



PENSION COMMITTEE

WEDNESDAY, 20 JULY 2022

10.00 AM COUNCIL CHAMBER, COUNTY HALL, LEWES

MEMBERSHIP - Councillor Gerard Fox (Chair)
Councillors Ian Hollidge, Paul Redstone, David Tutt and Georgia Taylor

A G E N D A

1. Minutes (*Pages 3 - 12*)
2. Apologies for absence
3. Disclosure of Interests
Disclosures by all Members present of personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
4. Urgent items
Notification of items which the Chair considers to be urgent and proposes to take at the appropriate part of the agenda.
5. Baillie Gifford - Growth Equities Presentation (training item) (*Pages 13 - 34*)
6. Barnett Waddingham - Inflation and Funding position Presentation (training item) (*Pages 35 - 54*)
7. Investment Report (*Pages 55 - 162*)
8. Any other non-exempt items previously notified under agenda item 4
9. Exclusion of the public and press
To consider excluding the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).
10. Investment Report (*Pages 163 - 172*)
11. ESG Impact Assessment (*Pages 173 - 242*)
12. Climate Change and Carbon Footprint (*Pages 243 - 384*)
13. Occupied Territories Report (*Pages 385 - 420*)
14. Any other exempt items previously notified under agenda item 4

PHILIP BAKER
Assistant Chief Executive
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12 July 2022

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NOTE: As part of the County Council's drive to increase accessibility to its public meetings, this meeting will be broadcast live on its website. The live broadcast is accessible at:
www.eastsussex.gov.uk/yourcouncil/webcasts/default.htm

Agenda Item 1

PENSION COMMITTEE

MINUTES of a meeting of the Pension Committee held at Council Chamber, County Hall, Lewes on 17 June 2022.

PRESENT Councillors Gerard Fox (Chair) Councillors Ian Hollidge,
Paul Redstone, David Tutt and Georgia Taylor

ALSO PRESENT

Ian Gutsell, Chief Finance Officer
Sian Kunert, Head of Pensions
Michael Burton, Pensions Manager - Governance and Compliance
Tim Hillman, Pensions Manager - Employer Engagement
Paul Punter, Head of Pensions Administration
Russell Wood, Pensions Manager: Investment and Accounting
Danny Simpson, Principal Auditor
William Bourne, Independent Adviser to the Pension Committee
Paul Linfield, Pensions Communications Manager
Dave Kellond, Compliance and Local Improvement Partner
Mya Khine, Pensions Accountant
Dillon Piggott, CIPFA Trainee
Bekki Freeman, Solicitor
Martin Jenks, Senior Scrutiny Advisor
Thea Synnestvedt, Governance and Democracy Officer

Councillor Nick Bennett (items 1 – 10)

1. MINUTES

1.1 The Committee noted that a discussion would take place at the Pension Committee meeting on the 20 of July regarding the East Sussex Pension Fund's (ESPF or The Fund) investment in companies that have activities within the Palestinian Territories Occupied by Israel, as Cllr Tutt advised a number of Councillors had been contacted by Larry Holden regarding this issue.

1.2 William Bourne proposed a correction to the minutes of the previous meeting under point 80.2 to amend the second action for consideration under the inflation report to increase investment in broader mandates as opposed to diversified growth funds.

1.3 Cllr Taylor confirmed that information regarding Dr Quigley's research had been sent to officers for their consideration regarding future training items.

1.4 The Committee RESOLVED to agree the minutes of the meeting held on 24 February 2022 as a correct record.

2. APOLOGIES FOR ABSENCE

2.1 There were no apologies for absence.

3. DISCLOSURE OF INTERESTS

3.1 Councillor Tutt declared a personal, non-prejudicial interest under item 20, Employer Admissions and Cessations, with regards to Eastbourne Leisure Trust, as the Leader of Eastbourne Borough Council and a non-executive Director of iESE.

3.2 Councillor Redstone declared a personal, non-prejudicial interest that he had recently been appointed to the Pension Board of the East Sussex Fire and Rescue Service.

4. URGENT ITEMS

4.1 There were no urgent items.

5. PENSION BOARD MINUTES

5.1 The Committee RESOLVED to note the minutes of the Pension Board on the 27 May 2022.

6. ANNUAL REPORT OF THE PENSION BOARD

6.1. The Committee considered a report covering the work completed in year by the Pension Board. Sian Kunert, Head of Pensions introduced the report, noting that the paper would also be included in the annual report on accounts.

6.2 The Committee RESOLVED to note the report.

7. GOVERNANCE REPORT

7.1 Michael Burton, Pensions Manager - Governance and Compliance, introduced the report, updating the Committee that the revised Governance and Compliance Statement was similar to the statement produced the year before, with a couple of additions including to make the comments around the Pension Committee closer to the terms of reference; and the inclusion of the Compliance Statement table.

7.2 The Committee considered the report and fed back that it would be helpful to include a more detailed organisational structural chart; and to include further detail regarding the membership of the Pension Committee. It was noted that further details relating to Governance of the Fund would be included in the Governance Matrix due to be reported to the Pension Committee in September.

7.3 The Committee RESOLVED to:

- approve the revised Governance and Compliance Statement (Appendix 1); and
- note the updates in the report.

8. EMPLOYER ENGAGEMENT AND CONTRIBUTIONS REPORT

8.1 The Committee considered the report providing updates on Employer Engagement activities including the progress of the i-connect project and the Annual Benefit Statements (ABS). The Committee's discussion included the following areas:

- The Committee asked whether there were any employers unlikely to be onboarded onto the i-connect system end of the financial year. Tim Hillman, Pensions Manager - Employer Engagement, fed back that officers were confident that all employers would be onboarded before the end of the financial year and that further updates would be provided before then.
- The Committee asked whether there were any measures available on the error rate of the Pension Dashboard's mechanism used for matching. Officers responded that data was cleansed on a monthly basis through the i-connect project. The Pension Regulator (tPR) Common data had a score of 96.3% and the conditional data score was 95.76%, so data quality was perceived to be of a high quality. Pension Dashboard were working with suppliers regarding onboarding and working closely with Heywoods. Further communications would be shared regarding the process next year, but no major problems were anticipated for this project.
- The Committee discussed the patterns relating to late payments by employers. It was noted that generally, no particular employer had repeatedly submitted late payments. Late payments were typically a couple of days to maximum a week late. One employer had been warned and charged an administration fee regarding repeated late payments, but this was understood to be caused by the employer having recently gone through payroll and staff changes.

8.2. The Committee RESOLVED to note the report.

9. COMMUNICATIONS REPORT

9.1 The Committee considered the report to inform the Pension Committee of the changes for the 2022 Communication Strategy and activity since the previous meeting. The Committee suggested amendments to the revised policy including:

- to remove members of the public and other cohorts not directly linked to the scheme from the list of stakeholders outlined on page 3 of the Communication Strategy;
- to consolidate the aims and objectives set out on page 14 of the Communication Strategy; and
- the Committee requested that the employer and active member newsletters to be shared with the Committee for information following the meeting.

9.2 The Committee discussed the recent surveys and noted the low completion rate by employers. Officers fed back that newsletter and surveys had recently started using a different technological solution which would hopefully improve engagement. Engagement from the member survey had been significantly higher, with over one thousand responses

9.3 It was noted that the surveys would be a helpful tool to identify where further explanation may be required in order to get insightful input from scheme members; and develop communications to explain investments and climate change in an accessible way. Input from scheme members would be a valuable asset to the Fund but it was noted that ultimately, the administering authority has a fiduciary duty to all scheme members and so, investment advisors and officers had final responsibility to ensure investment decisions deliver benefits as laid out in statute.

9.4 The Head of Pensions fed back that Committee Members were welcome to join the communication working group.

9.5 The Committee RESOLVED to note the report and approve the communication strategy.

10. PENSIONS ADMINISTRATION REPORT

10.1 The Committee considered a report providing an update on matters relating to Pensions Administration activities.

10.2 The Committee welcomed the report and noted the improved Key Performance Indicators (KPIs) since previous years. The discussion covered the following areas:

- The Committee noted the current recruitment problems within the industry. Paul Punter, Head of Pensions Administration updated the Committee that the unchanged 9 vacancies mentioned in the report were due to a focus on the existing team, ensuring that all new staff were offered an East Sussex County Council (ESCC) contract and pay at the appropriate level. This project was recently completed, and work had commenced to update job descriptions for vacancies within the team, seeking both internal and external candidates. A number of job descriptions had been approved by Human Resources.
- The Committee discussed the telephone helpdesk noting that currently, there were no mechanism for officers to arrange a call-back if unable to answer the phone. Officers were looking into improving the technology used, including adopting the use of robotics in the telephone service. It would be particularly useful for callers to be informed of their number in the queue to limit people ending the call before reaching the call handler. Information were still being handled manually by the call handler, but it was noted that this was a wider organisational issue.
- The telephone survey results were incomplete, and an amended version would be circulated to the Committee following the meeting.
- The Committee discussed the ABSs and the risk that Brighton and Hove City Council (B&HCC) would not be onboarded in time, meaning scheme members of the employer would not receive their ABSs. The risk remained amber but would be amended and reported to the Pensions Regulator if B&HCC were unable to provide complete and timely data for this year's statutory letters. Following the Chair of the Pension Committee's letter to the employer, a response had been received indicating that senior management of the employer organisation were supportive and understanding of the situation.
- Paul Punter updated the Committee that the GMP rectification project was held up due to the April 2022 pension increases. An extract of the pensioners data was required, and it was likely that the project would miss the implementation date, with the rectification now likely to be implemented end of December. As long as implemented ahead of the next pension increase it was unlikely that the delay would cause any significant issues.

10.3 The Committee RESOLVED to note the report.

11. INTERNAL AUDIT REPORTS

11.1 The Committee considered a report by the Chief Internal Auditor outlining the results of two internal audits completed since the last meeting.

11.2 The Committee discussed the action planned regarding trimming down the spreadsheet used to record the transfer amounts due and received to two years, and the potential GDPR risks of the proposed action. Paul Punter reassured the Committee that this would not increase GDPR risks and fed back that work was progressing to request that records are extended further back in order to process requests from scheme members relating to historical data.

11.3 The Committee RESOLVED to note the following Internal Audit reports:

- Pension Fund Investments 2021/22 (Appendix 1); and
- Pension Administration – People, Process and Systems 2021/22 (Appendix 2).

12. EXTERNAL AUDIT PLAN FOR THE EAST SUSSEX PENSION FUND 2021/22

12.1 The Committee Considered a report on the content of the East Sussex Pension Fund external audit plan for 2021/22. Russell Wood, Pensions Manager - Investment and Accounting, introduced the report outlining the risks requiring audit consideration.

12.2 The Committee discussed the assessment of future risk, such as climate related factors and how this could be accounted for in future evaluations and data analysis. Grant Thornton is not currently completing assessments regarding future risk factors, however, the audit sector is aware of the gap and recognise the need for further evaluations on what audit will need to cover in future. Although officers were not currently able to incorporate such level of detail into evaluations, the lack of assessments of future risks would be highlighted in the accounts as an area of uncertainty in asset valuation.

12.3 Atlas Infrastructure worked on assessing specific risks associated with revenue streams, with a particular focus on climate change. Officers were due to meet with Atlas in September and were working to showcase some of the Fund's managers on the website. This would likely be a short video to showcase how decisions are taken and how risks are assessed ahead of adding an asset to the portfolio. It was agreed that officers would investigate opportunities for inviting Atlas Infrastructure or Pantheon to do a session with the Pension Committee to showcase their work on assessing climate specific risks and discuss how climate change is being included in valuation methodologies.

12.4 The Committee noted the increased audit fees. Increased audit fees remain a national matter and the Government have issued specific grant funding contributing towards the increased costs. If additional work is required, the proposed fee for 2021/22 would likely increase. The quote for the core fee was provided by the Public Sector Audit Appointments (PSAA) and could be challenged through the PSAA themselves as the final arbiters.

12.5 The Committee RESOLVED to note the report.

13. QUARTERLY BUDGET REPORT

13.1 The Committee considered a report by the Chief Finance Officer providing an update on the 2021/22 Financial Outturn position.

13.2 The Committee RESOLVED to note the report.

14. RISK REGISTER

14.1 The Head of Pensions introduced the report and provided an update on the ESPF risk register and highlighted the changes made since the last report.

14.2 The Committee discussed the risk register including:

- Ukraine - The Committee discussed the Ukrainian conflict and whether this should be included in the risk register. The Fund had limited exposure to the conflict and, after some discussion it was agreed that the broader risks were picked up under the risk of inflation. Investment managers are assessing the situation and utilising opportunities where possible, but as a specific risk it would be difficult to identify what mitigations to put in place.
- Environmental Social Governance (ESG) - the Committee asked for clarification on why corporate governance and corruption was reported within the ESG risk. The Head of Pensions clarified that corruption is a specific governance risk for all underlying companies and managers will assess labour standards and the risk of corruption when investing in geographies and companies, such as identifying areas where corruption is more prominent.
- Climate Change –
 - The Committee queried the climate change risk regarding increased capital cost and the Head of Pensions agreed that the risk was unclear and would be amended.
 - The Fund had an underrepresentation of fossil fuel companies as well as a disproportionate exposure to growth funds. There was a risk therefore, that this would result in loss of investment/underperformance due to the energy sector being one of the highest performing sectors as seen in previous months. All managers investing away from energy had underperformed, but it was noted that this would not necessarily be the case going forward. Diversification of investments remained the key strategy.
 - The Committee discussed engagement with partners regarding ESG priorities. The Fund engaged directly with managers, for example through The Institutional Investors Group on Climate Change (IIGCC), whom has a collaborative climate change engagement programme, as well as via the ACCESS pool. The Chair updated the Committee that he is the current ESG spokesperson for the ACCESS pool, whose documents correlate closely with the ESPF. Most local authorities were aligned regarding ESG priorities, but as the only Fund investing in climate solutions, the ESPF were working to request that these assets be approved by ACCESS as part of the pooling environment.
 - MBOS - The Committee agreed to update the risks relating to MBOS to focus specifically on risks related to the ESPF.
 - Cyber Security - The Committee agreed to include further mitigations on the risk of Cyber Security regarding the ESPF's ability to recover from bare metal ransomware such as highlighting that bare metal restore capabilities are in place. The Head of Pensions updated the Committee that the cyber security project was currently ongoing.

14.3 It was agreed that Committee Members would share further questions and comments with officers following the meeting.

14.4 The Committee noted that in order to include a broader range of risks, the risk register could include risks with a set of adaptations rather than specific mitigations where specific mitigations cannot be determined, such as in the case of future climate change. However, it would be important to keep the risk register concise, and it was noted that officers would look to adopt a similar format to that being presented to the Audit Committee in future.

14.5 Given the inflation outlook, a training item would be included at the Pension Committee in July, covering the likely actuarial assumptions planned for the 2022 Triennial Actuarial Valuation.

14.6 The Committee RESOLVED to:

- approve the removal of Risk A4 - Risk on Dissolution of Business Operations from Orbis to ESCC;
- approve the removal of Risk A6 - Major Incident preventing staff access to office; and
- approve the increased risk rating of Risks I5 for Funding risk due to higher inflation and I10 - External Fraud.

15. TRAINING REPORT

15.1 Michael Burton provided an update on the delivery of the annual training plan and changes to the training strategy, noting that Mariana Obetzanova, Pensions Training Coordinator would be sending out invitations to attend further training on areas identified in the self-assessments.

15.2 Cllr Taylor confirmed that information regarding Dr Quigley's research had been sent to officers for their consideration. Officers confirmed that they would assess the training programme to identify gaps and contact Dr Quigley if appropriate.

15.3 The Committee RESOLVED to:

- note the progress being made against the training plan; and
- approve the changes to the training strategy.

16. WORK PROGRAMME

16.1 The Committee considered a report on the Committee's work programme.

16.2 The Head of Pensions updated the Committee that the stewardship code submission and a carbon footprinting report, produced by the Fund managers, would be reported to the Committee in July. Moody's, the independent carbon footprinting provider would not be presenting the report on carbon footprinting at the upcoming meeting.

16.3 The Committee fed back that it would be useful to have updated information on the following areas:

- The Task Force on Climate-Related Financial Disclosure (TCFD) to highlight where the Fund feels there are inconsistencies. The Head of Pension updated the Committee that a report would be taken to the Committee in September on the TCFD.
- The implementation of the Pension Dashboard. Officers would look into rolling out information on Pension Dashboards, likely via training routes.
- Assets invested in companies extracting fossil fuels. Officers were working on pulling together information which would be reported to the Committee once finalised.

16.4 The Committee were encouraged to inform officers when having completed training or attended relevant events.

16.5 The Committee RESOLVED to:

- agree the changes to the work plan standing items; and
- note the work programme.

17. EXCLUSION OF THE PUBLIC AND PRESS

The Committee RESOLVED to exclude the public and press from the meeting for the remaining agenda item on the grounds that if the public and press were present there would be disclosure to them of exempt information as specified in paragraph 3 of Part 1 of the Local Government Act 1972 (as amended), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

18. BREACHES LOG

18.1 The Committee considered a report providing an update on the Fund's Breaches Log.

18.2 A summary of the discussion is set out in an exempt minute.

18.3 The Committee RESOLVED to agree the recommendations as set out in the report.

19. EMPLOYER ADMISSIONS AND CESSATIONS

19.1 The Committee considered an update on the latest admissions and cessations of employers within the Fund.

19.2 A summary of the discussion is set out in an exempt minute.

19.3 The Committee RESOLVED to agree the recommendations set out in the report.

The meeting ended at 1.10 pm.

Councillor Gerard Fox (Chair)

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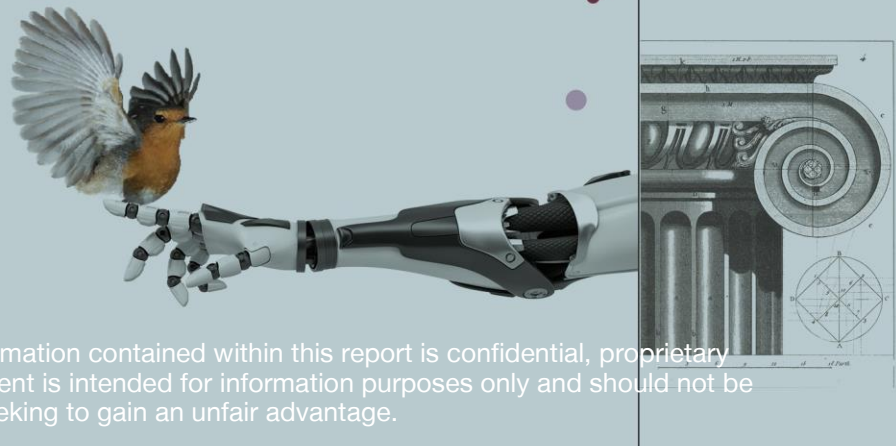
Is there a place for growth equities in the current inflationary economic climate?

Tim Gooding and Amy Anderson. July 2022



Global Alpha

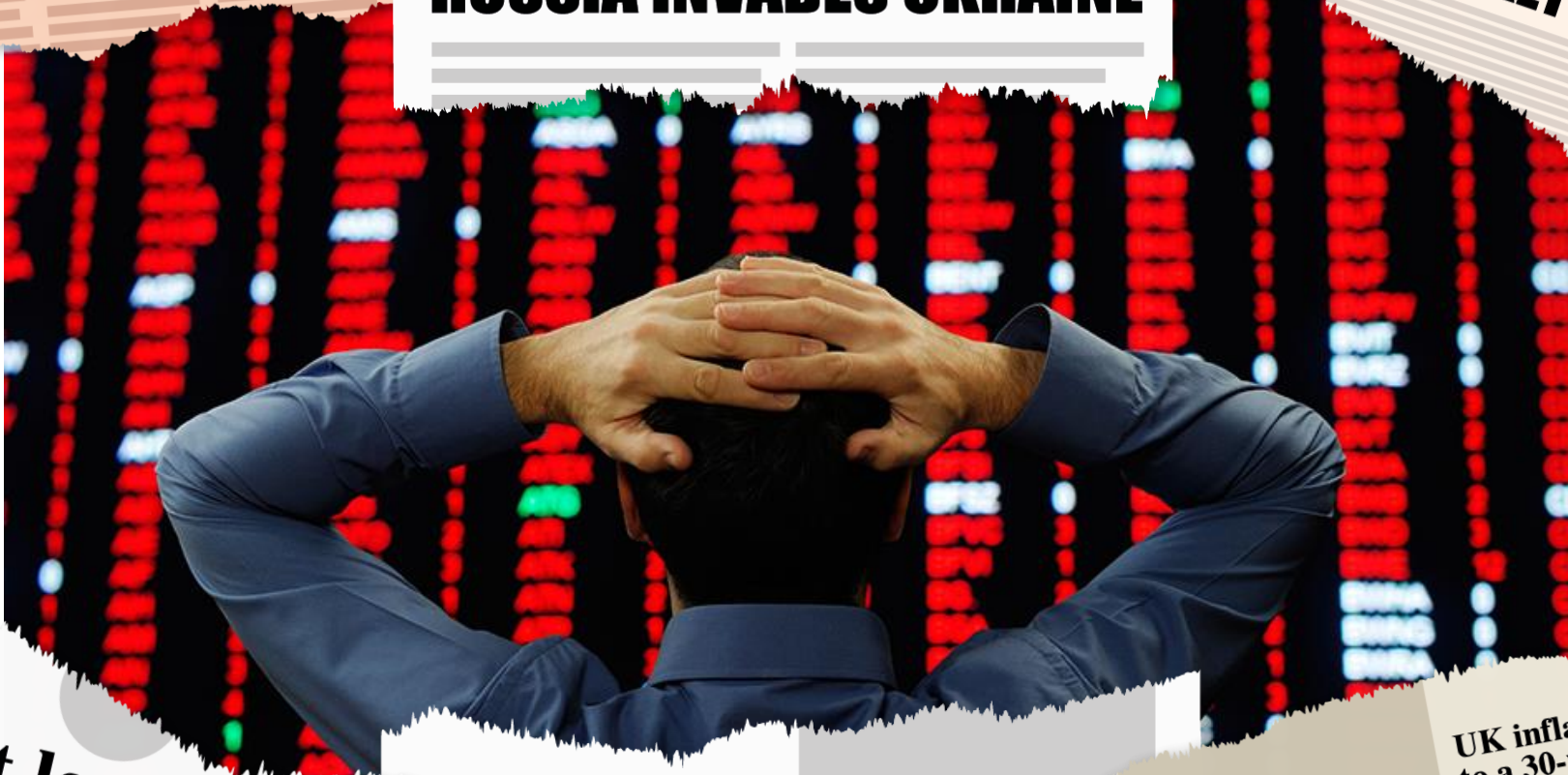
Where Baillie Gifford pooled funds are held, please note the fund portfolio information contained within this report is confidential, proprietary information and should be maintained as such and not disseminated. The content is intended for information purposes only and should not be disclosed to other third parties or used for the purposes of market timing or seeking to gain an unfair advantage.



Energy prices soar

RUSSIA INVADES UKRAINE

STOCK MARKET CRASH



Debt levels rise

**Worst cost of living
crisis in decades**

**UK inflation climbs
to a 30-year high**

***“How can you sit there,
calmly eating muffins
when we are in this
horrible trouble,
I can’t make out.
You seem to be
perfectly heartless...”***

Oscar Wilde, *The Importance of Being Earnest*



The Global Alpha Paris-Aligned growth philosophy

Belief

Sustainable compound growth drives long-term wealth creation

Focus

Few companies meet our standards

Task

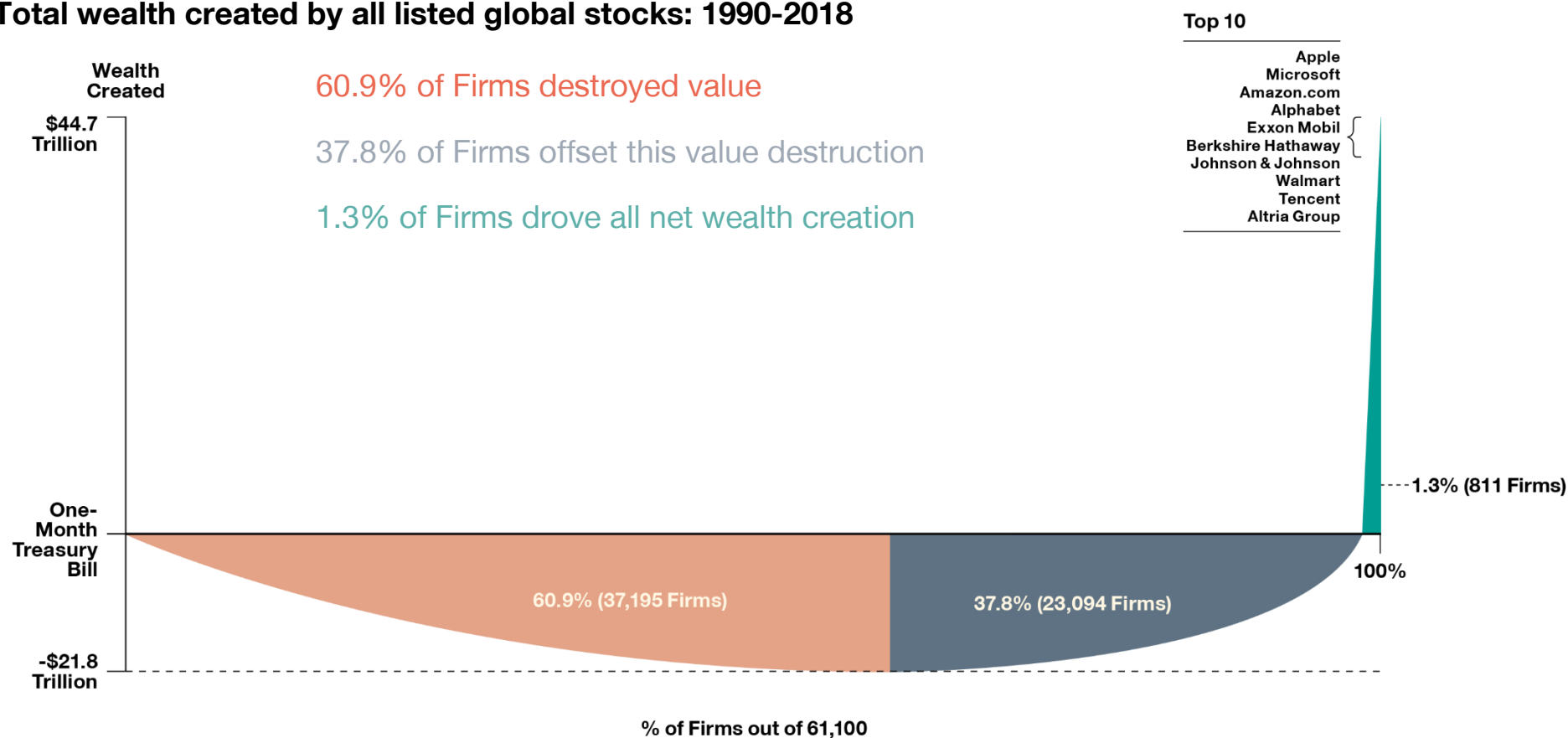
Identification, patient ownership and growth-focussed stewardship

Number of holdings	70-120*
Investment time horizon	5 Years
Investment opportunity	Global
Style	Growth, unconstrained

*Typical range, guideline only.

Intrinsic law 1 of stock market returns

Total wealth created by all listed global stocks: 1990-2018



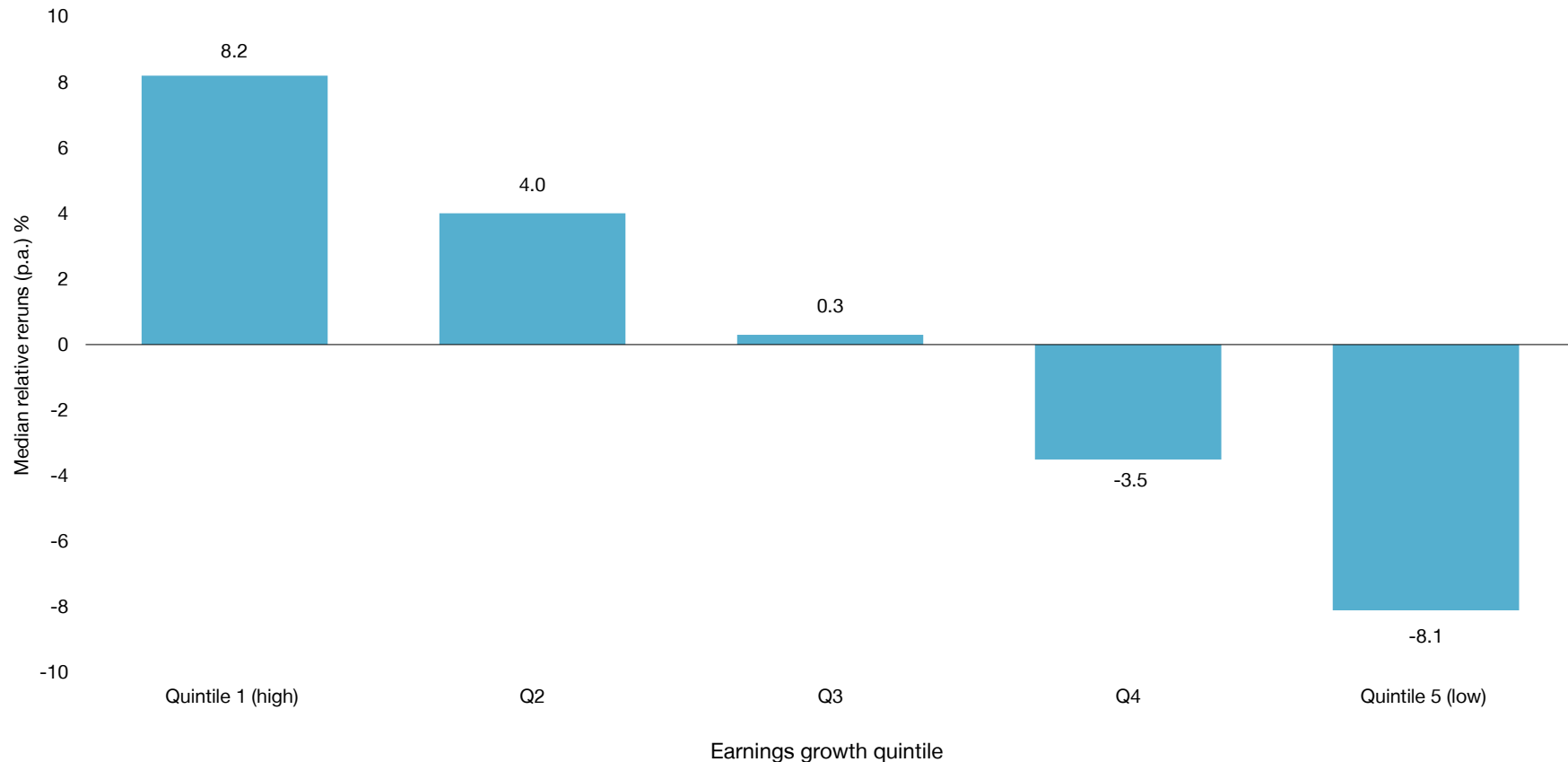
Source: Bessembinder, H., Cheng, T.F., Choi G., John Wei, K.C. Do Global Stocks Outperform Treasury Bills? (July, 2019). The first author acknowledges financial support from Baillie Gifford & Co. The data includes 61,981 CRSP common stocks from January 1990 to December 2018. In cases where stocks list or delist within a calendar period the return is computed for the portion of the period where data is available. These 61,981 stocks were issued by 61,100 firms owing to dual share classes; dollar wealth is therefore assessed at the company level. Beyond the best-performing 811 firms, an additional 23,094 firms (37.8%) of stocks created positive wealth over their lifetimes. The wealth creation of these stocks was just offset by the wealth destruction of the remaining 37,195 (60.9% of total) firms, so that the top 811 firms created the same wealth as the overall market. US dollars.

