies must also either set medium and long-term science-based climate targets or accomplish an implied temperature score of 2.0°C or lower. The purpose of this criteria is to recognise companies that may be meeting or outperforming their carbon budget (as measured by an implied temperature score) in the absence established targets.

Our 2022 portfolio coverage was 11.6%, 23.4% and 19.5% for active equities, passive equities, and corporate bonds respectively. These figures demonstrate the importance of robust engagement with our portfolio companies to achieve our portfolio coverage targets. To ensure that our external managers are supportive of achieving our portfolio coverage targets and are therefore engaging companies on their net zero strategy, targets and performance, we will arrange meetings with them in 2023 to explain our net zero strategy and discuss our net zero stewardship programme.

TABLE 3: PORTFOLIO COVERAGE TARGETS FOR COMPANIES FROM MATERIAL SECTORS

	Active equities	Passive equities	Corporate bonds
Current portfolio coverage	11.6%	23.4%	19.5%
2030 target	50%	60%	50%
2035 target	75%	80%	75%
2040 target	100%	100%	100%

SCOPE 3 EMISSIONS

For some sectors and companies, the assessment of material categories of scope 3 emissions is more insightful than scope 1 & 2 CO_2e emissions (see Glossary of Terms for the 15 categories of scope 3 emissions). For instance, category 11 "Use of sold products", scope 3 emissions of an oil & gas company can represent more emissions than its scope 1 and 2 emissions.

The availability of reported scope 3 emissions is limited and there is a huge reliance on estimated scope 3 emissions calculated using a variety of methodologies. This makes it difficult to paint a true picture of the scope 3 emissions of companies and portfolios. However, as Scope 3 emissions can be an indicator of the potential risks to a company, we will track the most relevant categories of scope 3 emissions of the top 20 portfolio companies by scope 3, financed emissions.

REGIONAL PATHWAYS

The geographical presence of portfolio companies is an important consideration for assessing portfolio companies' net zero ambitions and climate risk exposure, and for their eligibility for the net zero stewardship programme. Emerging countries are developing their infrastructure, including new fossil power stations, to support their nation and increase their standard of living. While we believe that emerging countries and their domiciled companies should decarbonise their economies over the long term, we also believe that they should not be assessed against the same emission pathways as developed countries and their domiciled companies.

Therefore, portfolio companies domiciled and predominantly

operating in developed countries are expected to meet medium-term climate targets and net zero targets sooner than portfolio companies domiciled and predominantly operating in emerging countries. These regional considerations are to be built into our net zero and climate tools to identify the headquarters and geographical distribution of revenue of portfolio companies for our qualitative assessment of their net zero performance relative to their regional peers. We will also look for and apply credible regional pathways to perform quantitative assessments of portfolio companies.

Base Year & Baseline Financed Emissions

A key step to setting our targets was choosing a base year and calculating our baseline financed emissions. By knowing our baseline financed emissions and the composition of our financed emissions, we were able to commit to targets that are both ambitious and credible.

We have selected 2019 as our base year for listed equities and corporate bonds as this is the first year that we began calculating our carbon emissions. Using 2019 data also avoids the vagaries in emissions data introduced by COVID 19 (covid-19 caused a 5.6% drop in global emissions in 2020). This approach is consistent with many investors.

Our baseline financed emissions are 1,067,851 tCO_2e. We calculated our baseline financed emissions using 2019 carbon data and the 2022 year-end market values and EVIC (enterprise value including cash) values of our listed equity and corporate bond holdings held at the end of 2022 (see Table 4 for data coverage for calculating our baseline finance emissions). The main reason for using 2022 holdings is our combined listed equity and corporate bond portfolio is very different to what it was in 2019. The portfolio was much smaller in 2019 and didn't hold any corporate bonds. Another reason was we were more interested in understanding the carbon performance of our current portfolio holdings as this provides an indication of our future carbon performance and is the basis for our engagement prioritisation.

TABLE 4: DATA COVERAGE FOR CALCULATING THE BASELINE FINANCED EMISSIONS

	% Market value of companies with data
Scope 1 data	91%
Reported scope 1 data	80%
Scope 2 data	91%
Reported scope 2 data	79%
EVIC	97%

We will use the actual holdings and their market value and EVIC at the end of each year when monitoring and recording our financed emissions beyond 2022. Indicative figures for financed emissions from listed equities and corporate bonds will be calculated and monitored internally in July and December. Due to data lag issues - companies can report their emissions data more than a year later - the official figure will be available as soon as we have reached 80% reported emissions and EVIC data coverage.

Net Zero Implementation

CARBON FOOTPRINTING & NET ZERO ANALYSIS



With the baseline emissions and the 2020 and 2021 financed emissions of the combined listed equity and corporate bond portfolio calculated, we are now monitoring the emissions performance of our listed equities and corporate bonds and therefore at stage 4 of the implementation plan. We calculate and analyse their absolute financed emissions, financed emissions normalised by £m invested and WACI. We also determine the percentage of reported and estimated scope 1 and scope 2 CO_2e emissions data.

These metrics are calculated for our combined listed equity and corporate bond portfolio. We aggregate the holdings of all companies – combining holdings across asset classes and external funds. This approach provides us with the opportunity to identify which companies contribute the largest percentage of financed emissions to LGPS Central's financed emissions.

We also aggregate assets to create active equity, passive equity, and corporate bond portfolios. This allows for monitoring of the impact of each asset class on our combined listed equity and corporate bond portfolio. It also provides insights on which underlying listed equity and corporate bond funds run by our external managers are contributing the most financed emissions at the pool level and asset-class level.

The underlying funds will have different carbon intensities and different decarbonisation trajectories. They will therefore be reviewed in isolation and based on their contribution to the decarbonisation of the combined listed equity and corporate bond portfolio. (We will consider the asset class, investment style, geography of investment universe, and the relative state of net zero integration of the external manager.)

MANAGER MONITORING

Our net zero analysis will be conducted twice a year and cover assessments at all levels, including the combined listed equity and corporate bond portfolio, asset-class level, and fund level. The insights from our net zero analysis and the annual net zero questionnaire sent to each external manager will be discussed during biannual net zero meetings starting in 2024, where we will scrutinise their past carbon performance, expectations for future carbon performance, engagement outcomes and voting decisions.

In addition to our net zero analysis, our external managers provide their climate analysis to our investment team. We will compare their carbon data and performance with our net zero analysis during the biannual net zero meetings.

NET ZERO STEWARDSHIP PROGRAMME

During the calculation of our combined listed equity and corporate bond portfolio's baseline financed emissions, we discovered that 96% of its financed emissions were generated by 59% of the portfolio companies. These companies are classified under NACE codes A to H (see Glossary of Terms for sector names/ descriptions for NACE codes A to H).

Further analysis showed that 50 companies from these sectors contributed 59% of the financed emissions of the portfolio. Due to this majority coverage of financed emissions by a small percentage of portfolio companies – as well as the large resource required to engage with 1,786 companies that generate 96% of the portfolio's financed emissions - we are developing a focused net zero stewardship programme on the top companies by financed emissions from material sectors. This approach will ensure that we concentrate our resources on engaging with a smaller number of systemically important companies, which will ultimately deliver a more effective stewardship programme.

The net zero stewardship programme will include direct and indirect engagements with portfolio companies. We will work with our engagement service provider, external managers, and industry partners (including Climate Action 100+ and LAPFF) to meet our engagement threshold targets and to encourage portfolio companies to set medium-term and long-term science-based climate targets, report on their emissions performance, and develop ambitious and detailed net zero strategies.

Another tool in our stewardship programme is voting on climate resolutions and against the chair, directors, or report & accounts if we have concerns about their climate performance or disclosure. We link our voting decisions to the outcomes of our direct and indirect engagements and write to all portfolio companies that we have prioritised for net zero engagement purposes to explain our rationale when we vote against management.

Targets & Implementation: Sovereign Debt & Private Markets



Targets

Our targets for our sovereign debt and private market portfolios reflect the analytical challenges associated with these asset classes. The current approach to measuring and interpreting carbon data is complex and qualitative in nature. For example, our net zero analysis for our sovereign debt portfolio will need to consider the relationship between a country's emissions and how the energy transition will affect their economy, especially those in emerging markets. Consideration should also be given to the extent to which a country's emissions are generated by economic activities supportive of the transition, such as the provision of essential energy transition minerals.

Another factor that influenced our target setting in the sovereign debt and private market asset classes is the availability of carbon data and the sophistication of the analytical tools and methodologies currently available. The low levels of reported and estimated data for private market assets, for instance, have encouraged investors to prioritise the carbon footprinting and target-setting for listed equities and corporate bonds before infrastructure, private debt, private equity, and property.

Due to these challenges and because of our level of carbon footprinting experience within these asset classes, we are focused on developing our analytical capabilities. We have set carbon footprinting targets for our sovereign debt and private market portfolios that commit us to generating carbon footprints in 2024 and 2025 (see Table 5). In addition, we have targets for engaging with all external managers in 2023 on our net zero strategy and our expectations for them to provide actual emissions data and set net zero targets.

TABLE 5

	Carbon footprints in 2024	Carbon footprints in 2025
Sovereign debt	Estimated scope 1 & 2 CO_2e emissions data	Estimated scope 1 & 2 CO_2e emissions data
Private market assets	Estimated scope 1 & 2 CO_2e emissions data	Estimated and actual scope 1 & 2 CO_2e emissions data

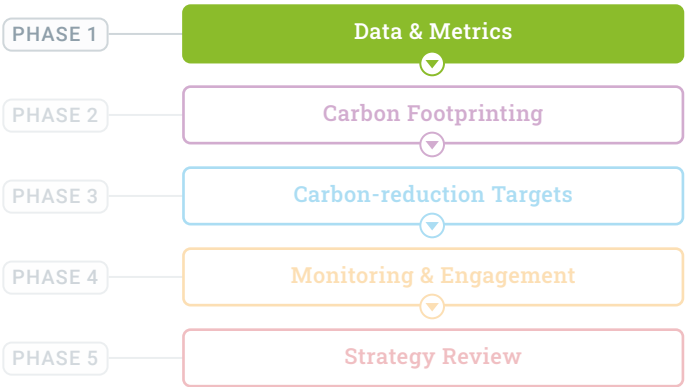
There are long-term, carbon-reduction targets for our sovereign debt and our direct property portfolios. However, it is difficult to set short- and medium-term targets for our sovereign debt portfolios due to several reasons, including the need to consider a fair pathway to net zero for each country. As we only recently launched a direct property fund and assets have not yet been acquired, this also presents barriers to setting short- and medium-term targets for our direct property portfolio.

The long-term targets are net zero (scope 1 & 2 CO_2e) financed emissions by 2050 or sooner for our sovereign debt portfolio and net zero (scope 1, 2 & Scope 3, category 13 CO_2e) financed emissions by 2050 or sooner for our direct property portfolio based on a "whole-building and operational approach". The "whole-building and operational approach" - recommended by the Net Zero Asset Owner Alliance - refers to the methodology used for accounting of carbon emissions and the setting of climate targets for a portfolio of fully owned and partly owned property. It includes energy-related emissions from parts of the property that we have operational control (e.g., common spaces) and energy-related emissions from parts of property that we don't have operational control (e.g., tenant spaces).

Net Zero Implementation

CARBON FOOTPRINTING & NET ZERO ANALYSIS

We are at the beginning of our journey with carbon footprinting our sovereign debt and private market portfolios. However, we are developing our expertise quickly by leveraging on our experience with carbon footprinting our listed equity and corporate bond portfolios.



We expect to complete phases 1 and 2 of implementation for our sovereign debt and private market assets in 2025. We have recently sourced third-party, emissions data for these assets and will collate relevant datapoints in 2024. In the same year, we will generate carbon footprints at the sovereign debt level, private market level, and for the underlying private market portfolios. In total, we will have six asset-class carbon footprints for the following portfolios:

1) Sovereign debt.
2) Private equity co-investments.
3) Infrastructure.
4) Private credit.
5) Private equity.
6) Direct property.

Our sovereign debt portfolio will use estimated emissions in 2024 and 2025. Its carbon footprint will be analysed alongside a variety of different metrics, including the willingness and ability of a country to decarbonise.

In the first year of carbon footprinting our private market portfolios (portfolios 2 to 6), these portfolios will also be reliant on estimated emissions data. We will progressively use actual emissions data that is sourced from our external private market managers. This collection of scope 1, scope 2 and carbon intensity data will begin in 2024. The goal is to generate carbon footprints in 2025 that use a mix of estimated and actual scope 1 & 2 CO_2e emissions data.

MANAGER MONITORING IN PRIVATE MARKETS

In addition to collecting emissions data from our external private market managers, we are collating their net zero commitments. Our external managers have already responded to net zero questionnaires that requested information on their climate metrics and targets at the firm level and fund level. We will send out our net zero questionnaires annually to understand whether their commitments have changed and how our external managers are looking to manage their exposure to climate risks and the low carbon transition.

From 2024, we will run annual net zero meetings with private market managers. During these meetings, we will discuss their net zero commitments, and generate and implement a plan to collect actual emissions data from portfolio companies.

ENGAGEMENT IN SOVEREIGN DEBT

A nuanced engagement approach is required with sovereign debt issuers. Engagement is extremely difficult in this asset class and the unintended consequences of tilting away from emerging market issuers is a concern, especially when developing countries need finance to fund their climate transition and adaptation.

Coordinated and collaborative engagement is essential if progress is to be made in this asset class. We will be exploring opportunities to engage with carefully selected issuers through industry engagement initiatives.



Next steps

Now that we have published this report on our net zero strategy for financed emissions, we are working on delivering the immediate commitments of its twin-track target and implementation framework. These commitments include:

- **Listed equity and corporate bond portfolios:**
  - calculate annual carbon footprints;
  - develop a focused net zero stewardship programme on the top companies by financed emissions from material sectors; and
  - engage and collaborate with external managers on achieving our net zero targets.
- **Sovereign debt and private market portfolios:**
  - engage with our external private market managers on understanding their net zero commitments and collecting actual emissions data of portfolio companies; and
  - achieve 2024 and 2025 carbon footprints for our six portfolios: sovereign debt; private equity co-investments; infrastructure; private credit; private equity; and direct property.

We are also working on allocating net zero targets and designing a strategy for our operational emissions. Already, we have made significant progress and are aiming to publish these targets and a strategy in the first half of 2024.

At the beginning of 2026, we will review our net zero strategy for financed emissions to assess whether we are likely to achieve our 2030 targets. A 3-year strategy review will provide an appropriate amount of time to analyse the results of our net zero stewardship programme and engagements with external listed equity and corporate bond managers. We can also assess our achievements with generating carbon footprints for our sovereign debt and private market portfolios.

Moreover, net zero strategies, methodologies and analyses are constantly evolving and improving. We expect that these advancements in net zero tools and data - for example more availability of scope 3 emissions – will mean that additional targets may need to be set.

Another reason for reviewing our strategy in 2026 is the climate transition relies on governmental and regulatory support, public and private funding, and the commercialisation of climate technologies, among other factors. These factors can affect the pace of portfolio and real-world decarbonisation and therefore we will need to consider the forever-changing regulatory, investment and technological landscape in our strategy review.

Glossary of Terms

1	**CARBON EQUIVALENT (CO_2E) EMISSIONS**	A carbon dioxide equivalent or CO_2 equivalent, abbreviated as CO_2e is a metric measure used to compare the emissions from various greenhouse gases on the basis of their global-warming potential (GWP), by converting amounts of other gases to the equivalent amount of carbon dioxide with the same global warming potential (European Commission (Source: Glossary: Carbon dioxide equivalent - Statistics Explained (europa.eu))
2	**ENGAGEMENT THRESHOLD TARGET**	Targets on percentage of financed emissions from portfolio companies in material sectors that are: 1) indirectly or directly engaged by LGPS Central; or 2) aligned or aligning with a net zero pathway.
3	**FINANCED EMISSIONS**	This category includes scope 3 emissions associated with the reporting company's investments in the reporting year, not already included in scope 1 or scope 2. This category is applicable to investors (i.e., companies that make an investment with the objective of making a profit) and companies that provide financial services. This category also applies to investors that are not profit driven (e.g., multilateral development banks), and the same calculation methods should be used. Investments are categorized as a downstream scope 3 category because providing capital or financing is a service provided by the reporting company Chapter15.pdf (ghgprotocol.org).
4	**MATERIAL SECTORS**	Material sectors refer to the groups of companies with business activities classified under NACE codes A to H: • A – Agriculture, Forestry and Fishing. • B – Mining and Quarrying. • C – Manufacturing. • D – Electricity, Gas, Steam and Air Conditioning Supply. • E – Water Supply; Sewerage, Waste Management and Remediation Activities. • F – Construction. • G – Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles. • H – Transportation and Storage.
5	**NACE CODES**	"NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities. NACE groups organizations according to their business activities". The IIGCC Net Zero Framework uses the NACE classification to define "material sectors". Complete list of all NACE Code (nacev2.com)
6	**PORTFOLIO COVERAGE TARGET**	Targets on percentage of financed emissions from portfolio companies in material sectors that are either aligned or aligning with a net zero pathway.
7	**(SCOPE 1 AND 2 CO_2E) FINANCED EMISSIONS**	The amount of scope 1 and 2 CO_2e emissions of a company that is apportioned to a portfolio.
8	**SCOPE 1 EMISSIONS**	Scope 1 emissions are direct emissions from owned or controlled sources (Source: GHG Protocol).
9	**SCOPE 2 EMISSIONS**	Scope 2 emissions are indirect emissions from the generation of purchased energy (Source: GHG Protocol).

10	**SCOPE 3 EMISSIONS**	Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (Source: GHG Protocol). There are 15 categories of scope 3 emissions: • Category 1 – purchased goods and services. • Category 2 – capital goods. • Category 3 – fuel- and energy-related activities (not included in scope 1 or scope 2). • Category 4 – upstream transportation and distribution. • Category 5 – waste generated in operations. • Category 6 – business travel. • Category 7 – employee commuting. • Category 8 – upstream leased assets. • Category 9 – downstream transportation and distribution. • Category 10 – processing of sold products. • Category 11 – use of sold products. • Category 12 – end-of-life treatment of sold products. • Category 13 – downstream leased assets. • Category 14 – franchises. • Category 15 – investments.
11	**WHOLE-BUILDING AND OPERATIONAL APPROACH**	This approach refers to the methodology used for accounting of carbon emissions and the setting of climate targets for a portfolio of fully-owned and partly-owned property. This methodology includes energy-related emissions from parts of the property that we have operational control (e.g., common spaces) and energy-related emissions from parts of property that we don't have operational control (e.g., tenant spaces).



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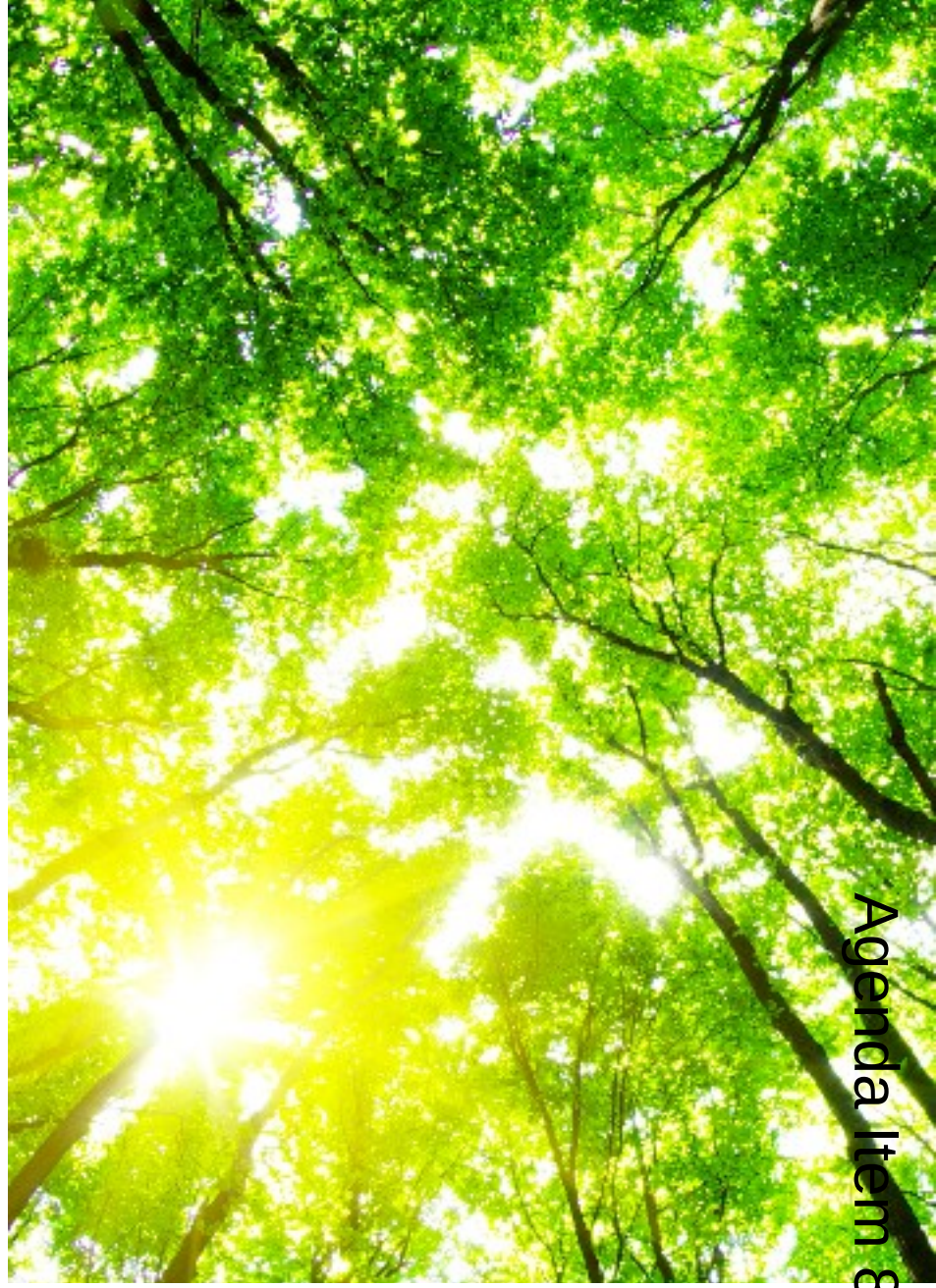
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Shropshire County Pension Fund

2023 Climate Report

Presented by LGPS Central Limited

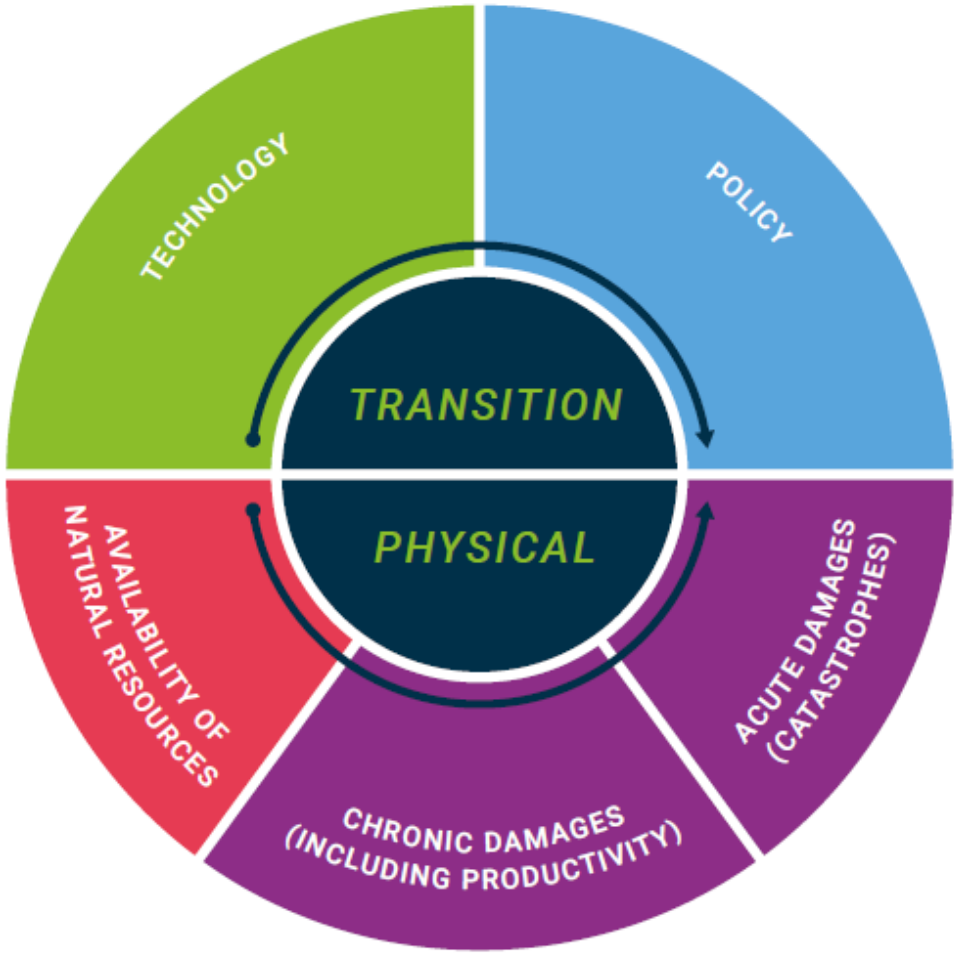


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What is Climate Risk?

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- Paris goal of keeping global warming “well below 2 degrees”
- Transition Risks
- Physical Risks
- Climate Risk Monitoring Service (CRMS) developed to identify, measure, and manage this risk



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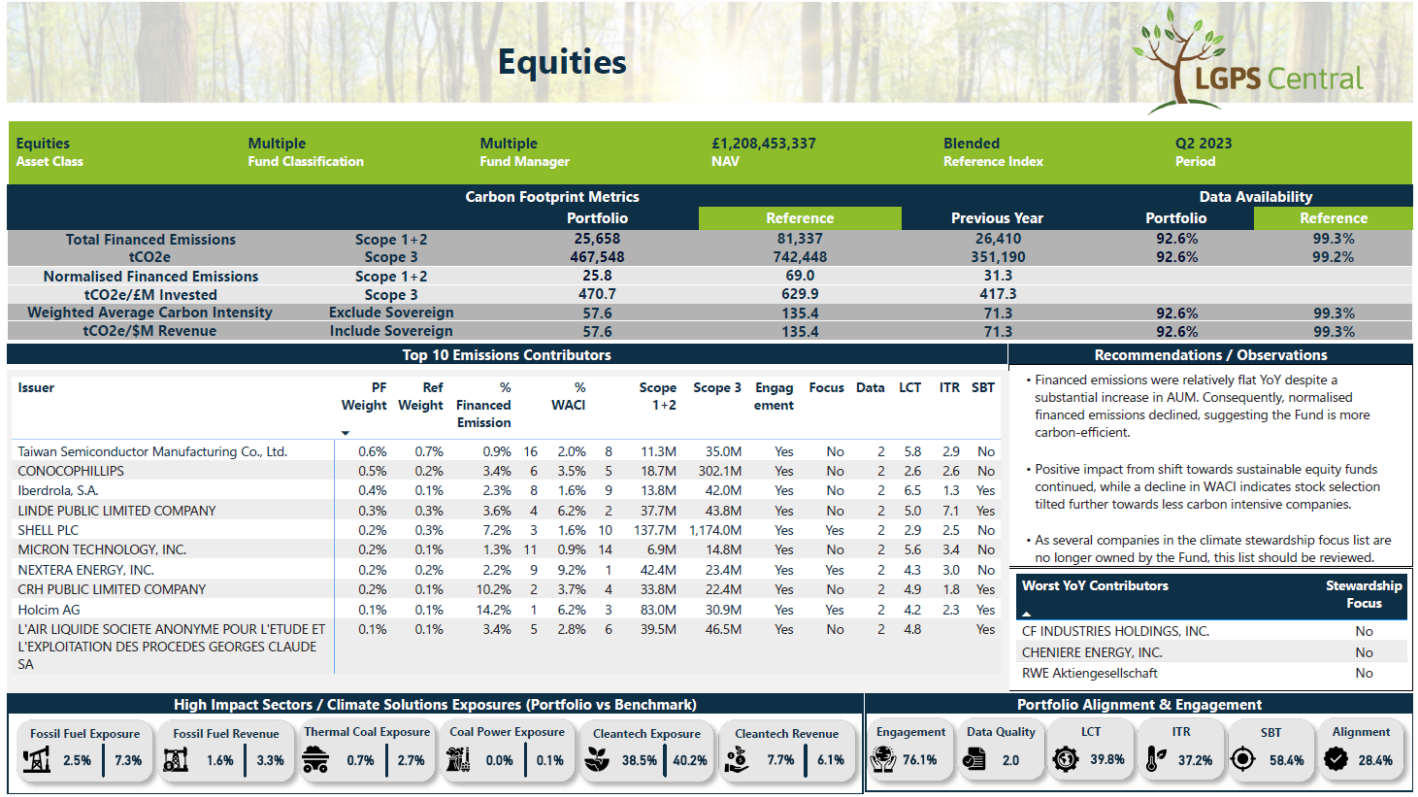
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Updates to the 2023 Climate Risk Report

LGPS Central Limited

Various enhancements including:

- ✓ Integration of MSCI data into Power BI
- ✓ Enhanced coverage and data inclusion
- ✓ Additional datapoints
- ✓ Increased granularity



Equities

LGPS Central

Equities	Multiple	Multiple	£1,208,453,337	Blended	Q2 2023
Asset Class	Fund Classification	Fund Manager	NAV	Reference Index	Period

Carbon Footprint Metrics		Portfolio	Reference	Previous Year	Data Availability Portfolio	Data Availability Reference
Total Financed Emissions tCO2e	Scope 1+2	25,658	81,337	26,410	92.6%	99.3%
	Scope 3	467,548	742,448	351,190	92.6%	99.2%
Normalised Financed Emissions tCO2e/£M Invested	Scope 1+2	25.8	69.0	31.3		
	Scope 3	470.7	629.9	417.3		
Weighted Average Carbon Intensity	Exclude Sovereign	57.6	135.4	71.3	92.6%	99.3%
tCO2e/$M Revenue	Include Sovereign	57.6	135.4	71.3	92.6%	99.3%

Top 10 Emissions Contributors

Issuer	PF Weight	Ref Weight	% Financed Emission		% WACI		Scope 1+2	Scope 3	Engagement	Focus	Data	LCT	ITR	SBT
Taiwan Semiconductor Manufacturing Co., Ltd.	0.6%	0.7%	0.9%	16	2.0%	8	11.3M	35.0M	Yes	No	2	5.8	2.9	No
CONOCOPHILLIPS	0.5%	0.2%	3.4%	6	3.5%	5	18.7M	302.1M	Yes	No	2	2.6	2.6	No
Iberdrola, S.A.	0.4%	0.1%	2.3%	8	1.6%	9	13.8M	42.0M	Yes	No	2	6.5	1.3	Yes
LINDE PUBLIC LIMITED COMPANY	0.3%	0.3%	3.6%	4	6.2%	2	37.7M	43.8M	Yes	No	2	5.0	7.1	Yes
SHELL PLC	0.2%	0.3%	7.2%	3	1.6%	10	137.7M	1,174.0M	Yes	Yes	2	2.9	2.5	No
MICRON TECHNOLOGY, INC.	0.2%	0.1%	1.3%	11	0.9%	14	6.9M	14.8M	Yes	No	2	5.6	3.4	No
NEXTERA ENERGY, INC.	0.2%	0.2%	2.2%	9	9.2%	1	42.4M	23.4M	Yes	Yes	2	4.3	3.0	No
CRH PUBLIC LIMITED COMPANY	0.2%	0.1%	10.2%	2	3.7%	4	33.8M	22.4M	Yes	No	2	4.9	1.8	Yes
Holcim AG	0.1%	0.1%	14.2%	1	6.2%	3	83.0M	30.9M	Yes	Yes	2	4.2	2.3	Yes
L'AIR LIQUIDE SOCIETE ANONYME POUR L'ETUDE ET L'EXPLOITATION DES PROCEDES GEORGES CLAUDE SA	0.1%	0.1%	3.4%	5	2.8%	6	39.5M	46.5M	Yes	No	2	4.8		Yes

Recommendations / Observations

- Financed emissions were relatively flat YoY despite a substantial increase in AUM. Consequently, normalised financed emissions declined, suggesting the Fund is more carbon-efficient.
- Positive impact from shift towards sustainable equity funds continued, while a decline in WACI indicates stock selection tilted further towards less carbon intensive companies.
- As several companies in the climate stewardship focus list are no longer owned by the Fund, this list should be reviewed.

Worst YoY Contributors	Stewardship Focus
CF INDUSTRIES HOLDINGS, INC.	No
CHENIERE ENERGY, INC.	No
RWE Aktiengesellschaft	No

High Impact Sectors / Climate Solutions Exposures (Portfolio vs Benchmark)

Fossil Fuel Exposure	Fossil Fuel Revenue	Thermal Coal Exposure	Coal Power Exposure	Cleantech Exposure	Cleantech Revenue
2.5% | 7.3%	1.6% | 3.3%	0.7% | 2.7%	0.0% | 0.1%	38.5% | 40.2%	7.7% | 6.1%

Portfolio Alignment & Engagement

Engagement	Data Quality	LCT	ITR	SBT	Alignment
76.1%	2.0	39.8%	37.2%	58.4%	28.4%

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Climate Report vs TCFD

TCFD	Climate Report
Mandatory climate reporting for asset owners with AUM >£5bn and occupational pension schemes with AUM >£1bn	Extra report beyond the scope of the TCFD, prepared by LGPSC
Structured around 4 key pillars: Governance; Strategy; Risk Management; Metrics & Targets	Structured around 4 key pillars: Governance; Strategy; Risk Management; Metrics & Targets
Focus on describing SCPF's Climate Policy	Focus on comparing SCPF's Climate Policy to industry best practice
Brief overview of the Fund's progress towards achievement of its climate targets	Detailed analysis of the Fund's progress towards achievement of its climate targets.
Report designed for widespread publication	Report designed for internal use to inform investment decisions

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Key Takeaways

- ✓ Financed Emissions have decreased by 46% since 2020, and are 68% lower than the benchmark
- ✓ WACI has decreased by 59% since 2020, and is 57% lower than the benchmark
- ✓ Top 10 emitters are all being engaged

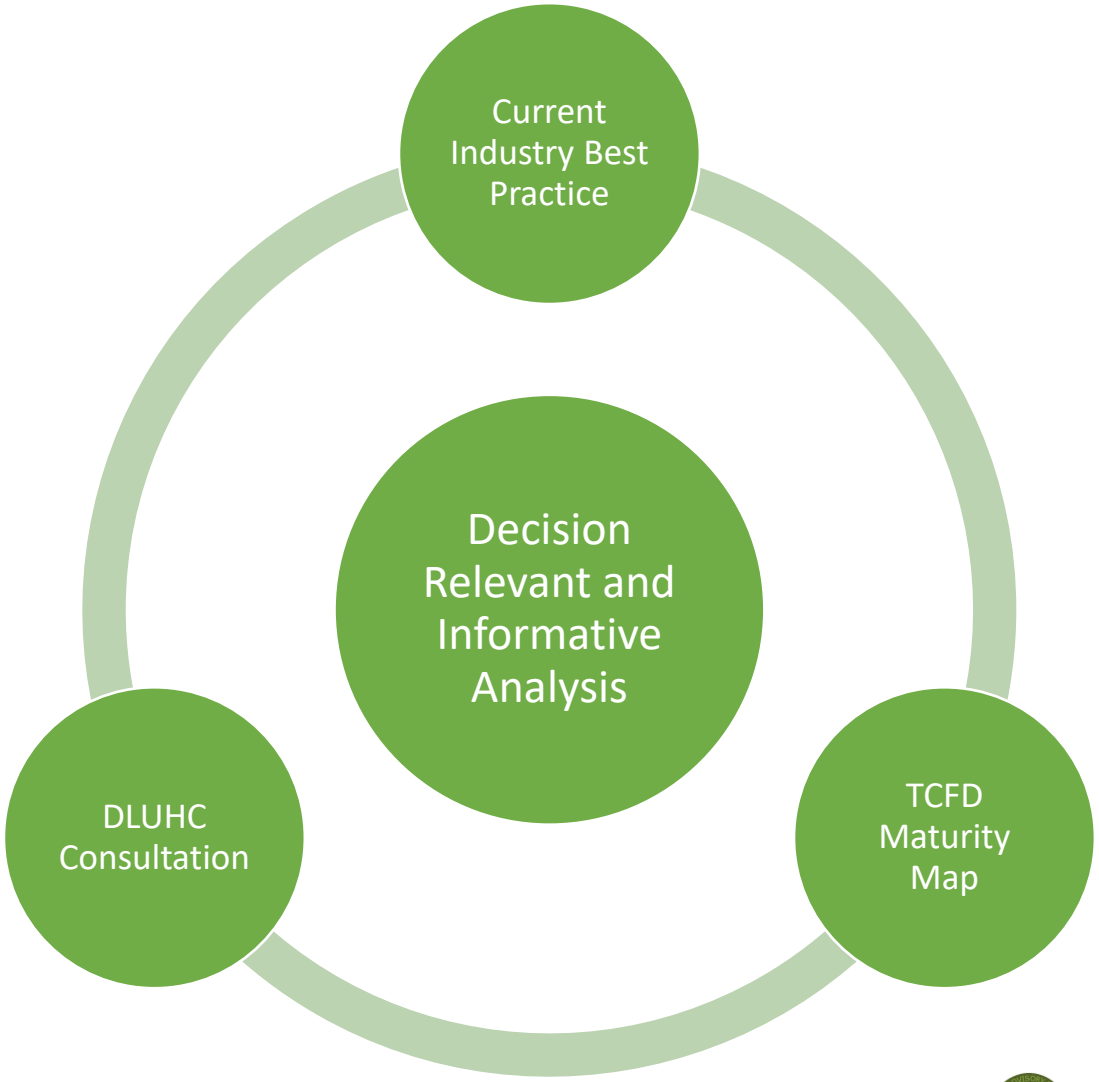


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Section 1: Climate Analysis

- Aims to evaluate Fund's alignment to DLUHC recommendations
- Analysis facilitated through use of TCFD Maturity Map
- Further examination of real-world action through analysis of industry best practice
- Resulting in evaluation of Fund's maturity in managing climate risk, including recommendations for further enhancement



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Climate Analysis Report: Key Findings

	Alignment	Current Disclosures	Considerations & Recommendations
Governance	Fund is aligned to moderate levels of disclosure, with elements of full disclosure	Fund has clear consideration of all forms of climate risk Fund has clear commitment to reducing climate risk	Fund could consider enhancing disclosures relating to climate training
Strategy	Fund is aligned to moderate levels of disclosure	Fund is considering impact of climate scenarios on both investments and funding strategies	Disclosures could be improved with more details relating to how risks/opportunities may materialise

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Climate Analysis Report: Key Findings

	Alignment	Current Disclosures	Considerations & Recommendations
Risk Management	Fund is moderately aligned, with elements of full disclosure	The Fund integrates climate at Selection, Due Diligence, and Monitoring of investments The Fund is a signatory to the 2020 UK Stewardship Code	Further disclosures relating to frequency and scope of climate discussions at the Pensions Committee would be beneficial
Metrics & Targets	Fund is moderately aligned, with elements of full disclosure	Fund utilises a wide range of climate metrics	Fund should consider adoption of interim targets as it works to support its ambition of achieving net zero by 2050

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Section 2: Climate Metrics

Financed Emissions



25k | 81k

This absolute metric measures the absolute amount of CO2 associated with a particular investment. Calculated by apportioning the company's total emissions by the percentage of ownership derived from the holding.

Normalised Financed Emissions



25.8 | 69.0

This absolute metric measures the absolute amount of CO2 associated with a particular investment. Calculated by apportioning the company's total emissions by the percentage of ownership derived from the holding, and normalised by £1m invested

WACI



57.6 | 71.3

WACI (Weighted Average Carbon Intensity) takes each security's carbon intensity (absolute emissions divided by $m sales), and then further apportions the figure by the security's weight within the portfolio. This relative metric facilitates comparison of carbon impacts of portfolios of different sizes.