121 firms, 0.2% of all global stocks, created half the wealth

Intrinsic law 2 of stock market returns

Delivered median total returns by earnings growth quintile

Rolling five year horizons (1992-2021)



Source: FactSet, FTSE, MSCI. US dollars.

The Universe consists of all stocks listed in the FTSE World and MSCI ACWI Indices at each starting point excluding repetitions.

Embrace volatility

Stock	Return since inception (%)	Time held	Drawdowns
Tesla Inc	11,181	9 years	8 of over 30%
Amazon.com	7,963	16 years	5 of over 30%
Hermes International	2,517	16 years	5 of over 30%
Tencent	2,125	13 years	3 of over 30%
NVIDIA	1,774	5 years	3 of over 30%
Atlassian	1,183	5 years	2 of over 30%
Atlas Copco	1,013	13 years	7 of over 30%
Apple	885	5 years	4 of over 30%
HDFC	830	11 years	7 of over 30%
Intuitive Surgical	787	12 years	3 of over 30%

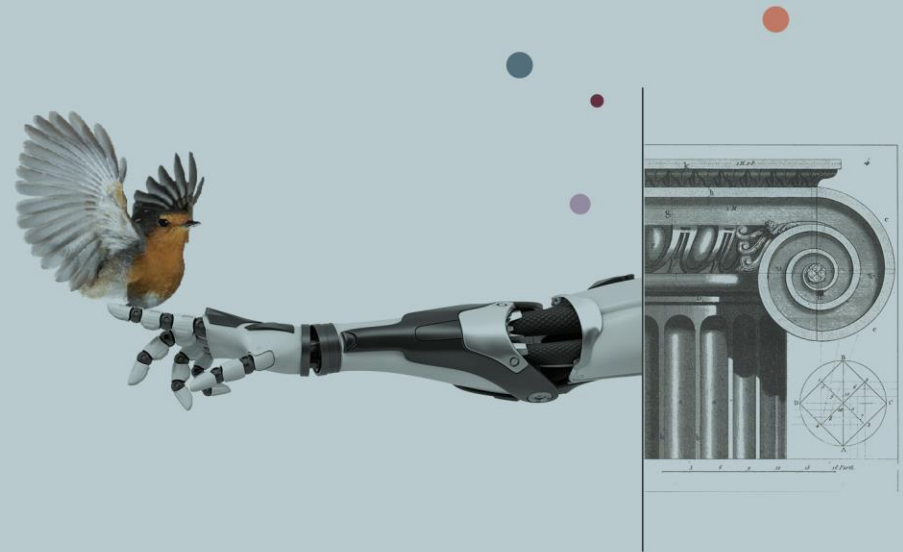
Source: StatPro, Eikon data from Refinitiv. Since inception: 29 February 2004 to 31 March 2022. US dollars. Some stocks are no longer held.

Global Alpha Paris-Aligned portfolio and transactions

Holding size	Compounders 43.9%	Disrupters 32.1%	Capital Allocators 22.1%	Total
~2.0%	Anthem Microsoft Alphabet Moody's AJ Gallagher Service Corporation Int'l AIA Olympus Pernod Ricard Mastercard Prudential Thermo Fisher Scientific Estee Lauder	Prosus Amazon.com Tesla Inc	TSMC Royalty Pharma	46.2%
~1.0%	S&P Global Inc Broadridge Financial Solutions Meta Platforms Sysmex Analog Devices CoStar Adobe Systems adidas	Alnylam Pharmaceuticals Moderna Alibaba HDFC Bank Li Auto Ping An Insurance Meituan B3 The Trade Desk SEA Limited Genmab Illumina Adyen	Atlas Copco Booking Holdings Charles Schwab Teradyne Markel Richemont Albemarle SMC CBRE Group Inc Deutsche Boerse Martin Marietta Materials CRH SiteOne Landscape Supply Epiroc	37.1%
~0.5%	Chewy Certara Hoshizaki Corp	Datadog Shopify Abiomed CyberAgent Schibsted DoorDash Novocure Twilio Snowflake Axon Enterprise Cloudflare STAAR Surgical Adevinta Coupang HelloFresh Netflix Farfetch Ubisoft Entertainment Exact Sciences Spotify Wayfair Chegg Oscar Health Carvana Vimeo VK	Nexans Rio Tinto Howard Hughes Sands China Brilliance China Automotive IAC Sberbank	14.9%
Complete Sales		KE holdings Naspers Peloton Reliance Industries Teladoc Tencent Music	BHP Group DENSO Lyft Ryanair Stericycle Wizz Air Zillow	

As at 30 June 2022. Cash: 1.9%. Totals may not sum due to rounding. Based on the LF ACCESS Global Alpha Paris-Aligned Equity Fund.
Notable transactions 6 months to 30 June 2022. **New buys**, **notable additions**, **notable reductions**.

Where do we find growth today?



The power of data 1.0

Traditional architecture



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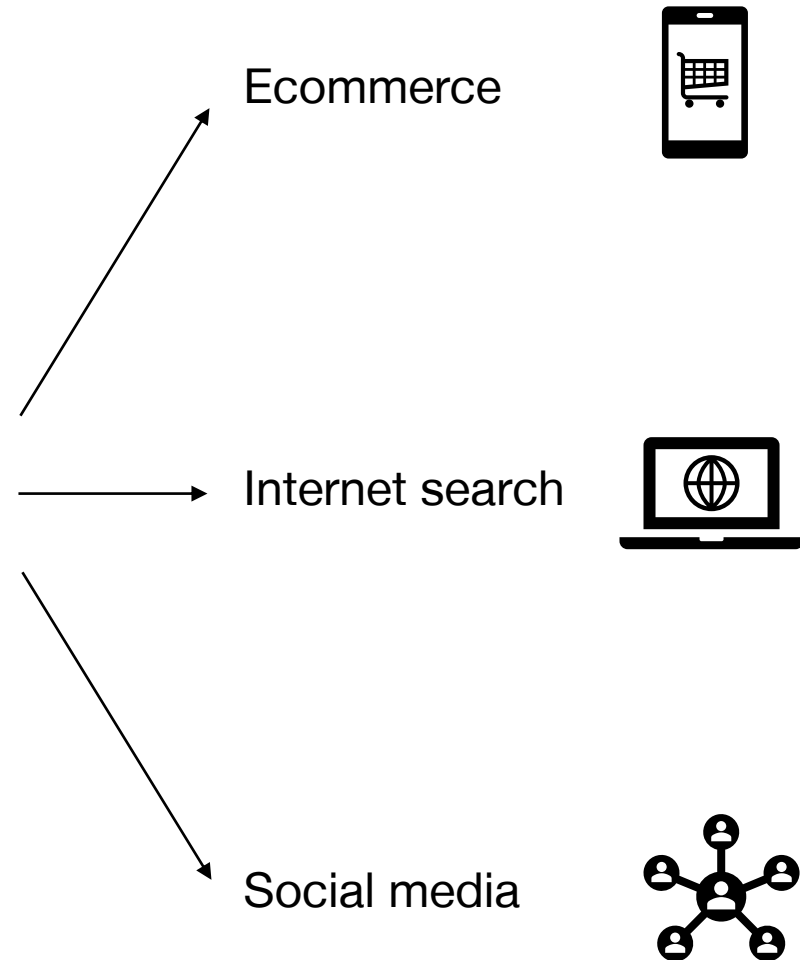
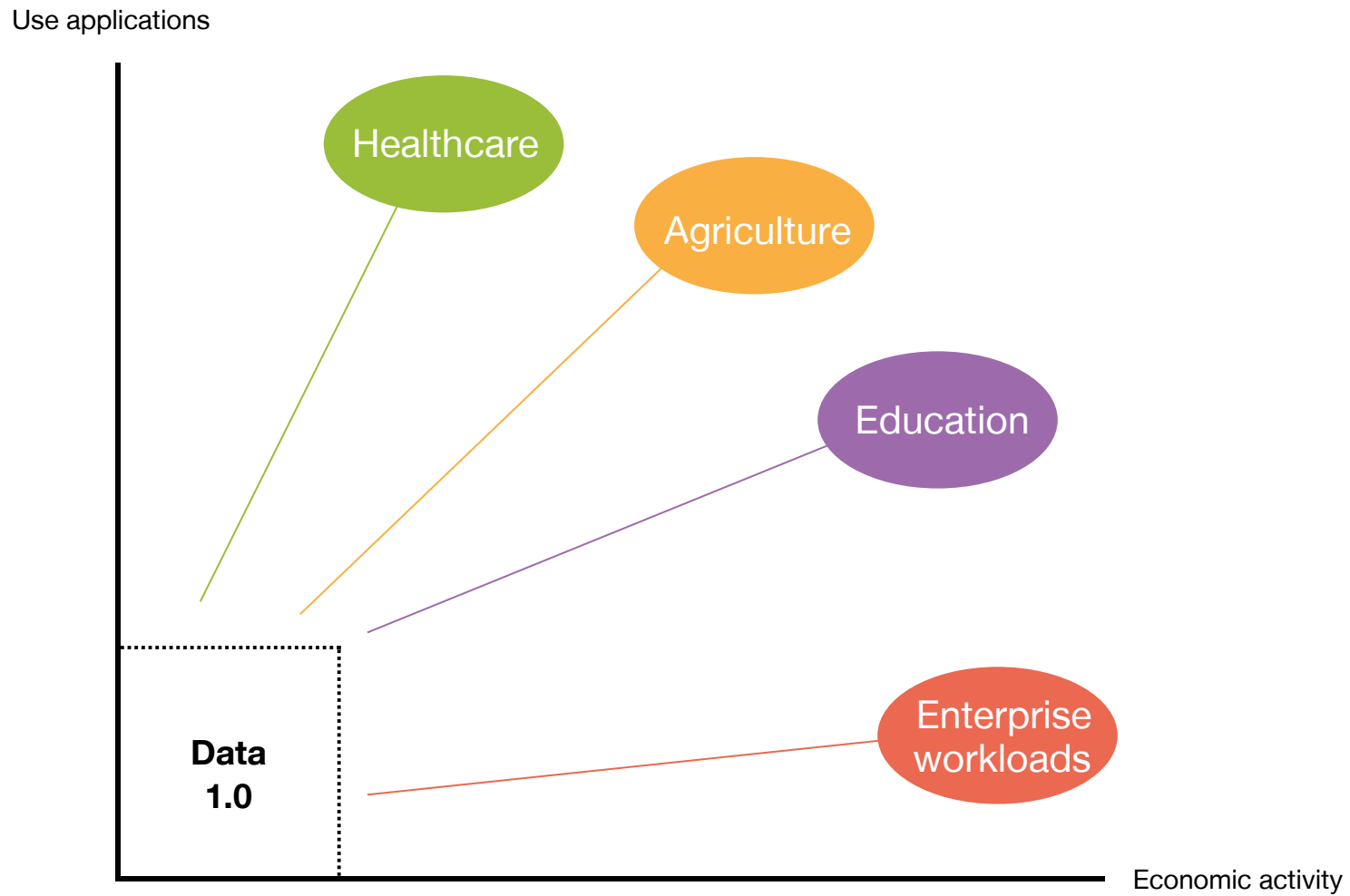


Image sources: © Corbis Historical/Getty Images

Is there a place for growth equities in the current inflationary economic climate
July 2022

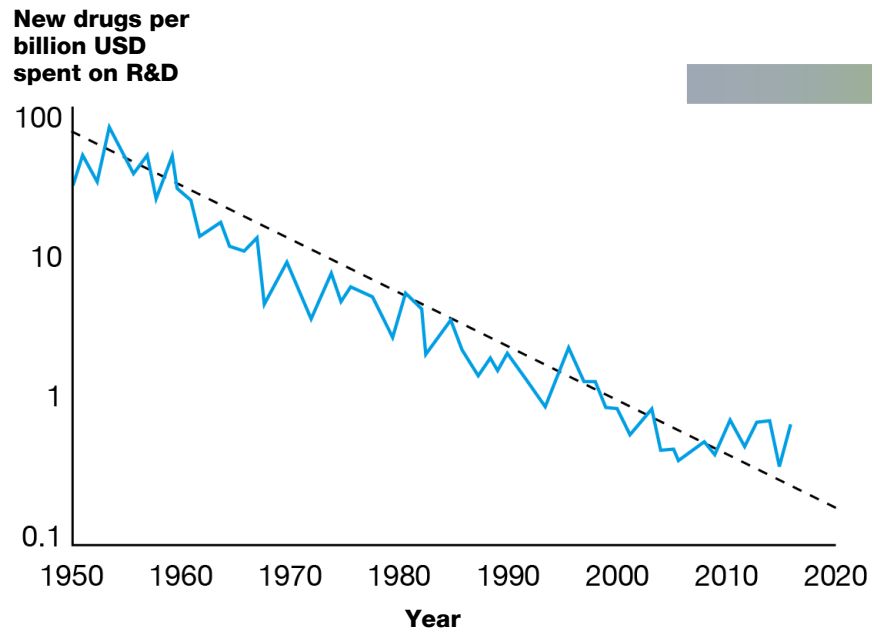
The power of data 1.0 continued

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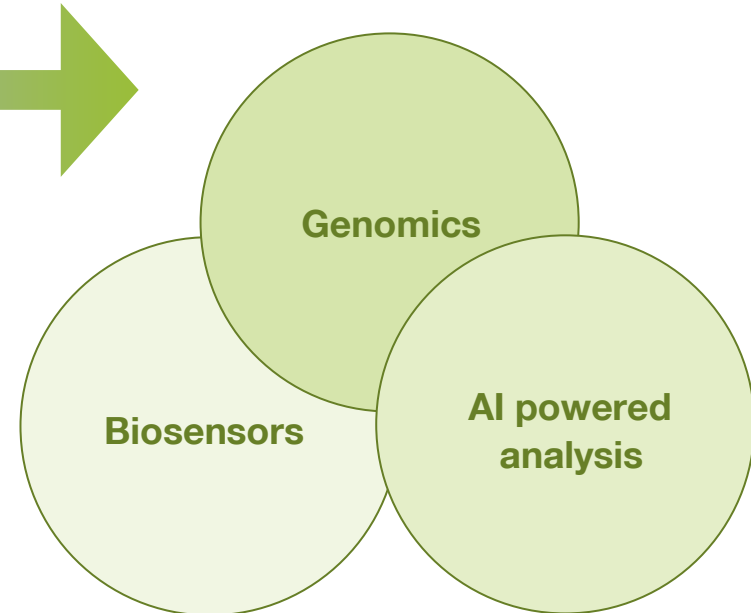


Healthcare

The past: Eroom's Law



The future

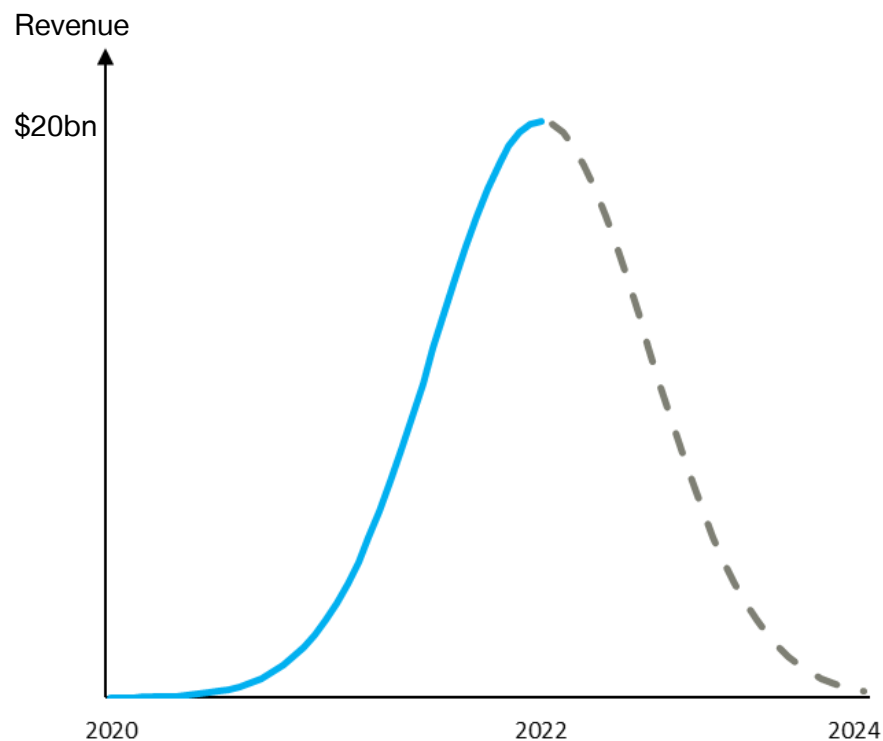


Source: [Diagnosing the decline in pharmaceutical R&D efficiency](#) | Nature Reviews Drug Discovery

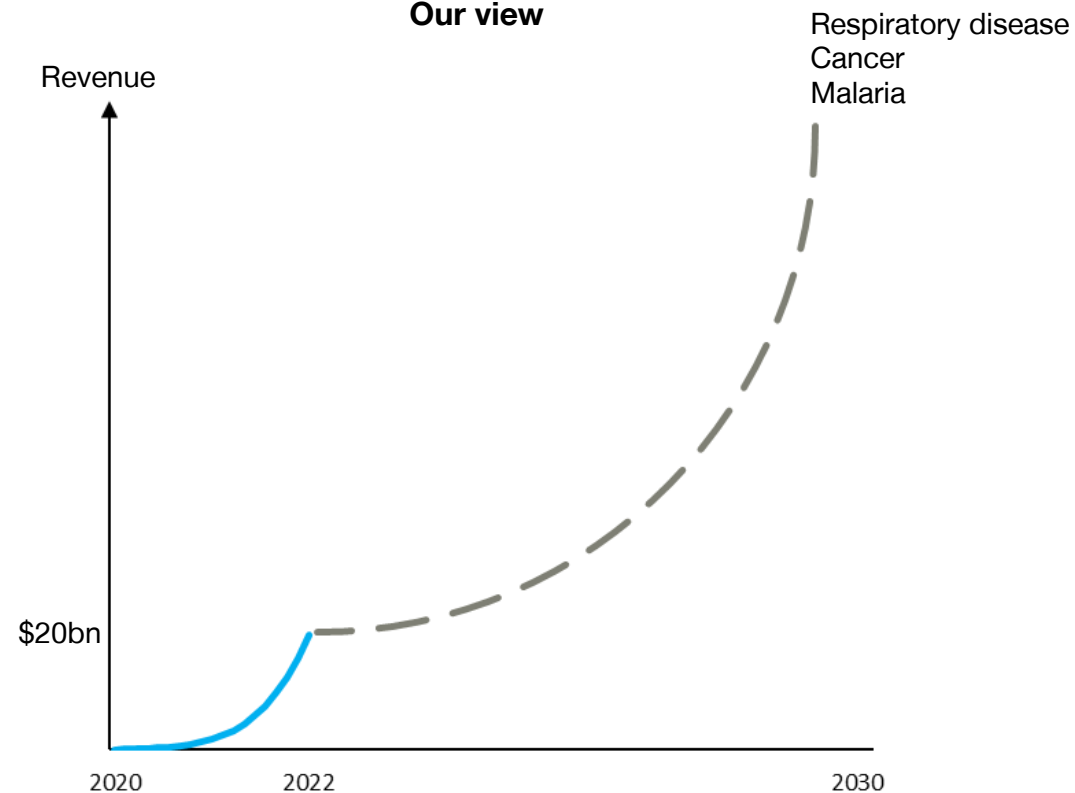
The mean is not about to revert

Moderna

Market view



Our view

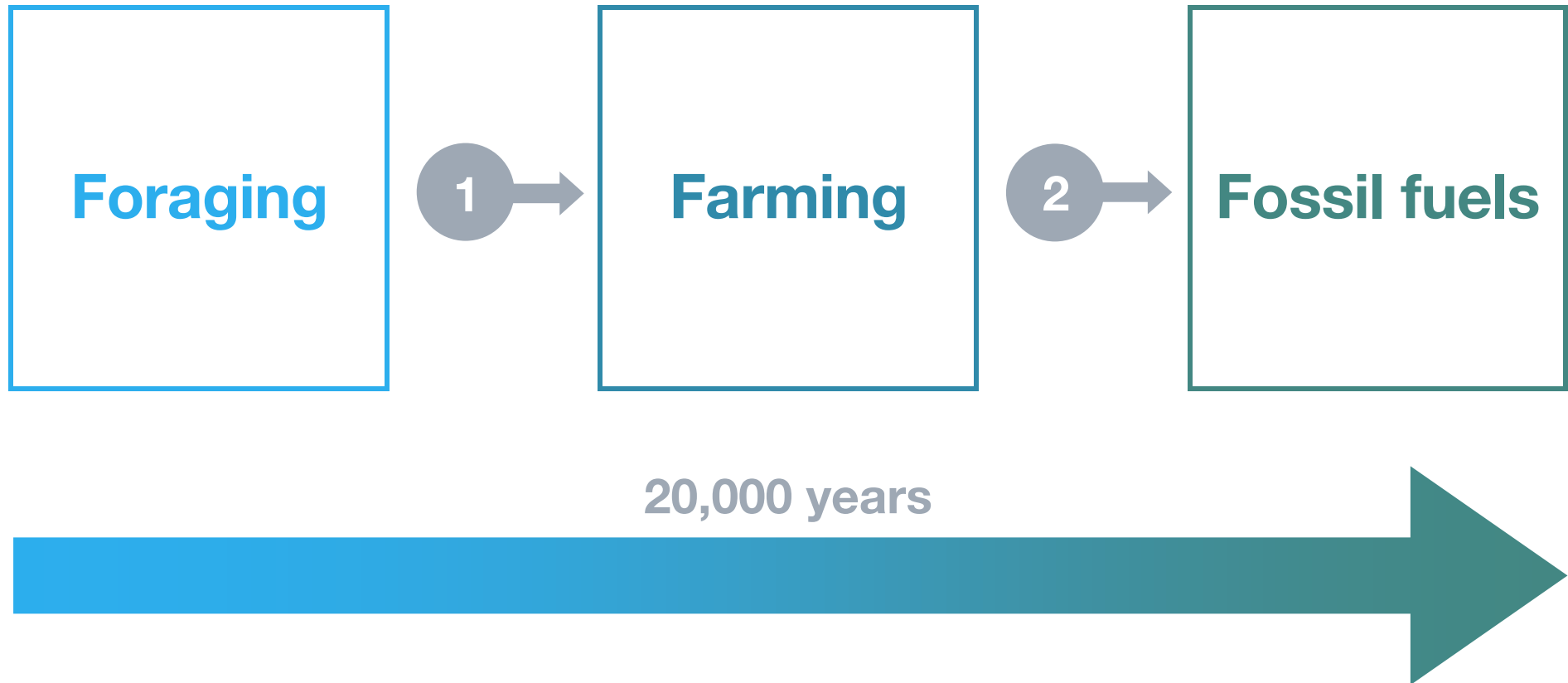


Source: [Moderna Revenue 2017-2022](#) | MRNA | MacroTrends

8

The great energy transition

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The great energy transition continued

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Solar

Costs have declined by 90% over the last 10 years

Wind

Costs have declined by 40% over the last 10 years

Battery

Costs have declined by 90% over the last 10 years

Think of a world of zero marginal cost renewable power

Image sources: © The Photolibary Wales/Alamy Stock Photo.

*Is there a place for growth equities in the current inflationary economic climate
July 2022*

Nexans: “electrify the future”

Produces and installs cables that aid electrification of our energy networks

Why we like it?

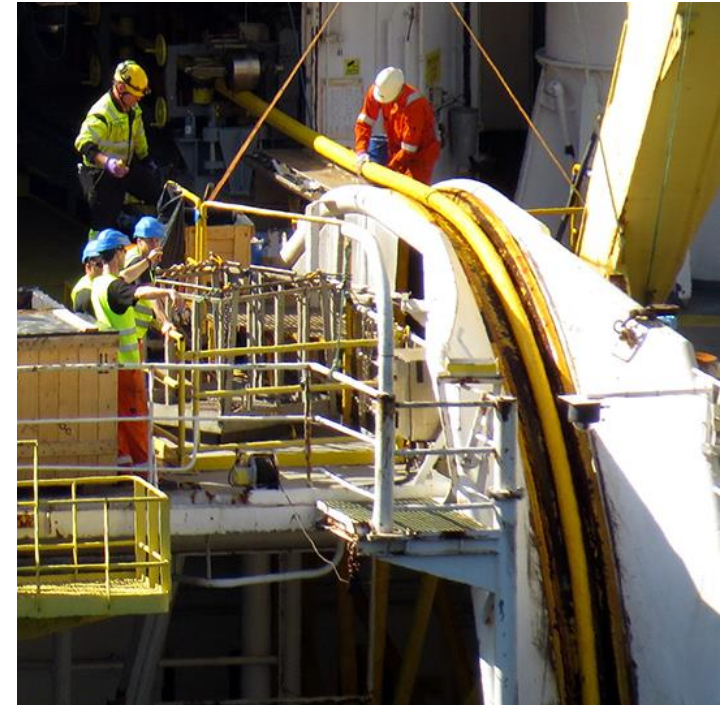
Few competitors and a rapidly scaling demand outlook:

- Solar power to increase 20x and wind 11x by 2050

Existing grid infrastructure in need of significant modernisation

Scope for margin expansion as new CEO pivots away from autos and construction to pure electrification

Highly ambitious climate plan: carbon neutral by 2030



We believe Nexans will become a core infrastructure provider over the next 3 decades

Image source: Reuters/Lefteris Karaginnapoulos ©

Our approach to stewardship

Our core principles



Summary

Challenging performance but operating metrics remain sound

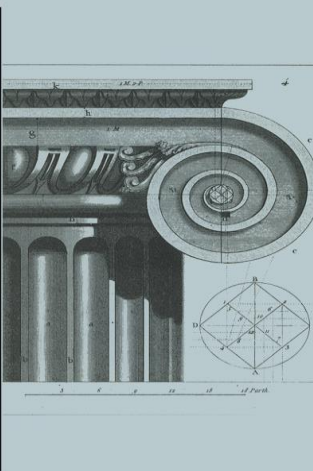
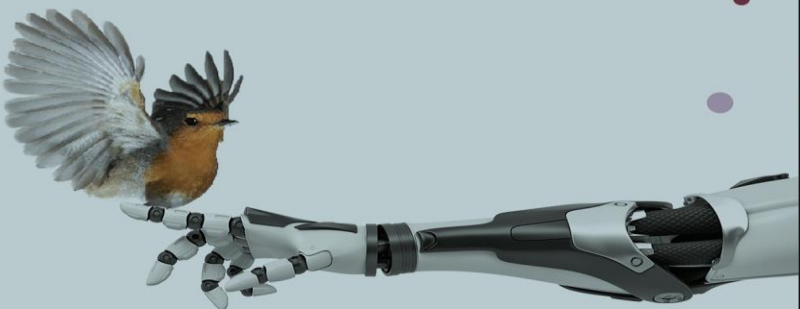
Opportunity set never more exciting

Engagement over the long term drives change

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Q&A



Legal notices

All information is current and sourced from Baillie Gifford & Co unless otherwise stated.

Contracting Entity

Baillie Gifford & Co

MSCI

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East Sussex Pension Fund

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2022 valuation assumptions

Pension Committee

Roisin McGuire FFA, Associate

20 July 2022



Agenda Item 6

Regulatory information

The information in this presentation is based on our understanding of current taxation law, proposed legislation and HM Revenue & Customs practice, which may be subject to future variation. This presentation is not intended to provide and must not be construed as regulated investment advice. Returns are not guaranteed and the value of investments may go down as well as up.

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What's happened since 2019?



Proposed assumptions



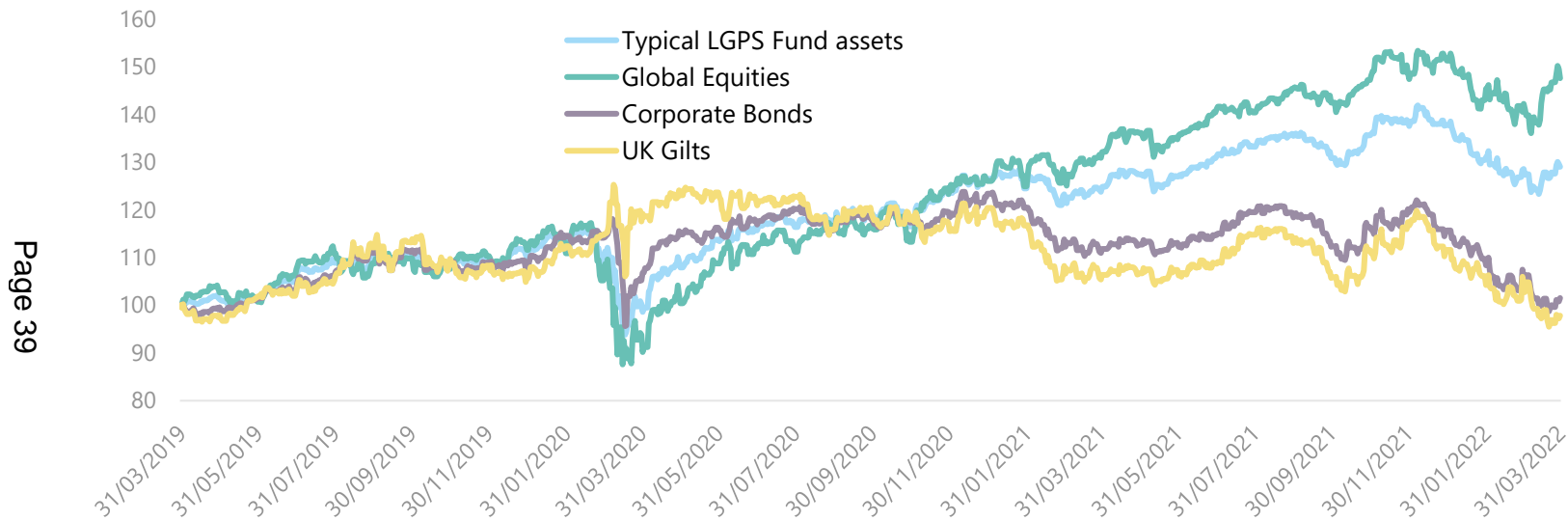
Outlook for 2022

What's happened since 2019?