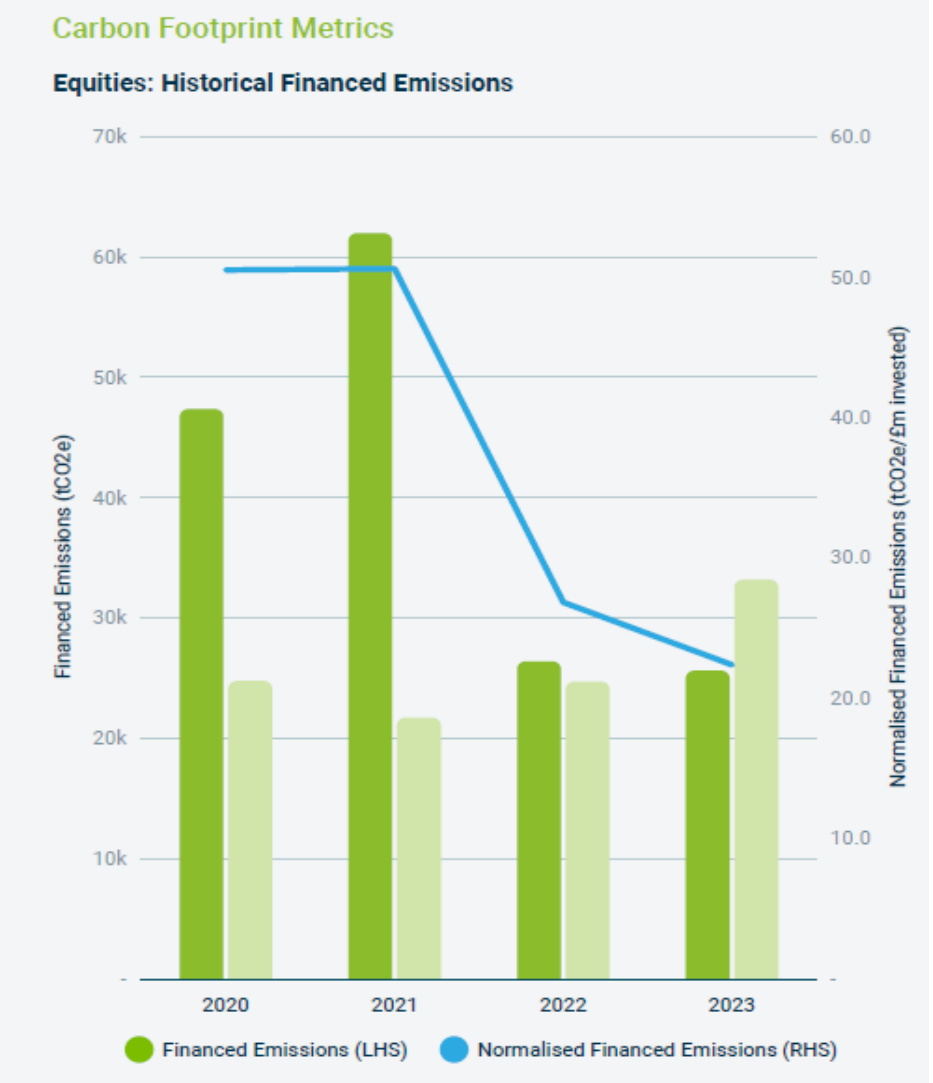
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Financed Emissions: Progress over Time

- Financed Emissions have decreased by approximately 46% since 2020, and are 69% below the benchmark

- Normalised Financed Emissions have decreased by 17.5% since 2022, and are 63% below the benchmark



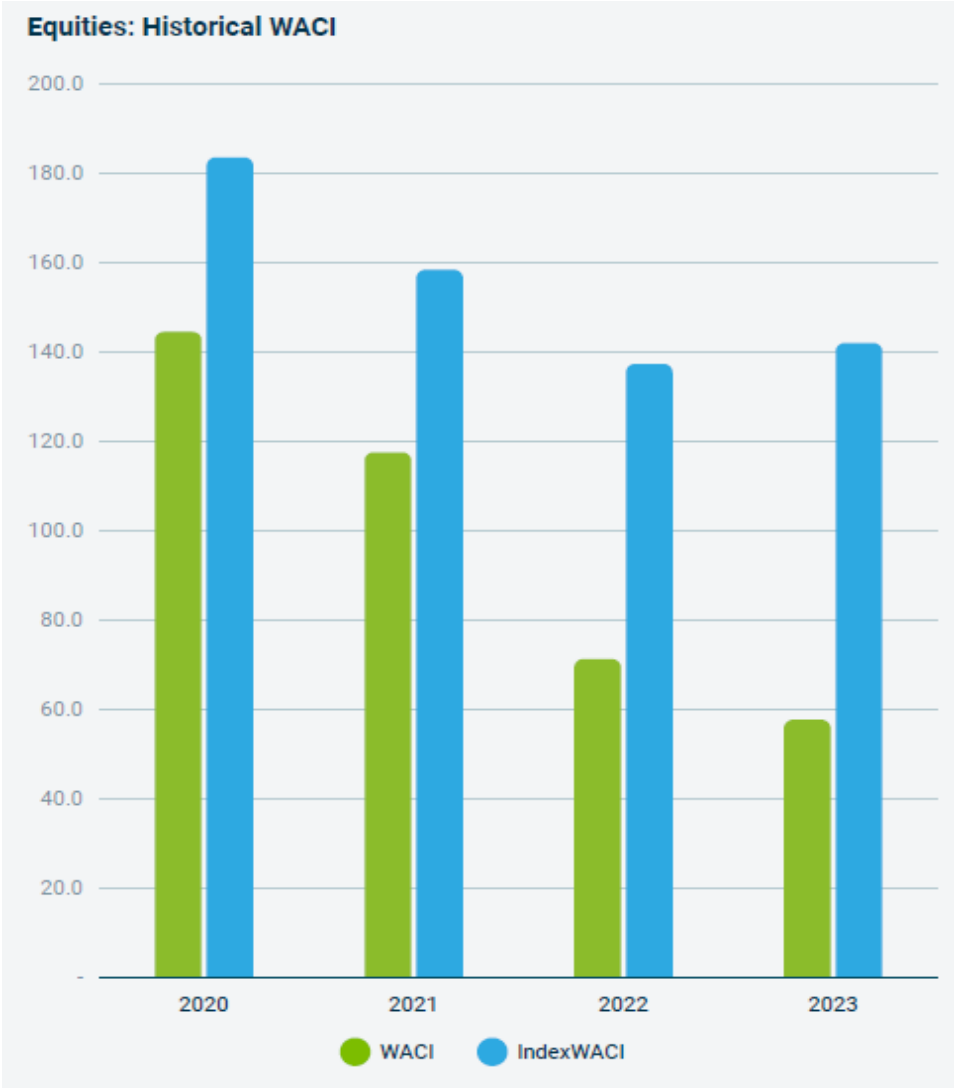
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WACI: Progress over Time

- WACI has decreased by 19% since 2022 and is 57% lower than the benchmark

- WACI has decreased by 60% since 2020



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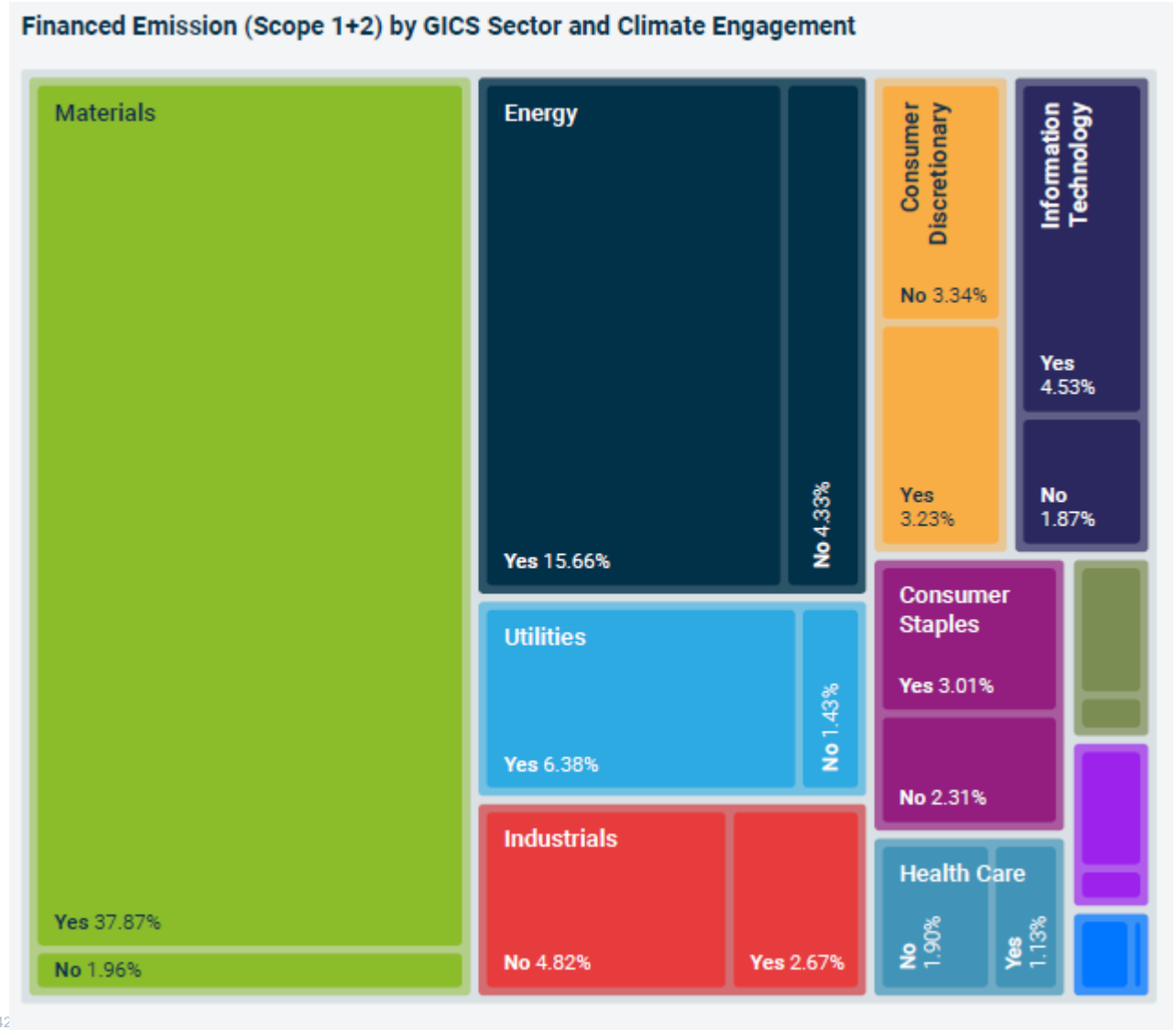
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Total Equities: Sector Breakdown & Engagement

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- Materials is the sector which contributes the greatest amount to the fund's financed emissions

- LGPSC is engaging with 95% of the financed emissions arising from this sector



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Equities

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CONOCOPHILLIPS	0.5%	0.2%	3.4%	6	3.5%	5	18.7M	302.1M	Yes	No	2	2.6	2.6	No
Iberdrola, S.A.	0.4%	0.1%	2.3%	8	1.6%	9	13.8M	42.0M	Yes	No	2	6.5	1.3	Yes
LINDE PUBLIC LIMITED COMPANY	0.3%	0.3%	3.6%	4	6.2%	2	37.7M	43.8M	Yes	No	2	5.0	7.1	Yes
SHELL PLC	0.2%	0.3%	7.2%	3	1.6%	10	137.7M	1,174.0M	Yes	Yes	2	2.9	2.5	No
MICRON TECHNOLOGY, INC.	0.2%	0.1%	1.3%	11	0.9%	14	6.9M	14.8M	Yes	No	2	5.6	3.4	No
NEXTERA ENERGY, INC.	0.2%	0.2%	2.2%	9	9.2%	1	42.4M	23.4M	Yes	Yes	2	4.3	3.0	No
CRH PUBLIC LIMITED COMPANY	0.2%	0.1%	10.2%	2	3.7%	4	33.8M	22.4M	Yes	No	2	4.9	1.8	Yes
Holcim AG	0.1%	0.1%	14.2%	1	6.2%	3	83.0M	30.9M	Yes	Yes	2	4.2	2.3	Yes
L'AIR LIQUIDE SOCIETE ANONYME POUR L'ETUDE ET L'EXPLOITATION DES PROCEDES GEORGES CLAUDE SA	0.1%	0.1%	3.4%	5	2.8%	6	39.5M	46.5M	Yes	No	2	4.8		Yes

Recommendations / Observations

- Financed emissions were relatively flat YoY despite a substantial increase in AUM. Consequently, normalised financed emissions declined, suggesting the Fund is more carbon-efficient.
- Positive impact from shift towards sustainable equity funds continued, while a decline in WACI indicates stock selection tilted further towards less carbon intensive companies.
- As several companies in the climate stewardship focus list are no longer owned by the Fund, this list should be reviewed.

Worst YoY Contributors	Stewardship Focus
CF INDUSTRIES HOLDINGS, INC.	No
CHENIERE ENERGY, INC.	No
RWE Aktiengesellschaft	No

High Impact Sectors / Climate Solutions Exposures (Portfolio vs Benchmark)

Fossil Fuel Exposure		Fossil Fuel Revenue		Thermal Coal Exposure		Coal Power Exposure		Cleantech Exposure		Cleantech Revenue	
2.5%	7.3%	1.6%	3.3%	0.7%	2.7%	0.0%	0.1%	38.5%	40.2%	7.7%	6.1%

Portfolio Alignment & Engagement

Engagement	Data Quality	LCT	ITR	SBT	Alignment
76.1%	2.0	39.8%	37.2%	58.4%	28.4%

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Measuring Climate Risk: Core Metrics Carried Forwards

Fossil Fuel Exposure	Thermal Coal Exposure	Cleantech Exposure
2.5% | 7.3%	0.7% | 2.7%	38.5% | 40.2%
Weight of the portfolio invested in companies with exposure to potentially stranded fossil fuel assets.	Weight of the portfolio invested in companies which own thermal coal reserves.	Weight of the portfolio invested in companies whose products and services include clean technology.

Fossil Fuel Revenue	Coal Power Exposure	Cleantech Revenue
1.6% | 3.3%	0.0% | 0.1%	7.7% | 6.1%
Further extrapolated to show percentage of revenue that each company derives from fossil fuels.	Weight of the portfolio invested in companies where >30% of the fuel mix is derived from coal.	Further extrapolated to show the percentage of revenue derived from clean technology.

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Measuring Climate Risk: New Alignment Metrics

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LCT 39.8%

SBT 58.4%

ITR 37.2%

The Company score above **Median** in Low Carbon Transition score.

\+ and it meets **one** of the following criteria: +

The Company has a science-based target

or

The Company has an implied temperature rise rating of 2.0°C or lower.

Alignment 28.4%

Low Carbon Transition Score

Score from 0 (worst) to 10 (best) measuring companies' exposure to and management of risks and opportunities related to the low carbon transition. Source of rating: MSCI. Score of more than 5 (median) required to be considered at least Aligning.

and

Science-Based Target

Issuer commits to a medium- and long-term net zero target that are considered science-based; i.e. in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.

or

Implied Temperature Rise

Implied temperature rise (in the year 2100 or later) if the whole economy had the same over-/undershoot level of greenhouse gas emissions to the issuer. Below 2°C is required to be considered at least Aligning.

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Measuring Climate Risk: New Metrics

Data Quality

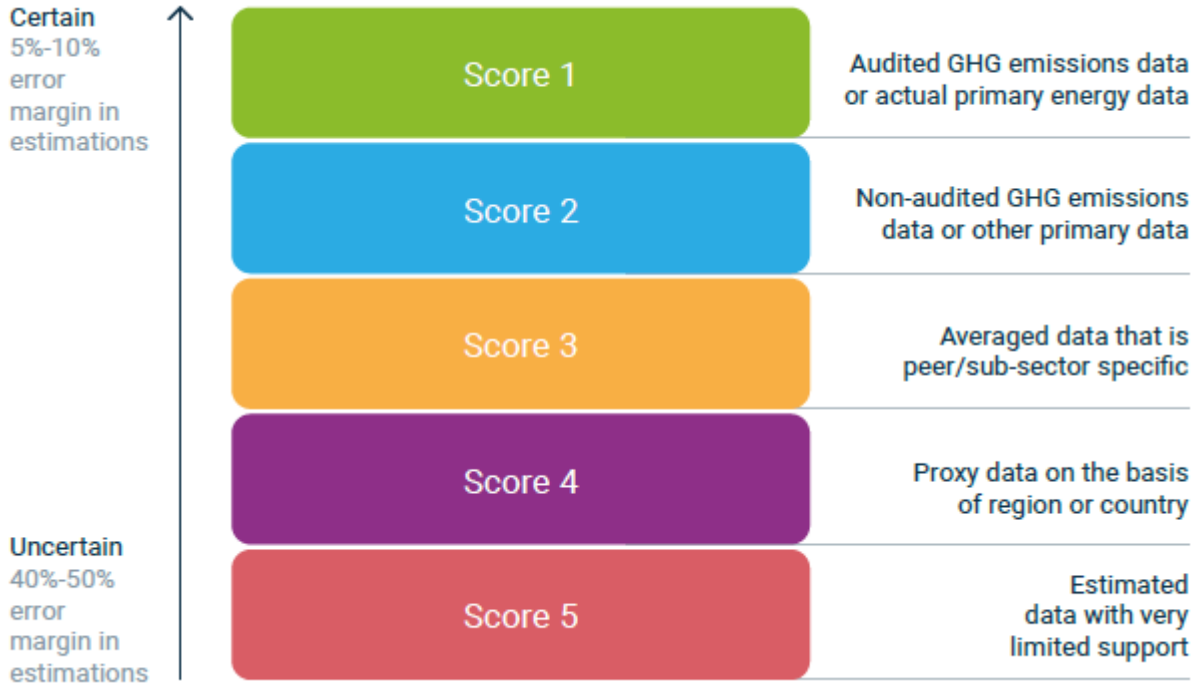
2.0

Score between 1 and 5, with 1 representing the highest quality of reported emissions. This may include verified emission data, as opposed to estimated based on sector averages.

Engagement

76.1%

Share of financed emissions that are currently under an engagement program either directly, in partnership and/or through stewardship provider.

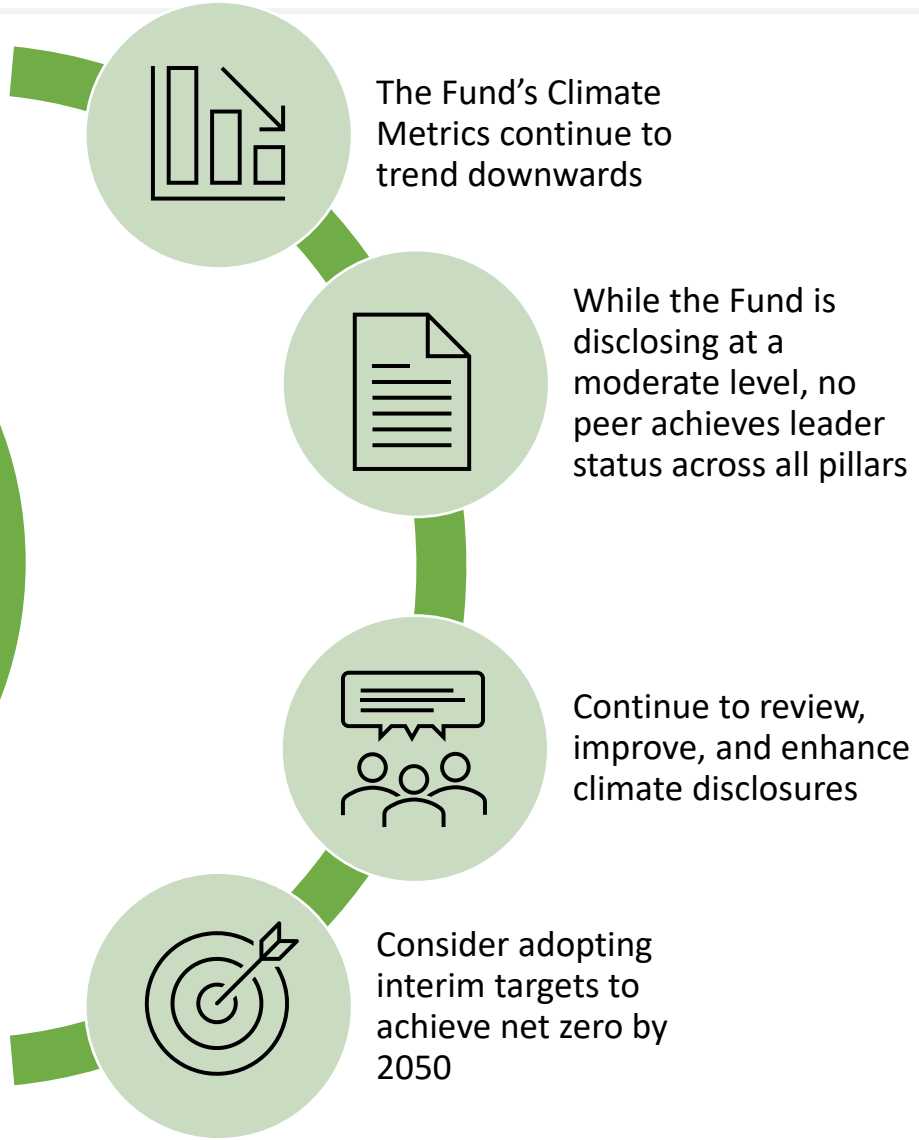


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Key Conclusions and Recommendations

The Fund is managing climate risk well, and is in place to meet upcoming DLUHC requirements



- The Fund's Climate Metrics continue to trend downwards
- While the Fund is disclosing at a moderate level, no peer achieves leader status across all pillars
- Continue to review, improve, and enhance climate disclosures
- Consider adopting interim targets to achieve net zero by 2050

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Any Questions?

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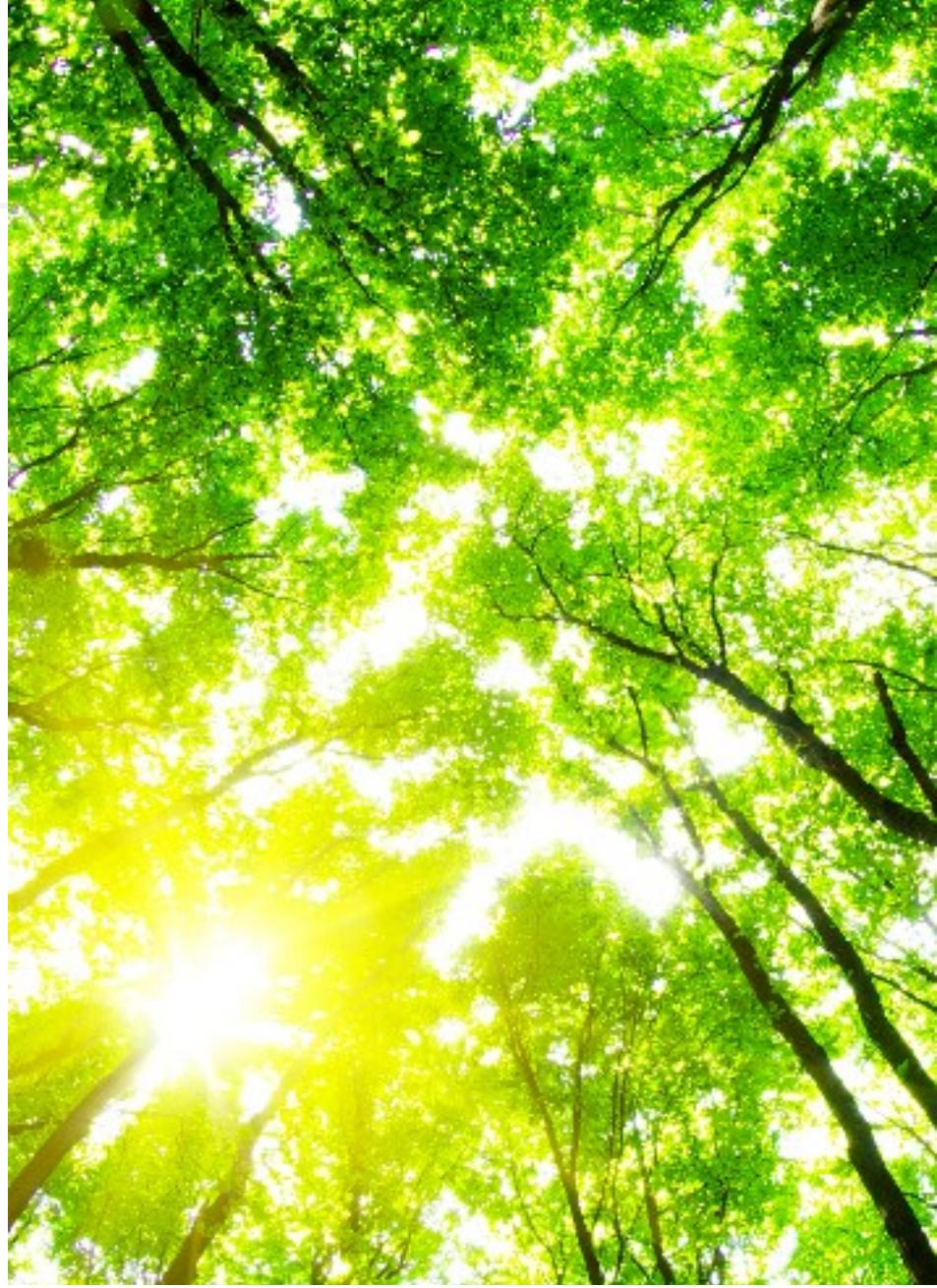
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Shropshire County Pension Fund

2023 TCFD Report

Presented by LGPS Central Limited



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What is the TCFD?

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- Taskforce for Climate-related Financial Disclosures
- Created in 2015 “to improve and increase reporting of climate-related financial information”
- Supported by almost 5,000 organisations around the world

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

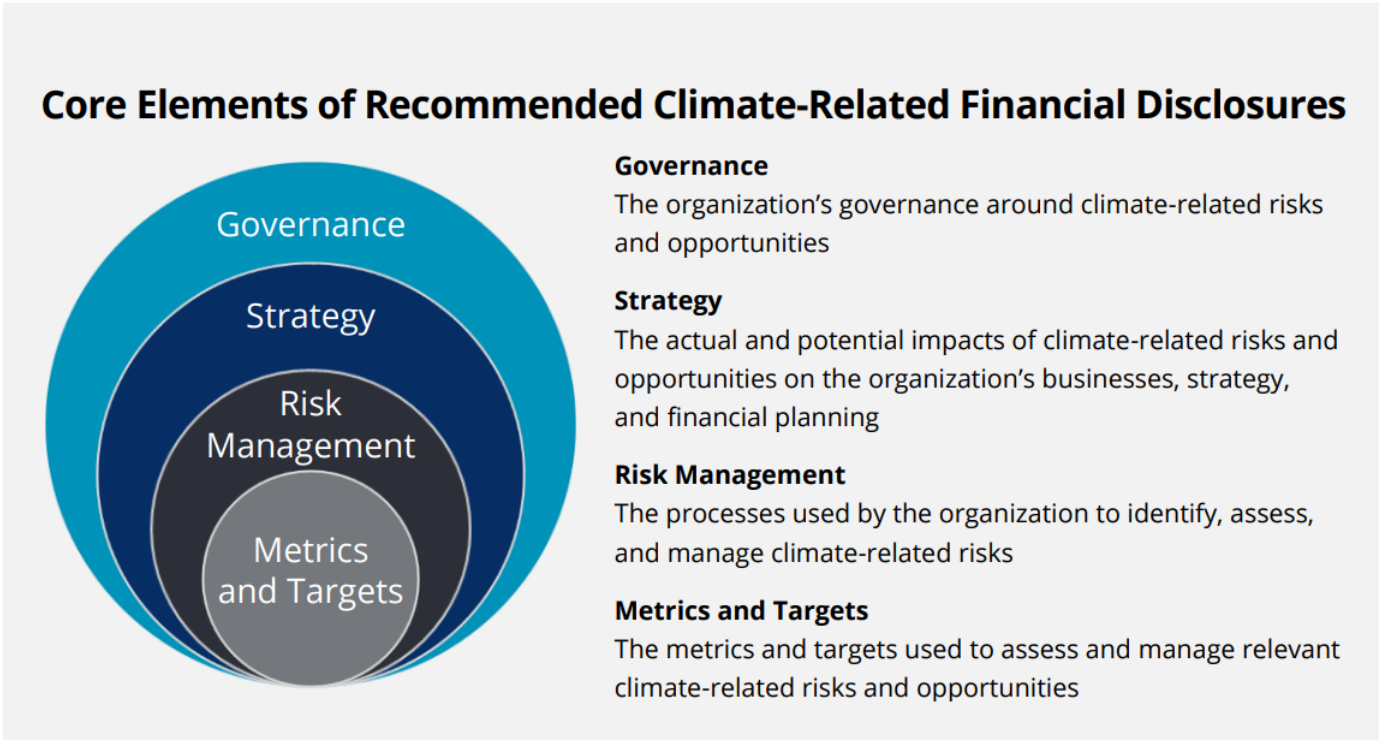
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TCFD Approach

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- Disclosures structured around 4 Key Pillars
- Recent DLUHC Consultation proposed mandatory TCFD reporting for LGPS Administering Authorities (AAs)
- If adopted, this policy is expected to enter into force in 2024



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Key Disclosures: Governance

LGPS Central Limited

Board/Committee Oversight

- Committee responsible for preparing ISS, which references RI Beliefs and the Climate Change Strategy
- Regular discussion of climate-related topics and climate training
- Receipt of annual Climate Reports

Management Oversight

- Head of Pensions works alongside Pensions Investment and RI Manager to oversee climate risk
- Implementation of climate risk management delegated to portfolio managers
- Committee supported by Aon

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Key Disclosures: Strategy

LGPS Central Limited

Identified Climate Risks and Opportunities

- Policy Changes
- Technological Changes
- Extreme Weather Events
- Resource Scarcity

Impact of Climate on Business, Strategy, and Financial Planning

- Approach set out in Climate Change Strategy
- Managers to assess risks and opportunities from top-down and bottom-up perspectives

Resilience of Strategy

- Contract climate scenario analyses on Fund's investments (2020 and 2022) and funding strategy (2022)

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Key Disclosures: Risk Management

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Process for Identifying Climate Risks

- Climate Risk Management Reports
- Monitoring of fund managers
- Engagement activity
- Monitoring of regulatory changes

Process for Managing Climate Risks

- Prioritised according to level of perceived threat to the Fund
- Monitoring of fund managers
- Stewardship activities

Integration of Climate into Overall Risk Management

- Climate risk discussed alongside 'mainstream' risks by Committee
- Included on the Fund's Risk Register

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Key Disclosures: Metrics & Targets

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Metrics Used to Assess Climate Risks

- Absolute Emissions
- Emissions Intensity
- Data Quality
- Paris Alignment

Greenhouse Gas Emissions

Portfolio		Total Equities
Financed Emissions	PF	25,658
	BM	81,337
Normalised Financed Emissions	PF	25.8
	BM	69
Weighted Average Carbon Intensity	PF	57.6
	BM	135.4
Data Quality		2
Alignment		28.40%

Targets Used to Manage Climate Risks, and Performance Against These Targets

- Fund is working to assess options within limitations of currently available data

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Conclusion: Evolution of TCFD Reporting

Recommendations in Climate Report aim to further enhance SCPF policies and disclosures

Climate reporting remains nascent, with best practice consistently evolving

Important to continue monitoring developments in regulation and industry best practice

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All information is prepared as of **November 2023.**

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SHROPSHIRE COUNTY PENSION FUND

2023 Climate Risk Management Report

FOURTH EDITION • NOVEMBER 2023 • PUBLIC

PREPARED BY LGPS CENTRAL LIMITED

LGPS Central Limited

About this Report

This report represents the fourth edition of the Shropshire County Pension Fund's ("The Fund" or "SCPF") analysis of its approach towards climate-related risks and opportunities. Previously titled the "Climate Risk Report," the name has been altered in this edition to avoid any confusion with the Department of Levelling Up, Housing, and Communities' (DLUHC) climate-related disclosure requirement also named the "Climate Risk Report." This iteration follows the same structure as the previous editions released by SCPF since 2020.

Section 1 of the report assesses the Fund's climate risk management framework and disclosure practices. It aims to evaluate the Fund's alignment with Department of Levelling Up, Housing, and Communities (DLUHC) recommendations on climate-related risk management. Additionally, it examines the Fund's maturity in handling these risks within its investment portfolio.

This analysis references SCPF's 2022 Climate-Related Disclosure report and public policy documents such as the 2021/2022 and 2022/2023 Annual Report,[1] the Fund's 2022 Valuation Report,[2] and its Investment Strategy Statement.[3] Emphasising compliance, the Fund's Climate-Related Disclosure report meets Task Force on Climate-Related Financial Disclosures (TCFD) guidelines, satisfying DLUHC's annual Climate Risk Report requirement. Recommendations from prior Climate Analysis Reports are included for continuity where relevant.

Section 2 of the report explores the Fund's climate metrics more extensively, notably highlighted within its Climate-Related Disclosure report. This section is specifically devoted to conducting a thorough analysis of the Fund's carbon footprint indicators. Serving as a comprehensive information hub, it illuminates the Fund's various initiatives geared towards improving its carbon footprinting activities.

[1] Annual Report 2022-2023 (shropshirecountypensionfund.co.uk)
[2] Shropshire County Pension Fund Valuation Report
[3] Statement of Investment Principles (shropshirecountypensionfund.co.uk)



Rural Shropshire from the sky

Executive Summary

Climate Analysis

Summary of Recommendations and Considerations:

Governance

- Consider disclosure of climate discussions at working groups within, or outside of, its pool.
- Consider enhanced disclosure relating to the content and purpose of climate related training undertaken by the Committee.
- Continue to review, improve, and enhance climate-related disclosures with an awareness of potential future regulations.

Strategy

- The Fund should continue to commission Climate Scenario Analyses as recommended by DLUHC, with an awareness that the content of these analyses will develop in line with industry best practice.
- The Fund may wish to provide more details in its reports relating to how specific risks and opportunities may materialise, and how the Fund is responding to these potential impacts. Regular horizon scanning may be an effective way to identify emerging climate risks.

Risk Management

- Consider preparing further disclosure of details relating to the identification and assessment of specific risks associated with climate change.
- Consider incorporating existing climate risk management processes for investments into a similar risk management framework for the Fund's funding strategy.
- Consider further disclosures relating to the frequency and scope of climate-related discussions of key climate issues at the Pensions Committees.

Metrics & Targets

- Consider adopting interim net zero targets and asset class specific net zero targets as the Fund works towards its ambition of net zero by 2050. The scope of these targets may be limited to specific asset classes while data quality is still developing.
- Consider adopting of forward-looking targets, based on pathway alignment in addition to emissions-based targets.
- Additional metrics to meet DLUHC requirements should be included in the next iteration of the Fund's TCFD report.
- Consider detailing the metrics and targets which correspond to the Fund's engagement activities.
- Consider monitoring and disclosing progress in emissions data availability across the Fund's investments, setting targets where appropriate.

Executive Summary *(continued)*

Climate Metrics

Financed Emissions:

25,658 tCO2e

↓ 46% vs 2020

↓ 68% vs reference index

Weighted Average Carbon Intensity (WACI):

57.6 tCO2e/$M Revenue

↓ 59% vs 2020

↓ 57% vs reference index

Top 10 emitters are engaged by SCPF

and/or its stewardship partners

28.4%

of financed emissions from companies which are 'Aligned' or 'Aligning' to Paris.

↑ 23% vs FTSE All World









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Governance 09
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Metrics and Targets 17
Conclusion 22

2 Climate Metrics 23
Equities 34

Front Cover: English Bridge, Shrewsbury, Shropshire
Images (Clockwise): Ironbridge over the river Severn in Telford, Shropshire
Poppy field in Shropshire
Scenic view of a rainbow on the Long Mynd, Shropshire

Section 1

Climate Analysis

View from the Wrekin, near Telford, Shropshire

Introduction

The Fund has taken proactive steps in its climate-related reporting, voluntarily publishing annual reports aligned with the TCFD since October 2020. This demonstrates a strong commitment to addressing climate risks, even ahead of the anticipated mandate from the DLUHC. The mandate is expected to require Local Government Pension Scheme administering authorities to identify, assess, and manage climate-related risks, aligning with TCFD recommendations.

The section's primary emphasis is on pinpointing pathways for advancing the Fund's action and disclosure regarding climate-related risks and opportunities. Our approach involves a thorough analysis of potential regulatory requirements and industry best practices to benchmark the Fund's existing approach. This process yields various observations and recommendations, providing actionable insights for the Fund's consideration and potential implementation.

In our evaluation, we have undertaken several key steps to assess the Fund's preparedness for potential regulatory requirements:

Step 1

We scrutinised the consultation document released by DLUHC on 1 September 2022,[4] using it as a valuable reference for our analysis. While awaiting the final decision from DLUHC, we leveraged the information within the consultation to inform our assessment.

Step 2

Using the TCFD Maturity Map[5] as a foundational framework, we assessed the Fund's current climate reporting. This evaluation aims to pinpoint opportunities for enhancing the Fund's reporting, progressing towards best practice. The TCFD maturity map is a framework for gauging an organisation's maturity in understanding, managing, and addressing climate change matters. Although not industry-specific, this map helps assess how well an organisation has implemented the four pillars of TCFD recommendations — Governance, Strategy, Risk Management, Metrics, and Targets — along with identifying improvement opportunities over time. The matrix categorises maturity into three levels: Limited, Moderate, and Full.

Step 3

To gain broader insights, we reviewed TCFD reports published by diverse organizations within the Financial Services industry. This review encompasses both asset owners and asset managers, allowing us to gauge industry best practices and actions taken to achieve 'full disclosure' status within the TCFD Maturity Map. We use these actions as benchmarks to measure the Fund's progress.

Step 4

We conducted an in-depth analysis of the Fund's public disclosures, scrutinising its approach to identifying, assessing, and managing climate-related risks and opportunities. This analysis was based on the Fund's publicly accessible information, including but not limited to its Investment and Funding Strategy Statements, the 2022/23 Annual Report, and its most recent climate-related disclosure.

Step 5

Based on this assessment, we offer recommendations and considerations to guide the Fund in advancing its climate-related management and reporting. This ensures it remains well-prepared to meet potential regulatory requirements and aligns with industry best practices.

[4] https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks

[5] TCFD Maturity Map, The Prince's Accounting for Sustainability Project. Found here: https://www.tcfdhub.org/resource/tcfd-maturity-map/

Introduction *(continued)*

This report adheres to the structure of the TCFD, with each section analysed according to the framework outlined above. Throughout this analysis, we identify best practices that often go beyond the scope of the Department of Levelling Up, Housing, and Communities (DLUHC) requirements. It's essential to note that some other pension schemes and financial institutions are already ahead in implementing climate-related practices due to varying regulatory frameworks. While we recognise that the Fund may be considered ahead of the curve compared to other LGPS schemes, the primary purpose of this report is to drive further progress and improvement.



Governance

Proposed DLUHC Requirements

Administering Authorities ("AA") will be expected to establish and maintain, on an ongoing basis, oversight of climate related risks and opportunities. They must also maintain a process or processes by which they can satisfy themselves that officers and advisors are assessing and managing climate-related risks and opportunities.

Disclosure Maturity Map

GOVERNANCE DISCLOSURE

LIMITED DISCLOSURE	MODERATE DISCLOSURE	FULL DISCLOSURE
• The board's oversight of climate-related risks and opportunities. • Management's role in assessing and managing climate-related risks and opportunities. • A published policy or commitment statement on climate change.	• A statement on how the board is actively considering climate-related risks and opportunities on a regular basis. • Measures to increase board knowledge on climate-related risks and opportunities such as compulsory training or use of an expert advisory board. • A named individual or committee responsible for climate change at board level. • Clear consideration of physical, transition and liability risks. • Commitment to reducing or avoiding impact on, and of, climate change, with short-, medium- and long-term targets.	• Capacity and competence of the board to respond to climate-related risks and opportunities effectively. • Climate-related risks and opportunities are integrated into standard board agendas. • Full and clear consideration of physical, transition and liability risks over short-, medium- and long-term time horizons. • Financial incentives for executives on progress towards achieving short-, medium- and long-term climate targets.