How have assets performed

Indicative asset returns over valuation period



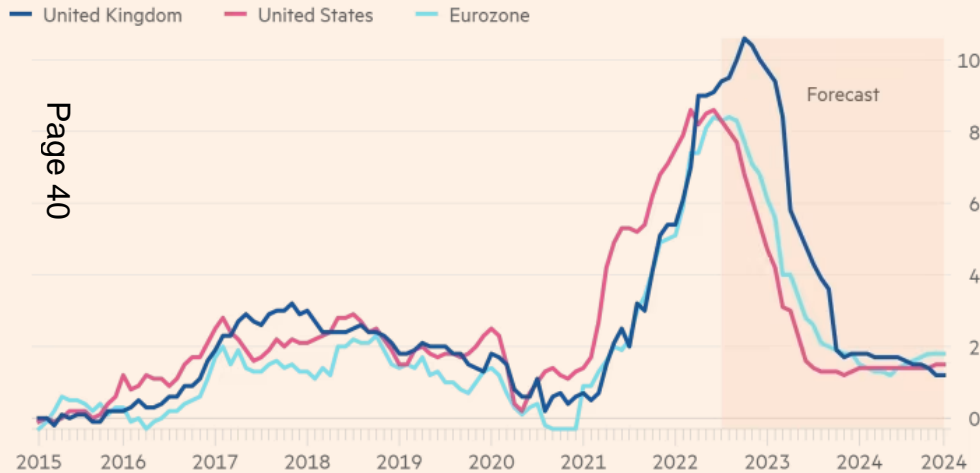
Source: FTSE, Merrill Lynch, Barnett Waddingham

East Sussex Pension Fund achieved approximately 29% over 3 year period.

Higher inflation for longer?

UK inflation is forecast to stay higher for longer than in the US or eurozone

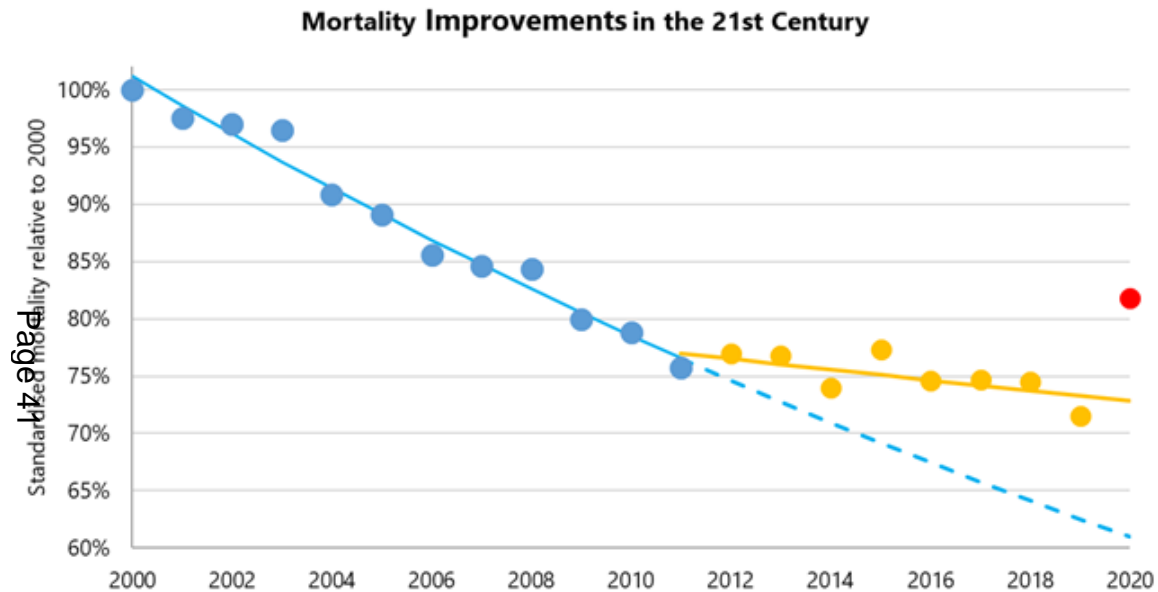
Headline CPI, year on year, %



Sources: Capital Economics, Refinitiv
© FT

- › Key drivers
 - › Covid stimulus/spending
 - › Supply/demand issues
 - › Energy prices
- › Factors that help:
 - › Globalisation
 - › Debt
 - › Ageing population
- › Ongoing factors:
 - › Wage inflation
 - › Central bank policy
 - › Recession?

How is mortality changing?



Source: Barnett Waddingham calculations based on Office for National Statistics data for England and Wales and Continuous Mortality Investigation Ltd (CMI) methodology

First recorded UK
Covid death 30 January
2020

100,000 UK Covid
deaths by 22 January
2021

124,000 deaths above
5 year average E&W
(to November 2021)

Future life expectancies

- › Could decrease because:
 - › Long-Covid
 - › Pressure on NHS
 - › Economic recession
- › Could increase because:
 - › Improved health of current population
 - › Medical advancements
- › Too soon to make final judgement



Proposed assumptions



Why the assumptions are important?

To produce the future cashflows or liabilities and their present value we need to formulate assumptions about the factors affecting the Fund's future finances

- Determines the estimates of the **amount** of benefits and contributions payable as well as their current or present value.
- This includes inflation, salary increases and investment returns (also referred to as the discount rate).

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Financial
assumptions

- Determines the **likelihood** of benefits and contributions payable.
- This includes rates of mortality, early retirement and staff turnover.

Demographic
assumptions



Impact of increase in each assumption



Pension increases (CPI)

- Increases liability for **all members**
- All benefit payments are higher

Salary increases

- Increases liability for **active members**
- Final salary benefit payments higher

Discount rate

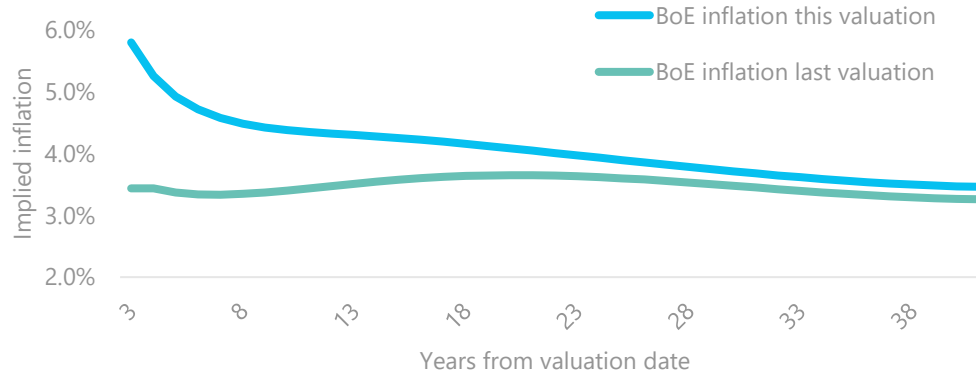
- Reduces liability for **all members**
- Investment return does more work

Key assumption – RPI inflation

- Set with reference to 20 year point on BoE implied inflation curve
- With allowance for shape of yield curve
- Including inflation risk premium to reflect supply/demand distortions and willingness of investors to pay a premium for inflation-linked products

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Inflation yield curve at 31 March 2022

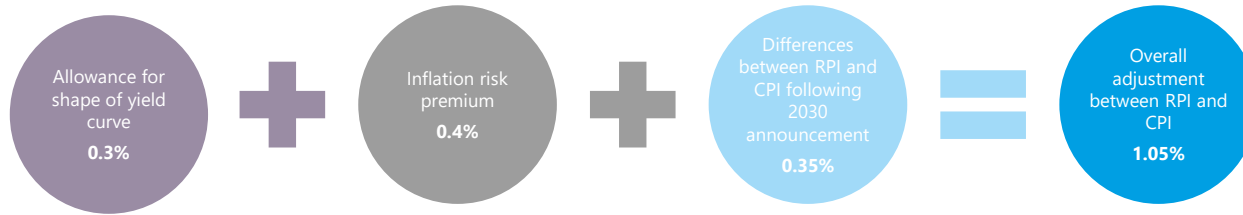


Source: Bank of England

Key assumption – CPI inflation

- Used for pension increases, revaluation in deferment, CARE revaluation
- 2019 assumption was 1.0% p.a. below RPI
- During intervaluation period, a change to calculating RPI was announced from 2030 to align with the Consumer Prices Index including owner occupiers' housing costs (CPIH).
- 2022 proposal:

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CPI
intervaluation
experience

2020 = 1.7%
2021 = 0.5%
2022 = 3.0%
2023 = 9%??

Source: Pensions
Increase Order


- Also used as basis for salary increase assumption

Negative impact on liabilities 	Based on market conditions up to 30 June 2022, our proposed CPI inflation assumption is 2.9% p.a. This compares to a CPI inflation assumption of 2.3% p.a. at the previous valuation.	2019	2.3%
		2022	2.9%

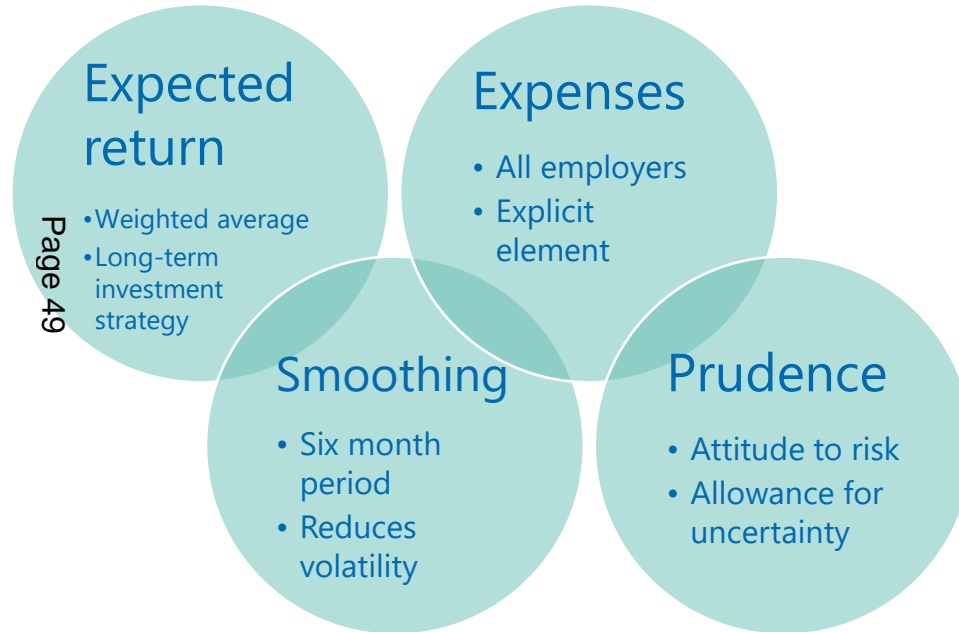
Key assumption – salary increases

- Salary increase assumption less important than before (although will affect McCloud liabilities)
- 2019 assumption CPI plus promotional salary scale
- 2022 proposal is CPI plus 1% p.a. (includes promotional increases)
- Possible pay award complications

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Negative impact on liabilities 	Based on recent market conditions we believe a salary increase assumption of CPI inflation plus 1.0% p.a. would be appropriate for the 2022 valuation.	2019	2.3%
	This reflects both inflationary and promotional increases and is the same as the assumption used for the previous valuation.	2022	3.9%

Key assumption - discount rate



Varies by Fund
Standardised for S13

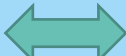
Varies by employer
Employer covenant and circumstances

Varies over time
Updated for market conditions

Key assumption – discount rate

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Asset class	Strategic asset allocation	Derivation of neutral expected return	Assumption (p.a.)
Bonds/credit	15.5%	Gilts + 90% credit spread	2.7%
Public Equity	40.0%	Dividend yield + CPI + real capital growth	6.9%
Private Equity	5.5%	Same as public equities	6.9%
Property	11.0%	CPI + 3.5%	6.4%
Infrastructure	11.0%	CPI + 3.0%	5.9%
Absolute return fund	17.0%	Cash + 4.0% p.a.	5.5%
Less expenses			0.2%
Neutral return			5.7%
Less prudence allowance			1.1%
Prudent discount rate assumption			4.6% p.a. (i.e., CPI +1.7%)

Neutral impact on liabilities 	At the previous valuation, the discount rate was 4.0% p.a. (i.e. 1.7% p.a. above CPI inflation at the time). The net discount rate is therefore now the same as it was at the last valuation which will, all else being equal, place a similar value on the liabilities and primary rate.	2019	4.0%
		2022	4.6%

Mortality - Club Vita analysis (2021 data)

Membership group	Approximate change in liability using VitaCurves (with data calibrated spanning 2017-2019) rather than current funding assumption
Actives	-0.2%
Deferred Pensioners	-0.1%
Pensioners and Dependants	-0.5%
Overall	-0.3%
Change to future service contribution rate	-0.2%

These figures are based on a broad approximation to scheme benefits and financial assumptions which are designed to reflect a market consistent basis. Full details of the assumptions used are included in the VitaCurves report.

Positive
impact on liabilities



Based on the assumptions used at the previous valuation, the Club Vita team have estimated that the proposed mortality assumptions will improve the funding position by 0.3% and reduce contributions by 0.2%.

The majority of this improvement is due to the change in approach to future improvements.

Regulatory uncertainties

- Draft regulations awaited for LGPS
- Estimated calculations based on available data (actives only)
- Member by member calculations
- Employer specific impact

McCloud

- More than consideration of climate risk on investment strategy
- Consider impact on liabilities through use of scenario analysis
- TCFD regulations awaited for public sector.
- Set of principles agreed by four actuarial firms and being considered by GAD
- Analysis issued alongside initial results

Climate
risk



Outlook for 2022

3

Outlook for 2022 results

Assets

- Investments performed better than expected, increasing assets held

Liabilities

- Higher expected inflation increasing liabilities but offset by higher discount rate

Funding levels

- Improved funding level providing reserve for potential inflationary pressures
- Likely improvement in employer funding level

Total contribution rate

- Overall aim is to maintain contribution stability and balance affordability

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Report to: Pension Committee

Date: 20 July 2022

By: Chief Finance Officer

Title of report: Investment Report

Purpose of report: This report provides Pension Committee with an update on the investment activities undertaken by the East Sussex Pension Fund.

RECOMMENDATION

The Pension Committee are recommended to:

- 1) note the Investment Workplan (appendix 1);
 - 2) note the Quarterly Investment Report from the Investment Advisor, Isio (appendix 2)
 - 3) note the investment strategy review (appendix 3) and agree the following amendments to the implementation plan for the investment strategy:
 - maintain the absolute return mandates until the infrastructure equity mandate is drawn;
 - to continue using the corporate bonds to fund the new diversified credit mandate;
 - retain the index-linked gilt allocation over the short term;
 - trim the core property exposure and hold this in index linked gilts until decision made on inflation-linked property;
 - re-visit the case for inflation-linked property in the current environment ahead of implementing the strategic allocation.
 - 4) note the equity performance and investment outlook considering investment style and exclusions;
 - 5) note the update on the Carbon footprint of the Fund;
 - 6) note the Q1 Engagement Report (appendix 4);
 - 7) approve that officers make a submission of the Stewardship Code to the Financial Reporting Council (FRC);
 - 8) note the External Assurance report update;
 - 9) note the ACCESS update; and
 - 10) delegate authority to the Chief Finance Officer to take all necessary actions to give effect to the implementation of the above recommendations
-

1. Background

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, the Council is required to maintain a Pension Fund for its employees and other 'scheduled bodies' as defined in the Regulations. The Pension Committee is required to maintain an Investment Strategy Statement (ISS) to govern the Funds' investments and receives a quarterly investment monitoring report, from its investment consultant, Isio.

1.2 The ACCESS Joint Committee has been established as a result of the changes implemented in the 2016 LGPS Investment regulations to facilitate the arrangements relating to the collective investment vehicles, to allow the administering authorities to pool their respective investments. The ACCESS Joint Committee meets quarterly.

2. Action Log and Investment Workplan

2.1 Appendix 1 shows the Workplan which acts as the reference point of all actions agreed at Pension Committee meetings and areas of work anticipated over the next 12 months. Unless otherwise stated, items in the workplan are to be considered by the Committee or a comment provided explaining why the item is not to be covered at this time.

2.2 The main focus over the next 12 months is the ongoing review of Responsible Investment, with a focus on climate analysis for the Fund, with the implementation of the investment strategy where investment opportunities are possible, as agreed at the 12 July 2021 Pension Committee meeting.

3. Quarterly Performance Report

3.1 The Quarterly Performance Report is attached as appendix 2. Since the last quarter, the valuation of the Fund decreased from £4.74bn as at 31 December 2021 to £4.68bn as at 31 March 2022 (a decrease of £0.06bn). A negative absolute return of 1.2% over the quarter, underperforming its respective benchmark by 0.7%. Performance across mandates was relatively mixed, with Russia's invasion of Ukraine, coupled with growing inflationary pressures being drivers of market volatility over the quarter.

3.2 Over the period, the private equity mandates (Harbourvest and Adam Street) continued to deliver strong returns, with private markets often slower to adjust to macroeconomic conditions. Similarly, the infrastructure and property mandates performed well, partially driven by the assets' inflation linkage.

3.3 The Fund's Equity allocation was the largest detractor from returns, with sustainable funds underperforming more traditional markets, due to limited exposure to the energy sector and tilts towards high growth stocks, which lagged traditional energy and financial firms over the period.

4. Investment Strategy Review

4.1 The investment strategy was last reviewed in July 2021, with the Committee agreeing the following changes to the Fund's strategic asset allocation:

- Reduced target allocations for diversified growth, balanced property, corporate bonds and index-linked gilts.
- Increased target allocations for infrastructure equity, inflation-linked property, private credit and diversified credit.

4.2 Amendments to the Investment Strategy Statement (ISS) were subsequently agreed at the September 2021 meeting to the following strategic asset allocation:

Asset class	Target allocation %	Maximum invested* %	Role within the Strategy
Global Equity	40	44	Growth Assets
Absolute Return	17	23**	Growth Assets
Private Equity	5.5	7.5	Growth Assets
Property	7	10	Income Assets
Inflation-Linked Property	4	5	Income Assets
Infrastructure	11	12	Income Assets
Private Credit	5	5	Income Assets
Diversified Credit	10.5	12	Income Assets
Index-Linked Gilts	-	4**	Protection Assets
Corporate Bonds	-	4**	Protection Assets
Cash	-	2	Protection Assets
Total	100		

*The maximum invested figures are based on the rebalancing ranges agreed by the East Sussex Pension Committee within its rebalancing policy.

** Additional allowance to rebalancing figures whilst allocations to infrastructure, private debt and inflation linked property take place.

4.3 To assist the Committee Isio have undertaken a review of the Fund's investment strategy and implementation plan and provided a report on their findings (appendix 3) and will present this to the Committee. This has taken place due to the change in market conditions since the last review which have been extremely volatile, largely due to Russia's invasion of Ukraine, increasing global interest rates in response to surging inflation, slowing global economic growth and the ongoing impact of Covid-19. As such, the Fund's liquid assets – notably equities, absolute return, corporate bonds and gilts – have all fallen in value since strategy was agreed.

4.4 The agreed implementation plan for the Fund involved the following key steps;

- Global Equity –Onboard Baillie Gifford and Osmosis and fund this from the UBS passive mandate (complete)
- Infrastructure–Implement higher allocation through commitment to IFM investors Global Infrastructure Fund. This was expected to be largely funded from the absolute return mandates – commitment made, awaiting drawdown.
- Diversified credit –Aim is to select a manager from the ACCESS platform and fund this from the sale of corporate bonds, given the low yield at the point of the strategy review, and to improve overall diversification of the credit allocation.
- Private credit and Inflation-linked Property –The implementation approach was to be confirmed depending on ACCESS timescales to make propositions available.

ACCESS is not yet able to provide firm timescales and the Fund do not anticipate allocation via the ACCESS platform to be available over the short term. The intention was to fund private credit from index linked gilts and inflation linked property from the existing Balanced Property allocation.

4.5 The revised strategy is expected to increase the portfolio's expected return to around 5.5% per annum, whilst broadly maintaining the previous level of downside risk. Isio continue to believe that the agreed direction of travel remains appropriate but believe that the implementation approach should be adapted to reflect evolving market conditions. After considering these events. Isio propose the below recommendations:

- maintaining the absolute return mandates until the infrastructure equity mandate is drawn (anticipated in 9-18 months).
- to continue using the corporate bonds to fund the new diversified credit mandate.
- retaining the index-linked gilt allocation over the short term given its recent material fall in value and the inflation protection offered.
- trim the core property exposure (which is currently earmarked for inflation-linked property) and hold this in index linked gilts in the interim.
- re-visit the case for inflation-linked property in the current environment ahead of implementing the strategic allocation.

4.6 The objectives of the Investment Strategy are;

- to deliver a return that improves the funding level over time (to achieve future lower employer contribution rates),
- with as little volatility in the funding level as possible (to maintain stability of contributions as far as possible), and
- maintain sufficient assets to meet liabilities i.e. an overall funding level of 100% or more.

The assumptions underlying the Actuary's funding basis are important factors in determining the return requirement. As the Fund grows, it will also be important to ensure that stability, relative to sponsor budgets, is maintained.

4.7 The current Investment Strategy is positioned so that it can achieve an expected return of 5.5% per annum. This level of return has been factored into the valuation calculations in the 2019 valuation. To move the expected return of the strategy down i.e. to remove some of the investment risk in the portfolio would also require the Actuary to adjust the valuation calculations which could result in increased contributions from employers. The next triennial valuation is currently taking place based on the data as at 31 March 2022, with new contribution rates for employers coming into effect from April 2023. A full review of the investment strategy will take place in 2023 once the results of the valuation are known, so officers and advisers do not suggest any major changes to the investment strategy are considered at this time.

5. Performance of Growth, Value and exclusionary equity holdings

5.1 The Fund made some fundamental changes to its Equity strategy between 2020 and 2022, moving to more sustainable equity mandates, looking to invest in climate solutions. This led to the appointment of its impact managers Wellington and WHEB. The Fund also moved back to a more active equity position by moving passive holdings to Longview, Baillie Gifford, Wellington and WHEB. The last change to the equity strategy was to remove its unintended holdings of fossil fuel companies from its passive mandates by moving from market capitalisation indexes to climate risk/resource efficiency indices run by Storebrand and Osmosis.

5.2 The result of these changes have been to impact upon the overall style and volatility of the equity investments of the Fund. The shift from passive to active management increases the volatility within the equity portfolio as the investments no longer track the market but look to have more conviction in the reasons for investing in a specific company, due to the risk profile, deemed impact or opportunities and the return profile expected. The belief is that this will over a cycle be a greater benefit to the Fund than holding it passively, however this will also be more costly from a fee perspective. However, this also means there will be periods of greater underperformance than has been experienced in recent years, within the Fund's equity position.

5.3 Secondly the change to active managers with a climate opportunities focus has seen a shift in style away from value towards growth. This has come through as climate solution investments are inherently more growth orientated, looking for a gap in the market and those companies trying to fix a problem. So, within the climate crisis there are many companies being established trying to do something different and looking to grow and be the market leader.

5.4 To help provide some context to the performance of our equity managers over the first quarter of 2022 the below table shows the comparison of the Fund's Managers (excluding UBS/Osmosis as this transitioned in the Quarter) against the performance of the MSCI ACWI (all countries world index) excluding Fossil Fuels, MSCI Value and MSCI Growth indexes relative to the MSCI ACWI Index.

Manager	Strategic Allocation	Actual Allocation	Absolute Performance	Relative Performance*
Longview	10	11.2	0.8	3.5
Wellington	5	5.1	(5.3)	(2.8)
WHEB	5	4.9	(10.4)	(8.0)
Baillie Gifford	5	4.2	(12.4)	(10.1)
Storebrand	10	10.9	(5.1)	(2.6)
MSCI ACWI**	n/a	n/a	(2.6)	-
MSCI ACWI ex Fossil Fuel**	n/a	n/a	(3.8)	(1.2)
MSCI ACWI Value**	n/a	n/a	1.9	4.6
MSCI ACWI Growth**	n/a	n/a	(7.1)	(4.6)

*Relative performance is against the MSCI ACWI performance derived from the MSCI website and may not match the figures in the performance report.

**Figures derived from the MSCI website and are not used to calculate performance figures are being used to demonstrate possible attribution to performance.

5.5 The table shows that both the growth style and ex fossil fuel attributes have been a detractor to the performance of the Fund being 4.6% and 1.2% below the MSCI all countries world index. The table shows that 2 of our managers Baillie Gifford and WHEB performed particularly poorly compared to the benchmark in the quarter. (10.1% and 8.0% respectively).

5.6 Further insight from the managers, into the outlook for the equity mandates are included in the exempt section of this committee report pack.

6. Carbon footprinting

6.1 The Fund appointed Moodys (formally Vigeo Eiris) to conduct a carbon footprint measurement on its liquid investments as at 31 March 2022. This is the third year of collating this information against which the Fund can monitor the progress of its investment decisions in relation to climate change. This also provides the Committee with information to assist them in their duties in ensuring the Fund's managers are representing their beliefs in the investments they make.

6.2 Carbon footprinting and Transition scoring are still a relatively new science, there is limited consistency in the scoring between providers and can be quite subjective. The carbon footprint reports have been produced to help the Fund understand the direction that the Investment Managers are moving and to focus engagement during discussions with the Investments Managers for the coming year.

6.3 The report looks at the Carbon Footprint of the underlying companies within each investment managers' portfolio (based on scope 1 & 2 emissions). The score for the mandates range from Moderate, Significant, High and Intense based on the ranges in the table below. The emissions levels are based on the weighted average company carbon emissions within each Investment managers portfolio. In addition, the report looks at the energy transition of the investments, to determines how the companies are positioned to respond to a shift from a carbon based economic model to a green and sustainable one.

Carbon Footprinting

Scale	Emissions (t CO2 eq)	Categories
A	<100,000	Moderate
B	>=100,000 & <1,000,000	Significant
C	>=1,000,000 & <10,000,000	High
D	>=10,000,000	Intense

Carbon footprint is measured in equivalent tons of carbon dioxide (t CO2 eq.) emitted by issuers

Scale	Energy Transition Score	Categories
++	60-100	Advanced
+	50-59	Robust
-	30-49	Limited
--	0-29	Weak

6.4 This gives an overall portfolio score from A++ to D--. For the Fund's 2022 Carbon footprint we have no D rated portfolios similar to 2021 and 3 in 2020. We have 2 B rated portfolios the same as in 2021, which are both active mandates run by Longview and Wellington. The remaining managers are rated C as in 2021.

6.5 This lack of movement at the high level carbon footprinting scale does not take into account underlying changes in the scoring at this level. 5 mandates reduced their carbon footprint over the year however the other 4 increased.

6.6 On the Energy transition rating we have 1 portfolio (M&G Corporate Bonds) mandate graded as Robust or “+”, this is 1 lower than in 2021 due to the removal of the passive UBS Europe Ex UK Fund. This was part of the strategic change from market cap indexes to the passive UBS\Osmosis resource efficiency mandate and the Ballie Gifford Global Alpha mandate (prior to this transitioning to the Paris Aligned version within ACCESS shortly after the measurement date).

6.7 Comparing the mandates that have transitioned since the last measurement date, the energy transition score of the Fund has weakened by 3 points, however the total carbon footprint has reduced by 3.4m t CO2 eq. on the weighted average carbon footprint score. At the time of the data the Baillie Gifford fund had not transitioned to the Paris aligned structure, so we would expect that next year this would reduce its carbon footprint further.

6.8 On the energy transition rating there was improvement made by all managers on the underlying transition score basis. All managers achieved a score of above 30 with 9 scoring 40 or above (6 mandates achieved this in 2021). Not all companies will have an energy transition plan in place - lower emitting sectors and industries are less likely to have robust energy transition plans, while it is essential for intense carbon emitters to have plans in place and strong action plans. The scoring does not reflect the difference expected across industries.

6.9 Table below shows a summary of the headline scores and ratings for each mandate:

Manager	Mandate	Portfolio Rating (A to D, “++” to “-”)	Weighted Average carbon footprint 2022	Weighted Average carbon footprint 2021	Movement	Energy Transition Rating (Weak; Ltd; Robust;Adv)	Energy Transition Score (/100) 2022	Energy Transition Score (/100) 2021	Movement
Equity									
Baillie Gifford	Global Alpha	C-	3,695,724.10	-	N/A	Limited	33	-	N/A
Longview	Global Equity	B-	632,580.40	570,686.47	↑	Limited	40	39	↑
Wellington	Impact	B-	296,722.99	356,991.62	↓	Limited	40	38	↑
WHEB	Impact	C-	1,746,128.45	2,133,934.28	↓	Limited	36	31	↑
Storebrand	Climate Passive	C-	1,603,975.34	1,477,739.59	↑	Limited	47	44	↑
US/Osmosis	Resource Efficiency Passive	C-	1,720,487.77	-	N/A	Limited	45	-	N/A
Absolute Return									
Newton	Absolute Return	C-	6,916,200.72	4,069,987.26	↑	Limited	49	44	↑
Ruffer	Absolute Return	C-	6,390,859.42	7,076,082.56	↓	Limited	47	44	↑
Fixed Income									
M&G	Absolute Return Bonds	C-	2,619,063.44	2,110,392.22	↑	Limited	46	45	↑
M&G	Corporate Bonds	C+	6,057,499.52	8,041,083.47	↓	Robust	56	53	↑
Infrastructure Equity									
Atlas	Infrastructure	C-	1,417,323.45	1,864,961.59	↓	Limited	43	41	↑
Total Liquid Assets*		C-	3,254,186.75	3,471,957.32	↓	Limited	44.25	42.33	↑

*Liquid asset totals are based on the weighted average of the scores for mandates included in the carbon footprinting in each year.