Governance *(continued)*

Industry Best Practices

Signposting

Several asset managers such as abrdn, Royal London and Schroders included website links to specific sections of their annual report in the TCFD. The annual report contains the profiles of these asset managers' board of directors, including their competency in environmental, social and governance (ESG) issues such as climate. This signposting practice enhances accessibility and facilitates the reader's navigation of relevant information.

Governance Structures

Most financial institutions either have a specific board-level sustainability committee or discuss climate-related risks at the board's audit and risk committee. Liontrust also named a specific Non-Executive Director responsible for all ESG matters. Whilst not compulsory, establishing a dedicated board committee for climate-related matters provides expertise, accountability, strategic alignment, transparency, risk mitigation, opportunity identification, regulatory compliance, stakeholder engagement, and a long-term perspective. This proactive approach ensures organizations effectively address climate challenges and opportunities while fulfilling their responsibilities to stakeholders and society.

Transparency

To demonstrate how climate-related risks are integrated into board agendas on a regular basis, Scottish Widows summarised topics discussed, and key decisions made on climate matters throughout the year. Including examples and case studies in a report enhances reader engagement by providing real-world, practical illustrations that make complex concepts more accessible and relatable. It adds credibility, inspires, and fosters problem-solving, making the content more informative and actionable.

Remuneration

Financial institutions which are listed on the stock exchange are required to disclose its Key Management Personnel's (KMP) remuneration. There are various examples of the climate-related metrics that these institutions use to measure KMP's performance for remuneration purposes. Most include climate-related metrics in their long-term incentive plans, but Royal London include ESG metrics in both short- and long-term incentive plans.

Governance *(continued)*

SCPF Current Disclosures and Practices

Governance Structures and Transparency

The Fund's governance structures are detailed in the Governance Compliance Statement, which states that overall responsibility for the Fund's management lies with Shropshire Council, although this is delegated to the Shropshire County Pension Fund Committee. Accordingly, the Committee prepares the Investment Strategy Statement, which includes the Fund's Responsible Investment Beliefs. Contained within the Fund's Governance Compliance Statement is the Fund's Climate Change Strategy. This strategy is reviewed by the Committee on a three-year basis, with progress reviewed every 12 months. Critically, this strategy lists 10 evidence-based beliefs related to climate change, including a belief that climate change is a financially material risk for the Fund.

Current Practice

The Committee meets four times per year, or otherwise as necessary. Each committee meeting includes quarterly engagement reports from the Fund's external managers as a fixed item on the Committee agendas, with the members of the committee receiving regular training on responsible investment, including climate change. In line with industry best practice, details are provided regarding the content of the training on the Fund's website.

Individual Responsibilities

At the individual level, the Head of Pensions – LGPS Senior Officer works alongside the Pensions Investment and Responsible Investment Manager to oversee management of climate-related risks and provide updates to the Committee. As many of the Fund's assets are managed externally, the implementation of climate risk management is often delegated to portfolio managers, which is then overseen by the Officers and the Pensions Committee.

Based on our analysis, the Fund is currently aligned with moderate, leaning towards full levels of disclosure, as per the maturity map above.

Considerations and Recommendations

The Fund's existing governance structures related to the management of climate risk mean it is well positioned ahead of any potential regulatory changes which may arise in the near future. However, there are some considerations and recommendations which may help the Fund continue aligning with industry best practice.

Although the creation of a climate-specific sub-committee might not align with an AA, we acknowledge the Fund's active participation in multiple working groups within and outside its pool. At times, these groups engage in discussions related to climate matters, allowing the Fund to broaden its understanding of these issues. Enhanced disclosure of these discussions would help demonstrate the Fund's collaborative approach to managing climate risk.

Further evidence of the Fund's efforts to manage climate risk could also be provided through additional disclosures relating to the scope and frequency of climate training received by the Committee. This could be included as a summary update within the Fund's report on activities.

Related to the above point, the Fund could consider providing additional details regarding the climate-related experience of the specific members of the Fund's Committee. This could include attendance of each member of the Committee at the climate training sessions, but could also be expanded to include climate-relevant experience from alternative sources.

Continue to review, improve, and enhance climate-related disclosures with an awareness of potential future regulations. SCPF's readiness to meet the DLUHC's potential recommendations has increased as a result of this report, and similar exercises in the future will help ensure the Fund is able to respond early to any further climate-related regulations.

Strategy

Proposed DLUHC Requirements

AAs will be expected to identify climate-related risks and opportunities on an ongoing basis and assess their impact on their funding and investment strategies.

AAs will be required to carry out two sets of scenario analysis. This must involve an assessment of their investment and funding strategies. One scenario must be Paris-aligned (meaning it assumes a 1.5 to 2 degree temperature rise above pre-industrial levels) and one scenario will be at the choice of the AA. Scenario analysis must be conducted at least once in each valuation period.

Disclosure Maturity Map

STRATEGY DISCLOSURE	LIMITED DISCLOSURE	MODERATE DISCLOSURE	FULL DISCLOSURE
	• Operational greenhouse gas ("GHG") emission reductions.	• Climate-related risks and opportunities the organisation has identified over the short-, medium- and long-term. • The impact of climate related risks and opportunities on the organisation's businesses, strategy and financial planning. • Involvement in domestic and international efforts to mitigate climate change.	• The potential impact of different climate scenarios, including a 4°C, a 2°C and a 1.5°C scenario, on the organisation's businesses, strategy and financial planning. • The organisation's internal carbon pricing strategy. • Vocal advocacy for action on climate change and collaboration with peers and other stakeholders to achieve change.

Strategy *(continued)*

Industry Best Practices

Climate Scenario Analysis

USS's climate scenario analysis discussed the impact of climate change to both its investment and funding strategies. The rationale behind the chosen scenarios and time horizons were clearly described. Further, USS also illustrated how climate change impacts their defined contribution members' investments returns. While we understand that scenario analysis remains an evolving tool, it still provides a valuable insight into how climate change could impact investment returns under different scenarios, highlighting the importance of conducting and disclosing the findings of climate scenario analysis. As this tool is still evolving it is important to demonstrate an understanding and provide a justification of the parameters surrounding the analysis, including the scenarios chosen and time horizons, which should be clearly defined.

Industry Collaboration

Partnerships, initiatives and collaborations were discussed in plenty of detail in Scottish Widows' TCFD report. They also produced a case study of a collaborative engagement on the topic of deforestation. Collaborative engagement allows funds to pool their influence as to drive change in the industry, it is considered industry best practice to not only collaborate in these initiatives, but to also demonstrate the impact derived from these collaborative engagements through case studies.

SCPF Current Disclosures and Practices

Identification of Risk

In line with good industry practice, the Fund has identified the short-, medium-, and long-term risks associated with climate change, and these risks are associated to specific asset classes.

The Fund's Climate Strategy

In the Fund's Climate Change Strategy, which was first approved in September 2021 and is reviewed every three years by the Committee, with a progress review every year. This strategy sets out ten key beliefs around climate change, which have informed five Strategic Actions. These actions are: Measurement and Observation; Asset Allocation; Selection, Due Diligence, and Monitoring; Purposeful Stewardship; and Transparency & Disclosure. Each of these Strategic Actions has key targets and deliverables associated with it, all working towards the identification and management of climate risk within the Fund.

Climate Scenario Analysis

The Fund also commissioned a Climate Scenario Analyses in 2022 and 2020, which provided models of the impact on returns over the short-, medium-, and long-term under a range of different climate change scenarios. In line with DLUHC recommendations for full disclosure, the three scenarios included a "rapid transition", "orderly transition", and "failed transition" scenario. Advantages and disadvantages of these analyses were included in both reports alongside the Scenario Analysis. In the Fund's 2022 Valuation Report, a further climate scenario analysis analysed the impact of climate change on the Fund's funding. The analysis looked at three different scenarios: a Rapid Transition; an Orderly Transition; and a Failed Transition.

Based on our analysis, the Fund is currently aligned with moderate levels of disclosure, as per the materiality map above. The inclusion of a comprehensive Climate Scenario Analysis shows that the Fund is close to moving towards full disclosure.

Strategy *(continued)*

Considerations and Recommendations

The Fund should be commended for its use of scenario analyses, both looking at the impacts of climate on its investments but also on its funding. From a more long-term perspective, the Fund should consider updating its climate policies to reflect impacts on its funding as well as investments. This is in line with a direct recommendation provided by DLUHC.

The Fund should continue to commission climate scenario analyses as recommended by DLUHC, with an awareness that the content of these analyses will develop in line with industry best practice. Integrating scenario analysis for both investment and funding whenever feasible provides a holistic perspective which aids decision making.

The Fund may also benefit from elaborating on how specific risks and opportunities related to climate change may materialise, as well as expanding on the corresponding material impacts. An explicit focus on how these risks and opportunities can best be mitigated or exploited would also help move the Fund towards industry best practice. Regular horizon scanning may be an effective way to identify emerging climate risks. This analysis could be linked to the Fund's risk register and further incorporated into its Climate Stewardship Plan.

Finally, full disclosure according to DLUHC includes a summary of the Fund's advocacy for action and collaboration on climate change. Although the Fund does list its collaborative partners on topics including climate change, this could be reinforced with concrete examples of climate advocacy. Such disclosures are often found in stewardship reports, which, although third party sources are frequently referenced by the Fund, could be made more explicit as part of its wider climate disclosures.

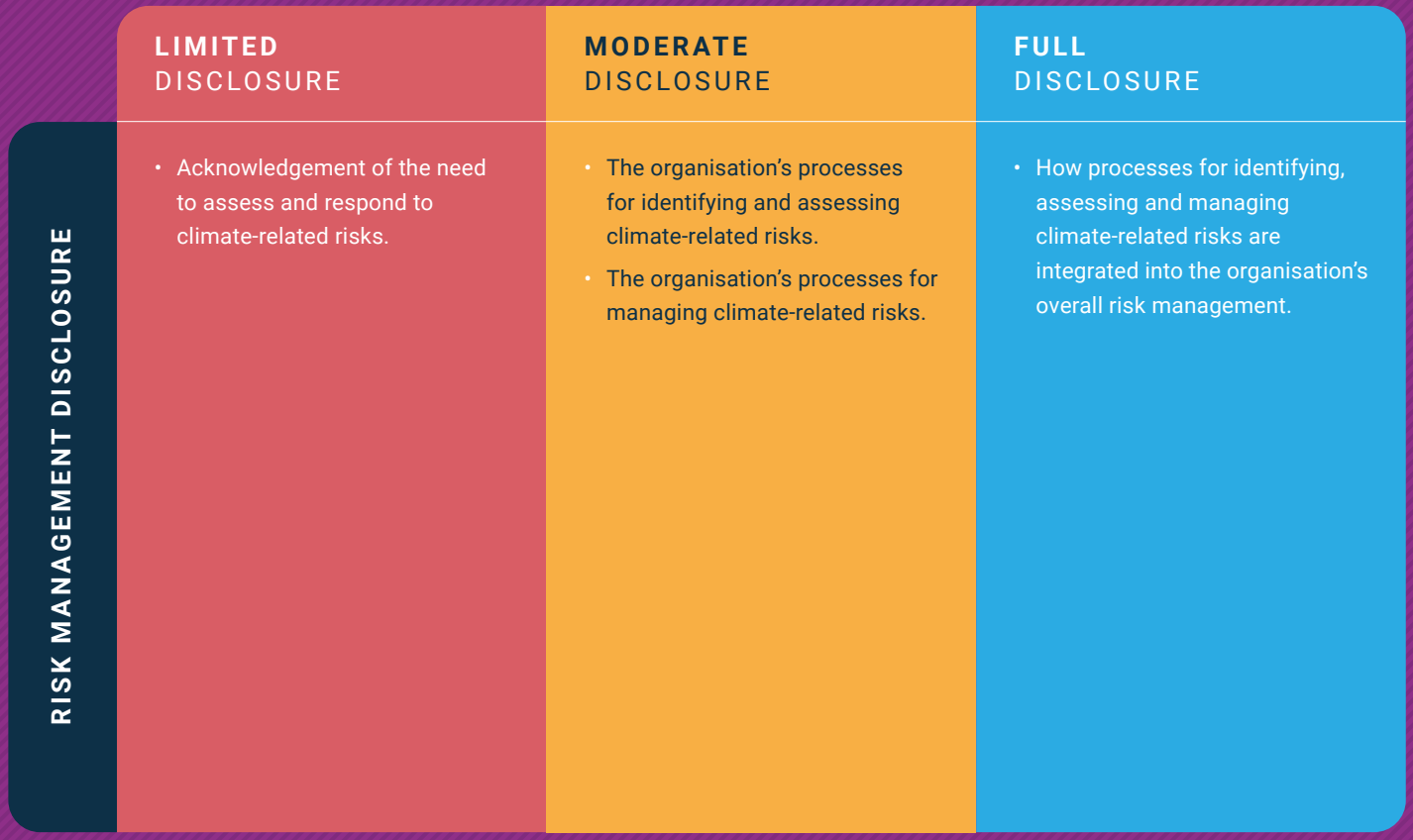

Ironbridge, Shopshire

Risk Management

Proposed DLUHC Requirements

AAs will be expected to establish and maintain a process to identify and manage climate-related risks and opportunities related to their assets. They will have to integrate this process into their overall risk management process.

Disclosure Maturity Map



Risk Management *(continued)*

Industry Best Practices

Risk Management Policy and Transparency

Schroders' risk management section clearly outlines how climate risk fits in its three lines of defence, the risk owners at each line, and how its oversight structure works – from business unit to its board audit and risk committee. Schroders also details its actions to identify, assess and manage climate-related risks. Inclusion of these details provides accountability and transparency with regard to risk management and demonstrates the funds' ability to identify and mitigate climate risks through appropriate practices.

Asset-specific Risk Management

Abrdn included a table that maps its existing climate tools against asset classes to give a view of the applicability of tools for various investments strategies. This also assists in demonstrating the Fund's industry best practices to identify and mitigate climate risks.

SCPF Current Disclosures and Practices

Risk Management Policy and Transparency

The Fund's approach to risk management is detailed in the Climate Change Strategy, where each of the key Strategy Actions relates to furthering the identification and management of climate risk. In the 'Measurement & Observation' section, the Fund commits to a triennial economic assessment of the fund's asset allocation against plausible climate scenarios and a carbon risk metric assessment of the Fund's listed equities. The Strategy also states that the Fund will assess the approach taken by its managers to climate risk during selection and due diligence, and regularly monitor progress on climate risk management post appointment.

The Fund's annual Climate Risk Report presents both top-down and bottom-up risk analyses which aim to assess the Fund's exposure to, and management of, climate risk. Where possible, climate risks are assessed in units of investment return in order to compare with other investment risk factors.

Climate risk is deemed sufficiently significant to be included in the fund's Risk Register, and is discussed alongside 'mainstream' investment risks by the Pensions Committee.

Stock-specific Risk Management

As well as several policies for the 'Selection, Due Diligence and Monitoring' of new funds (which are informed by the IIGCC recommendations), the Fund has also developed a Climate Stewardship Plan, whereby clear engagement goals are set with companies, fund managers, policymakers, and other areas of influence. The Fund's robust approach to stewardship was recognised in August 2023 when the Fund became a signatory to the 2020 UK Stewardship Code.

Based on our analysis, the Fund is currently aligned with moderate/full levels of disclosure, as per the materiality map above.

Considerations and Recommendations

Consider preparing further disclosure of details relating to the identification and assessment of specific risks associated with climate change (i.e., the time horizon of specific risks and how these may materialise in a portfolio) could support the Fund's approach to management of climate risk.

The Fund may also wish to consider incorporating its existing climate risk management processes for its investments into a similar risk management framework for its funding strategy.

Finally, further disclosures relating to the frequency and scope of climate-related discussions at the Pensions Committees may help to demonstrate the Fund's ongoing work on managing climate risk.

Metrics and Targets

Proposed DLUHC Requirements

AAs will be expected to report on metrics as defined in supporting guidance. The proposed metrics are set out below.

- Metric 1 will be an absolute emissions metric. Under this metric, AAs must, as far as able, report Scope 1, 2 and 3 greenhouse gas (GHG) emissions.
- Metric 2 will be an emissions intensity metric. We propose that all AAs should report the Carbon Footprint of their assets as far as they are able to. Selecting an alternative emissions intensity metric such as Weighted Average Carbon Intensity (WACI) will be permitted, but AAs will be asked to explain their reasoning for doing so in their Climate Risk Report.
- Metric 3 will be the Data Quality metric. Under the Data Quality metric, AAs will report the proportion the value of its assets for which its total reported emissions were Verified, Reported, Estimated or Unavailable.
- Metric 4 will be the Paris Alignment Metric. Under the Paris Alignment Metric, AAs will report the percentage of the value of their assets for which there is a public net zero commitment by 2050 or sooner.

Metrics must be measured and disclosed annually.

AAs will be expected to set a target in relation to one metric, chosen by the AA. The target will not be binding. Progress against the target must be assessed once a year, and the target revised if appropriate. The chosen metric may be one of the four mandatory metrics listed above, or any other climate related metric recommended by the TCFD.

Metrics and Targets *(continued)*

Disclosure Maturity Map

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METRICS AND TARGETS DISCLOSURE

LIMITED DISCLOSURE	MODERATE DISCLOSURE	FULL DISCLOSURE
• Scope 1 and Scope 2 GHG emissions.	• Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks. • Measurement methodologies for these are clearly defined and in line with recognised guidance. • The organisation's quantified targets to reduce GHG emissions in relative or absolute terms (Scopes 1, 2 and/or 3) and performance against these.	• The metrics used to assess climate-related risks and opportunities in line with strategy and risk management process. • The targets used to manage climate-related risks and opportunities, including use of science-based targets, and performance against these targets. • Assurance of reported GHG emissions under International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on GHG Statements.

Metrics and Targets *(continued)*

Industry Best Practices

Discussion of Metrics, Methodology and Limitations

USS discussed its data sourcing and methodology in great detail, and included an explanation of data limitations. In its report, USS also reviewed the organisations climate performance against its net zero target pathway. Disclosing information regarding the methodologies, data limitations, and how metrics should be interpreted demonstrates an understanding of the data challenges and provides credibility to the findings derived from the data. This information also means the data can be more easily interpreted by the reader.

Transparency around Restated Data

Schroders explained its annual emissions recalculation process and highlighted data that is restated. As data coverage and reliability continues to evolve it is important to ensure the most accurate data is reported. However, this can lead to data being restated. As this can lead to a lack of consistency as reported data is retrospectively amended, it is important for the Fund to disclose how data has been restated and the purpose of the restatement, minimising inconsistency from one report to the another.

Data Assurance

Abrdn included an independent assurance statement that provides limited assurance of its selected sustainability performance indicators. This statement is included in the company's sustainability disclosures, providing reported metrics with additional credibility and reliability.

SCPF Current Disclosures and Practices

Discussion of Metrics, Methodology and Limitations

The Fund's annual Climate Risk Report and its TCFD report both present a wide range of climate metrics to measure the fund's overall performance in managing climate risk. The report is transparent about some of the challenges faced when reporting on climate data, but clear justification is provided for the metrics chosen, and the metric choice has been updated for the Fund's 2023 metrics, in line with DLUHC recommendations.

Targets

The Fund does not currently have a formal decarbonisation strategy in place outlining how it intends to achieve its goal of net zero emissions by 2050, although it has reduced the carbon emissions associated with its investments consistently over the previous three years.

Detailed metrics which present a more complete picture of the fund's exposure to climate risk are presented in Section 2 (Climate Metrics) of this report.

Based on our analysis, the Fund is currently aligned with moderate levels of disclosure, as per the materiality map above. However, the Fund's comprehensive use of a wide range of climate metrics indicates that it is progressing towards full disclosure.

Metrics and Targets *(continued)*

Considerations and Recommendations

The Fund states in its TCFD report that "the ability for diversified investors (such as pension funds) to set meaningful targets is inhibited by the paucity of credible methodologies and data currently available". While carbon methodologies and data availability are still developing, the Fund may wish to consider setting short-, medium-, and long-term climate targets for the achievement of its net zero ambition. In order to ensure that these are achievable, the Fund may wish to consider setting net zero aligned asset class specific targets.

Future iterations of the TCFD report will include the four metrics required by the DLUHC. These should be reported in addition to the metrics which have been reported over previous years, adding further context and nuance to the Fund's climate analysis.