- 6.10 The individual reports for each of these managers has been included in the exempt section of the committee agenda under item 12. Along with commentary from the managers around how they consider these results.

7. Engagement Report

7.1 As part of its transparency reporting for ESG, climate change, voting and engagement, the Fund has updated the last quarterly published statement on ESG to show the funds current position based on existing strategies in place and actions taken by the Fund during the quarter 1 January 2022 to 31 March 2022. The statement includes the voting record by the Fund's managers. Only managers holding equities will have voting rights on behalf of the Fund. The updated statement is included in appendix 4.

8. Stewardship Code

8.1 The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners. 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, environment and society.

8.2 The Code applies to asset owners, asset managers and service providers, and comprises a set of 12 "apply or explain" principles for asset owners.

8.3 To become a signatory the Fund must submit a Stewardship Report to the FRC demonstrating how they have applied the Code's Principles in the previous 12 months. The report can cover any 12-month period after 1 January 2020.

8.4 Once submitted the FRC will assess the report and, if it meets the reporting expectations, the Fund will be listed as a signatory to the Code. Once listed as a signatory the Fund would need to report annually to remain as a signatory.

8.5 The next deadline to submit to the FRC is the 31 October 2022. The next deadline to submit to the FRC is the 31 October 2022.

8.6 Within the ISS the Fund have made a number of commitments for stewardship and Responsible Investment within the Statement of Investment Principles (SIRP). The SIRP was approved in September 2020. One of the commitments made within the SIRP was to become a signatory of the revised 2020 Stewardship Code. Officers have drafted a Stewardship Report and will continue finalising this including ensuring the document is accessible. Approval is requested for the Fund to submit its Stewardship report which covers the 2021 calendar year before the next submission deadline.

9. External Assurance Reports

9.1 As part of the ongoing investment governance that is performed by the Fund, officers monitor the external assurance reports that are provided by the Fund's investment managers. These reports detail the internal controls of the managers and provide an opinion as to the effectiveness of these controls. The Fund has strengthened its procedures in reporting these qualifications to Pension Committee; this is to be at the earliest opportunity available along with increased oversight of the process. The team have documented a process note for reviewing these statements in accordance with the recommendation within the internal audit report – pension fund investments.

9.2 During the quarter the Fund received 2 external assurance reports that were qualified by the external auditors. The Managers were Longview and M&G the reasons these were qualified are:

Longview

9.3 The qualified audit opinion was given due to a limitation of testing that was able to be completed by the Auditor. This was due to Longview migrating IT desktop and helpdesk service provider in April 2021. This change resulted in a limitation of some of the testing the auditor was able to perform on data prior to the transfer of services. No further issues were found that were not directly related to the timing of the audit coinciding with the cessation of the old service.

M&G

9.4 The auditors of M&G qualified the external assurance report on the control objective 27 (logical access controls) for controls to be in place to restrict logical access to in-scope systems and data to authorised individuals in accordance with job roles and/or business requirements.

9.5 The findings from the testing of this control identified several instances of no evidence being provided for access creation, revocation, reconciliations, review and password management on the systems. On their own these would not have qualified however the auditor considered that the combined impact of these lead them to qualify this point.

9.6 Except for the matters described in the Basis for qualification in respect of control objective 27 (logical access controls) the Activities that were tested, were those necessary to provide reasonable assurance that the related Control Objectives were achieved.

9.7 The Fund is satisfied that there was no impact to the assets held by Longview and M&G due to management responses within the reports but will note these findings to ensure these items have been resolved in the next reports.

10. ACCESS Update

Member representation

10.1 At the Pension Committee in February 2022 the Committee discussed arrangements for member representation on the ACCESS Pool Joint Committee following the guidance issued by the Scheme Advisory Board (SAB). The ACCESS Pool's proposal was to have six rotating observers for each meeting drawn from three of the eleven constituent authorities. The six representatives would be comprised of one employer and one scheme member representative from the Pension Board of each, from the three rotating authorities.

10.2 At the Joint Committee meeting in March 2022 an amendment to the recommended structure was put forward for an election of two scheme representatives to attend Joint Committee meetings for a period of four years, to aid consistency and learning by those individuals to feed into all pension boards with a review of these arrangements after the first full year following election. This motion was lost, so the Joint Committee considered the original proposal.

10.3 The original proposal was agreed by a majority vote with the agreement to undertake a review of the arrangements after a full year following their implementation.

Inter-Authority Agreement (IAA)

10.4 Work has been undertaken in order to draft the amendments required to the IAA in order to enable the Joint Committee to formally recommend guidelines to Councils. The drafting is below:

"The Joint Committee shall have the ability to make recommendations to the Councils about the adoption and content of guidelines for the Pool, including to allow common guidelines or policies of the Councils to be applied to the Pool, Pool Assets and/or Pool Aligned Assets, and for any such guidelines that are adopted to be periodically reviewed and updated. When determining the content of such guidelines, the Joint Committee shall consult with and consider the advice of the Section 151 Officers Group (and, where requested, the Monitoring Officers and from appropriate professional advisers). Any guidelines for the Pool must not go beyond policies already in place and will not supersede or replace the Investment Strategy Statement or policies of each Administering Authority."

10.5 At the March 2022 meeting of the Joint Committee, proposals on Local Pension Board observation was agreed which also requires amendments to the IAA to take place.

10.6 During April 2022 the Officer Working Group considered drafting covering the above points, along with two further changes brought to the attention of the ASU by ACCESS Authorities:

- in instances whereby the Vice Chairman of an s101 Committee is an Elected Member, but not of the Administering Authority; it is currently not possible for that individual to substitute for the regular Joint Committee Member (who is generally the s101 Chairman). An amendment to the IAA enabling an Elected Member from an associated Authority who is as s101 Committee Member to be a JC substitute, has been drafted.
- it is currently possible for Members of a s101 Committee who are Elected Members of the Administering Authority to attend the Joint Committee as observers. However, such rights do not apply to Members of s101 Committees who are not Elected Members of the Administering Authority. An amendment to the IAA enabling Members of s101 Committees who are not Elected Members of the Administering Authority to observe JC meetings, at the discretion of the JC Chairman, has been drafted.

10.7 As a consequence of the Joint Committee decisions, a proposal from Suffolk County Council to amend the IAA was circulated to Monitoring Officers on 22 April 2022. Comments were invited by 20 June. The Suffolk proposal, if agreed, would:

- introduce an express provision for the Joint Committee to have the ability to make recommendations to the Councils about the adoption and content of guidelines for the Pool;
- allow for observers from nominated Local Pension Boards to attend the Joint Committee meetings; and
- make the rules around Councils nominating substitutes for Joint Committee members, and s101 Committee Member attendance more flexible.

10.8 The Monitoring Officer has not reported any objections with the proposed changes, which will enable delivery of the Joint Committee decisions, however it is possible the wording may be amended resulting from comments of other Council monitoring officers. Once the final wording has been agreed subject to the comments from monitoring officers

each Fund will be asked to agree and sign the revised IAA. The final IAA will be brought to the Pension Committee for approval prior to signing.

Governance Manual

10.9 Work has been undertaken on updating the Governance Manual. Following agreement from s151 Officers, Technical Lead officers from West Sussex reviewed the Manual, identified themes and launched a project to highlight the areas of highest risk to the delivery of the ACCESS Business Plan. This work formed the basis of the revised Governance Manual which has been comprehensively updated. The draft revision was taken to the Officer Working Group in early April. It was then presented at a special meeting of ACCESS s151 Officers on 6 May 2022. The ASU will continue to work to develop and embed the protocols around the processes set out in the revised Governance Manual.

Sub Fund updates

10.10 As part of the initial Operator Agreement, Link, as Operator to the ACCESS ACS, undertook to launch 35 sub-funds within the contracted price. It is understood that further sub-funds will be subject to additional charges.

10.11 All requests for new sub-funds are considered in line with both the protocol and guiding principles (which reflect the concepts of both self-regulation and peer review) and approved by the Joint Committee. At all times it is important to note that the Joint Committee is not a Financial Conduct Authority (FCA) Regulated entity and therefore cannot make recommendations on investment matters. This means that for Joint Committee approved sub-fund requests these are then subject to Link's extensive due diligence as ACS Operator, to allow any sub-fund to be established.

10.12 Currently there are 26 completed sub-funds and a further nine in development, totalling 35 sub-funds that Link have contractually agreed to launch. After carrying out some analysis of the unpooled assets, East Sussex were identified as having requirements that are not yet achievable through the pool or its pipeline. These are for the allocations to the smart beta climate fund and sustainable impact investments. The Fund is working with the ASU to put forward our needs and understand the costs associated with these potential sub-funds as it would be beneficial to pool these assets, however the Fund would need to consider value for money in moving these onto the pool platform as additional costs would be overlaid above those the Fund is currently paying to access these investments.

10.13 In addition to the new sub-funds there are changes required to the existing sub-funds an example of these is the change to the Baillie Gifford Global Alpha sub-fund to make this the Ballie Gifford Global Alpha Paris aligned which happened in Q2 of 2022. There are currently 4 existing sub-funds subject to changes which are being managed along with the new launches.

Internal Audit

10.14 Essex County Council completed their internal audit of ACCESS as the Host Authority. The Audit included an investigation to assess whether the ACCESS Support Unit (ASU) is effectively fulfilling its responsibilities to the ACCESS pool and, by extension, give assurance that the Essex County Council is fulfilling its responsibilities as Accountable Body for the ASU.

10.15 An initial audit was conducted during the summer of 2020, with a final report completed in November 2020 and presented to the Joint Committee at the virtual meeting on 13 January 2021. The opinion given by the auditor at that time was one of 'Good Assurance',

the highest rating available, with no issues raised and a single recommendation to complete specific governance matters.

10.16 It was agreed that Internal Auditors from the ACCESS Authorities would be invited to contribute to the structure of the follow-up audit scheduled for the summer of 2021. The audit commenced on 6 August 2021 and the ASU provided the evidence and explanations sought in the discovery document. Following initial feedback, the ASU engaged in structured dialogue throughout the duration of the three-month inspection.

10.17 A draft report was issued to the ASU on 18 October 2021. This contained a single recommendation covering a number of points relating to best practice in respect of the new Risk Management assessment and reporting process that was introduced to Members at the Joint Committee meeting on 25 June 2021.

10.18 The ASU agreed to implement these by 28 February 2022 and had achieved this to the satisfaction of the Auditor by the time that the final report was published on 2 December 2021. The opinion given by the auditor was again one of 'Good Assurance'.

11. Conclusion and reasons for recommendation

11.1. Investments are regularly monitored to ensure that the Fund's strategic asset allocation set out in the Fund's Investment Strategy Statement (ISS) is being complied with and to keep the Committee informed of any significant concerns with the investment managers, retained to implement the Fund's strategic asset allocation. The Committee is recommended to note this report and agree the proposed amendments to the implementation plan for the investment strategy; and agree for officers to submit a Stewardship Report to the FRC before 31 October 2022.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Russell Wood, Pensions Manager Investments and Accounting

Email: Russell.Wood@eastsussex.gov.uk

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12 month workplan

Notes:

PRI are not accepting submissions in 2022, next submission date Jan-Mar 2023

27 September 2022

- Q2 2022 monitoring report
- ESG implementation statement
- TCFD report
- Fixed income implementation update

February / March 2023

- Q4 2022 monitoring report
- PRI submission

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Jul 2022

Sep 2022

Nov 2022

Mar 2023

Jun 2023

20 July 2022

- Q1 2022 monitoring report
- ESG impact assessment
- Stewardship Code Submission
- Fixed Income implementation update
- Investment Strategy Review
- Training
- Carbon Foot printing report
- Report on Occupied Territories

November 2022

- Q3 2022 monitoring report

June/July 2023

- Q1 2023 monitoring report
- Stewardship Code Annual Report
- Training
- Investment Strategy review
- Carbon Foot printing report

Appendix 1

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East Sussex Pension Fund

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Investment Performance
Quarter to 31 March 2022

Isio Investment Advisory

isio.

Appendix 2

Document Classification: Confidential

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- Performance Summary
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- Longview Global Equity
- WHEB Sustainability Equity
- Wellington Sustainable Equity
- Storebrand Sustainable Equity
- Baillie Gifford Global Equity

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- Harbourvest Private Equity
- Adams Street Private Equity
- Newton Absolute Return
- Ruffer Absolute Return
- Schroders Property
- UBS Infrastructure
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- M&G Infrastructure
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- M&G Real Estate Debt
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- Appendix 2: Explanation of Market Background
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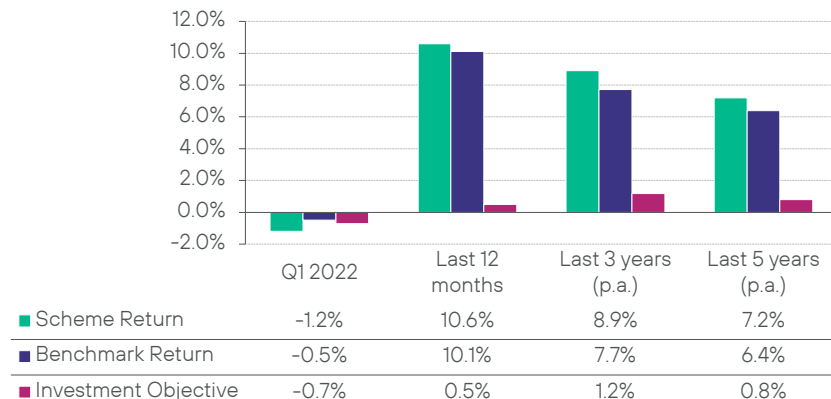
Highlights

Executive Summary – 31 March 2022

Access Pool	Fund	Q1 2022 Performance			Value at quarter end	
		Fund	Benchmark	Relative	31-Dec-21	31-Mar-22
Yes	UBS – UK Equity ¹	0.7%	0.7%	+0.0%	£37.5m	-
Yes	UBS – Global Equity ¹	-4.2%	-4.2%	+0.0%	£203.6m	-
No	UBS Osmosis – Sustainable Equity ¹	4.4%	5.3%	-0.9%	-	£238.2m
Yes	Longview – Global Equity	0.8%	-2.4%	+3.3%	£521.3m	£525.7m
No	WHEB – Sustainable Equity	-10.4%	-2.4%	-8.0%	£256.9m	£230.1m
No	Wellington – Sustainable Equity	-5.3%	-2.6%	-2.6%	£251.4m	£238.2m
No	Storebrand – Sustainable Equity	-5.1%	-2.4%	-2.7%	£537.9m	£510.3m
Yes	Baillie Gifford – Global Equity	-12.4%	-2.6%	-9.8%	£225.4m	£197.4m
No	Harbourvest – Private Equity ^{2,3}	6.2%	-2.3%	+8.5%	£159.1m	£167.7m
No	Adams Street – Private Equity ^{2,3}	10.9%	-2.3%	+13.2%	£190.3m	£206.0m
Yes	Newton – Absolute Return	-4.2%	0.8%	-5.0%	£520.1m	£498.4m
Yes	Ruffer – Absolute Return	3.8%	0.8%	+3.0%	£518.2m	£537.9m
No	Schroders – Property	4.3%	5.6%	-1.3%	£393.7m	£406.2m
No	UBS – Infrastructure ³	11.9%	2.2%	+9.7%	£34.2m	£35.8m
No	Pantheon – Infrastructure ³	5.3%	2.2%	+3.0%	£58.8m	£62.4m
No	M&G – Infrastructure ³	1.0%	2.2%	-1.2%	£42.0m	£42.4m
No	ATLAS – Listed Infrastructure	8.7%	6.8%	+1.9%	£88.3m	£96.0m
No	M&G – Real Estate Debt ³	1.9%	1.2%	+0.8%	£38.9m	£39.7m
Yes	M&G – Diversified Credit	-0.6%	0.2%	-0.8%	£289.5m	£287.7m
Yes	M&G – Corporate Bonds	-8.5%	-9.0%	+0.6%	£162.6m	£148.9m
Yes	UBS – Over 5 Year Index-linked Gilts	-6.3%	-6.4%	+0.1%	£144.1m	£135.0m
Total Assets		-1.2%	-0.5%	-0.7%	£4,741m	£4,682m

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Period returns – to 31 March 2022



Commentary

- The Fund's assets delivered a negative absolute return of -1.2% over the quarter, underperforming the benchmark by 0.7%. Performance across mandates was relatively mixed, with Russia's invasion of Ukraine, coupled with growing inflationary pressures, drivers of market volatility over the quarter.
- The Fund's private equity mandates delivered strong returns, with private markets often slower to adjust to macroeconomic conditions. Similarly, the infrastructure and property mandates performed well, partially driven by the assets' inflation linkage.
- The Fund's equity portfolio was the largest detractor from returns, with sustainable funds underperforming, due to limited exposure to the energy sector and tilts towards high growth stocks, which lagged traditional energy and financial firms over the period.
- Despite negative returns over Q1, longer term returns at Fund level remain strong, with equity markets having added significant value over the last decade.

The Fund's assets delivered a negative return of -1.2% over the quarter, underperforming the benchmark by 0.7%.

Performance across the Fund's mandates was mixed, with equity holdings the largest detractor from absolute and relative returns.

Notes: Totals may not sum precisely due to rounding. All returns are net of fees. Unless stated otherwise, all performance figures and objectives provided by Northern Trust as at 31 March 2022. Fund Total value includes cash held with Northern Trust. ¹ Performance for UBS equity part period to disinvestment date on 8 February 2022. Osmosis performance part period from investment date. ² Valuation and performance information as at 31 December 2021. ³ Valuations shown are either 3m or 6m lagged and adjusted for distributions / drawdowns and currency movements.

Source: Investment Managers, Northern Trust, Isio calculations.

Manager Performance – 31 March 2022

Fund	Q1 2022 Performance			1 Year Performance			3 Year Performance			5 Year performance		
	Fund	Objective	Relative	Fund	Objective	Relative	Fund	Objective	Relative	Fund	Objective	Relative
UBS Osmosis – Sustainable Equity ¹	4.4%	5.3%	-0.9%	-	-	-	-	-	-	-	-	-
Longview - Global Equity	0.8%	-2.4%	+3.3%	14.6%	15.4%	-0.8%	10.5%	14.6%	-4.1%	-	-	-
WHEB - Sustainable Equity	-10.4%	-2.4%	-8.0%	3.3%	15.4%	-12.1%	-	-	-	-	-	-
Wellington – Sustainable Equity	-5.3%	-2.6%	-2.6%	6.9%	15.1%	-8.2%	-	-	-	-	-	-
Storebrand – Sustainable Equity	-5.1%	-2.4%	-2.7%	12.1%	15.4%	-3.3%	-	-	-	-	-	-
Baillie Gifford – Global Equity	-12.4%	-2.6%	-9.8%	-	-	-	-	-	-	-	-	-
Harbourvest – Private Equity ²	6.2%	-2.3%	+8.5%	74.2%	13.9%	+60.3%	28.6%	14.8%	+13.8%	22.8%	11.5%	+11.3%
Adams Street – Private Equity ²	10.9%	-2.3%	+13.2%	56.0%	13.9%	+42.1%	32.5%	14.8%	+17.7%	24.6%	11.5%	+13.0%
Newton – Absolute Return	-4.2%	0.8%	-5.0%	1.2%	2.7%	-1.5%	-	-	-	-	-	-
Gifford – Absolute Return	3.8%	0.8%	+3.0%	5.5%	2.7%	+2.7%	-	-	-	-	-	-
Schroders – Property	4.3%	5.6%	-1.3%	20.7%	23.1%	-2.5%	6.9%	8.1%	-1.1%	7.3%	7.8%	-0.5%
UBS – Infrastructure	11.9%	2.2%	+9.7%	9.0%	9.1%	-0.0%	-3.0%	5.1%	-8.0%	-0.7%	3.5%	-4.3%
Pantheon – Infrastructure ²	5.3%	2.2%	+3.0%	19.6%	9.1%	+10.6%	9.3%	5.1%	+4.2%	-	-	-
M&G – Infrastructure	1.0%	2.2%	-1.2%	8.1%	9.1%	-1.0%	6.9%	5.1%	+1.8%	-	-	-
ATLAS – Listed Infrastructure	8.7%	6.8%	+1.9%	24.1%	21.6%	+2.5%	-	-	-	-	-	-
M&G – Real Estate Debt	1.9%	1.2%	+0.8%	6.0%	4.2%	+1.8%	-	-	-	-	-	-
M&G – Diversified Credit	-0.6%	0.2%	-0.8%	-	-	-	-	-	-	-	-	-
M&G - Corporate Bonds	-8.5%	-9.0%	+0.6%	-6.0%	-6.7%	+0.7%	-	-	-	-	-	-
UBS - Over 5 Year Index-linked Gilts	-6.3%	-6.4%	+0.1%	4.8%	4.8%	-0.0%	3.2%	3.3%	-0.0%	-	-	-
Total Assets	-1.2%	-0.5%	-0.7%	10.6%	10.1%	0.5%	8.9%	7.7%	1.2%	7.2%	6.4%	0.8%

Notes: Totals may not sum precisely due to rounding. All returns are net of fees. Unless stated otherwise, all performance figures and objectives provided by Northern Trust as at 31 March 2022.

¹3 month performance is part period from inception date on 3 March 2022. ¹ Valuation and performance information as at 31 December 2021.





Source: Investment Managers, Northern Trust, Isio calculations.

The Table shows manager performance over the short, medium and long-term.

The public equity mandates have broadly struggled to add value relative to their benchmarks over the last year.

The private equity mandates have delivered very strong performance of the 1, 3 and 5 year periods.

Looking Forward

Key issues		
Item	Action points / Considerations	Status
Overall Investment Strategy	Infrastructure Equity Manager Selection <ul style="list-style-type: none">Following the manager selection meeting held in Q1 2022 to determine the suitability of two infrastructure equity managers, IFM and JP Morgan, the IWG provisionally agreed that the IFM Global Infrastructure Fund represented the best fit for the Fund's mandate. Subsequently, this proposal was discussed at the Q1 Committee meeting and the IWG's decision was ratified. The Officers are progressing with the onboarding of IFM, and it is expected that the Fund's commitment will be called over the next c. 12 months.	
	Fixed Income Manager Selection <ul style="list-style-type: none">At the Q1 2022 Committee meeting, Isio presented a paper detailing the proposed implementation approach for selection of the manager(s) to manage the agreed increased allocation to fixed income. The Committee agreed to the proposed approach, and Isio are currently preparing a manager selection briefing paper, with the intention to hold a selection meeting with the IWG, with the prospective investment managers in attendance, ahead of the July Committee meeting.	
	Macroeconomic Outlook <ul style="list-style-type: none">The ongoing conflict between Russia and Ukraine was the most significant global event that occurred over the quarter. In addition to the humanitarian consequences of the war, there are a number of global economic impacts that the conflict, and the sanctions placed on Russia, are having. The largest of these is the impact on already high inflation, with this primarily driven by rising energy and food prices, given the region's position as a key exporter of oil, gas and grains. Similarly, supply chain issues globally (most notably in China, where Covid-related lockdowns continue) are further intensifying inflationary pressures. This surge in realised and expected inflation has resulted in an acceleration of many central banks' monetary policy tightening.The macroeconomic outlook appears increasingly fragile, as there are general fears that further tightening of monetary policy may constrain future economic growth prospects, and indeed the Bank of England predicts an economic slowdown over the coming year. This has the potential to cause volatility across financial markets.Rising inflation was flagged as a key risk to the Fund at the time of the last investment strategy review, with a number of the changes, such as the increase to infrastructure equity and an allocation to inflation-linked property, intended to further address this risk within the Fund's asset portfolio. This will be discussed further at the Q2 Committee meeting.	
	Osmosis Resource Efficiency Allocation <ul style="list-style-type: none">The agreed allocation to the Osmosis Resource Efficiency Fund, was finalised and implemented by UBS over the quarter on the 3rd March 2022.	

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Summary

This page sets out the main action / discussion points.

Status key

-  Action
-  Decision
-  Discussion
-  Information only

Looking Forward (cont.)


Key issues		
Item	Action points / Considerations	Status
Investment Managers	<ul style="list-style-type: none">At the start of the quarter, we were informed of a team change within the Newton multi-asset team. It was announced that Mitesh Sheth (previously CEO of Redington) will join Newton to fill the CIO role of Newton's multi-asset business, which was temporarily being covered by CEO, Euan Munro. We are comfortable with this as it appears a sensible appointment and adds resource to the senior team overseeing the multi-asset business. In addition, we do not expect the change to have a material impact on the Real Return Fund given the team responsible for managing the Fund remains the same.	
	<ul style="list-style-type: none">Given weak UBS infrastructure performance since inception of Fund I due to significant issues with the Southern Water holding, and the significant time left to run on the Fund's investment in Fund III, we propose that UBS continue to be monitored closely. We are working with UBS to improve the level information they are able to provide on an ongoing basis.	
	<ul style="list-style-type: none">We suggest continuing to monitor the Longview Global Equity Fund given recent team changes.	

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Summary

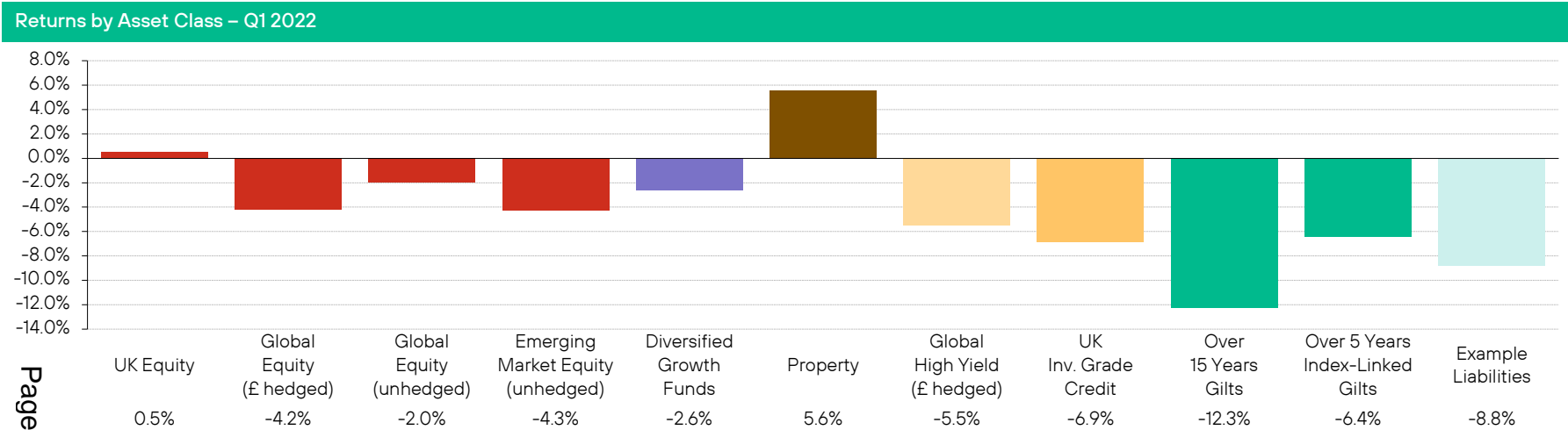
This page sets out the main action / discussion points.

Status key

-  Action
-  Decision
-  Discussion
-  Information only

Market Background

Market Background – Overview Q1 2022



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Key Upcoming Events

- The dates for the Bank of England’s Monetary Policy Committee (MPC) announcements in Q2 2022 are 5 May and 16 June.
- The dates for the US Federal Reserve’s Federal Open Market Committee (FOMC) announcements in Q2 2022 are 4 May and 15 June.

Commentary

- Despite a partial recovery in March, developed market equities fell in value over the quarter, with volatility elevated in light of the Russian invasion of Ukraine. In addition, the rising interest rate environment was particularly detrimental for more highly valued ‘growth’ stocks in sectors such as technology. Emerging markets equities underperformed their developed market counterparts, partly due to a new wave of Omicron Covid-19 cases in China, in addition to the broader geopolitical concerns in relation to Russia and the Ukraine. UK equities were resilient, with the energy and banking sectors benefitting from the prevailing macro economic factors of rising energy commodity prices and rising interest rate expectations respectively.
- Credit spreads widened and corporate bonds experienced negative returns. This was driven by the Russian invasion, inflationary pressures and tighter monetary policy.
- Nominal and real gilt yields rose sharply, driven by the Bank of England rising base interest rates. The extent of yield movements differed across financial markets with the US Treasury market is in the midst of one of its worst sell-offs on record.

Summary

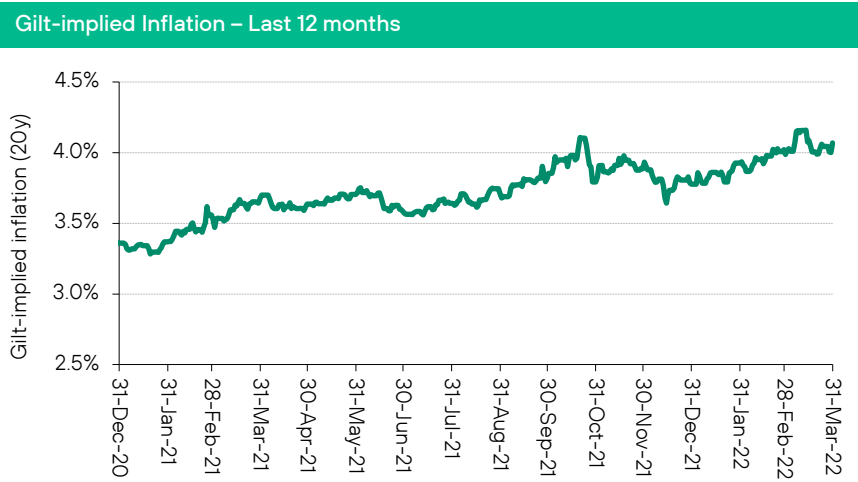
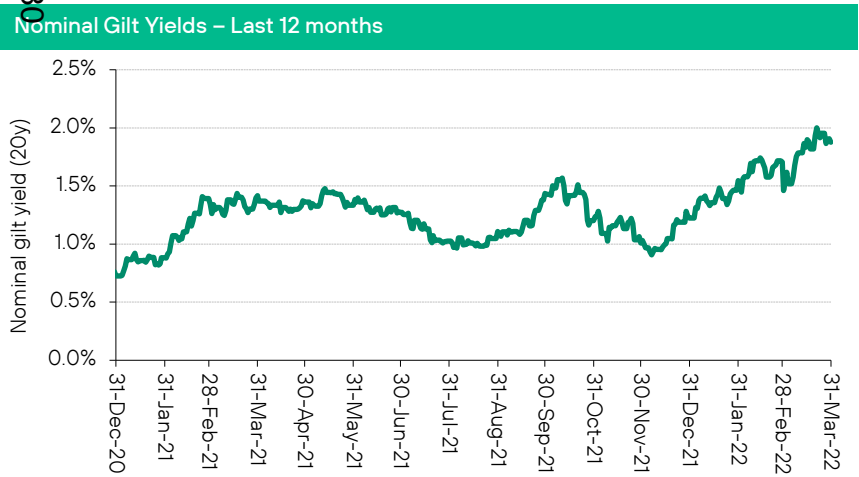
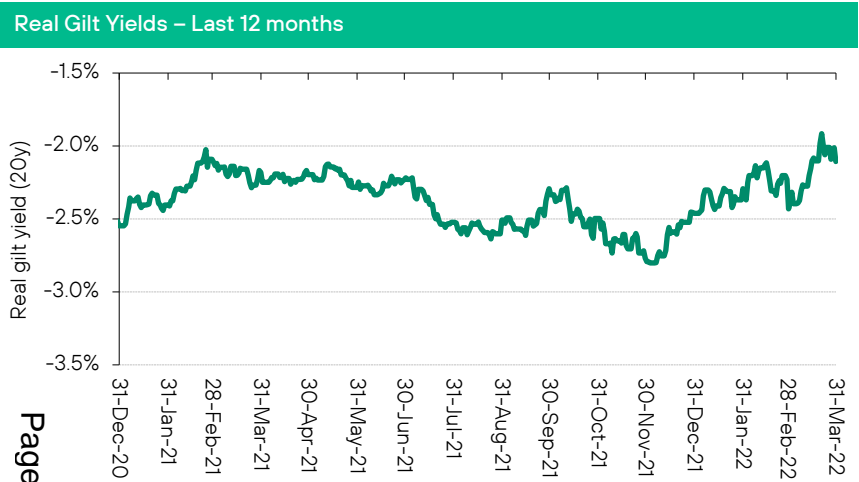
Russia’s invasion of Ukraine in late February had significant ramifications for asset classes globally. The expected impact of economic sanctions and supply chain issues underpinned equity market volatility and a widening of credit spreads (meaning valuations fell). Commodity prices also spiked, given the region is a key exporter of several important raw materials including oil, gas, and wheat. This contributed to a further surge in inflation.

Nominal and real gilt yields rose sharply, driven by the Bank of England rising base interest rates and the increasingly inflationary outlook. Given the high inflationary environment, index-linked gilts outperformed nominal gilts, albeit still delivering negative returns.

The Bank of England raised the base rate by 0.25% twice in the first quarter, reaching 0.75%. At the March meeting, the Bank described geopolitical risks as having accentuated its prior expectations for weak growth and high inflation this year.

Note: Please see Appendix 2 for details of the returns representing each asset class.
Source: Refinitiv, DGF investment managers, Isio calculations.
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Market Background – Yields



These charts show yield movements at the 20-year tenor over the past year.

The “Example Liabilities” indicate how a typical scheme’s past-service liabilities may have moved.

Gilt Yield and Implied Inflation Changes

20-year Real Gilt Yield

January	0.17%
February	0.06%
March	0.12%
Quarter	0.35%

20-year Nominal Gilt Yield

January	0.32%
February	0.16%
March	0.17%
Quarter	0.65%

20-year Gilt-Implied Inflation

January	0.15%
February	0.09%
March	0.05%
Quarter	0.29%

Note: Please see Appendix 2 for details of the example liabilities. Monthly yield changes may not sum to quarterly changes, due to rounding.

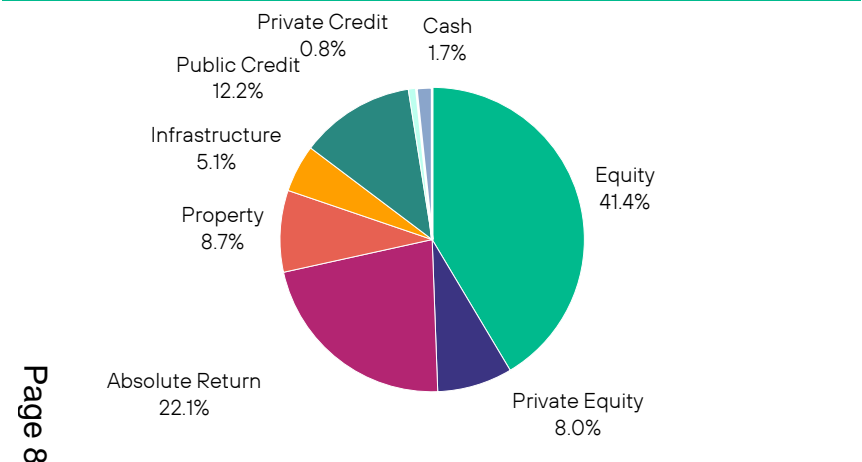
Source: Bank of England, Isio calculations.

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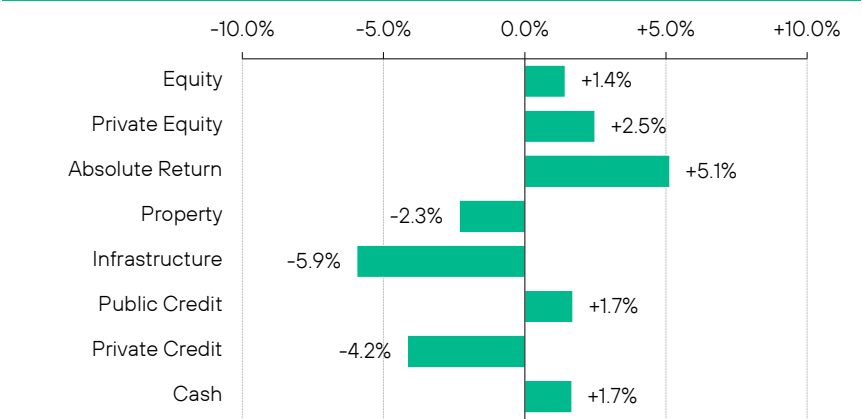
Strategy Overview

Asset Allocation – at 31 March 2022

Asset Allocation – 31 March 2022

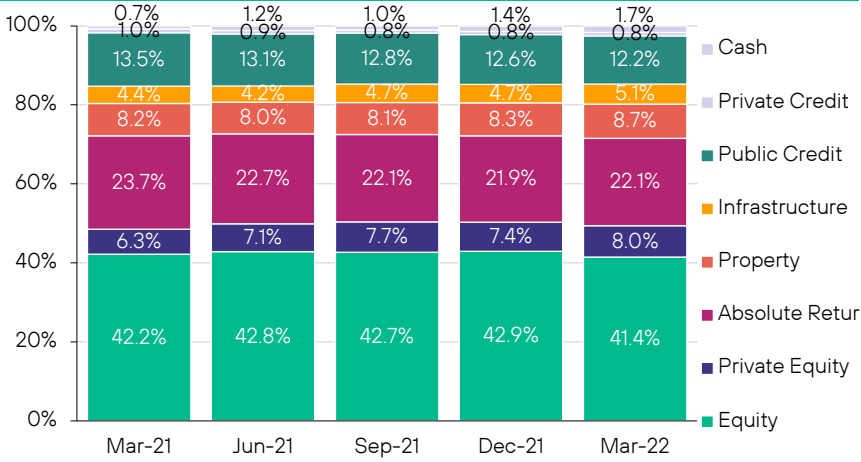


Assets Relative to Benchmark – 31 March 2022



Note: Totals may not sum due to rounding.
Source: Investment managers, Isio calculations.
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Asset Allocation Changes Since 31 March 2021



Commentary

- As at March 2022, the Fund's asset allocation remained misaligned to the target benchmark following the strategic changes agreed at the July 2021 Committee meeting. These changes are outlined below:
 - Reduce: absolute return from 20% to 17%; balanced property from 10% to 7%; corporate bonds and index-linked gilts to 0%.
 - Increase: inflation-linked property allocation to 4% (new allocation); infrastructure equity from 8% to 11%; private credit from 3% to 5%; and diversified credit from 7% to 10.5%.
- The absolute return allocation is materially overweight, while the property, infrastructure and private credit allocations remain underweight.
- Equity and private equity are also overweight, following strong performance over the medium term, relative to other risk asset classes.
- The allocations will be brought more closely in line with the strategic benchmark as the new mandates are agreed and implemented over the year.

Summary

As at March 2022, the Fund's asset allocation was somewhat off benchmark following strategic changes to the Fund's asset allocation agreed at the July 2021 Committee meeting, which are yet to be implemented.

Allocations will be brought more closely in-line to the revised benchmark as managers for the new mandates are agreed and implemented over the coming quarters.

Total Assets

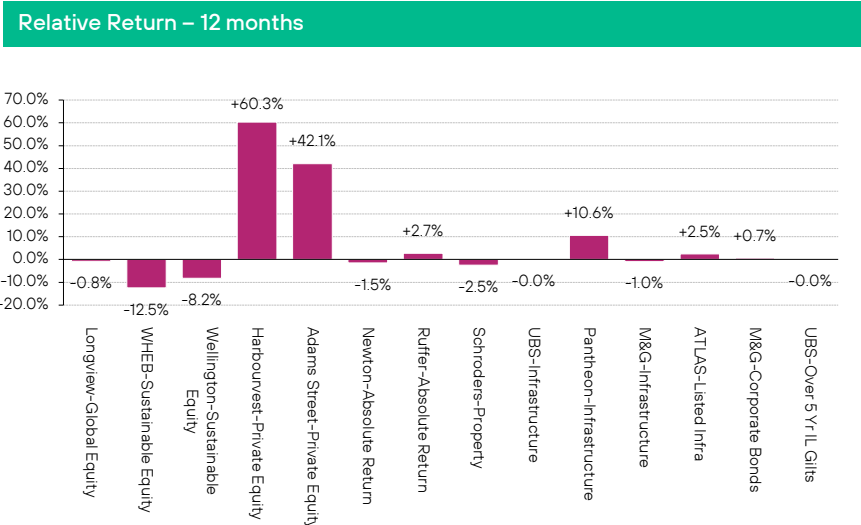
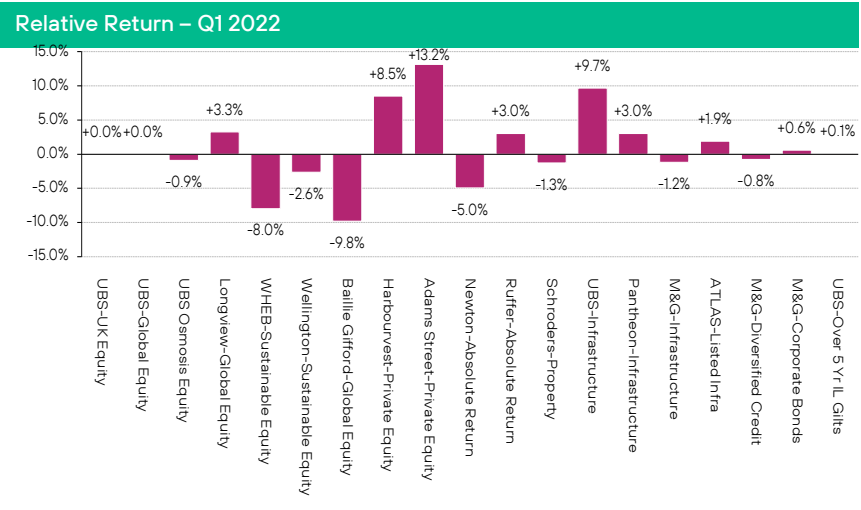
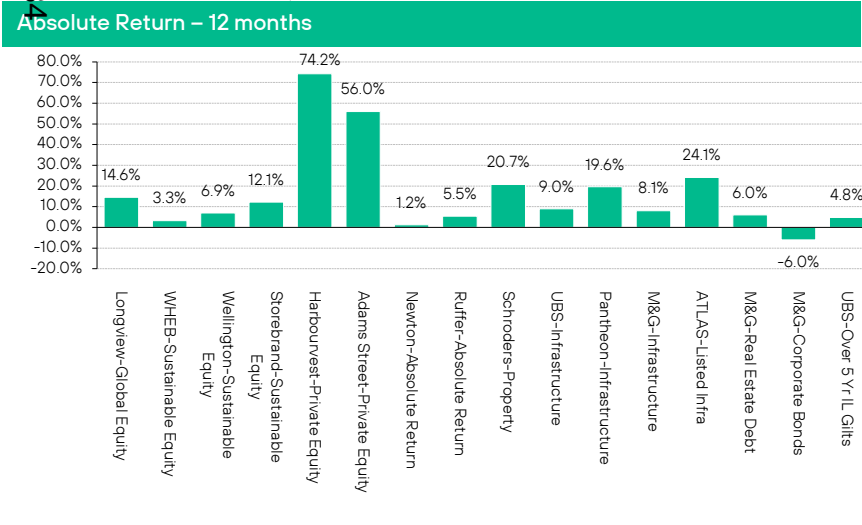
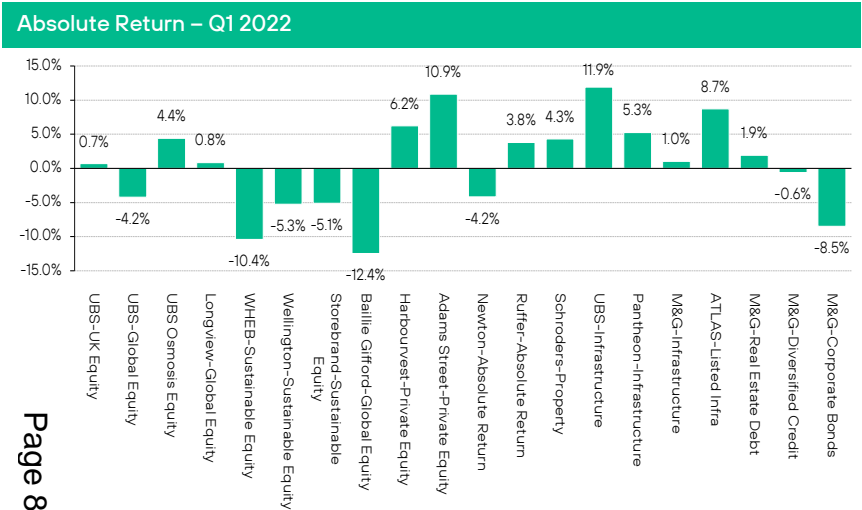
Start of quarter £4,741m
End of quarter £4,682m

Agreed Target Allocation

Equity	40.0%
Private Equity	5.5%
Absolute Return	17.0%
Balanced Property	7.0%
Inflation-Linked Property	4.0%
Infrastructure	11.0%
Private Credit	5.0%
Diversified Credit	10.5%

Investment Managers

Performance Summary – to 31 March 2022



Summary

The Fund's mandates delivered mixed absolute performance over the quarter, with sustainable equity mandates delivering the most notable negative returns, alongside corporate bonds.

The Fund's private equity mandates continued to post strong absolute returns over Q1.

Relative performance has been mixed over the short and medium term, with the sustainable equity funds in particular struggling to keep pace with their respective benchmarks. This is in line with the broader sustainable fund universe, which has been hampered by tilts towards the 'growth' style of investing, which has been out of favour amongst investors over the last year.

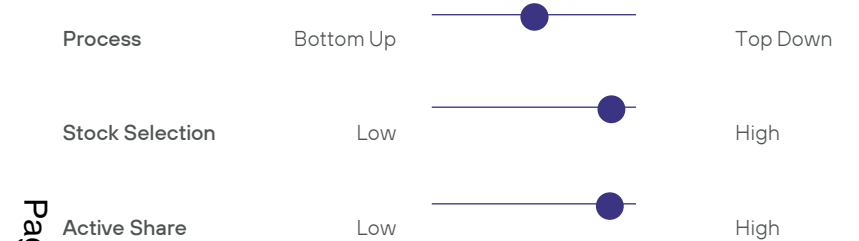
Note: Returns net of fees. 12 month relative and absolute returns are not available for the UBS Osmosis, Baillie Gifford and M&G Diversified Credit mandates as they were inception post 31 March 2021. UBS UK and Global Equity performance is part period to disinvestment date in February 2022. UBS Osmosis Equity performance is part period from inception of the Fund's investment on 3 March 2022.

Source: Investment Managers, Northern Trust, Isio calculations.

Longview - Global Equity

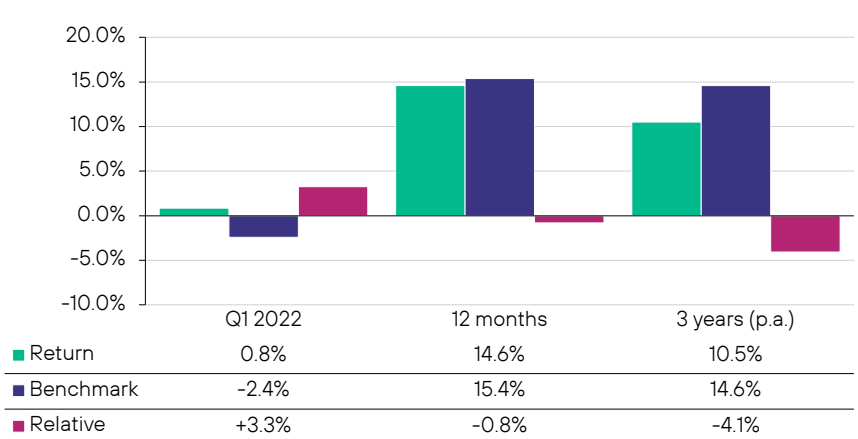
Overview

The strategy utilises a bottom-up approach to invest in 30-35 high quality global companies which have strong business fundamentals and a market capitalisation greater than \$5 billion.



Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none">Lack of exposure to 'growth' stocks in favour of more defensive stocks contributed to performanceL3Harris (+0.8%), a defence firm, benefitted from a revision of defence policy in Europe in light of the war
Portfolio positioning	<ul style="list-style-type: none">1 new addition and 2 complete salesCDW was purchased based on expectation to grow share of US IT market over timeAsahi was sold given concerns around a deterioration in competitive positioning
Outlook	<ul style="list-style-type: none">Longview remain comfortable with the focus on quality names, which they consider will stand the Fund in good stead given the current macroeconomic environment.

Performance to 31 March 2022



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	33	34	In line with expectations
12m turnover	20%	22%	In line with expectation
Active share	95%	95%	No major developments
Top 3 sectors	Health Care (30%), Financials (20%), IT (14%)		
Top 3 stocks	UnitedHealth (5%), WW Grainger (4%), Becton Dickinson (4%)		
Top 3 regions	North America (83%), Europe (17%)		

Mandate: Active Global Equities

Current Value: £525.7m

Current Weighting: 11.2%

Inception: April 2013

Objective: Outperform benchmark by 3% (gross) p.a. over rolling 3 year periods.

Benchmark: MSCI ACWI

Pooled: Via Access Pool

Note: Totals may not sum due to rounding. Performance quoted net of fees.

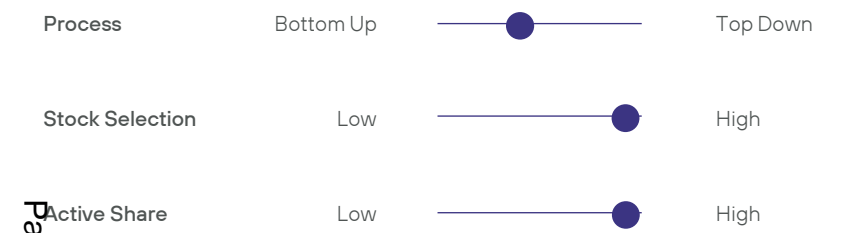
Source: Investment manager, Northern Trust, Isio calculations.

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WHEB – Sustainable Equity

Overview

The Fund utilises an unconstrained global equity approach which focuses on investing in companies capitalising on opportunities created by the transition to healthy, low carbon and sustainable economies, across nine broad sustainability themes.



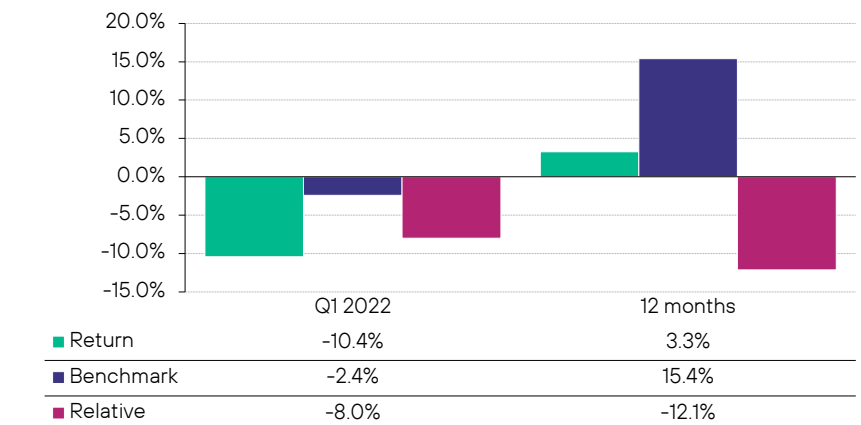
Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none">Bias toward higher growth companies and no exposure to traditional energy or financial companies detracted. This is in line with the broader 'sustainable' fund market.Resource Efficiency, Sustainable Transport and Health themes detracted from relative returnsClean Energy and Education themes aided relative returns
Portfolio positioning	<ul style="list-style-type: none">6 new additions and 7 complete salesThe team added four stocks within the resource efficiency theme, which had performed weakest over the quarter
Outlook	<ul style="list-style-type: none">WHEB are not ruling out the potential for short term headwinds, however consider the portfolio well positioned for long-term growth driven by solutions aiding the transition to a more sustainable economy

Note: Totals may not sum due to rounding. Performance quoted net of fees.

Source: Investment manager, Northern Trust, Isio calculations.

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Performance to 31 March 2022



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	44	45	In line with expected range
12m turnover	17%	5%	Increased but still relatively low
Active share	98%	97%	No major developments
Top 3 sectors	Health Care (30%), IT (26%), Industrials (26%)		
Top 3 stocks	Thermo Fisher (3%), HelloFresh (3%), Advanced Drainage Systems (3%)		
Top 3 regions	North America (62%), Europe (19%), Japan (9%)		

Mandate: ESG focused Global Equity

Current Value: £230.1m

Current Weighting: 4.9%

Inception: December 2020

Benchmark: MSCI World Total Return Net GBP

Objective: To achieve capital growth over the medium to longer term.

Pooled: No

Wellington – Sustainable Equity

Overview

The Fund aims to invest in innovative companies whose core products and services addresses the world’s major social and environmental challenges. Wellington choose stocks from the universe list which has been derived from a number of sources such as internal and field research, company meetings, conferences or third party research.

Process

Bottom Up

Top Down

Stock Selection

Low

High

Active Share

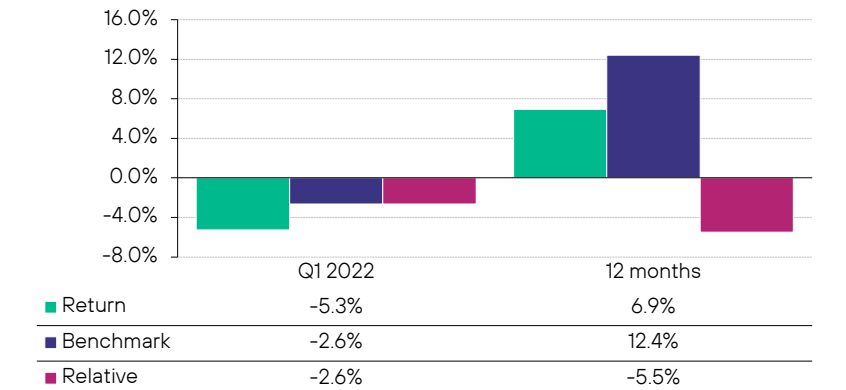
Low

High

Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none">Industrials and healthcare stock selection (-1.6%, -1.2%). In line with expectations given stock selection-driven process. Over long term we expect this to add value. Negative stock selection also expected given portfolio’s ‘growth’ factor tilt.Energy sector allocation (-0.9%). In line with expectations over period of rising commodities given structural underweight to traditional energy.
Portfolio positioning	<ul style="list-style-type: none">Focused on valuation discipline given the environment.Trimmed exposure to stocks with higher pricing multiples, most notably within the Clean Water and Sanitation theme.The Fund added five new positions and eliminated three.
Outlook	<ul style="list-style-type: none">Wellington remain very conscious of the impact of inflation and supply chain issues on the portfolio, and are focussing on incorporating these risks into their bottom-up analysis.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Performance to 31 March 2022



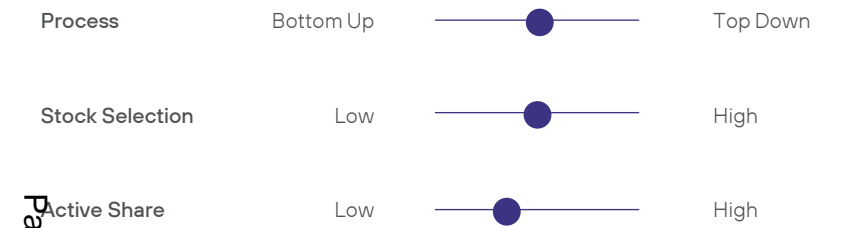
Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	68	66	+2
12m turnover	24%	24%	In line with expectations
Active share	98%	98%	In line with expectations
Top 3 sectors	Industrials (20%), Healthcare (19%), IT (18%)		
Top 3 stocks	Boston Scientific (3%), Danaher (3%), Acciona (3%)		
Top 3 regions	North America (61%), Europe ex UK (17%), Emerging Markets (16%)		

Mandate: Global Impact Equities
Current Value: £238.2m
Current Weighting: 5.1%
Inception: December 2020
Benchmark: MSCI AC World
Objective: To outperform the MSCI All Country World Index over the long-term.
Pooled: No

Storebrand – Sustainable Equity

Overview

The Fund adopts an optimised, smart beta approach, investing in global equities with the aim of approximating the performance and risk profile of the index, with an explicit incorporation of ESG and climate-related risks.



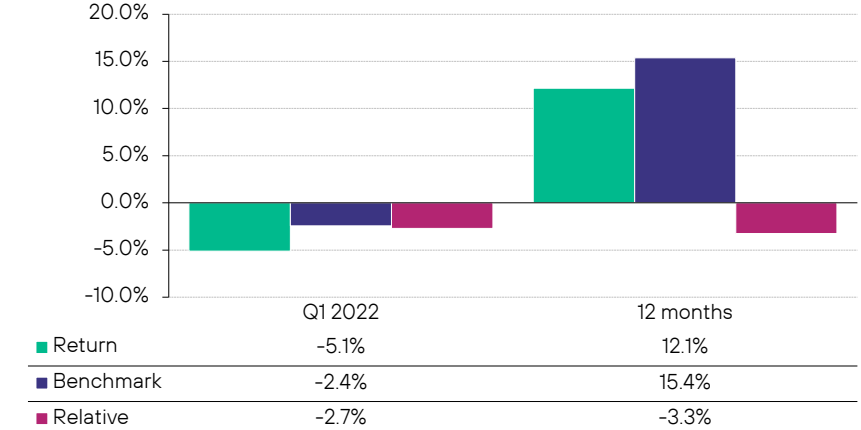
Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none">Underperformance largely attributable to exclusion of fossil fuel related companies, driven by two elements:Oil and gas sector outperformanceGrowth to value rotation (with fossil fuel companies tending to be value-centric)
Portfolio positioning	<ul style="list-style-type: none">2 new additions and 14 complete salesBlock Inc and Zimvie Inc purchased, Renault, IHS Markit Ltd and Suez among those companies sold
Outlook	<ul style="list-style-type: none">No changes to strategy over Q1Note difficulties during periods when excluded stocks outperform more than any other category of stock the strategy could use as a hedge

Note: Totals may not sum due to rounding. Performance quoted net of fees.

Source: Investment manager, Northern Trust, Isio calculations.

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Performance to 31 March 2022



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	744	756	In line with expectations
12m turnover	29%	26%	Increased given portfolio activity
Active share	42%	40%	No major developments
Top 3 sectors	IT (25%), Industrials (13%), Health Care (13%)		
Top 3 stocks	Apple (5%), Microsoft (4%), Alphabet (3%)		
Top 3 regions	United States (66%), Japan (7%), UK (4%)		

Mandate: ESG Focused Global Equities

Current Value: £510.3m

Current Weighting: 10.9%

Inception: December 2020

Benchmark: MSCI World NR

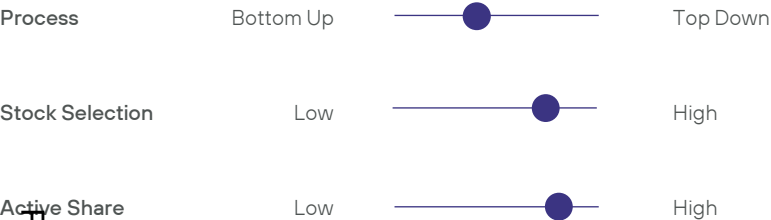
Objective: Reproduce risk-return profile of the MSCI World Index

Pooled: No

Baillie Gifford – Global Equity

Overview

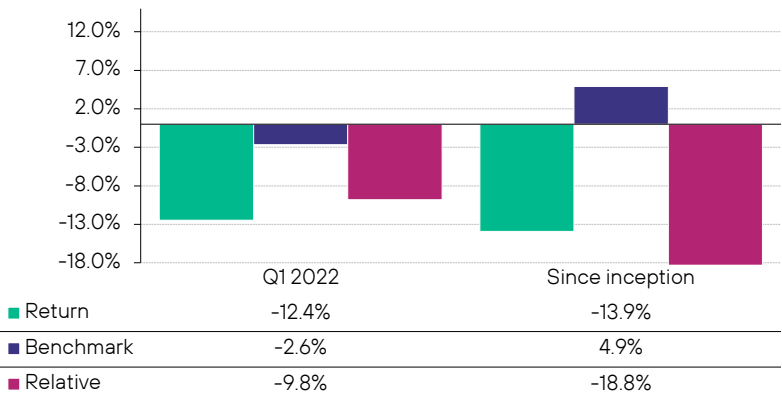
The Fund utilises an unconstrained global equity approach which focuses on investing in companies displaying above average earnings growth and sustainable competitive advantages in their respective industries.



Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none">Growth stocks significantly underperformed over the quarter due to concerns relating to rising inflation, supply-chain disruptions and geopolitical tensions.
Portfolio positioning	<ul style="list-style-type: none">Three new purchases (Adobe, Royalty Pharma and Analogue Dev.) and three complete sales (Lyft, Stericycle and Zillow).Portfolio sales primarily relate weakened conviction in the strength of the growth outlook, amongst a backdrop where competition for capital in the portfolio is high.
Outlook	<ul style="list-style-type: none">BG note that growth profile of the portfolio remain robust.Whilst BG are seeking to take advantage of depressed valuations, they are not seeking to aggressively reposition the portfolio given continued levels of volatility.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.
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Performance to 31 March 2022



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	97	97	No change
12m turnover	17%	21%	In line with expectation
Active share	85%	85%	No developments
Top 3 sectors	Consumer Disc. (19%), IT (17%), Financials (15%)		
Top 3 stocks	Anthem (4%), Microsoft (3%), Alphabet (3%)		
Top 3 regions	North America (58%), Europe ex UK (15%), Emerging Markets (13%)		

Mandate: Global Equities

Current Value: £197.4m

Current Weighting: 4.2%

Inception: August 2021

Benchmark: MSCI AC World Index (GBP)

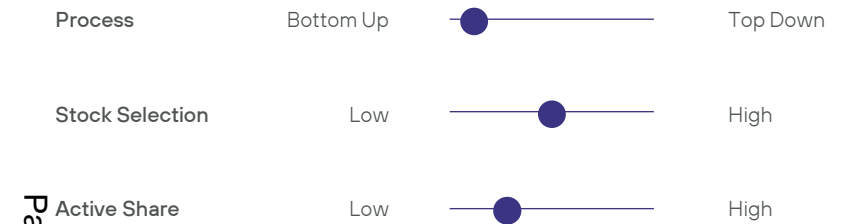
Objective: Outperform benchmark by 2.0% p.a. (net of fees) over rolling 5-year periods

Pooled: Via Access Pool

UBS / Osmosis – Sustainable Equity

Overview

The Fund adopts an optimised, smart beta approach, investing in global equities with the aim of approximating the performance and risk profile of the index, with an explicit incorporation of ESG and climate-related risks.

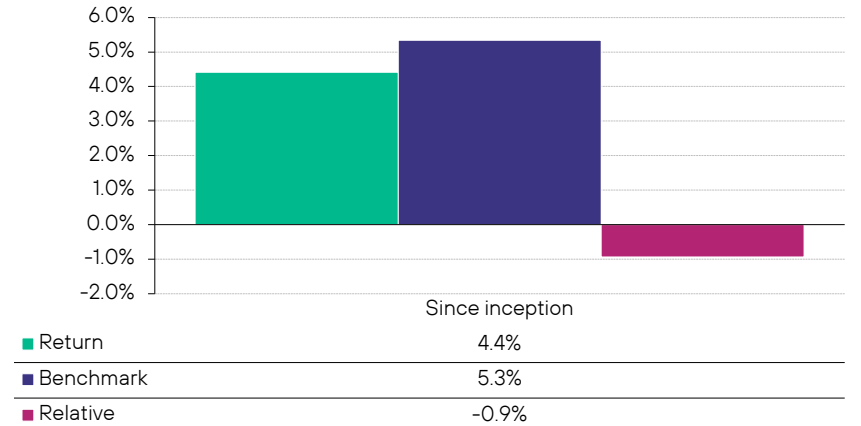


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Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none">Lack of fossil fuels exposure detrimental, as energy sector outperformedJapan stock selection effect (+0.5%).Nucor Corp (0.2%) - benefitted from a strong quarter for the materials sector, aided by strength in commodities
Portfolio positioning	<ul style="list-style-type: none">Vertex Pharmaceuticals and Cigna Health (both healthcare), as well as SG holdings (industrials) were added to the portfolio.Unilever and PepsiCo both sold during the quarter
Outlook	<ul style="list-style-type: none">Osmosis remain comfortable with the positioning of the portfolio, and confident in the resource efficiency alpha signal enabling the portfolio to maintain a positive active return, despite increased volatility in the market.

Note: Totals may not sum due to rounding. Performance quoted net of fees. Performance shown since inception of the Fund's investment on 3 March 2022.
Source: Investment manager, Northern Trust, Isio calculations.

Performance to 31 March 2022



Metrics	Current Quarter	Last Quarter	View/change
Stocks (no.)	652	682	Large change, but in line with quant process
12m turnover	24%	24%	Remained broadly constant
Active share	44%	42%	No major developments
Top 3 sectors	IT (24%), Health Care (15%), Financials (13%)		
Top 3 stocks	Apple (5%), Microsoft (4%), Amazon (2%)		
Top 3 regions	United States (69%), Japan (6%), UK (4%)		

Mandate: ESG Focused Global Equities

Current Value: £238.2m

Current Weighting: 5.1%

Inception: March 2022

Benchmark: MSCI World NR

Objective: Achieve superior risk-adjusted returns by targeting maximum resource efficiency exposure while maintaining a tight tracking error to the MSCI World.

Pooled: No

Harbourvest – Private Equity

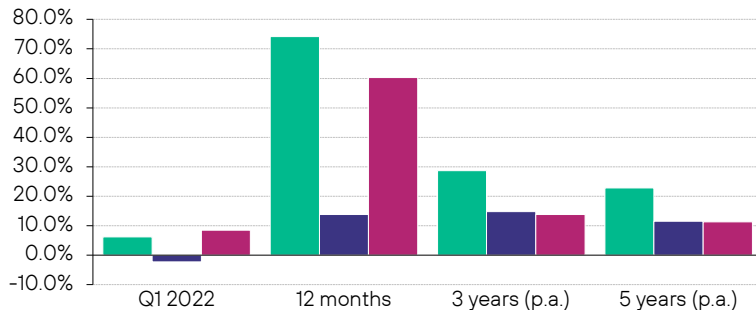
Overview	
HarbourVest manage a global private equity portfolio for the Fund,, invested globally across a range of subclasses (buyout, venture, debt/credit, among others).	
Style	Multiple: Buyout, venture, credit
Stage	Multiple: Primary, secondary
Access	Fund-of-Funds
Vintage Year	Multiple: 2004-2021
Regional Focus	Global
Key area	Comments (3 month lagged)
Performance	<ul style="list-style-type: none">Gains during the quarter were primarily driven by Fund XI Combined and Cleantech II
Developments over quarter	<ul style="list-style-type: none">Several funds distributed proceeds back to investors during Q4, with the most sizeable distributions coming from Cleantech II, Fund IX Venture and Fund IX Buyout
Outlook	<ul style="list-style-type: none">HarbourVest have not provided specific outlook for the portfolio. However we note that the macro-economic environment may provide headwinds for the asset class over coming quarters, as rising interest rates put pressure on valuation multiples and interest coverage ratios of portfolio firms.

Note: Totals may not sum due to rounding. Performance quoted net of fees.

Source: Investment manager, Northern Trust, Isio calculations.

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Performance to 31 March 2022



	Q1 2022	12 months	3 years (p.a.)	5 years (p.a.)
Return	6.2%	74.2%	28.6%	22.9%
Benchmark	-2.3%	13.9%	14.8%	11.5%
Relative	+8.5%	+60.3%	+13.8%	+11.3%

Metrics	Current Quarter	Last Quarter	View/change
IRR (net)	12.2%	12.0%	As expected
Capital Deployed/Raised	59%	58%	Slight increase
DPI	1.0x	1.0x	No change
TVPI	1.9x	1.9x	No change
Top 3 subclasses	Venture (55%), Buyout (43%), Credit (1%)		
Top 3 regions	North America (59%), Europe (24%), Asia (14%)		

Mandate: Private Equity
Current Value: £167.7m
Current Weighting: 3.6%
Inception: January 2003
Benchmark: MSCI World +1.5%
Objective: MSCI World +3.0%
Pooled: No

Adams Street – Private Equity

Overview

Adams Street manage a global private equity portfolio for the Fund, combining Partnerships and Co-investments, invested globally across a range of subclasses (buyout, venture, energy, debt/credit, among others).

Style	Multiple: Buyout, venture, debt
Stage	Multiple: Primary, secondary, co-investment
Access	Fund-of-Funds
Vintage Year	Multiple: 2003-2019
Regional Focus	Global

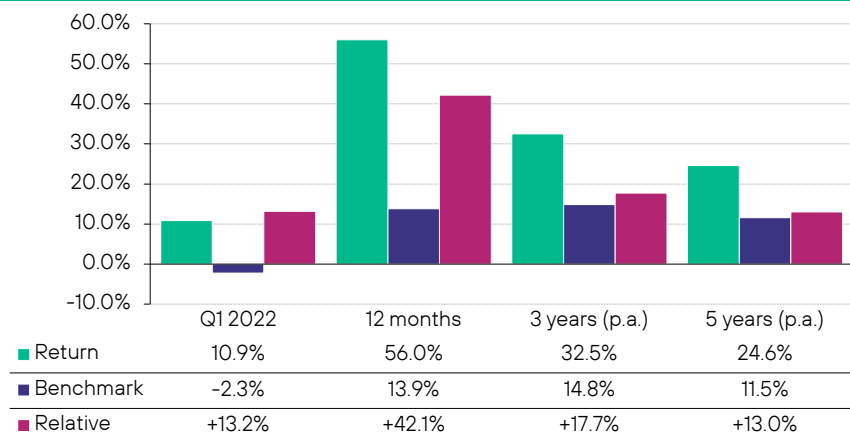
Key area	Comments (3 month lagged)
Performance	<ul style="list-style-type: none">Strong performance continued over the quarterMajority of funds experienced a pickup in IRR and multiples over the quarter
Developments over quarter	<ul style="list-style-type: none">No significant changes over the quarterc. \$22.4m in distributions, majority from older vintagesc. \$7.9m capital called into newer vintages (2017-2021)
Outlook	<ul style="list-style-type: none">Adams Street expect deal activity to remain high in 2022 as businesses and entrepreneurs look to liquidate at perceived attractive valuations

Note: Totals may not sum due to rounding. Performance quoted net of fees.

Source: Investment manager, Northern Trust, Isio calculations.

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Performance to 31 March 2022



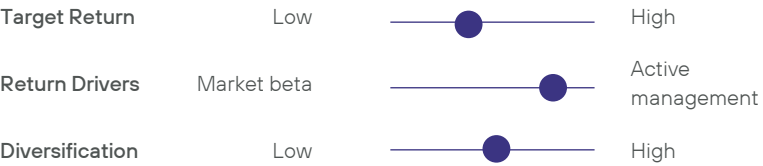
Metrics	Current Quarter	Last Quarter	View/change
IRR (net)	13.2%	13.0%	As expected
Capital Deployed/Raised	75%	75%	No change
DPI	1.1x	1.0x	+ve uplift in Q4
TVPI	2.1x	2.0x	+ve uplift in Q4
Top 3 subclasses (Partnerships)	Venture (50%), Buyout (45%), Other (5%)		
Top 3 regions (Partnerships)	United States (62%), Western Europe (24%), Asia (11%)		

Mandate: Private Equity
Current Value: £206.0m
Current Weighting: 4.4%
Inception: March 2003
Benchmark: MSCI World +1.5%
Objective: MSCI World +3.0%
Pooled: No

Newton – Absolute Return

Overview

The Fund aims to generate returns by investing in a wide universe of global securities. The Fund allocates between return seeking, and risk reducing positions, dynamically changing asset allocations over time in order to add value. The primary aim is to deliver positive risk adjusted returns in all market economic environments.



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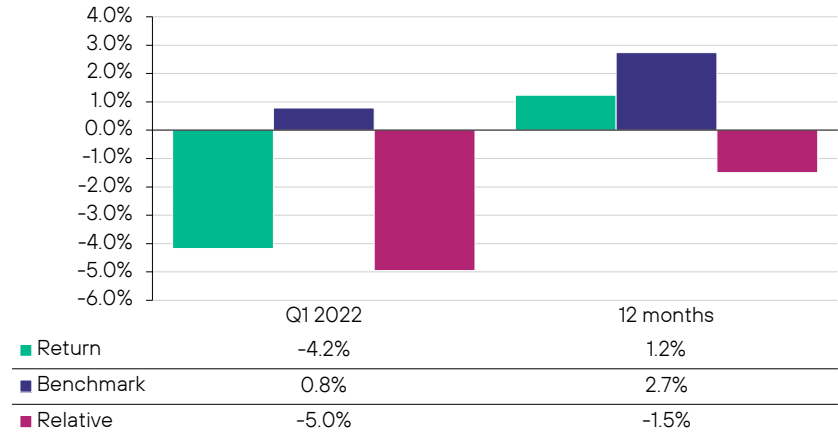
Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none">Equities were the largest detractor, with growth stocks and companies impacted by supply chain issues weakest, while the stabilising assets also detracted as Government bonds fell in value due to market expectations of tightening monetary policy. Derivative protection offered some cushion against the equity market falls.
Portfolio positioning	<ul style="list-style-type: none">The team introduced a strategy designed to offer protection if there is a sharp rise in volatility whilst also decreasing the Fund's equity exposure. The Fund increased its allocation to stabilising assets through positions in US, Australian and German Government bonds.
Outlook	<ul style="list-style-type: none">Newton have taken a defensive position given geopolitical risks and tightening monetary policy. However they are assessing markets for volatility-related opportunities.

Note: Totals may not sum due to rounding. Performance quoted net of fees.

Source: Investment manager, Northern Trust, Isio calculations.

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Performance to 31 March 2022



Metrics	Current Quarter	Last Quarter	View/change
Correlation to equity (1 year)	63%	64%	In line with expectations
Volatility (1 year)	7.5%	6.5%	In line with expectations
Top 3 asset-classes	Equities (44%), Alternatives (19%), Cash/Cash Equivalents (14%)		
Top 3 performance contributors	Alternatives (+1.14%), EM Debt (0.0%), Precious Metals (-0.11%)		

Mandate: Diversified Growth Fund

Current Value: £498.4m

Current Weighting: 10.6%

Inception: April 2010

Benchmark: 3 Month LIBOR+2.5%

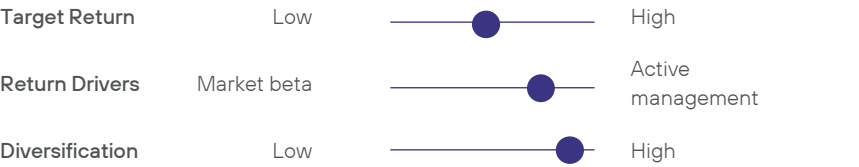
Objective: 3-month LIBOR + 4% p.a. (gross) over rolling 5 years

Pooled: Via Access Pool

Ruffer – Absolute Return

Overview

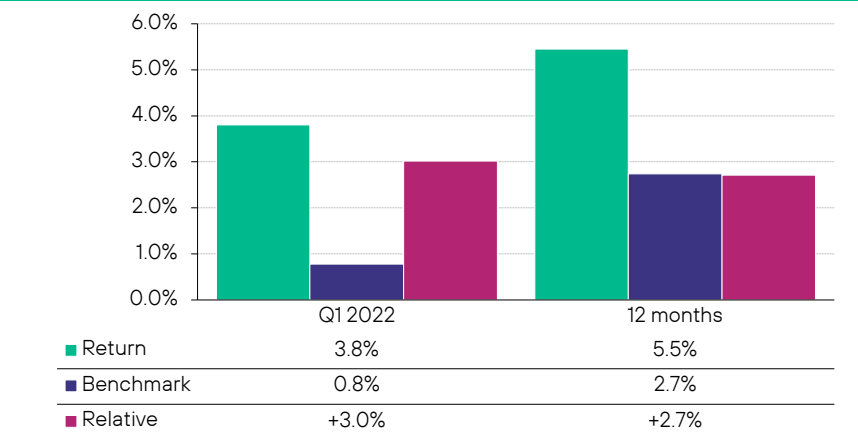
The Fund has two investment aims; to deliver positive returns in any rolling twelve month period and ahead of the risk-free rate. The strategy has a strong focus on capital preservation, the core investment objective of the Fund.



Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none">The Fund benefitted from its defensive positioning, with interest rate options and gold performing strongly, while energy equities benefited from the oil/gas price spikes.
Portfolio positioning	<ul style="list-style-type: none">Ruffer reduced equity exposure from 40% to 35% and increased exposure to gold bullion by 2% as they believe Russian sanctions will drive other 'non-aligned' central banks to diversify their treasury holdings. A position in Australian Government bonds was introduced given the currency's link to commodity prices.
Outlook	<ul style="list-style-type: none">Ruffer now expect inflation to be volatile in the near term, and therefore continue to focus on assets offering inflation protection such as Inflation Linked Bonds/Gold.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Performance to 31 March 2022



Metrics	Current Quarter	Last Quarter	View/change
Correlation to equity (1 year)	-27%	0%	Lower correlation than expected
Volatility (1 year)	4.6%	5.6%	In line with expectations
Top 3 asset-classes	UK Equities (14.2%), Gold exposure and gold equities (11.4%), Non-UK index linked bonds (10.9%)		
Top 3 currency	Sterling (60.8%),US dollar (14.8%), Japanese Yen (7.3%)		

Mandate: Diversified Growth Fund

Current Value: £537.9m

Current Weighting: 11.5%

Inception: April 2010

Benchmark: 3-month LIBOR + 2.5%

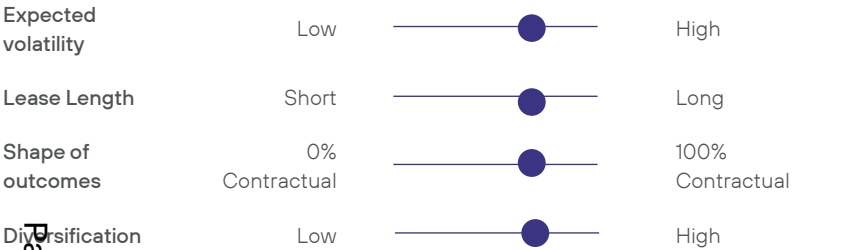
Objective: 3-month LIBOR + 4% p.a. (gross) over rolling 5 years

Pooled: Via Access Pool

Schroders - Property

Overview

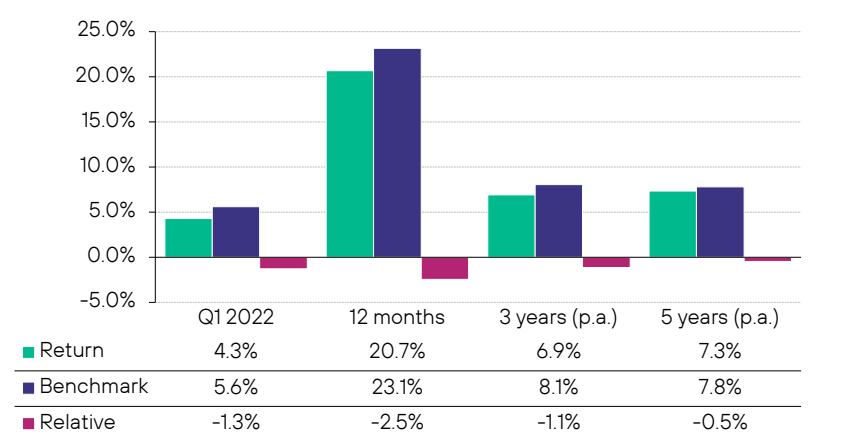
The Schroders Property Fund is a medium risk balanced property fund investing across the retail, offices, industrials and alternative property sectors.



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Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none">Industrial Property Investment Fund and UK Retail Warehouse Fund were the strongest contributors, following further yield compression and rental growth.Schroder Real Estate Real Income Fund and Local Retail Fund were the weakest contributing funds.
Portfolio positioning	<ul style="list-style-type: none">Recent property returns have been strong, and Schroders have used this period to make commitments to value-add strategies. These defensive allocations have diluted recent returns but should be positive in a market slowdown.
Outlook	<ul style="list-style-type: none">Schroders expected total returns to average 5-7% per annum to end-2024. They expect the range in returns between sectors to narrow, but the gap to widen between buildings with strong versus weak sustainability features.

Performance to the end of the quarter



Metrics	Current Quarter
Net acquisitions / Sales	c. £3.5m acquisitions (4 funds), £2.0m sales.
Cash yield	2.4%
Largest stock positions	Industrial Property Investment Fund (20.3%), Metro Property Unit Trust (11.2%), Mayfair Capital Property Unit Trust (8.0%)
No of assets	19
Top 3 sectors	Industrial (42.7%), Alternatives (via student accommodation, social supported housing, retirement living and care homes) (15.9%), Rest of UK Offices (14.7%)

Mandate: Balanced Property

Current Value: £406.2m

Current Weighting: 8.7%

Inception: December 2009

Benchmark: IPD All Balanced Fund Index

Objective: Outperform benchmark by 0.75% p.a. (net) over rolling 3 years

Pooled: No

Note: Totals may not sum due to rounding. Performance quoted net of fees
Source: Investment manager, Northern Trust, Isio calculations.
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UBS - Infrastructure

Overview

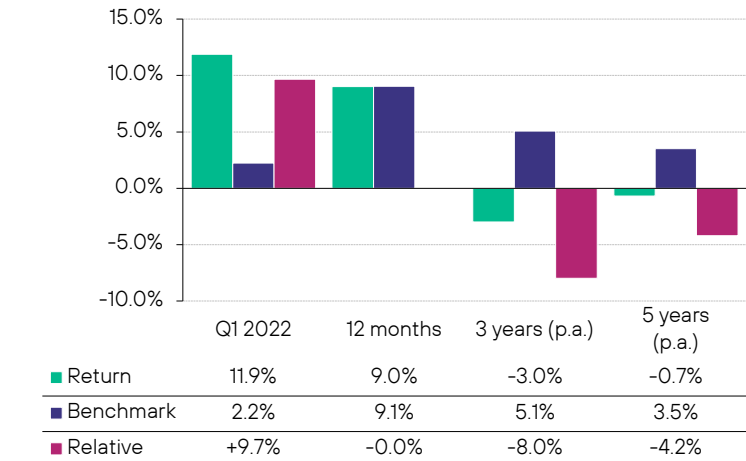
The fund provides investors with access to a diversified portfolio across Fund I and Fund III infrastructure assets. Fund I remains in the value realisation phase and is paying capital back to Investors, whilst Fund III is in its investment phase and continues to draw capital for investment.



Key area	Comments
Portfolio positioning	<ul style="list-style-type: none">Below target performance continues to be driven by Fund I, with the large holding in Southern Water (SW) particularly weighing on returns. UBS note that SW's YTD revenue was slightly behind target, while the underperformance of EBITDA relative to target can be explained by a £90m Environmental Agency fine.UBS remain positive on European digital infrastructure and are continuing to explore energy storage / energy transition opportunities in the Americas
Outlook	<ul style="list-style-type: none">As at 31st December 2021, Fund III continued to see strong deal flow, targeting small-to-middle market deals.

Note: Totals may not sum due to rounding. Performance quoted net of fees
Source: Investment manager, Northern Trust, Isio calculations.

Performance to the end of the quarter



Metrics	Current Quarter (lagged 1 quarter)	Last Quarter (lagged 2 quarters)
Net since inception return (Fund I)	2.9%	3.0%
Net since inception return (Fund III)	12.4%	11.7%
Total value to paid-in (Fund I)	1.26x	1.27x
Total value to paid-in (Fund III)	1.18x	2.21x
Top 3 sectors (Fund I current quarter)	Power generation (59%), Water (26%), Wastewater (16%)	

Mandate: Infrastructure

Current Value: £35.8m

Current Weighting: 0.8%

Inception: January 2008

Benchmark: CPI + 2%

Objective: CPI + 3%

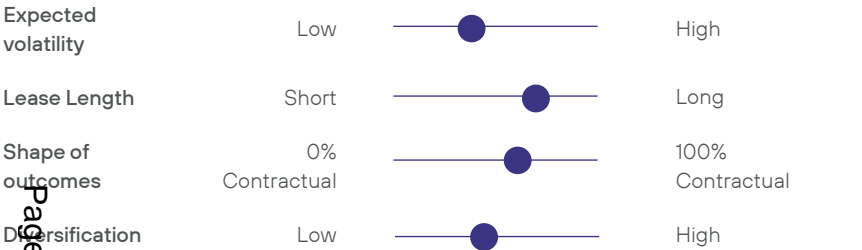
Pooled: No

The UBS infrastructure funds should be monitored closely going forward.

Pantheon - Infrastructure

Overview

The fund provides investors with access to a diversified portfolio of infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.



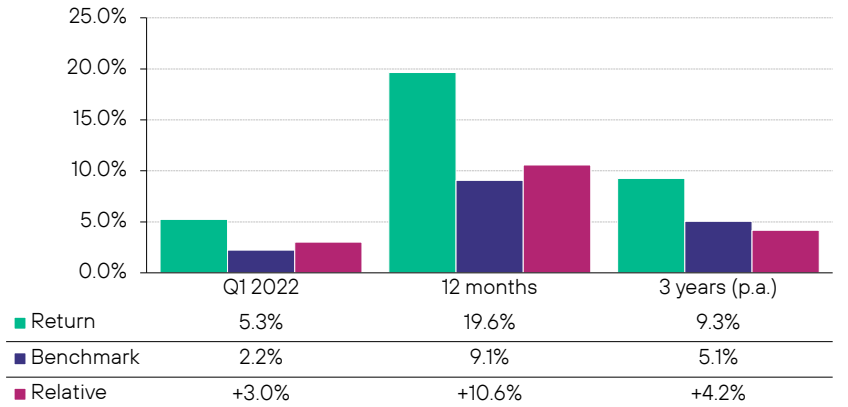
Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none">The co-investment in IFT has the largest since inception IRR as at end December, at 34.0%GIP Gemini Fund I had the lower since inception IRR at present (-1.7%).
Portfolio positioning	<ul style="list-style-type: none">The Fund continues to allocate capital, with a material drawdown of commitments over the period.
Outlook	<ul style="list-style-type: none">The Fund has \$117.0m committed, and \$35.9m undrawn. The manager is regularly taking advantage of market opportunities. In Q4 there were 2 new co-investments made, and 2 new secondary investments.

Note: Totals may not sum due to rounding. Performance quoted net of fees. Manager data is lagged by one quarter.

Source: Investment manager, Northern Trust, Isio calculations.

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Performance to the end of the quarter



Metrics	Current Quarter	Last Quarter	View/change
Cash yield	14.8%	4.5%	10.3%
Net acquisitions/sales	-\$187.0	-\$111.2	-\$75.7
Average discount rate	3.3%	3.5%	-0.2%
Number of assets	41	37	4
Top 3 sectors	Digital Transport and Logistics Renewables / Efficiency		

Mandate: Infrastructure

Current Value: £62.4m

Current Weighting: 1.3%

Inception: May 2018

Benchmark: CPI + 2.5%

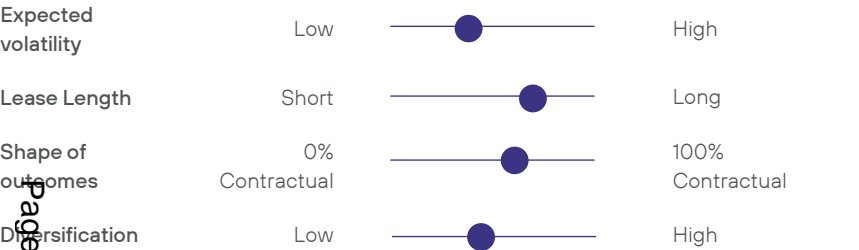
Objective: CPI + 3%

Pooled: No

M&G - Infrastructure

Overview

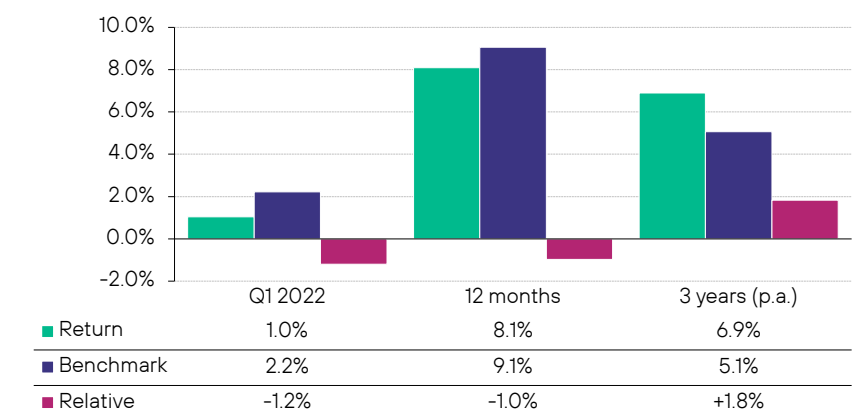
The fund provides investors with access to a diversified portfolio, Brownfield III and Greenfield II, infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.



Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none">The strongest performer in the Brownfield fund was Recharge Infra, in light of the firm securing a number of new clients.GB Railfreight provided a material distribution over the quarter.
Portfolio positioning	<ul style="list-style-type: none">Performance continues to be solely driven by the Brownfield III Fund as the Greenfield Fund remains undrawnAs at the end of Q4, the net IRR of Brownfield III stood at 11.6%, with the Fund continuing to draw capital.
Outlook	<ul style="list-style-type: none">Greenfield II already has investments in 5 portfolio companies, with a pipeline of potential investments of >90% of its capital commitment target. M&G expect drawdowns to the Fund to commence over 2022.

Note: Totals may not sum due to rounding. Performance quoted net of fees
Source: Investment manager, Northern Trust, Isio calculations. Manager information has a one quarter lag.

Performance to the end of the quarter



Metrics	Brownfield	Greenfield
Portfolio Value to current paid in capital	1.1x	N/A
Number of assets	6 investments	5 investments
Top sectors	Fibre Telecoms, Transport, Energy	Telecoms and Energy Transition

Mandate: Infrastructure

Current Value: £42.4m

Current Weighting: 0.9%

Inception: October 2018

Benchmark: CPI + 2.5%

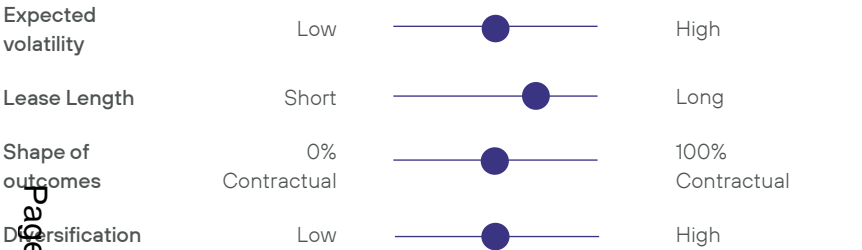
Objective: CPI + 3%

Pooled: No

Atlas - Listed Infrastructure

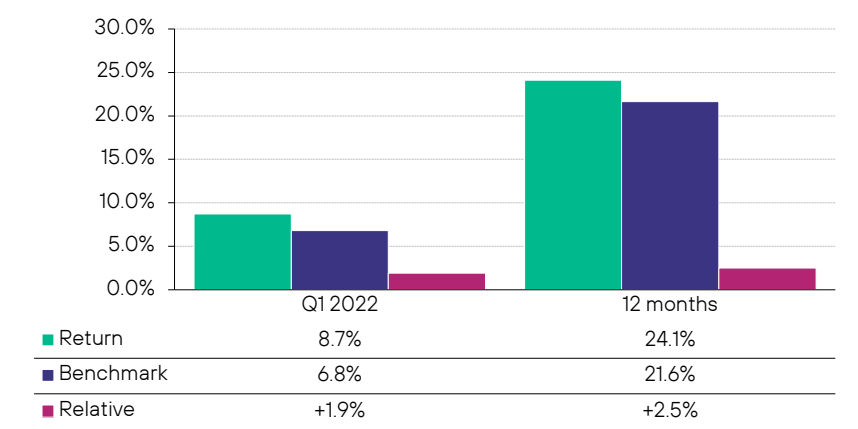
Overview

The fund provides investors with access to a diversified portfolio of brownfield and greenfield infrastructure assets. It focuses on investments which provide a contracted or regulated income stream, which enables the Fund to generate robust cash yields which are inflation-linked, making it attractive to pension scheme investors.



Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none">On a relative basis, the key contributor was in Europe, driven by stock selection in Airports and CommunicationsListed infrastructure outperformed broad markets, with investors favouring utility and transport sectors over Q1Atlas Arteria, Avangrid and Eutelsat were key detractors
Portfolio positioning	<ul style="list-style-type: none">During March Atlas took a new position in Snam (Italy gas transmission) where price volatility following in light of the war in Ukraine created an attractive entry point. The position also increased the portfolio's inflation linkage
Outlook	<ul style="list-style-type: none">Expected portfolio returns have reduced since the end of December, due to the appreciation in portfolio share prices; this is partially offset by the addition of assets with high expected future returns

Performance to the end of the quarter



Metrics	At March 31)
Cash yield	4.16%
Net acquisitions/sales	6 individual position adjustments approved in the quarter.
Number of individual positions in portfolio	20
Top 3 sectors (at April 30)	Electric utilities (39%) Toll Roads (15%) Airports (12%)

Mandate: Global Infrastructure Equity

Current Value: £96.0m

Current Weighting: 2.0%

Inception: December 2020

Benchmark: FTSE Developed Core 50/50 Infrastructure Index

Objective: CPI + 5%

Pooled: No

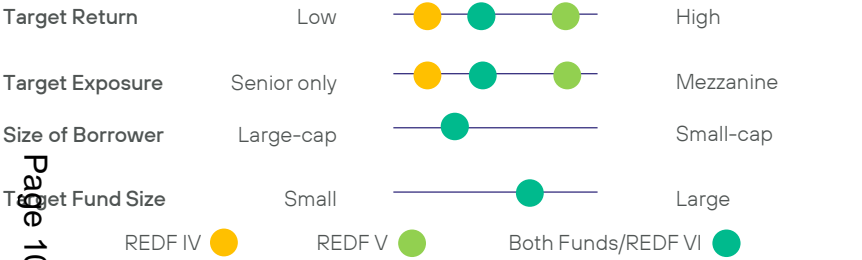
Note: Totals may not sum due to rounding. Performance quoted net of fees. Cash yield is (Prospective portfolio yield, pre cash, pre withholding)

Source: Investment manager, Northern Trust, Isio calculations.

M&G – Real Estate Debt

Overview

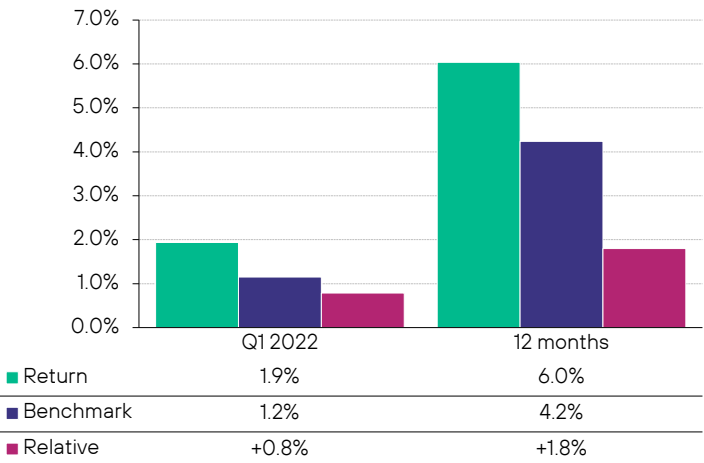
The Funds directly originate private loans that are secured by commercial real estate. REDF VI invests directly in whole loans, while REDF IV and V obtain senior and junior exposure respectively. The Funds are UK and Europe focused, but have scope to invest in the US. The Funds' investment periods ended in June 2021, and are now in their reinvestment period, which will run until December 2022.



Key area	Comments
Capital Deployment	<ul style="list-style-type: none">All Funds largely deployed with one new deal in Q4 (in REDF IV and V); a refinancing of a large interior design centre.
Minor/Major Watchlist names	<ul style="list-style-type: none">Project Charlie (minor): sponsor due to inject equity, with a major tenant also set to increase their rented space.Project OMS (minor): collateral performance is improving and M&G may shortly remove from watchlist.Project Genesis (major): Vacancy of shopping centre is falling but remains on major watchlist.
Outlook	<ul style="list-style-type: none">Strong pipeline of opportunities to recycle capital into over the reinvestment period. Demand for logistics and office assets remain strong however M&G are cautious of the high pricing of these assets relative to their underlying quality.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Performance to the end of the quarter



(IV / V / VI)	Q4 2021	Q3 2021	View/change
IRR (gross projected)	3.2% / 11.4% / 5.8%	3.2% / 11.3% / 5.7%	No change, all on target
Total capital invested	113% / 95% / 101%	109% / 86% / 98%	All largely invested
Total Positions	29 / 14 / 50	30 / 15 / 53	Stable with some realisations
Top 3 sectors	REDF IV: Office (26.7%), Residential (24.3%), Retail (17.5%) REDF V: Office (34.9%), Retail (20.4%), Residential (18.1%) REDF VI: Office (30.4%), Retail (24.1%) Residential (19.4%)		
Phase	Reinvestment period – due to end December 2022		

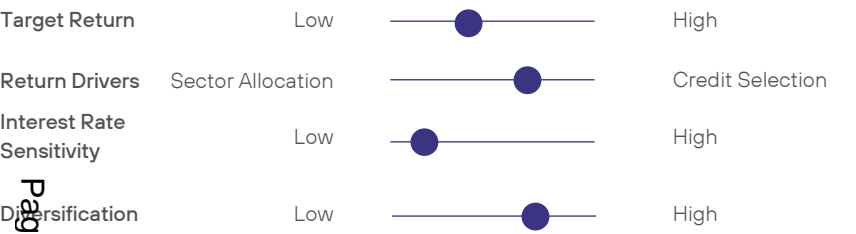
Mandate: Private Debt
Current Value: £39.7m
Current Weighting: 0.8%
Inception: April 2019
Benchmark: Benchmark: 3m LIBOR +4%
Objective: Objective: 3m LIBOR +5%
Pooled: No

We downgraded the Funds to 'partially meets criteria' following the resignation of four senior members within M&G's Real Estate Debt business in April. This led to the Funds' investment period being temporarily suspended, however a new Investment Committee was approved over Q2, allowing the reinvestment period to be reinstated and further capital to be recycled.

M&G Diversified Credit

Overview

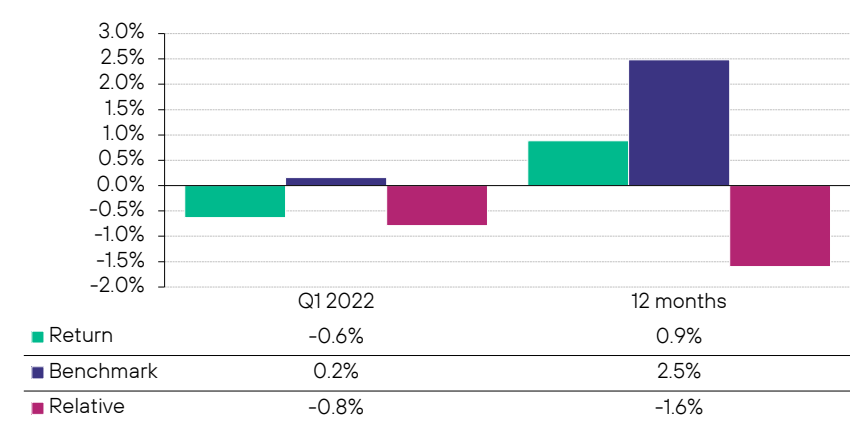
The Fund aims to take advantage of diversified opportunities in public credit markets, such as investment grade bonds, high yield bonds, leveraged loans and asset backed securities. M&G will seek to protect capital when the Fund is not being adequately compensated for taking risk. Currency and interest rate risks are typically hedged out of the portfolio.



Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none">The low duration and high cash allocation provided protection vs peers in a negative quarter for credit markets.Industrial bonds (-0.29%), yield curve/FX hedging (-0.15%) and financial bonds (-0.14%) were the main detractors.
Portfolio positioning	<ul style="list-style-type: none">M&G selectively deployed cash where attractive entry points occurred and took profits on strong performers.Cash levels remain elevated (c.16%) to reduce fund volatility and allow for future deployment if opportunities occur.
Outlook	<ul style="list-style-type: none">M&G are wary of high inflation levels and believe current valuations do not reflect the impact that changing central banks policy will have on markets, hence there is a need for rigorous credit analysis to capture opportunities.

Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Performance to the end of the quarter



Metrics	Current Quarter	Last Quarter	View/change
Yield	3.5%	2.6%	↑
Average credit rating	BBB+	BBB+	←
Modified duration (years)	0.2	0.0	↑
Spread duration (years)	3.2	2.6	↑
Number of issuers	433	391	↑

Mandate: Multi Asset Credit
Current Value: £287.7m
Current Weighting: 6.1%
Inception: November 2009
Benchmark: 3 Month Libor +3%
Objective: 3 Month Libor +5% (gross)
Pooled: Via Access Pool

M&G - Corporate Bonds

Overview

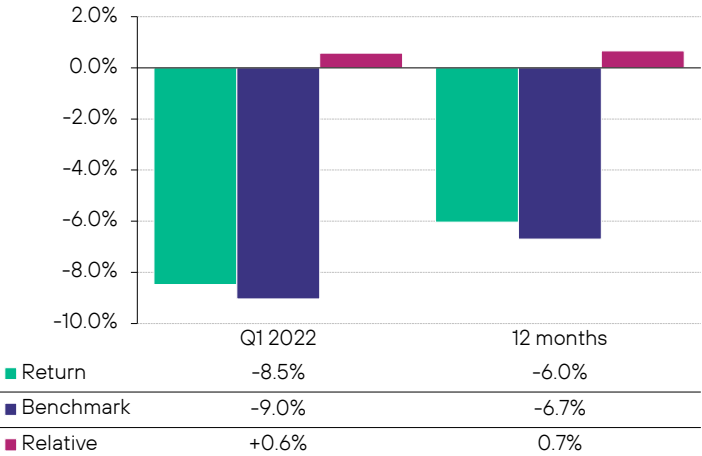
The Fund invests in a variety of UK Corporate Bonds, including but not limited to Industrial, Financial, Sovereign and Utility bonds.



Key area	Comments
Key contributors/detractors	<ul style="list-style-type: none">Both sector selection and stock selection added value over the quarter as the fund outperformedIndustrials were the strongest contributor, with both active positioning and security selection contributing
Portfolio positioning	<ul style="list-style-type: none">The fund retains an underweight position in credit risk relative to the benchmark. However, this position was reduced as the manager selectively added risk, following the market weakness towards the end of quarter
Outlook	<ul style="list-style-type: none">Multiple rate increases are now anticipated across major markets throughout the course of this yearThe manager is defensively positioned, monitoring the market for opportunities

Note: Totals may not sum due to rounding. Performance quoted net of fees
Source: Investment manager, Northern Trust, Isio calculations.

Performance to the end of the quarter



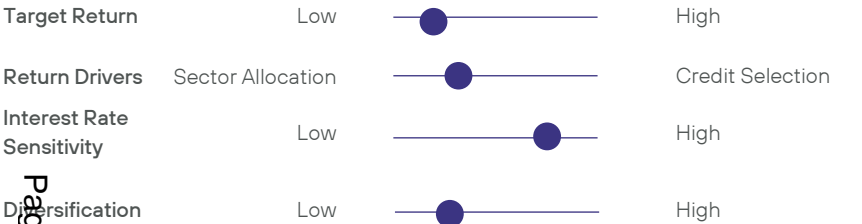
Metrics	Current Quarter	Last Quarter	View/change
Yield	3.1%	2.1%	↑
Average credit rating	A	A	←
Modified duration	11.3	12.1	↓

Mandate: Corporate Bonds
Current Value: £148.9m
Current Weighting: 3.2%
Inception: December 1996
Benchmark: Benchmark: - 50% iBoxx Non-Gilts Over 15Y - 50% iBoxx Non-Gilts
Objective: Outperform benchmark by 0.8% p.a. (gross)
Pooled: Via Access Pool

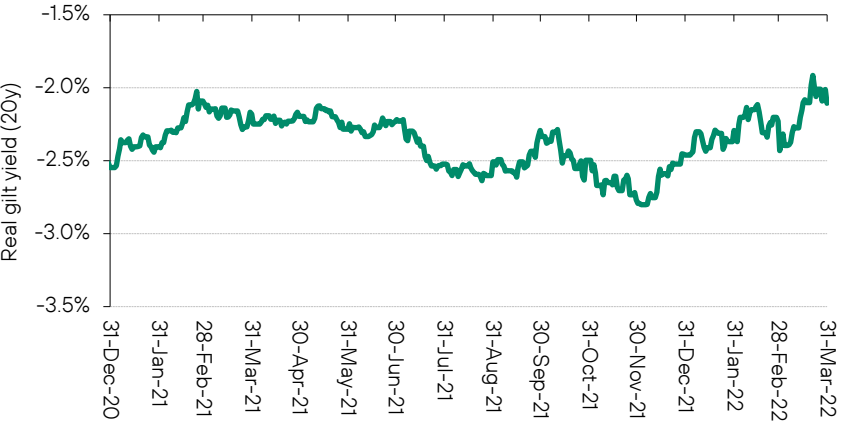
UBS – Over 5 Year Index-linked Gilts

Overview

The Fund has defensive characteristics, providing the Fund with protection against the impact of both interest rates and inflation expectations on the value placed on the liabilities.

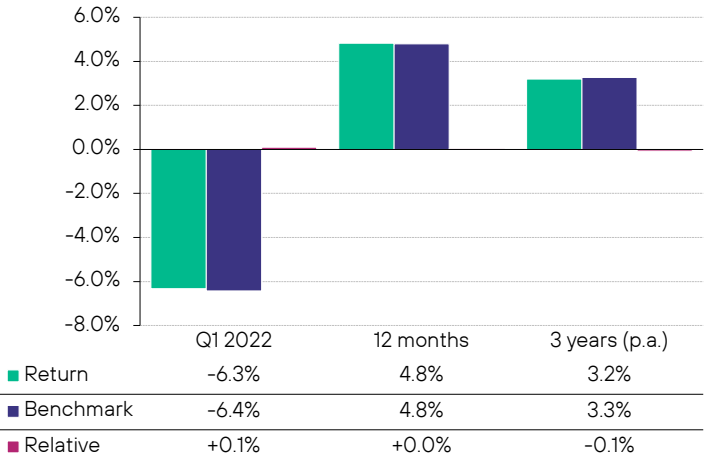


Real Gilt Yields – Last 12 months



Note: Totals may not sum due to rounding. Performance quoted net of fees.
Source: Investment manager, Northern Trust, Isio calculations.

Performance to the end of the quarter



Mandate: Index Linked Gilts
Current Value: £135.0m
Current Weighting: 2.9%
Inception: August 2017
Benchmark: FTSE Index- Linked Gilts Over 5 Years
Objective: Match benchmark
Pooled: Via Access Pool

Appendices

A1: Market Background: Global Equity, Absolute Return, Real Assets, Credit & Yields

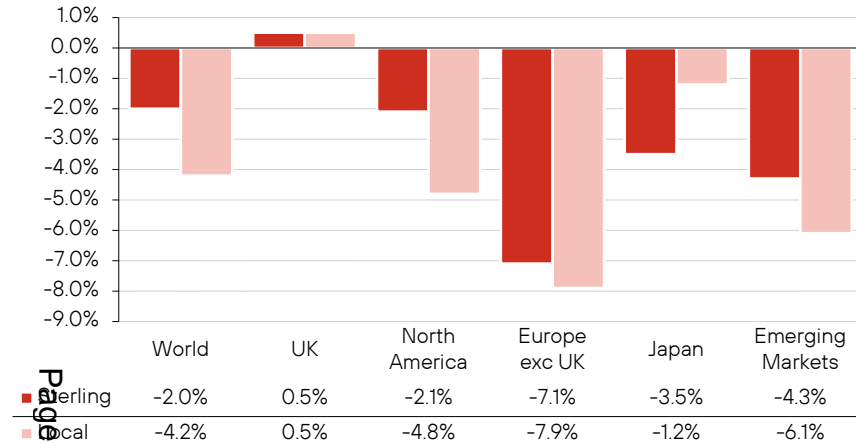
A2: Explanation of Market Background

A3; How to Read the Fund Manager Pages

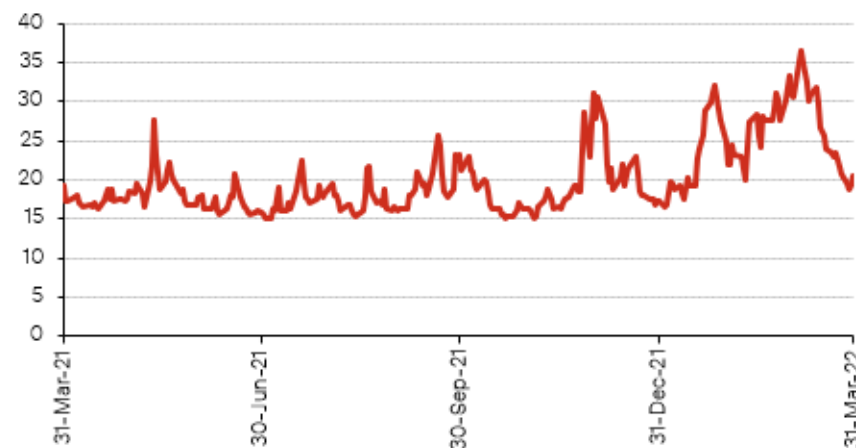
A4: Disclaimers

Market Background – Global Equity

Regional Returns – Q1 2022



VIX Volatility Index – Last 12 months

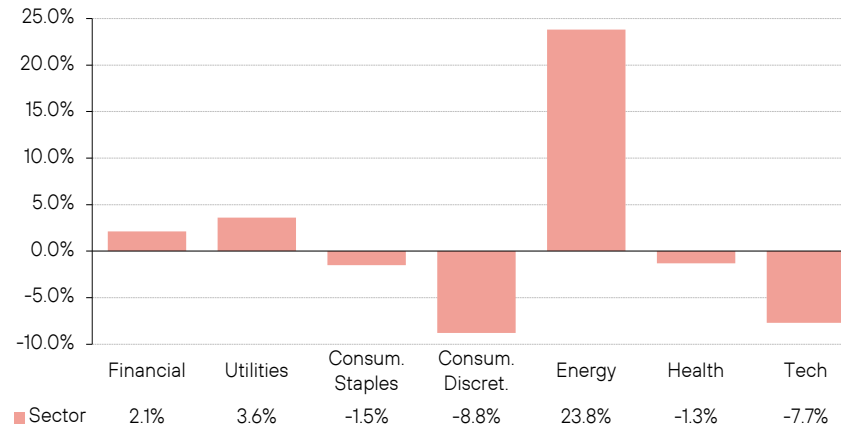


Note: Please see Appendix 2 for further information.

Source: Datastream, Isio calculations.

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Sector Returns – Q1 2022



Commentary

- Global equities experienced a volatile quarter, as investors reacted to the impact of rising inflation and interest rate expectations, as well as the war between Russia and Ukraine.
- Russia's invasion of Ukraine weighed on investor sentiment primarily due to the impact of widespread sanctions, including a US ban on Russian oil imports. Additionally, Europe's reliance on Russian oil and supply chain disruptions weighed on the region's relative performance. Conversely, UK equities were somewhat resilient, providing positive returns. This was underpinned by the UK's exposure towards banking and energy stocks.
- EM equities underperformed, with Chinese stocks in particular lagging the broad market, due to Covid-19 lockdowns in major cities following a spike in infections.
- Energy and utility companies were the strongest performers over the quarter due to fears over supply security. This has also led to calls for the acceleration of the renewable energy plans of governments worldwide.

Summary

There was a significant spike in market volatility over the quarter, as investors attempted to process the impact of various uncertain macro-economic factors. These volatile market conditions are likely to be a recurring feature over 2022.

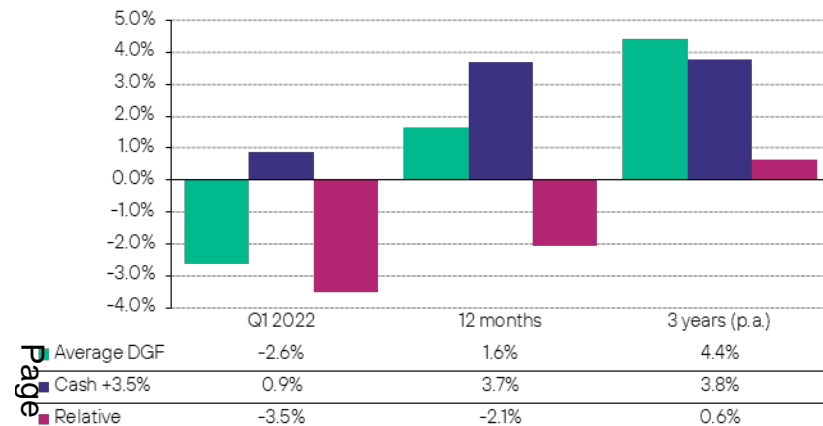
Equity markets suffered losses due to concerns around the prospects of rising inflation, leading to interest rate hikes. From late January, investor fears around the developing tensions between Russia and Ukraine contributed to the declines in markets.

Europe was the worst performing market over the period, with the region particularly exposed to the impact of the Russian invasion due to close economic ties with both Ukraine and Russia.

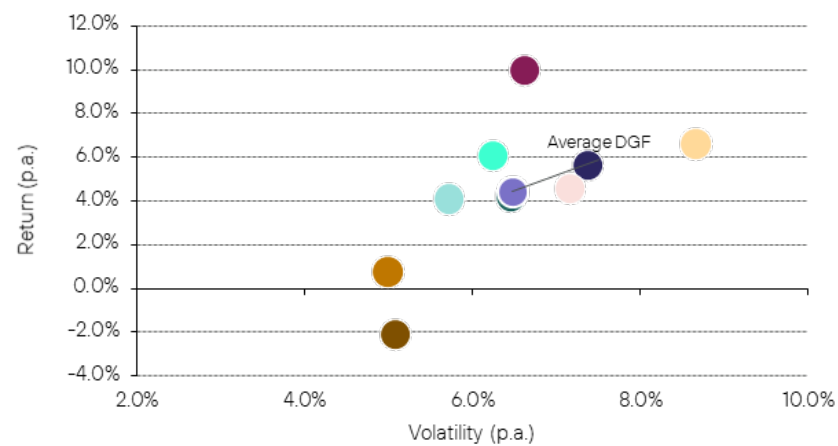
UK equities proved resilient over the quarter, with the strongest performing global sectors – financials, utilities and energy – relatively sizeable constituents of the country's stock market.

Market Background – Absolute Return

Sample Manager Average Returns– Q1 2022



Sample Manager Returns and Volatility – 3 years (p.a.)



Sample Manager Returns and Volatility – 12 months



Commentary

- The average DGF delivered negative performance over Q1 as global equities declined and bond yields rose. As the impact of the Russian invasion of Ukraine fed into global markets, uncertainty around economic outlook increased amongst investors.
- Commodity prices continued to rise, further exacerbated by the Ukraine war. This contributed to a further increase in inflation, in addition to supply chain disruption. Elsewhere, Chinese equities were negatively affected by renewed Covid-19 outbreaks, leading to new lockdowns in some major cities.
- Equities continue to be the strongest contributor to returns over the medium term, with returns underpinned by supportive fiscal and monetary policy. The best performing managers are those who have the highest broad equity market exposure; while those with commodity exposure have also benefitted during this period of uncertainty.
- The majority of DGF managers remain aware of geopolitical tensions, as well as the impact of central bank policies, as the impact of inflation continues to be of concern.

Within our sample of managers we have incorporated the performance of ten DGFs with various manager styles, aiming to give a balanced view of the market.

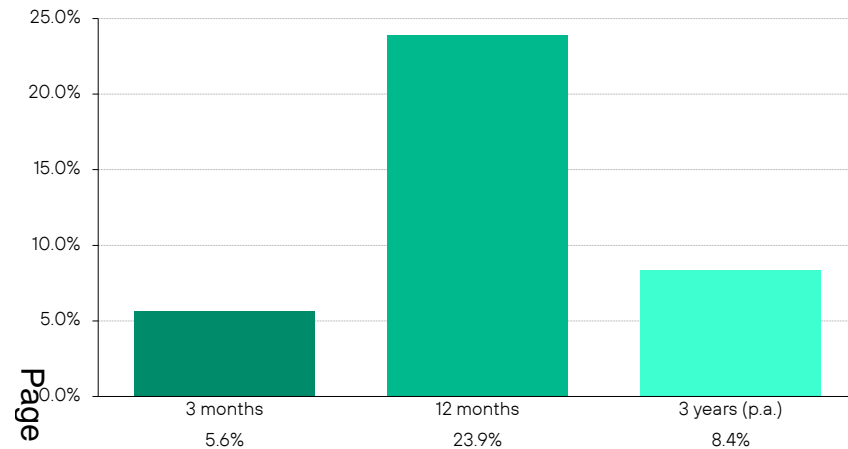
Note: Please see Appendix 2 for further information. All returns are quoted net of management fee.

Source: Investment Managers, Isio calculations.

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Market Background – Real Assets

Core UK Property Returns



Commentary – Balanced UK Property

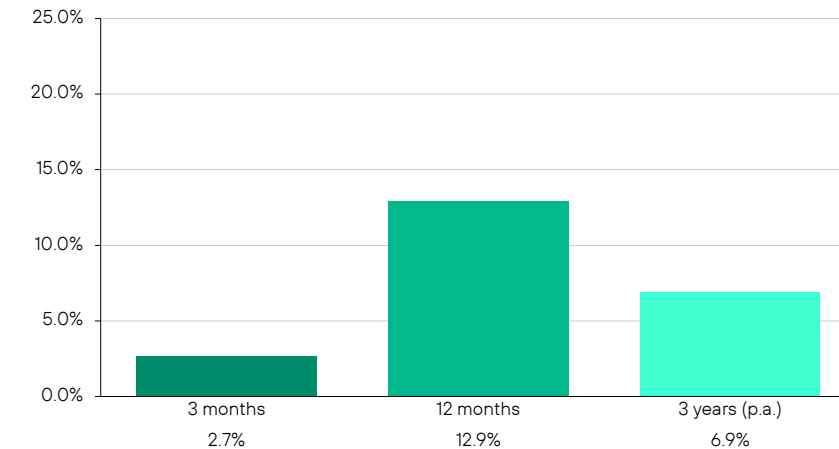
- Performance of Balanced Property has been helped by healthy transaction volumes and we have seen broad yields continuing to compress.
- The industrial sector continued to be the best performing sector in Q1, driven by strong demand from online-retail, storage and third party logistics providers, who are all continuing to compete for space in a supply constrained market.
- Warehouses remained the main positive driver in the retail sector as high street shops and shopping centres recorded weaker performance, driven by falling capital values; however there is evidence that values have begun to stabilise.
- Office returns were modest as occupiers begin to action searches and commit to spaces, resulting in take-up levels now close to long-run averages.
- We expect property returns to normalise going forward as: household incomes are squeezed, leading to weakened consumer spending; and expected interest rate rises are implemented by the Bank of England, leading to an increased cost of borrowing.

Note: Please see Appendix 2 for further information.

Source: AREF / IPD and Investment Managers.

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Long Lease UK Property Returns



Commentary – Long Lease UK Property

- Long Lease Property delivered positive returns over the period although, as expected given it's defensive nature, in general lagged Balanced Property peers, where there is greater exposure to changes in capital market values. Long Lease returns were driven by a combination of yield compression and upward inflation-linked rent reviews.
- Inflationary pressures continue to exceed expectations with global supply chain constraints and increases in energy and food prices. Given the tenants of Long Lease property funds are typically of high credit quality e.g. investment grade corporates of local or central governments, future rent collection is expected to remain at current levels i.e. at or near 100%. However, private tenants such as in the leisure industry will come under more pressure as customers income is squeezed going forward.
- Amidst the economic uncertainty and rising inflation, we expect long lease property to be well positioned to capture a good level of rental growth given the long term and inflation linked structure of many of the underlying tenant leases.

Summary

Both Balanced and Long Lease Property returned strong positive performance over the quarter, despite the onset of the Russia-Ukraine war, rising inflation and central banks raising interest levels.

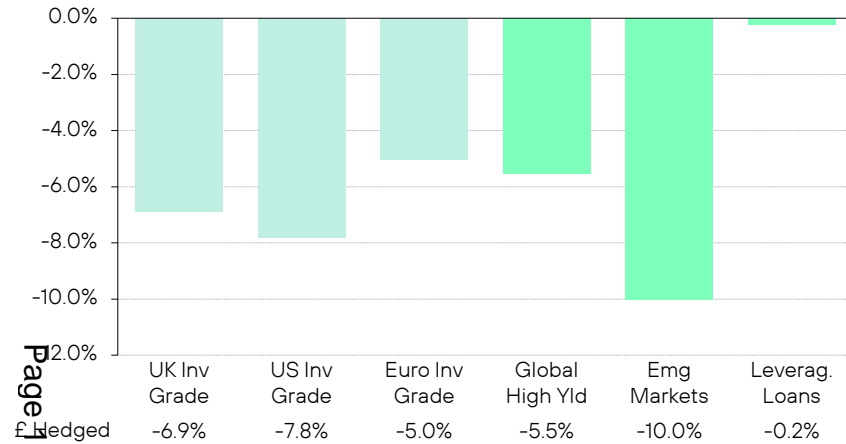
The industrial sector continues to lead the way in terms of performance and is in high demand across both asset classes. The sector displayed a strong level of rental growth as e-commerce continues to be a key focus and driving force in the market.