The Fund may also wish to consider detailing the metrics and targets which correspond to their engagement activities. Such information is often published in the stewardship reports of industry leaders and assists in quantifying alternate areas of progress within the management of climate risk.

The fund may also wish to consider the adoption of forward-looking targets, based on pathway alignment in addition to emissions-based targets.

The Fund may wish to monitor and disclose progress in data availability across its investments. In line with DLUHC recommendations, auditable emissions data represents the highest quality of data and lends credibility and reliability to the Fund's progress towards decarbonisation. Targets could be set to measure progress towards this enhancement.



Frozen river in Shropshire

Other Requirements / Recommendations

Proposed DLUHC Requirements

	DLUHC Requirement	LGPS Central Proposals
Disclosure	AAs will be expected to publish an annual Climate Risk Report. This may be a standalone report, or a section in the AA's annual report. The deadline for publishing the Climate Risk Report will be 1 December, as for the AA's Annual Report, with the first Climate Risk Report due in December 2024.	The Fund has been complying with this recommendation since the publication of its first climate report in 2020. We propose that scheme members are informed that the Climate Risk Report is available in an appropriate way.
Scheme Climate Report	DLUHC proposes that the Scheme Advisory Board (SAB) should prepare an annual Scheme Climate Report including a link to each individual AA's Climate Risk Report (or a note that none has been published) and aggregate figures for the four mandatory metrics.	This exists in the consultation, and could have implications for the Fund's carbon risk analyses going forwards. While this is more relevant for the SAB than the Fund in particular, we feel it is important for the Fund to remain aware of any developments in this area as it may have implications for the Fund's future carbon reporting.
Proper advice	DLUHC proposes to require that each AA take proper advice when making decisions relating to climate-related risks and opportunities and when receiving metrics and scenario analysis.	Although this section requires no concrete action at this time, we recommend that the Fund remains aware of potential future developments. The Fund may wish to conduct a review of its provision of advice to ensure that its metrics and scenario analyses remain 'proper', as per the DLUHC requirements.

Conclusion

The Fund's Overall Readiness / Maturity

Based on its current processes and disclosures, we consider that the Fund is well positioned to meet DLUHC's potential requirements on climate change governance and disclosures. The items in the table below would push the Fund towards full compliance.

On average the Fund is disclosing at Moderate level, although it should be noted that, based on our analysis, no single peer is able to achieve leader status across all elements. The Fund does have the potential to move towards leader status in several elements, and is most advanced within its disclosure of its governance structures related to climate risk.

Please note, some considerations and recommendations have been carried forward from the previous climate risk report. Finally, it should be restated that some of the observations discussed in the section above may not require action from SCPF as best practice of investment managers is not always appropriate for local government pension funds. These observations were included to flag best practice and to ensure the Fund remains cognisant of emerging best practices.

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Summary of Considerations and Recommendations

Section	Considerations and Recommendations
Governance	– Consider disclosure of climate discussions at working groups within, or outside of, its pool. – Consider enhanced disclosure relating to the content and purpose of climate related training undertaken by the Committee. – Continue to review, improve, and enhance climate-related disclosures with an awareness of potential future regulations.
Strategy	– The Fund should continue to commission Climate Scenario Analyses as recommended by DLUHC, with an awareness that the content of these analyses will develop in line with industry best practice. – The Fund may wish to provide more details in its reports relating to how specific risks and opportunities may materialise, and how the Fund is responding to these potential impacts.
Risk Management	– Consider preparing further disclosure of details relating to the identification and assessment of specific risks associated with climate change. – Consider incorporating existing climate risk management processes for investments into a similar risk management framework for the Fund's funding strategy. – Consider further disclosures relating to the frequency and scope of climate-related discussions at the Pensions Committees.
Metrics and Targets	– Consider adopting interim net zero targets and asset class specific net zero targets as the Fund works towards its ambition of net zero by 2050. The scope of these targets may be limited to specific asset classes while data quality is still developing. – Consider adopting of forward-looking targets, based on pathway alignment in addition to emissions-based targets. – Additional metrics to meet DLUHC requirements should be included in the next iteration of the Fund's TCFD report. – Consider detailing the metrics and targets which correspond to the Fund's engagement activities. – Consider monitoring and disclosing progress in data availability across the Fund's investments, setting targets where appropriate.

Section 2

Climate Metrics

June 2023

The Wrekin, Shropshire

Climate Metrics

Scope of Analysis

The following Climate Metrics offer a detailed, bottom-up analysis with the following objectives:

Observing climate transition risks and opportunities within the portfolio.

Identifying opportunities for engagement with companies.

Facilitating the monitoring of climate risk management by managers.

This analysis encompasses public market investments reported by the Fund as of 30 June 2023. It includes holdings in listed equity and fixed income funds. The exclusion of unlisted asset classes is due to limited data availability. The assets under management (AUM) within the report's scope totalled approximately £2.1 billion as of that date, with the specific funds outlined in the chart below.

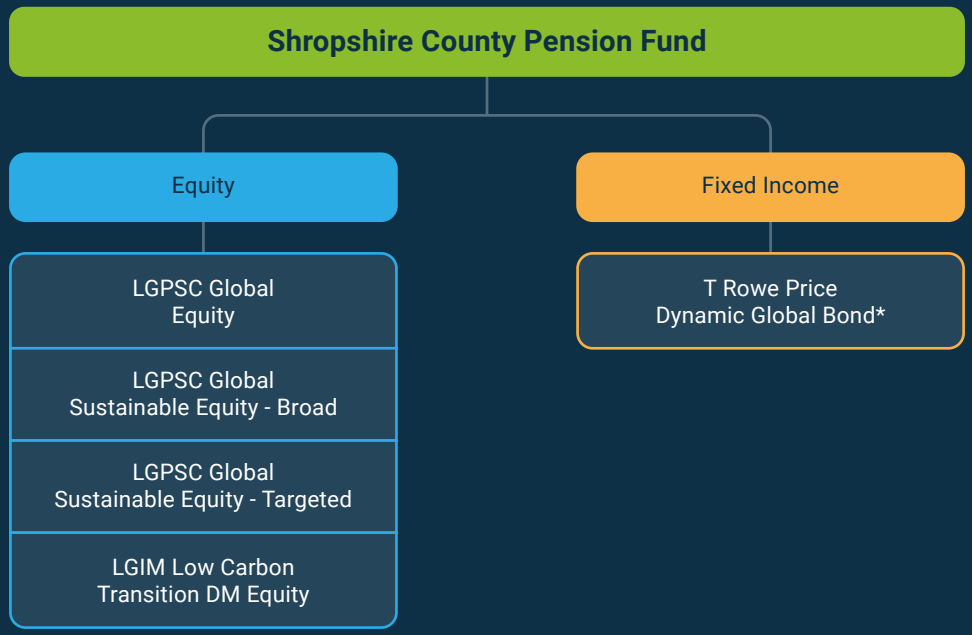
LGPS Central has been calculating carbon footprint metrics for Shropshire County Pension Fund since 2020. The analysis scope has expanded over time as the Fund effected asset allocation decisions during this period. This report summarizes the evolution of the Fund's carbon footprint up to 30 June 2023.



Farmland near Mainstone, Shropshire

Climate Metrics *(continued)*

FIGURE 1: BREAKDOWN OF FUNDS INCLUDED IN THE ANALYSIS



* The fund is in scope of the climate model. However, the metric is not included in SCPF's aggregated carbon footprint metrics due to low data coverage.

Climate Metrics *(continued)*

Selection of Carbon Footprint Metrics

The analysis is based on a dataset provided by MSCI ESG Research LLC (MSCI).[6] We utilised data that was downloaded from MSCI on 1 September 2023. The table on page 40-45 provides an overview of the types of carbon metrics utilised.

Carbon footprint metrics were selected to comply with the results of Department for Levelling Up, Housing & Communities' consultation,[7] which were published in September 2022. That document sets out an expectation that AAs report on four proposed metrics:

- **Absolute emissions metric** – financed emissions.
- **Emissions intensity metric** – normalised financed emissions and weighted average carbon intensity (WACI).
- **Data quality metric.**
- **Paris alignment metric.**



Blooming heather on the Long Mynd, Shropshire

[6] Certain information @ 2023 MSCI ESG Research LLC. Reproduced by permission. Attention is drawn to Section 8.0 Important Information.

[7] https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks

Climate Metrics *(continued)*

On top of the headline DLUHC-proposed metrics, we also calculate multiple other metrics as listed in the definition table. We believe carbon footprint metrics apply only one lens, whereas additional metrics – including fossil fuel exposure, clean tech exposure, and carbon risk management – provide a deeper and broader assessment of climate risk and opportunity. Further details of these metrics can be found on pages 40-45.

The analysis looks at the headline metrics first, before delving into asset class assessment.

The Headline Metrics

Carbon Footprint Metrics

Metrics	Financed Emissions	Normalised Financed Emissions	Weighted Average Carbon Intensity (WACI)
Absolute / Intensity	Absolute	Intensity	Intensity
Definition	Financed emissions calculates the absolute tonnes of CO2 equivalent for which an investor is responsible.	This metric measures the Financed Emissions for every £1 million invested.	WACI measures a portfolio's exposure to carbon-intensive companies.
Question answered	What is my portfolio's total carbon footprint?	What is my portfolio's normalised carbon footprint per million GBP invested?	What is my portfolio's exposure to carbon-intensive companies?
Unit	tCO2e	tCO2e / £m invested	tCO2e / $m revenue
Comparability	No; does not take size into account	Yes; adjusts for portfolio size	Yes
Data needs	Medium • Notional amount invested • Carbon emissions of issuer • EVIC or Total Equity + Total Debt *(Sovereign: PPP-Adjusted GDP)*	Medium • Notional amount invested • Total portfolio AUM • Carbon emissions of issuer • EVIC or Total Equity + Total Debt *(Sovereign: PPP-Adjusted GDP)*	Low • Portfolio weights • Carbon emissions of issuer • Sales of issuer *(Sovereign: Nominal GDP)*

Climate Metrics *(continued)*

Data Quality Metric

Score between 1 and 5; with 1 being the most preferred which relates to actual audited data. Score 5 is the least preferred, which relates to estimated data with limited support.

This system enables reporting on financed emissions even if data is not available, whilst providing transparency over the accuracy of the information provided. The source of the score is MSCI.

Certain
5%-10% error margin in estimations

Score 1	Audited GHG emissions data or actual primary energy data
Score 2	Non-audited GHG emissions data or other primary data
Score 3	Averaged data that is peer/sub-sector specific
Score 4	Proxy data on the basis of region or country
Score 5	Estimated data with very limited support

Uncertain
40%-50% error margin in estimations

Source: The Global Carbon Accounting Standard for the Financial Industry: Draft version for public consultation (August 2020), Partnership for Carbon Accounting Financials (2020).



Clun Castle, Clun, Shropshire

Climate Metrics *(continued)*

Paris Alignment Metric

A company will be considered at least Aligning to Paris Agreement by LGPS Central if:

The company score is above the **median** in **Low Carbon Transition Score**

\+ and it meets **one** of the following criteria: +

The Company has a **science-based target**

or

The Company has an **implied temperature rise** rating of 2.0°C or lower

Low Carbon Transition Score

Score from 0 (worst) to 10 (best) measuring companies' exposure to and management of risks and opportunities related to the low carbon transition. Source of rating: MSCI. Score of more than 5 (median) required to be considered at least Aligning.

and

Science-Based Target

Issuer commits to a medium- and long-term net zero target that are considered science-based; i.e. in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.

or

Implied Temperature Rise

Implied temperature rise (in the year 2100 or later) if the whole economy had the same over-/undershoot level of greenhouse gas emissions to the issuer. Below 2°C is required to be considered at least Aligning.



Frozen parkland and trees on a frosty morning in rural Shropshire

Climate Metrics *(continued)*

MSCI Low Carbon Transition Risk Assessment[8]

MSCI ESG Research's Low Carbon Transition Risk[9] assessment is designed to identify potential leaders and laggards by holistically measuring companies' exposure to and management of risks and opportunities related to the low carbon transition.

The final output of this assessment is two company-level factors as described below:

1) Low Carbon Transition Category:

This factor groups companies in five categories that highlight the predominant risks and opportunities they are most likely to face in the transition.

2) Low Carbon Transition Score:

This score is based on a multi-dimensional risks and opportunities assessment and considers both predominant and secondary risks a company faces. It is industry agnostic and represents an absolute assessment of a company's position vis-à-vis the transition.

[8] Source: MSCI Climate Change Indexes Methodology, pp17-18

[9] For more details on MSCI Climate Change Metrics, please refer to https://www.msci.com/climate-change-solutions

Calculation methodology

The LCT Categories and Scores are determined by a combination of each company's current risk exposure and its efforts to manage the risks and opportunities presented by the low carbon transition. The 3-step process followed by MSCI ESG Research is explained below.

Step 1

The first step towards measuring the Low Carbon Transition Risk Exposure for a company is the computation of its Carbon Intensity profile – which is informed by its Product Carbon Intensity, Operational Carbon Intensity and Total Carbon Intensity.

Step 2

MSCI assess a company's management of risks and opportunities presented by the low carbon transition. This assessment is based on policies and commitments to mitigate transition risk, governance structures, risk management programs and initiatives, targets and performance, and involvement in any controversies.

Step 3

Low Carbon Transition Risk Exposure Category and Score that was calculated in Step 1 are adjusted for the strength of management efforts calculated in Step 2. Following this adjustment, Low Carbon Transition Risk Exposure Score of companies with top or second quartile risk management improves and some top and second quartile companies may move up one category.

Climate Metrics *(continued)*

Scope 3 Emissions

Scope 3 emissions refers to the emissions released indirectly through business activities. More specifically, Scope 3 represents the emissions released through the value chain of the company, both upstream and downstream, emissions which are not otherwise captured in scope 1 and 2. This would include the emissions produced by a company's supplier when producing a product brought by the company, or the emissions released by a customer through a product supplied by the company.

Due to the nature of this measurement, for many industries and assets the associated scope 3 emissions of the company will often be significantly greater than those of the scope 1 and 2. When aggregated at portfolio level, scope 3 emissions will also be subject to double counting, a term which refers to aggregating an observation multiple times, despite being a single observation. Double counting will often occur due to overlapping value chains, a simple example of this can be explained through the use of a vehicle with an internal combustion engine. In such an instance, scope 3 emissions will be associated with both the provider of fuel for the vehicle, as well as the vehicle manufacturer as well. Double counting will also occur across scope 1 and 2, to 3, as one companies scope 1 and 2 emissions, will often be another company's scope 3.

Despite the flaws within this metric, a company's scope 3 emissions are important to account for, as without this metric many companies' emissions would be significantly understated.



Hawkstone Park in Shropshire, England

Climate Metrics *(continued)*

Headline Metrics	SCPF June 2023
Absolute emissions metric: – Financed emissions	Equities: – Scope 1 and 2: 25,658 tCO2e – Scope 3: 467,548 tCO2e
Emissions intensity metric: – Normalised financed emissions – Weighted Average Carbon Intensity (WACI)	Equities: Normalised Financed Emissions – Scope 1 and 2: 25.8 tCO2e/£M Invested – Scope 3: 470.7 tCO2e/£M Invested WACI – Scope 1 and 2: 57.6 tCO2e/$M Revenue
Data Quality metric: – Data availability – MSCI data quality metric	Equities: – Data availability: 92.6% *of AUM with data coverage for financed emissions calculation* – Data quality: 2.1 *(Weighted Average of available data quality)*
Paris Alignment metric: Combination of – MSCI Low Carbon Transition Score – Science-Based Target – MSCI Implied Temperature Rating	Equities: – LCT Score: 39.8%% *of financed emissions has above median score* – SBT: 58.4% *of financed emissions are covered by a science-based target* – ITR: 37.2% *of financed emissions has an implied temperature of 2°C or below*

Climate Metrics *(continued)*

Our Approach to Climate Data

Climate data is an evolving field, and methodologies are continuously updated by governments, data providers, and companies. The data accessible through our data provider (MSCI) undergoes frequent revisions as estimated data gets replaced by reported data, estimations are refined for greater precision, and data coverage expands.

We recalculate our emissions annually and may revise previously reported greenhouse gas (GHG) data to incorporate the most current information. When possible, we align our holding period with the period in which emissions from the underlying issuer occurred. Consequently, there may be variations between data reported in previous documents and the figures presented in this report due to these restatements. Our metrics employ methodologies aligned with those used by the Partnership for Carbon Accounting Financials (PCAF) and MSCI.

A summary of restated values are as follows:

	Previously Reported			Restated Reported		
	2020	2021	2022	2020	2021	2022
Equities Portfolios						
Weighted Average Carbon Intensity	146.8	132.3	79.2	144.7	117.5	71.3
Weight in Fossil Fuel Reserves	6.2%	6.2%	3.4%	4.9%	5.1%	4.1%
Weight in Thermal Coal Reserves	2.6%	2.8%	0.0%	2.7%	2.4%	1.6%
Weight in Coal Power*	1.9%	1.5%	0.0%	0.0%	0.0%	0.0%
Weight in Clean Technology	35.4%	35.6%	36.5%	36.5%	34.3%	36.6%
Reference Indices						
Weighted Average Carbon Intensity	169.1	160.0	96.4	126.4	142.2	146.8[10]
Weight in Fossil Fuel Reserves	7.3%	7.2%	4.1%	11.2%	5.5%	4.1%
Weight in Thermal Coal Reserves	2.7%	3.0%	0.0%	3.1%	2.3%	1.6%
Weight in Coal Power	2.0%	1.6%	0.0%	0.0%	0.1%	0.0%
Weight in Clean Technology	35.3%	36.0%	35.9%	22.4%	37.4%	36.6%

* New methodology screens companies with >30% of share from coal power generation.

[10] This restated increase is due to the new benchmark for the LGIM Low Carbon Fund. While in previous years this fund was benchmarked to itself (as a passive fund) it is now benchmarked against FTSE AW.

Equities

FIGURE 3: EQUITIES CLIMATE DASHBOARD

The below table shows the Fund's aggregated climate risk metrics for each portfolio in the equity asset class. Please see the Glossary on page 40 for definitions of each of these metrics.

Equities Asset Class	Multiple Fund Classification	Multiple Fund Manager	£1,208,453,337 NAV	Blended Reference Index	Q2 2023 Period

Carbon Footprint Metrics					Data Availability	
		Portfolio	Reference	Previous Year	Portfolio	Reference
Total Financed Emissions	Scope 1+2	25,658	81,337	26,410	92.6%	99.3%
tCO2e	Scope 3	467,548	742,448	351,190	92.6%	99.2%
Normalised Financed Emissions	Scope 1+2	25.8	69.0	31.3		
tCO2e/£M Invested	Scope 3	470.7	629.9	417.3		
Weighted Average Carbon Intensity	Exclude Sovereign	57.6	135.4	71.3	92.6%	99.3%
tCO2e/$M Revenue	Include Sovereign	57.6	135.4	71.3	92.6%	99.3%

Top 10 Emissions Contributors

Issuer	PF Weight	Ref Weight	% Financed Emission		% WACI		Scope 1+2	Scope 3	Engagement	Focus	Data	LCT	ITR	SBT
Taiwan Semiconductor Manufacturing Co., Ltd.	0.6%	0.7%	0.9%	16	2.0%	8	11.3M	35.0M	Yes	No	2	5.8	2.9	No
CONOCOPHILLIPS	0.5%	0.2%	3.4%	6	3.5%	5	18.7M	302.1M	Yes	No	2	2.6	2.6	No
Iberdrola, S.A.	0.4%	0.1%	2.3%	8	1.6%	9	13.8M	42.0M	Yes	No	2	6.5	1.3	Yes
LINDE PUBLIC LIMITED COMPANY	0.3%	0.3%	3.6%	4	6.2%	2	37.7M	43.8M	Yes	No	2	5.0	7.1	Yes
SHELL PLC	0.2%	0.3%	7.2%	3	1.6%	10	137.7M	1,174.0M	Yes	Yes	2	2.9	2.5	No
MICRON TECHNOLOGY, INC.	0.2%	0.1%	1.3%	11	0.9%	14	6.9M	14.8M	Yes	No	2	5.6	3.4	No
NEXTERA ENERGY, INC.	0.2%	0.2%	2.2%	9	9.2%	1	42.4M	23.4M	Yes	Yes	2	4.3	3.0	No
CRH PUBLIC LIMITED COMPANY	0.2%	0.1%	10.2%	2	3.7%	4	33.8M	22.4M	Yes	No	2	4.9	1.8	Yes
Holcim AG	0.1%	0.1%	14.2%	1	6.2%	3	83.0M	30.9M	Yes	Yes	2	4.2	2.3	Yes
L'AIR LIQUIDE SOCIETE ANONYME POUR L'ETUDE ET L'EXPLOITATION DES PROCEDES GEORGES CLAUDE SA	0.1%	0.1%	3.4%	5	2.8%	6	39.5M	46.5M	Yes	No	2	4.8		Yes

Recommendations / Observations

- Financed emissions were relatively flat YoY despite a substantial increase in AUM. Consequently, normalised financed emissions declined, suggesting the Fund is more carbon-efficient.
- Positive impact from shift towards sustainable equity funds continued, while a decline in WACI indicates stock selection tilted further towards less carbon intensive companies.
- As several companies in the climate stewardship focus list are no longer owned by the Fund, this list should be reviewed.

Worst YoY Contributors	Stewardship Focus
CF INDUSTRIES HOLDINGS, INC.	No
CHENIERE ENERGY, INC.	No
RWE Aktiengesellschaft	No

High Impact Sectors / Climate Solutions Exposures (Portfolio vs Benchmark)

Fossil Fuel Exposure		Fossil Fuel Revenue		Thermal Coal Exposure		Coal Power Exposure		Cleantech Exposure		Cleantech Revenue	
2.5%	7.3%	1.6%	3.3%	0.7%	2.7%	0.0%	0.1%	38.5%	40.2%	7.7%	6.1%

Portfolio Alignment & Engagement

Engagement	Data Quality	LCT	ITR	SBT	Alignment
76.1%	2.0	39.8%	37.2%	58.4%	28.4%

Equities *(continued)*

We have examined four funds with a combined NAV of approximately £1.2 billion as of 30 June 2023.

Notably, the composition of the funds within the analysis has changed significantly since our initial assessment in 2020. In 2023, the Fund made substantial transitions, moving out of several traditional equity portfolios and redirecting investments into sustainable funds, including the L&G Solactive Low Carbon Transition Fund and LGPS Central Global Sustainable Equity funds.

Each fund's carbon footprint is evaluated in comparison to the primary market index in which it predominantly invests. In this case, as all funds considered in this analysis have a global investment universe, we have selected the FTSE All-World Index as the reference benchmark for this evaluation.

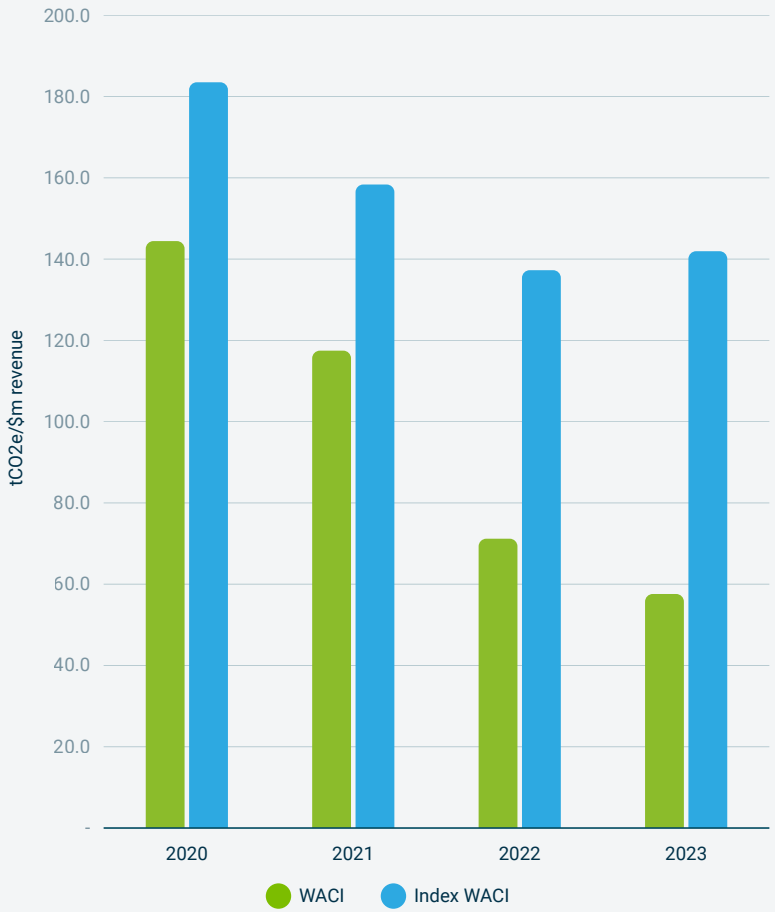
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Carbon Footprint Metrics

Equities: Historical Financed Emissions



Equities: Historical WACI



Equities *(continued)*

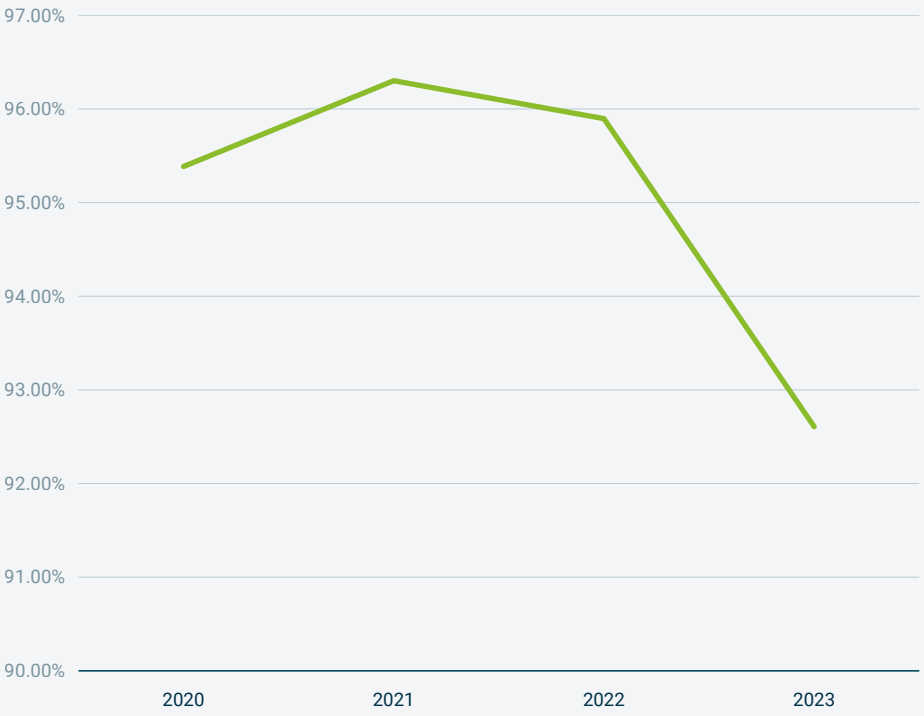
Financed emissions from equity investments in 2023 remained relatively stable year-on-year, despite increased capital injection into the L&G Solactive Low Carbon Transition Fund. Shropshire's investment in this fund saw a 57.2% year-on-year increase in net asset value. Consequently, financed emissions normalised by AUM have decreased by 17.5% over the same period, indicating improved carbon efficiency by delegated managers. Notably, financed emissions have trended downward since the inception of our carbon footprinting efforts in 2020, highlighting the positive impact of the Fund's shift toward sustainable equity funds on emissions reduction.

Similarly, the exposure to carbon-intensive companies within the equity portfolios has decreased since 2020, which has resulted in a decline the Weighted Average Carbon Intensity (WACI). This trend has occurred despite the allocation to hard-to-abate sectors (typically Energy, Materials, Utilities, and Industrials) remaining relatively stable during this period. An observable trend was a reduction in the average carbon intensities of companies within these high-emission sectors. This suggests two key factors: 1) stock selection within these sectors is increasingly favouring less carbon-intensive strategies, and 2) to a lesser degree, the companies in which the Fund invests are undergoing decarbonisation efforts.

In relative terms, carbon metrics for equities have consistently outperformed their reference indices. All actively managed portfolios exhibit lower carbon metrics compared to their respective market indices. This indicates that the stock selection and asset allocation decisions of delegated managers are informed by climate risk considerations.

Data

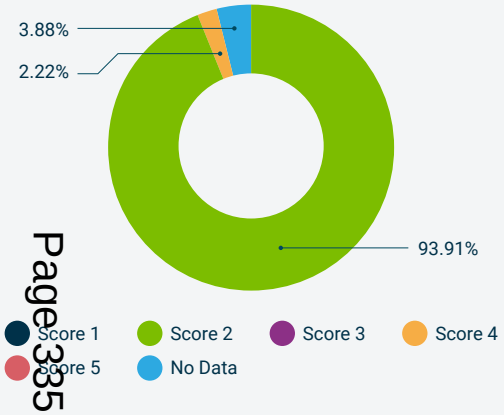
Equities: Data Availability Over Time



This chart shows how data availability has changed over time, since we first began collecting data in 2019. Data availability has remained high throughout the period, with minor variations as asset allocations have shifted between funds with high data availability (such as LGPSC GEAMMF) to those with lower data availability (LGIM Solactive Fund).

Equities *(continued)*

Equities: Breakdown of Data Quality Score (June 2023)



We have consistently had access to a substantial amount of equity data since we began calculating carbon footprint metrics. Our current primary focus is to enhance the quality of the data used in these calculations. At present, the majority (93.9%) of the data analysed, as measured as a percentage of the total value of equity funds, is sourced from company-reported data with a rating of 2. To attain a higher rating, company-reported data should undergo independent verification. In practice, a significant portion of the data we employ has already undergone independent verification. However, we currently lack a method to confirm the audited status of this data. Our ongoing efforts are directed toward improving the data validation process to accurately reflect the true quality of the data we utilise. This workstream is conducted in collaboration with our data provider.

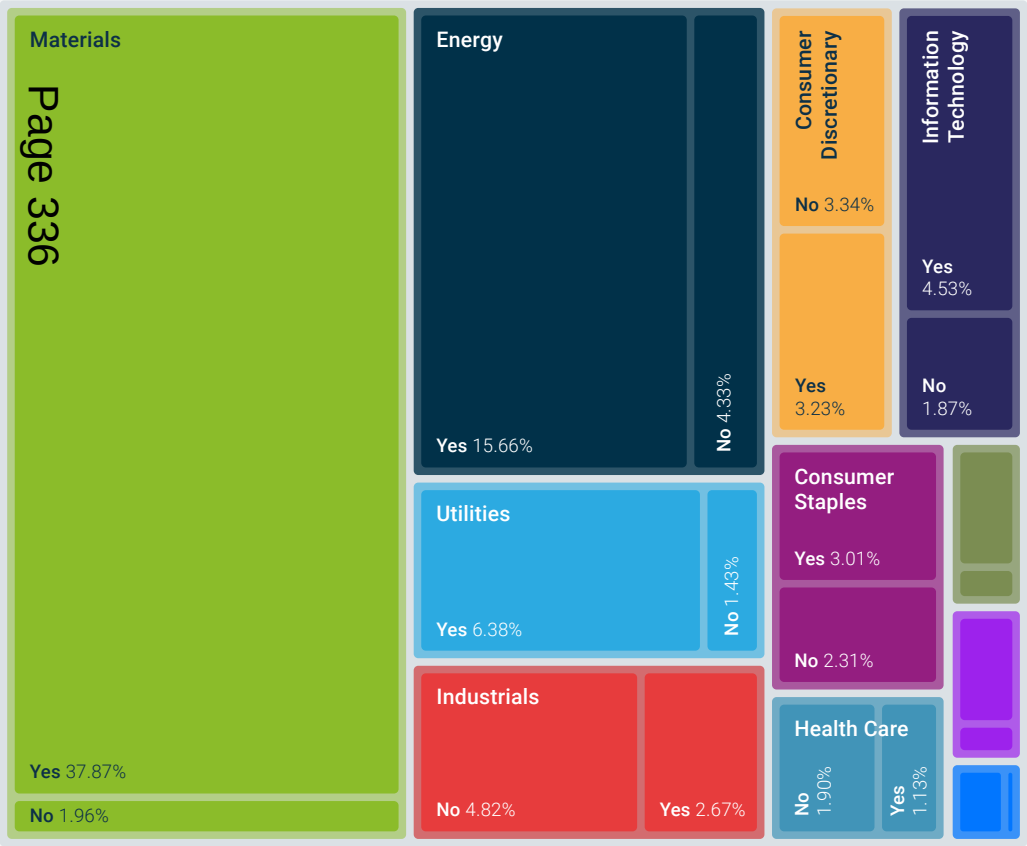

Hope Bowdler Hill, Shropshire

Equities *(continued)*

Sources of Emissions

The graph below illustrates the distribution of emissions within the portfolio by sector and indicates whether these emissions are addressed through engagement activities.

Financed Emission (Scope 1+2) by GICS Sector and Climate Engagement



As mentioned above, allocation (as a percentage to NAV) to hard-to-abate sectors was relatively stable during the period between March 2019 to March 2023. During the same period, the share of emissions from the four main sectors (Energy, Materials, Utilities and Industrial) slightly declined, driven by Utilities. The average carbon intensities of the companies in hard-to-abate sectors declined during the period. This suggests that 1) stock selection has tilted towards lower emitting companies; and, to a lesser extent, 2) companies that the Fund invests in are decarbonising.

Unsurprisingly, the hard-to-abate sectors still account for the majority of emissions, providing a concentrated area for engagement efforts. In total, 76.1% of financed emissions from equity holdings are actively engaged through one or more climate engagement programs conducted by the Fund and its engagement partners/providers. Notably, only three out of the six companies on the climate stewardship focus list are among the top 10 contributors to emissions. Additionally, four of the companies on the list are no longer held in the Fund's portfolio, possibly reflecting the shift towards sustainable equities. As such, we recommend a review of the focus list for its.

Relative to reference indices, the Fund's equities portfolios have lower exposure to fossil fuels, thermal coal and coal power generation. This can be attributed to the underweight position in the Energy sector.

Equities *(continued)*

Highest Emitting Issuers

The leading contributor to financed emissions in SCPF's equity portfolios is **Shell**, accounting for 18.4% of all such emissions. Shell has committed to a climate target of reducing scope 1 and 2 emissions by 50% by 2030, compared to a 2016 baseline, and achieving net zero emissions by 2050. In relation to this target, Shell has already reduced its scope 1 and 2 emissions by 20.4% since the baseline year, and they have also reported successful attainment of their short-term targets for 2021 and 2022. These factors place Shell above the industry average in terms of its climate ambitions and its progress towards the achievement of those ambitions. Nonetheless, Shell continues to be a key focus of our stewardship efforts.

CRH, a supplier of construction materials has been one of the top contributors (year-on-year) to the portfolio's financed emissions as exposure to the company increased. While the company has established 2030 target which has been validated by the SBTi. The target refers to a 30% reduction in absolute emissions by 2030 from a base year of 2021. The company has so far reduced scope 1 and 2 emissions by 6.1% (from 2021 to 2022). Prior to this the company's scope 1 and 2 emissions doubled over a 10-year period (2012 to 2022) driven by M&A activities.

Linde has been a significant contributor to the Fund's equities' financed emissions for several years. Linde is a German chemical company that stands out for being considerably more carbon-intensive compared to the industry average, with a Weighted Average Carbon Intensity (WACI) 45.8% higher than the industry average. The company's scope 1 and 2 emissions have also more than doubled over a 10-year period, while the company's revenue almost tripled over the same period. However, there has been a noteworthy 58.5% decrease in the company's carbon intensity from its peak in 2016 to 2022. Simultaneously, the company has acquired stakes in several companies associated with the production of hydrogen, signalling clear intent to maximise on the opportunities associated with the transition.

As with other companies in the sector, Linde's production processes are energy-intensive, primarily relying on natural gas, which accounts for 70% of the company's scope 1 emissions in 2021, according to the company's data. Linde has announced its 2035 absolute emissions targets, which have received approval from the Science-Based Targets initiative (SBTi). These targets aim for a 35% reduction in scope 1 and 2 emissions against a 2021 baseline, and the company has also set a goal to achieve net-zero emissions by 2050.

We are closely monitoring the net-zero target setting of industrial gas producers, particularly due to their reliance on carbon sequestration and alternative feedstocks. However, we remain mindful of the important role these companies play in the overall transition to a more sustainable future.

Definition of Carbon Metrics

TABLE 1: DEFINITION OF CARBON METRICS USED[11]

Carbon Risk Metric	Unit	Definition	Use Case	Limitations
Scope 1 Emissions	tCO2e (Tons of CO2 equivalent)	These are the Greenhouse Gas (GHG) emissions that a company is directly responsible for through its generation of energy.	The emissions generate through the company's direct operations, such as fuel combustion, company vehicles, etc.	These metrics must be considered together to gain a full understanding of a company's carbon profile. They do not consider a company's size and they do not capture the impact of the company's business model on the climate. Scope 3 emissions can also be counted multiple times by companies at different stages of the same supply chain.
Scope 2 Emissions	tCO2e	GHG emissions that a company produces indirectly through its operations via the consumption of purchased energy.	The emissions generated through the energy purchased by the company during its operations, such as energy consumption used to heat buildings.	
Scope 3 Emissions	tCO2e	All indirect GHG emissions resulting from the company's wider business practice.	Capturing emissions up and down the company's supply chain, including the emissions produced by customers' consumption of its products.	
Financed Emissions	tCO2e	This figure represents the amount of emissions attributed to the investor based on the proportion of the company that the investor owns.	Measures the absolute tons of (scope 1 and 2) CO_2 emissions for which an investor is responsible.	Limited usefulness for benchmarking and comparison to other portfolios due to the link to portfolio size (benchmarks are assumed to have equal AUM to the respective portfolio to overcome this challenge). Attribution factor (EVIC).[12]

[11] Further information can be found at this link: Carbon Footprinting 101 - A Practical Guide to Understanding and Applying Carbon Metrics - MSCI

[12] EVIC is the Enterprise Value Including Cash. In other words, this refers to the company's total value.

Definition of Carbon Metrics *(continued)*

Carbon Risk Metric	Unit	Definition	Use Case	Limitations
Normalised Financed Emissions	tCO2e/£m Invested	Financed Emissions are apportioned by the portfolio's AUM as to provide a measure of carbon intensity.	This measure converts the absolute measure of Financed Emissions into a relative measure of carbon intensity, creating greater ease when benchmarking and comparing to other portfolios.	This measure will complement Financed Emissions, as alone it cannot provide an absolute measure of portfolio emissions.
Weighted Average Carbon Intensity (WACI)	tCO2e/$m Revenue	Is calculated by working out the carbon intensity (Scope 1+2 Emissions / $M Revenue) 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'. As this metric is a product of revenue, the figure may fluctuate independently of the company's carbon emissions.
Exposure to Fossil Fuel Reserves	%	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 companies challenged by the transition to a lower carbon economy and is a measure of the impact of the portfolio.	It does not consider the amount of revenue a company generates from fossil fuel activities. Consequently, diversified businesses (e.g. those that are involved in a range of economic activities) would be included when calculating this metric regardless of the proportion of their revenue derived from fossil fuels. As a result it is not a precise measure of transition risk.

Definition of Carbon Metrics *(continued)*

Carbon Risk Metric	Unit	Definition	Use Case	Limitations
Exposure to Fossil Fuel Reserves by Revenue	%	This figure identifies each portfolio company's maximum percentage of revenue (either reported or estimated) derived from conventional oil and gas, unconventional oil and gas, as well as thermal coal. Each company's maximum possible revenue values are summed and weighted by the portfolio weights to produce a weighted exposure figure.	This has been included to overcome the limitations of the metric of Exposure to Fossil Fuel Reserves, which includes all companies which have any exposure regardless of how small.	This measurement uses maximised estimates where reported values are not available. Therefore, there is a potential to overestimate exposure.
Exposure to Clean Technology	%	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). The final figure comes from the percentage of each company's revenue derived from clean technology.	Provides an assessment of climate-related opportunities so that an organisation can review its preparedness for anticipated shifts in demand.	While MSCI has been used for this report due to its wide range of listed companies and data points, there is no universal standard or definitive list of green revenues. This is due to the inherent difficulty in compiling a complete and exhaustive list of technologies relevant for a lower-carbon economy. This is also a binary measure, whereby all exposures to clean technology are categorised equally. Therefore, companies with very limited exposure to clean technology may have a significant influence on the final figure. This limitation is met by the revenue metric below.

Definition of Carbon Metrics *(continued)*

Carbon Risk Metric	Unit	Definition	Use Case	Limitations
Exposure to Clean Technology by Revenue	%	This identifies the maximum percentage of revenue, either reported or estimated, derived from companies involved in clean technology (see above). Company values are summed and weighted by the portfolio weights to produce a weighted exposure figure.	Allows for a comparison of company's exposure to clean technology, adjusted according to a proportion of that company's revenue generated from those activities.	This measurement uses maximised estimates where reported values are not available. Therefore, there is potential to overestimate exposure.
Engagement	%	Is calculated by the proportion of financed emissions which are accounted for under an engagement program either directly, in partnership and/or through stewardship provider.	This allows us to understand how much of the portfolio's financed emissions are accounted for under engagement programs.	This figure does not demonstrate the degree of progress made with the portfolio company as a result of the engagement. This will also include engagement on issues outside of environmental topics.
Data Quality	Numerical (1-5)	This metric is presented as a score between 1 and 5, with 1 representing the highest quality of reported emissions. A score of 1 would represent independently verified emissions data, whereas a higher score may represent estimated emissions based on sector averages.	Understanding data quality provides an insight into the accuracy of other climate metrics.	Simple quantification of the quality of data, does not provide in-depth understanding of data availability/reliability.

Definition of Carbon Metrics *(continued)*

Carbon Risk Metric	Unit	Definition	Use Case	Limitations
Low Carbon Transition	Numerical (1-10)	Low Carbon Transition scores are assigned from 1 to 10, whereby a score of 10 indicates exceptional management of climate risks and opportunities, while a score of 1 indicates poor management. For this metric the proportion of financed emissions associated with a portfolio with a manager score above 5 is aggregated.	This views how well a company manages risk and opportunities related to the low carbon transition. The overall figure for this metric is apportioned by financed emissions, highlighting the proportion of emissions within the portfolio which arise from companies with effective carbon management policies.	While this considers the ability of a company's management to incorporate low carbon transition risks and opportunities, it is not an overall indicator of the company's low carbon transition performance.
Implied Temperature Rise (ITR)	%	ITR is typically expressed in degrees centigrade, and is based on the implied global temperature rise if the entire economy adopted the same decarbonisation policy as the company in question. The reported figure is expressed in a percentage, and relates to the share of financed emissions within the portfolio with an ITR of 2˚C or less.	Implied temperature rise is an intuitive, forward-looking metric, expressed in degrees Celsius, designed to show the temperature alignment of companies, portfolios and funds with global temperature goals.	Implied temperature rise is heavily reliant on the model's parameters and assumptions.
Science-Based Targets	%	This is calculated as the proportion of financed emissions which are accounted for by a portfolio company with science-based climate target.	Provides an insight into the proportion of companies which have implemented science-based targets. Apportioning by financed emissions places a greater weight on companies where emissions are more substantial.	This metric only measures the proportion of companies with official science-based targets which have been verified by an independent body. A company with robust and ambitious targets which have not been verified may be omitted.

Definition of Carbon Metrics *(continued)*

Carbon Risk Metric	Unit	Definition	Use Case	Limitations
Paris Alignment	%	This metric is constructed in-house. A company is considered to be aligned if they have a Low Carbon Transition score greater than 5, as well as either an ITR of 2˚C or lower, or a science-based target.	This figure is designed to provide an insight into the overall Paris alignment of the portfolio. Apportioning by financed emissions places a greater weight on companies where emissions are more substantial.	The limitations of the figure will be carried over from the limitations of the underlying metrics. There is currently no consensus opinion on what it means for a company to be aligned.



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Shropshire Pension Fund Climate-related Disclosures

Report prepared in alignment with the recommendations of the TCFD

Shropshire County Pension Fund

November 2023

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 exceed 4,000 organisations representing a market capitalisation of over $27 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 were early adopters of the TCFD recommendations include AP2, NEST, PGGM, RPMI Railpen, The Pensions Trust, and Environment Agency Pension Fund.

In September 2022, the Department of Levelling Up, Housing and Communities (DLUHC) released a consultation document, seeking views on proposals for LGPS Administering Authorities (AAs) to manage and report on climate risks in line with TCFD. While this policy is still in the consultation stage, we expect these requirements to be formally adopted by DLHUC in 2024.

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') third climate-related disclosure report. It describes the way in which climate-related risks are currently managed within the Fund.

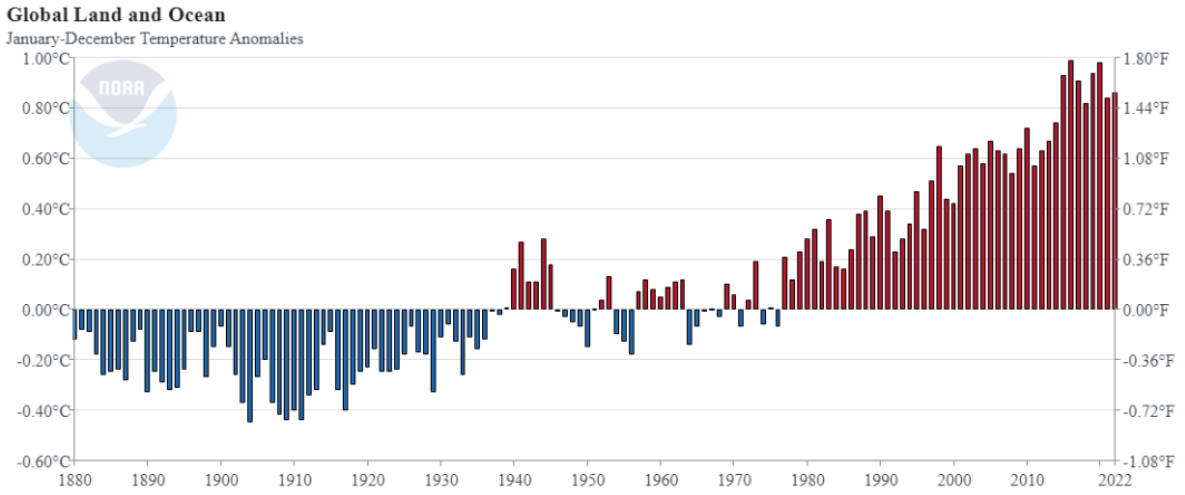
Since October 2020, SCPF has received four Climate Risk Reports from the Fund's pooling company, LGPS Central Ltd. These reports provide an in-depth review of the Fund's climate risks under different climate change scenarios across all asset classes. The Fund is currently using the findings of these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

In the interests of being transparent with the Fund's beneficiaries and broader stakeholder base, the most recent report discloses the most recent Carbon Risk Metrics Analysis and includes gap analysis of the Fund's policies and disclosures relating to the four pillars of the TCFD. We expect to update our Carbon Risk Metrics on an annual basis.

Climate-related risks

Human activities are estimated to have caused approximately 1.1°C of global warming above pre-industrial levels.[1] Most of this warming has occurred in the past 35 years, with each of the ten warmest years between 1880 and 2022 taking place over the last 12 years.[2] 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: Global Land and Ocean Annual Temperature Anomalies (1880-2022) [3]



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.

[1] IPCC_AR6_SYR_SPM.pdf
[2] Annual 2022 Global Climate Report | National Centers for Environmental Information (NCEI) (noaa.gov)
[3] Annual 2022 Global Climate Report | National Centers for Environmental Information (NCEI) (noaa.gov)

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 Fund's Climate Change Strategy, which is referenced in the ISS but also published as a standalone document, lists 10 evidence-based beliefs related to climate change. These include a recognition of the impacts of climate change on our financial system, our environment, and on our way of life. The beliefs also restate the Fund's strong support for the goals of the Paris Agreement, alongside a belief that a transition to a low-carbon economy is essential.

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 receive 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. They are tasked with overseeing the management of climate-related investment risks and providing 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. These reports are produced and published 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

Risk	Transition / Physical	Time Horizon	Impact Area	Mitigation / Management Strategy
Policy Changes (Including Carbon Pricing)	Transition	Short Medium Long	Across investments and funding Investments in carbon-intensive industries Operational	• Monitor potential regulatory changes (domestic and international), and consider impact of these changes on Fund's investments and operations. • Monitor managers' preparedness and awareness of changing carbon prices across relevant markets • Consider impact of likely policy changes in strategic decisions
Technological Change	Transition	Short Medium Long	Across Asset Classes	• Monitor potential technology disruptors • Monitor manager awareness of emerging and disruptive technologies • Consider impact of these changes in strategic decisions
Extreme Weather Events	Physical	Short Medium Long	Physical Assets Corporate Holdings	• Carry out scenario analyses on various climate scenarios to assess impact • Monitor portfolio company's assessments of extreme weather impacts on their operations

Resource Scarcity	Physical	Medium Long	Physical Assets	• Monitor manager awareness of resource scarcity • Special consideration to agricultural holdings

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 2020 and 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 a summary of 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. The Rapid Transition scenario is characterised by sudden divestments in 2025 to align portfolios to the Paris Agreement goals. The Orderly Transition scenario represents an early and smooth transition, with the markets pricing-in dynamics occur gradually over four years. A Failed Transition scenario represents a scenario in which society makes no attempt to limit global warming, with severe physical and extreme weather events and the markets pricing in these risks.

The analysis showed that over medium- to long-term, a successful transition is imperative for the Fund as its asset allocation fares 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.

The analysis concluded with several key recommendations, including: That the fund continues with the development of its net zero strategy; that the portfolio increases its weighting of sustainable equity; and that it works with fund managers to understand how they monitor climate risk.

The Fund has also carried out a Climate Scenario Analysis on the impact of three different climate scenarios on the Fund's funding. This analysis also considered the impacts in a Rapid Transition, Orderly Transition, and Failed Transition. The analysis concluded by showing that Funding would be least impacted in a Rapid Transition, with the most impactful shocks in a Failed Scenario.

It should be noted here that translating Climate Scenario Analysis into an investment strategy is a challenge for several reasons. Firstly, there is a wide range of plausible climate scenarios with significantly different and far-reaching consequences. Secondly, the probability of any given scenario is hard to determine, and especially so when considering longer time horizons. Finally, the best performing sectors and asset classes in an orderly scenario tend to be the worst performers in a failed scenario and vice versa. This makes categoric strategic recommendations particularly challenging. 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.[4] 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.

A key element of the Fund's approach to the management of climate risk is the ongoing monitoring of its external managers. For all funds managed by LGPSC, considerations relating to climate form a major part of the selection and due diligence process of any new managers. Once appointed, LGPSC's RI team have quarterly meetings with the manager to ensure that climate risk is being well managed. The agenda for these meetings is dictated by any new positions, any recent engagements, and any ESG-related controversies that may have arisen during the last quarter. Managers are than assessed on a RAYG scale, with progress tracked over time.

[4] Climate Scenario Analysis only included in the 2020 and 2022 Climate Risk Report.

Stewardship activities are also 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, which state 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.

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
LGPS Central Limited	The Fund is a 1/8th owner of LGPS Central. Climate change is one of LGPS Central's stewardship themes, with quarterly progress reporting available on the website. The Responsible Investment Team at LGPS Central engages companies on SCPF's behalf, including via the Climate Action 100+ initiative.
Federated Hermes	EOS at Federated Hermes is engaged by LGPS Central to expand the scope of the engagement programme, especially to reach non-UK companies.
Local Authority Pension Fund Forum	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.
COLUMBIA THREADNEEDLE INVESTMENTS	CTI are the Fund's stewardship partners. They are the responsible overlay manager and engage directly with the Fund's equity holdings, providing reports to the Fund on a quarterly basis.

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.

The Fund employs Columbia Threadneedle (CTI)to provide a responsible engagement overlay service to its Global Equity portfolios. On behalf of the Fund, CTI 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 the findings of the Fund's Climate Metric Analyses, the Fund is able to identify the 10 largest contributors to its overall carbon footprint. The Fund can use this information to inform investment and engagement decisions, although it is important to recognise that carbon figures alone should be accompanied by a contextual awareness of the company's approach to decarbonisation and net zero. For example, companies such as NextEra are significant emitters but also key investors in clean energy.

Table 3: Top 10 largest emitters from SCPF's Total Equity portfolio[5]

Issuer	PF Weight	BM Weight	% Financed Emission	Contribution to FE Rank	% WACI	Contribution to WACI Rank
Taiwan Semiconductor Manufacturing Co., Ltd.	0.6%	0.7%	0.9%	16	2.0%	8
CONOCOPHILLIPS	0.5%	0.2%	3.4%	6	3.5%	5
Iberdrola, S.A.	0.4%	0.1%	2.3%	8	1.6%	9
LINDE PLC	0.3%	0.3%	3.6%	4	6.2%	2
SHELL PLC	0.2%	0.3%	7.2%	3	1.6%	10
MICRON TECHNOLOGY, INC.	0.2%	0.1%	1.3%	11	0.9%	14
NEXTERA ENERGY, INC.	0.2%	0.2%	2.2%	9	9.2%	1
CRH PUBLIC LIMITED COMPANY	0.2%	0.1%	10.2%	2	3.7%	4
Holcim AG	0.1%	0.1%	14.2%	1	6.2%	3
L'AIR LIQUIDE	0.1%	0.1%	3.4%	5	2.8%	6

TCFD Recommended Disclosure

[5] The "Total Equity" portfolio is comprised of an aggregation of all of the Fund's active and passive equity portfolios. These ten companies were identified based on a calculation of each company's contribution to Total Equity's total financed emissions and total WACI. Fixed Income holdings have been excluded from this analysis due to low data availability.

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:[6] Absolute Emissions (measured by 'Financed Emissions')
- Emissions Intensity (measured by 'Normalised Financed Emissions' and 'Weighted Average Carbon Intensity', or WACI)
- Data Quality
- Paris Alignment

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
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.*

[6] Definitions of these metrics can be found in the Glossary at the end of this report.

In line with the TCFD guidance and following receipt of a report from LGPS Central Limited we provide below the carbon metrics relating to the Total Equity portfolios.[7] Further information is available in the full dashboard at the end of this report.

Table 4: Carbon risk metrics for the equity portfolio as of 30th June 2023[8]

Portfolio	Financed Emissions		Normalised Financed Emissions		Weighted Average Carbon Intensity		Data Quality	Alignment
	PF	BM	PF	BM	PF	BM		
Total Equities	25,658	81,337	25.8	69	57.6	135.4	2	28.40%

The Financed Emissions (Scope 1 & 2) associated with the Fund's Equity portfolio are approximately 68% lower than the benchmark, while the portfolio's WACI is approximately 57% lower than that of the benchmark. Both of these figures are also lower than in 2022, suggesting that the Fund is progressing well towards the achievement of its net zero ambition.

The Fund's Equities also have less exposure to fossil fuels than the benchmark, both in terms of absolute exposure and also when normalised by revenue. Finally, the 76% of the Equity portfolio's financed emissions can be attributed to companies which are currently being engaged by the Fund. Over time, this engagement will contribute to an improvement in will likely increase the portfolio's alignment score, which is currently 28%.

Whilst the Fund's carbon risk metrics 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 will 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.

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

[7] Analysis undertaken on the listed equities portfolios with holdings data as of 30th June 2023. 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.

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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.

Data Quality: this metric assesses the quality of a company's carbon reporting. It is represented on a scale of 1-4, where 1 (the highest score) suggests that emissions data has been independently verified. A score of 4 (the lowest score) suggests that data may be based on sectoral estimates.

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.

Financed Emissions: the absolute amount of greenhouse gas emissions associated with a particular holding or portfolio. This is calculated by assuming the investor is responsible for their share of the company's total emissions. For example, if an investor owns 10% of a company which emits 1000 tonnes of CO2, the investor's financed emissions will be 100 tonnes.

(Normalised) Financed Emissions: the portfolio's financed emissions divided by £1m invested. This intensity figure allows investors to track changes in financed emissions over time, irrespective of changes in AUM.

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

Paris Alignment: This score, expressed as a percentage, shows the proportion of financed emissions within the portfolio that are aligned to LGPSC's 'alignment' metric. In order to classify as aligned, the company must meet several threshold criteria across a variety of climate metrics.

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.

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.

Weighted Average Carbon Intensity (WACI): 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.

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.

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Appendix 4: Total Equities Dashboard

Equities

LGPS Central

Equities	Multiple	Multiple	£1,208,453,337	Blended	Q2 2023
Asset Class	Fund Classification	Fund Manager	NAV	Reference Index	Period

		Carbon Footprint Metrics			Data Availability	
		Portfolio	Reference	Previous Year	Portfolio	Reference
Total Financed Emissions tCO2e	Scope 1+2	25,658	81,337	26,410	92.6%	99.3%
	Scope 3	467,548	742,448	351,190	92.6%	99.2%
Normalised Financed Emissions tCO2e/£M Invested	Scope 1+2	25.8	69.0	31.3		
	Scope 3	470.7	629.9	417.3		
Weighted Average Carbon Intensity	Exclude Sovereign	57.6	135.4	71.3	92.6%	99.3%
tCO2e/$M Revenue	Include Sovereign	57.6	135.4	71.3	92.6%	99.3%

Top 10 Emissions Contributors

Issuer	PF Weight	Ref Weight	% Financed Emission		% WACI		Scope 1+2	Scope 3	Engagement	Focus	Data	LCT	ITR	SBT
Taiwan Semiconductor Manufacturing Co., Ltd.	0.6%	0.7%	0.9%	16	2.0%	8	11.3M	35.0M	Yes	No	2	5.8	2.9	No
CONOCOPHILLIPS	0.5%	0.2%	3.4%	6	3.5%	5	18.7M	302.1M	Yes	No	2	2.6	2.6	No
Iberdrola, S.A.	0.4%	0.1%	2.3%	8	1.6%	9	13.8M	42.0M	Yes	No	2	6.5	1.3	Yes
LINDE PUBLIC LIMITED COMPANY	0.3%	0.3%	3.6%	4	6.2%	2	37.7M	43.8M	Yes	No	2	5.0	7.1	Yes
SHELL PLC	0.2%	0.3%	7.2%	3	1.6%	10	137.7M	1,174.0M	Yes	Yes	2	2.9	2.5	No
MICRON TECHNOLOGY, INC.	0.2%	0.1%	1.3%	11	0.9%	14	6.9M	14.8M	Yes	No	2	5.6	3.4	No
NEXTERA ENERGY, INC.	0.2%	0.2%	2.2%	9	9.2%	1	42.4M	23.4M	Yes	Yes	2	4.3	3.0	No
CRH PUBLIC LIMITED COMPANY	0.2%	0.1%	10.2%	2	3.7%	4	33.8M	22.4M	Yes	No	2	4.9	1.8	Yes
Holcim AG	0.1%	0.1%	14.2%	1	6.2%	3	83.0M	30.9M	Yes	Yes	2	4.2	2.3	Yes
L'AIR LIQUIDE SOCIETE ANONYME POUR L'ETUDE ET L'EXPLOITATION DES PROCEDES GEORGES CLAUDE SA	0.1%	0.1%	3.4%	5	2.8%	6	39.5M	46.5M	Yes	No	2	4.8		Yes

Recommendations / Observations

- Financed emissions was relatively flat YoY despite substantial increase in AUM. Consequently, normalised financed emissions declined, which suggest the Fund is more carbon-efficient.
- Positive impact from shift towards sustainable equity funds continued this year - Decline in WACI indicates stock selection tilted further towards less carbon intensive companies
- Several companies in the climate stewardship focus list no longer owned by the Fund. Review of the list necessary.

Worst YoY Contributors	Stewardship Focus
CF INDUSTRIES HOLDINGS, INC.	No
CHENIERE ENERGY, INC.	No
RWE Aktiengesellschaft	No

High Impact Sectors / Climate Solutions Exposures (Portfolio vs Benchmark)

Fossil Fuel Exposure	Fossil Fuel Revenue	Thermal Coal Exposure	Coal Power Exposure	Cleantech Exposure	Cleantech Revenue
2.5% | 7.3%	1.6% | 3.3%	0.7% | 2.7%	0.0% | 0.1%	38.5% | 40.2%	7.7% | 6.1%

Portfolio Alignment & Engagement

Engagement	Data Quality	LCT	ITR	SBT	Alignment
76.1%	2.0	39.8%	37.2%	58.4%	28.4%

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