Retail warehouses remained the main positive driver of retail returns as high street shops and shopping centres recorded weaker performance. Office returns were modest as occupiers begin to action searches and commit to spaces

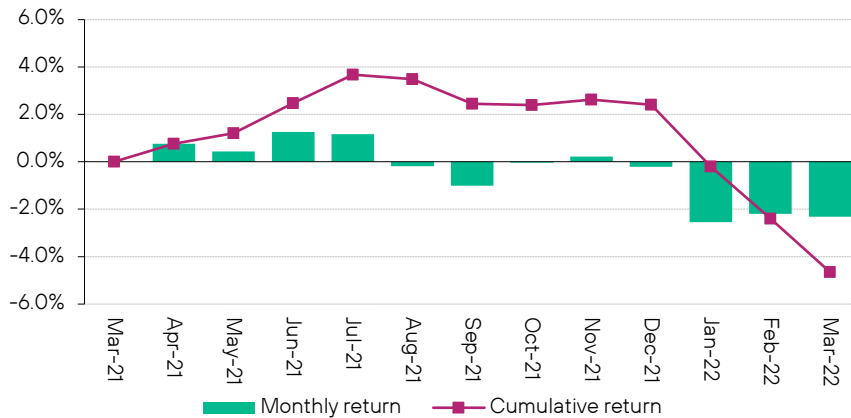
Higher inflation levels, and thus higher interest rates, could lead to downward pressure on capital values in the future. However performance in prime property assets is expected to remain robust.

Market Background – Credit

Credit Market Returns – Q1 2022



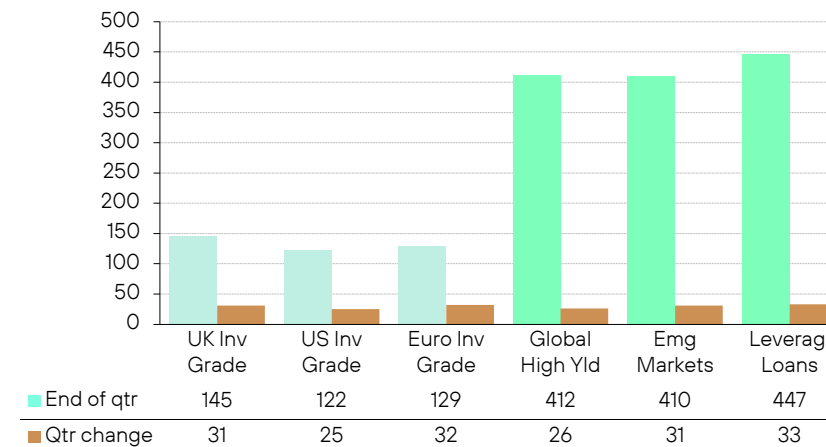
Global Broad Credit Market Return – Last 12 months



Note: Please see Appendix 2 for further information. Credit spreads are shown in basis points (100 bp = 1%) and correspond to the incremental yield available on corporate bonds above government bonds of a similar maturity. Floating rate assets have reduced interest rate sensitivity than fixed rate and are therefore less exposed to rising interest rates.

Source: Investment Managers, Isio calculations, Eikon
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Credit Spreads – Q1 2022



Commentary

Global credit markets delivered negative performance over Q1, over which the key drivers were the war in Ukraine, continued inflationary pressures and tightening monetary policy.

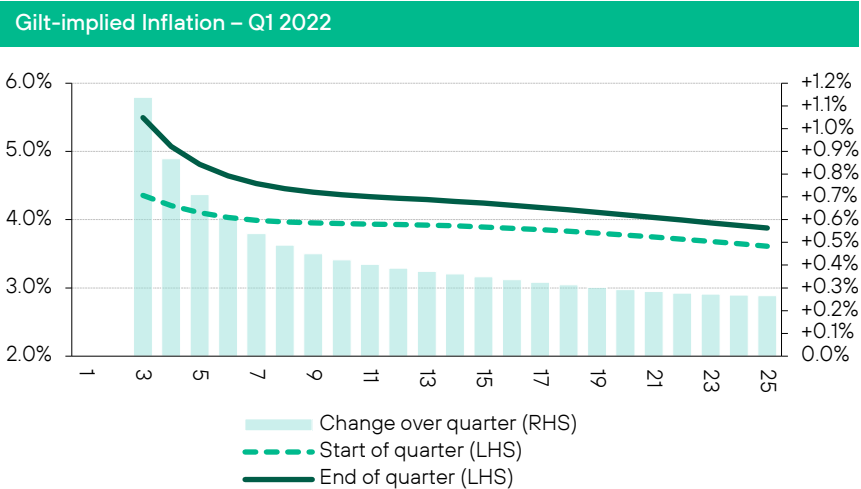
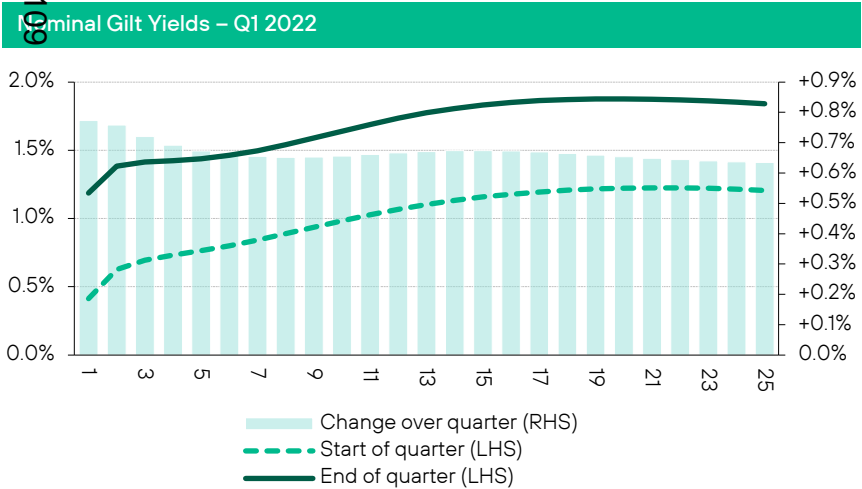
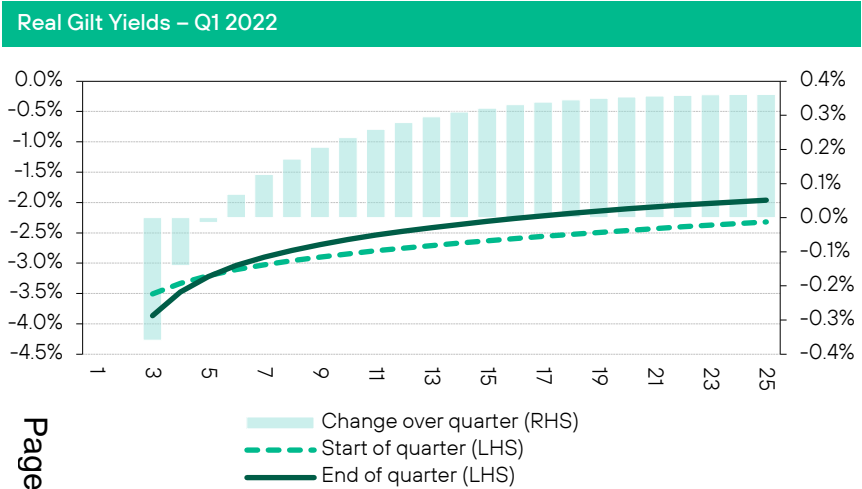
- **Investment Grade ('IG') bond** performance was particularly negative as global IG spreads widened following Russia's invasion. IG bonds underperformed HY due to their greater sensitivity to rising interest rate expectations.
- **High yield ('HY') bonds** also delivered negative returns over Q1. While still negative, US HY outperformed Asian and European HY thanks to its greater exposure to the energy sector, which benefited from rising oil prices.
- **Emerging market ('EM') debt** performed most negatively, partly driven by rising US government bond yields. Spreads also widened following the Ukraine conflict as severe economic sanctions were placed on Russia. Additionally, an outbreak of Covid-19 and lockdowns in major Chinese cities hampered performance of Chinese debt.

Summary

The Russian invasion of Ukraine and rising inflation dominated the quarter, leading to negative performance across credit markets as credit spreads widened significantly as a result of the war. Existing inflationary concerns were exacerbated by the crisis, as commodity prices spiked (with Russia being a major exporter of oil, gas and wheat) and the possibility of increasing supply chain disruption grew. This, alongside accompanying central bank messaging, led to rising interest rate expectations and government bond yields. Against this backdrop, floating rate bonds outperformed fixed rate due to their lower sensitivity to rising interest rates.

Additionally, a number of countries took reactionary measures to the invasion, in the form of sanctions and the freezing of Russian assets. Credit investors initially looked to reduce risk as they considered the effect of the sanctions. The additional measures also had a further effect on supply chains and commodity prices, leading to widening spreads as corporates faced negative economic consequences as a result.

Market Background – Yields



- Commentary
- Long-dated (20-year) yields at the quarter-end were:
 - Real gilt yield: -2.1%
 - Nominal gilt yield: 1.9%
 - Gilt-implied inflation expectation: 4.1%

These curves show gilt yields and inflation expectations at varying time horizons. The horizontal axis represents the number of years.

Note: Please see Appendix 2 for further information.
Source: Bank of England, Isio Calculations
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Explanation of Market Background

Market Background – Overview

- Returns by Asset Class – The market indices underlying this chart are as follows:
 - UK Equity: FTSE All-Share
 - Global Equity: FTSE World (Unhedged and Hedged)
 - Emerging Market Equity: MSCI Emerging Markets
 - Diversified Growth Funds: mean of a sample of DGF managers
 - Property: IPD Monthly UK
 - Global High Yield: BoAML Global High Yield (GBP Hedged)
 - UK Inv. Grade Credit: BoAML Sterling Non-Gilt
 - Over 15 Years Gilts: FTSE Over 15 Year Gilt
 - Over 5 Years Index-Linked Gilts: FTSE Over 5 Year Index-Linked Gilt
 - Example Liabilities: a simplified calculation illustrating how a typical pension scheme’s past-service liabilities may have moved

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Market Background – Global Equity

- Regional Returns – The market indices underlying this chart are as follows:
 - World: FTSE World
 - UK: FTSE All Share
 - North America: FTSE North America
 - Europe ex UK: FTSE Europe ex UK
 - Japan: FTSE Japan
 - Emg Mkts: MSCI Emerging Markets
- Sector Returns – The market indices underlying this chart are the relevant sectors from the MSCI All-Countries index.
- VIX Volatility Index – This is a forward-looking indicator. It represents the expected range of movement (in percentage terms) in the S&P 500 index (i.e. US equities in dollar terms) over the next year, at a 68% confidence level. It is calculated using options prices over a 30-day horizon.

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where “hedged” returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

Explanation of Market Background (cont.)

Market Background – Absolute Return

- **Diversified Growth Funds (“DGFs”)** – Due to the lack of a market index for DGFs, we illustrate the performance of this by showing the returns of 10 of the largest funds by assets under management. Specifically:
 - Aberdeen Standard Global Absolute Return Strategies
 - Aviva Multi-Strategy Target Return
 - Baillie Gifford Diversified Growth
 - BlackRock Dynamic Diversified Growth
 - Invesco Perpetual Global Targeted Returns
 - L&G Diversified
 - Newton Real Return
 - Nordea Stable Return
 - Ruffer Absolute Return
 - Schroder Diversified Growth
- The ‘Average DGF’ performance is an equally-weighted average of the sample of 10 managers’ performance figures.
- Returns are shown net of each manager’s standard fee. While every effort has been taken to select vehicles with institutional/clean fee structures, the impact may not necessarily reflect any particular client’s fee arrangements.
- Volatility is calculated by annualising the volatility of daily returns.
- As clients have specific selection criteria, the managers listed here may not meet any given client’s criteria.
- DGFs encompass a range of investment approaches, return targets, and risk profiles. Consequently, different managers’ returns are not necessarily a like-for-like comparison.

Market Background – Real Assets

- **Real Assets** – The market indices underlying these charts are:
 - Core UK Property: IPD Monthly UK Index
 - Long Lease UK Property: IPD Long Income Property Fund Index

This glossary explains the components of the Market Background charts in Appendix 1.

All returns are in Sterling terms, unhedged, unless otherwise stated. Where “hedged” returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

Explanation of Market Background (cont.)

Market Background – Credit

- Sector Returns and Credit Spreads – The market indices underlying this chart are as follows:
 - UK Inv Grade: BoAML Sterling Non-Gilt
 - US Inv Grade: BoAML US Corporate (GBP Hedged)
 - Euro Inv Grade: BoAML Euro Corporate (GBP Hedged)
 - Global High Yield: BoAML Global High Yield (GBP Hedged)
 - Emerging Markets: JP Morgan EMBI Global (GBP Hedged)
 - Leveraged Loans: S&P/LSTA US Leveraged Loan Equity (GBP Hedged)
- Global broad credit market return – The market index underlying this chart is the BoAML Global Broad Market Corporate Index (GBP Hedged):
 - The Global Broad Market Index tracks the performance of investment grade public debt issued in the major domestic and eurobond markets, including 'global' bonds.
 - Qualifying bonds must have at least one year remaining term to maturity and a fixed coupon schedule. Bonds must be rated investment grade and be domiciled in a country having an investment grade foreign currency long-term debt rating (based on a composite of Moody's and S&P).

Market Background – Yields

- Yields – Yields shown are annual yields (i.e. they have been converted from the "continuously compounded" basis quoted by the Bank of England).
- Example Liabilities – This illustrates how a typical scheme's past-service liabilities may have moved.
 - It is based on a simplified calculation assuming a scheme with duration 20 years and liabilities split 70% inflation-linked and 30% fixed.
 - Liability movement is calculated using yield changes and unwinding (short-term interest rate with no premium) only, with no accrual, outgo, or inflation experience.
 - A rise in yields equates to a fall in the calculated value of the liabilities (due to the higher discount rate at which the future cashflows are valued); conversely, a fall in yields means a rise in liabilities.

This glossary explains the components of the Market Background charts in Appendix 1.

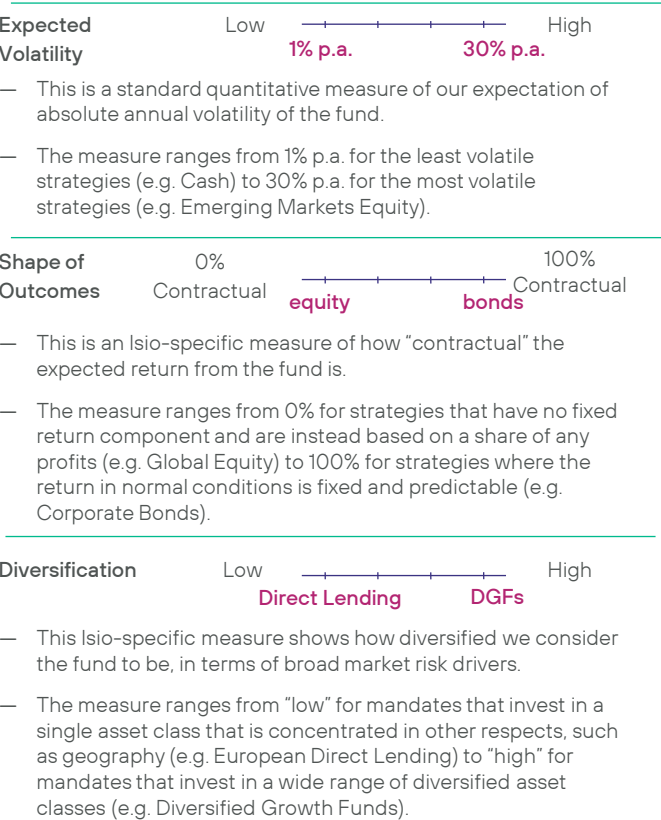
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How to Read the Fund Manager Pages

This page contains guidance on how to read the fund manager pages

How to read the “Overview” section

This section shows how the mandate is expected to behave. The illustrated characteristics may vary across asset classes, but will often include:



Manager ratings

We show two ratings for a manager:

- **Research View:** This comprises our opinion of the manager as a whole, judged against the client’s specific selection criteria (which usually include ESG considerations). The possible ratings are:
 - Meets Criteria
 - Partially Meets Criteria
 - Significantly Fails to Meet the Criteria
 - Not Evaluated
- **ESG View:** This is a narrower opinion focusing specifically on the manager’s treatment of ESG (Environmental, Social, and Governance) issues. The possible ratings are:
 - Green
 - Amber
 - Red
 - Not Evaluated

Disclaimers

Performance, Opinions, and Estimated Liabilities

- This report sets out the past performance of various asset classes and fund managers. It should be noted that past performance is not a guide to the future.
- Our opinions (and comparison vs criteria) of the investment managers stated in this report are based on Isio’s research and are not a guarantee of future performance. These are valid at the time of this report but may change over time.
- Our opinions of investment products are based on information provided by the investment management firms and other sources. This report does not imply any guarantee as to the accuracy of that information and Isio cannot be held responsible for any inaccuracies therein. The opinions contained in this report do not constitute any guarantees as to the future stability of investment managers which may have an effect on the performance of funds.
- Funds that make use of derivatives are exposed to additional forms of risk and can result in losses greater than the amount of invested capital.
- The estimated liabilities (where quoted) have been “rolled forward” from the last actuarial valuation and/or funding update, by taking current bond yields and inflation expectations into account. The methodology underlying the actuarial assumptions (e.g. discount-rate premium, mortality, real salary growth etc.) is assumed to remain constant for this estimate. Due to the approximate nature of the calculations, the Fund’s actual experience and changes in future valuation assumptions may mean that the liabilities and funding position calculated at the next actuarial valuation (or funding update) could be significantly different from the quoted estimate.

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Addressee and Isio Relationships

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East Sussex Pension Fund

Page 17
Strategy: Recap & Considerations

July 2022

isio.



Appendix 3

Introduction

Addressee

- This report is addressed to East Sussex County Council as Administering Authority of the East Sussex Pension Fund ("the Fund").
- This paper provides a recap of the agreed strategy and reviews the implementation plan in the light of the evolving market environment.

Background

- At the July 2021 meeting, the Committee reviewed the overall investment strategy and agreed the following changes to the Fund's strategic asset allocation:
 - A reduced target allocation to diversified growth, index-linked gilts, corporate bonds and balanced property.
 - A higher target allocation to inflation-linked property, private credit and diversified credit.
 - A higher allocation to infrastructure equity.
- It was agreed that the changes would be implemented on a phased basis recognising the practical challenges of deploying capital into illiquid assets and accessing the right investment vehicles via the ACCESS pool.
- Recent months have seen a significant regime shift in markets, with rising realised inflation and a shift in central bank policy to raise interest rates to address this. This shift in the environment, couple with the macro-economic uncertainty arising from this and the war in Ukraine has resulted in a significant sell off across a range of asset markets.
- This report reviews the overall strategy at a high level and considers whether the implementation plan remains appropriate given the change in market environment.

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Scope of this Report

- This report
 - Provides a recap on the agreed changes to the strategy and the rationale for these.
 - Provides an overview of how market conditions have changed in recent months, with a particular focus on fixed income markets.
 - Considers the target investment strategy and whether this remains appropriate given the current market conditions.
 - Considers the implementation of any changes to the strategy and the timing of these.

Rationale for strategy evolution

Rationale for the agreed strategic changes

- The strategic changes which were considered and agreed by the Committee in July 2021 were agreed on the basis that they would:

- Increase exposure to assets with a direct link to inflation

(inflation-linked property & infrastructure equity)

Rising inflation was seen as a key risk to the Fund given the liability structure, and increasing the allocation to assets with an inflation linkage would help address this risk.

- Increase exposure to less liquid assets

(inflation-linked property, infrastructure equity & private credit)

Given the Fund's long term horizon, and the overall level of liquidity in the asset portfolio, it was agreed there was scope to target less liquid opportunities and earn an excess return for doing so.

- Increase alignment to the Fund's Responsible Investment Policy

(revised equity portfolio & infrastructure equity)

The Fund has made strong progress incorporating ESG considerations into its investment strategy and wished to continue to build on this.

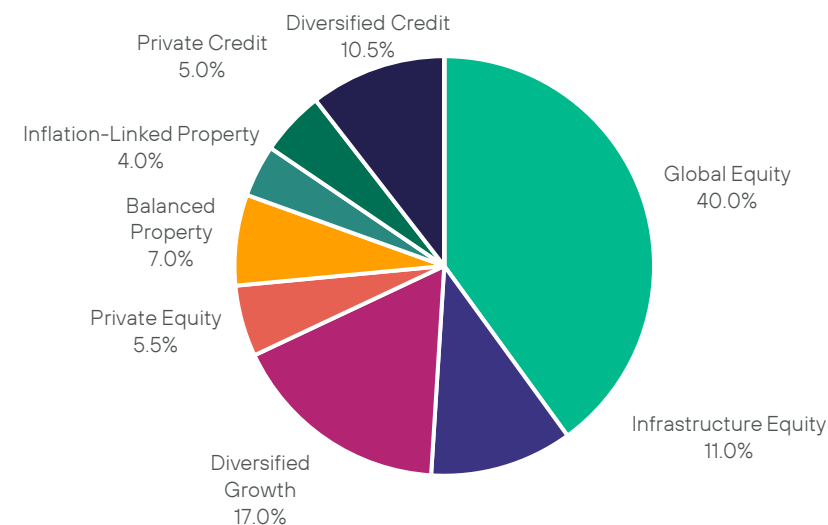
- Increase the overall diversification of the Fund's holdings

(inflation-linked property, infrastructure equity, private credit & diversified credit)

By adding asset classes which can provide diversification at both overall strategy and manager level, the Committee could improve the expected risk-adjusted return for the Fund.

- The revised strategy is expected to deliver a slightly higher expected return with a level of downside risk broadly similar to the prior strategy.
- It was expected that the revised strategy would be implemented in a phased manner over the next 12-18 months (depending on the availability of assets via the ACCESS pool and the timing to deploy capital into less liquid markets).

Agreed Strategic Asset Allocation



Recap: Strategy

Mandate	Previous Strategy (%)	Agreed Strategy (%)
Global Equity	40.0%	40.0%
Infrastructure Equity	8.0%	11.0% (+3.0%)
Private Equity	5.5%	5.5%
Absolute Return	20.0%	17.0% (-3.0%)
Balanced Property	10.0%	7.0% (-3.0%)
Inflation-linked Property	0.0%	4.0% (+4.0%)
Private Credit	3.0%	5.0% (+2.0%)
Diversified Credit	7.0%	10.5% (+3.5%)
Corporate Bonds	3.5%	0.0% (-3.5%)
Index-linked Gilts	3.0%	0.0% (-3.0%)

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Strategy implementation

- The agreed plan to implement the strategy involved the following key steps.
 - Global Equity** – Onboard Baillie Gifford and Osmosis and fund this from the UBS passive mandate (complete)
 - Infrastructure** – Implement higher allocation through commitment to IFM. This was expected to be largely funded from the absolute return mandates.
 - Diversified credit** – Aim is to select a manager from the ACCESS platform and fund this from the sale of corporate bonds, given the low yield at the point of the strategy review, and to improve overall diversification of the credit allocation.
 - Private credit and Inflation-linked Property** – The implementation approach was to be confirmed depending on ACCESS timescales to make propositions available. ACCESS is not yet able to provide firm timescales and do not anticipate allocation via the ACCESS platform a possibility over the short term. The intention was to fund private credit from index linked gilts and inflation linked property from the existing Balanced Property allocation.
- It was agreed that the precise source of funding should be reviewed at the point of capital being drawn into new mandates.

Notes: Data as at end May 2022. Current positions and change vs current position do not sum to 100% and 0% respectively, as the figures shown exclude 1.7% currently held in cash.

Sources: Northern Trust, Isio calculation

Recap: Implementation

Mandate	Agreed Strategy (%)	Current (%)	Agreed vs. current (May 2022) (%)	Decision on mandate taken/ expected	Primary Funding Source	Anticipated timescale to implement
Global Equity	40.0%	40.2%	-0.2%	Q4 2021 (Osmosis & BG)	-	Complete
Infrastructure Equity	11.0%	5.3%	+5.7%	Q1 2022 (IFM)	Absolute Return	Q1 2023 subject to deal manager flow
Private Equity	5.5%	8.9%	-3.4%	-	-	Natural evolution
Absolute Return	17.0%	22.3%	-5.3%	-	-	
Balanced Property	7.0%	9.0%	-2.0%	-	-	
Inflation-linked Property	4.0%	0.0%	+4.0%	Q4 2022	Balanced Property	>12-18 months (if by ACCESS)
Private Credit	5.0%	0.9%	+4.1%	TBC – 2023?	Index-linked Gilts/ Private equity	>12-18 months (If by ACCESS)
Diversified Credit	10.5%	6.3%	+4.2%	Q3 2022	Corporate Bonds/ Cash	Q3/ Q4 2022
Corporate Bonds	0.0%	3.0%	-3.0%	-	-	
Index-linked Gilts	0.0%	2.5%	-2.5%	-	-	

Notes: Data as at end May 2022. Current positions and change vs current position do not sum to 100% and 0% respectively, as the figures shown exclude 1.7% currently held in cash.

Sources: Northern Trust, Isio calculation

- The implementation of the target investment strategy has been delayed due to the availability of funds on the ACCESS pool. Limited information has been provided in relation to the timescales of relevant mandates becoming available on the ACCESS pool. The Committee may wish to consider where implementation off pool is a viable alternative in order to progress the Fund's investment strategy towards target in the near term.

Current market conditions

Recent market conditions

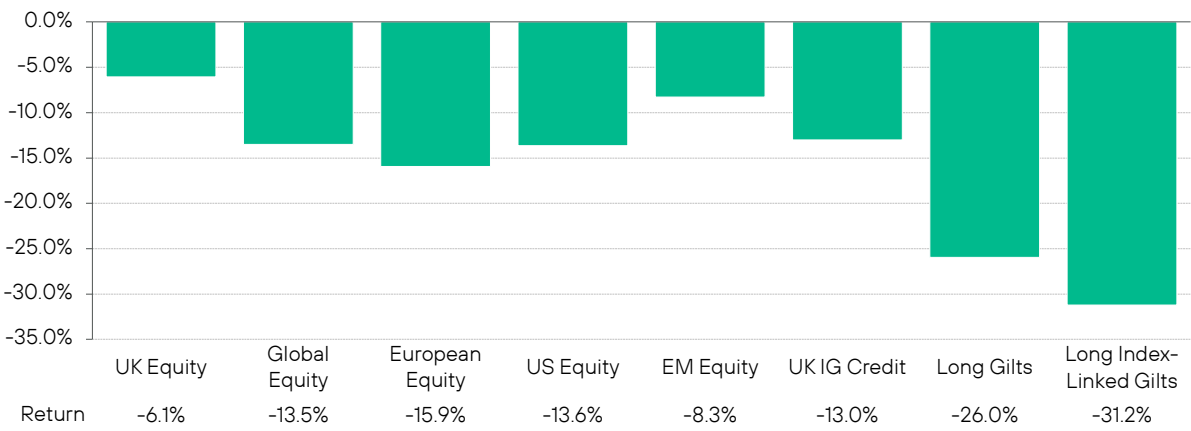
- Market conditions over 2022 to-date have been extremely volatile, largely due to Russia's invasion of Ukraine, increasing global interest rates in response to surging inflation, slowing global economic growth and the ongoing impact of Covid-19.
- We have seen a spike in gilt yields, as central banks have raised interest rates, and also indicated the likely ongoing need for monetary policy tightening over the coming months. Furthermore, increasing pessimism around the global economy, and the likelihood of a 'hard landing' to monetary tightening, has led to sell off in risk assets. These factors have combined to drive negative returns for credit, equity and gilt markets simultaneously.
- June has seen a continuation of these themes, with further sell-offs across both equity and fixed income markets. As such, the Fund's liquid assets – notably equities, absolute return, corporate bonds and gilts – have all fallen in value since the figures highlighted on the previous page.

Market overview

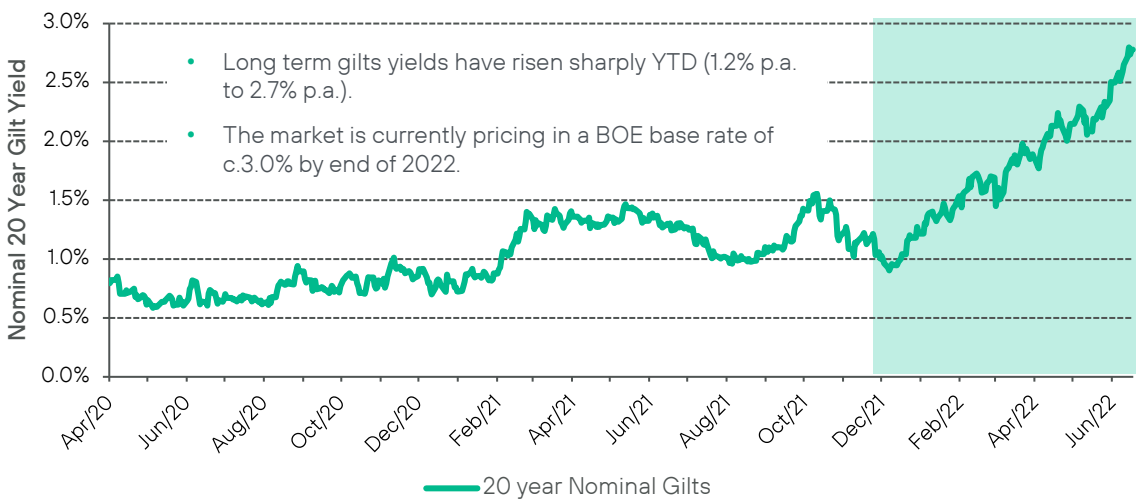
Mandate	YTD	June to-date
Sterling non-gilts (IG)	-13.0%	-3.4%
Sterling High Yield Credit	-10.2%	-3.4%
Nominal gilts (over 15y)	-26.0%	-4.9%
Index-Linked Gilts (over 5y)	-31.2%	-5.4%
Global Equity (£ hedged)	-19.3%	-9.7%
Global Equity (unhedged)	-13.5%	-7.7%

Notes: Data to 17 June 2022 (latest available). Sources: Refinitiv, Eikon, Isio calculations.

Year to Date Market Returns (17 June 2022)



Gilt yields (20 year Nominal Yields)



Assessment of current target strategy (1)

Strategic change	Strategic rationale	Key considerations based on current market environment	Recommendations
Remove corporate bonds to fund an increased allocation to diversified credit	<ul style="list-style-type: none"> • Introduce greater flexibility for a manager to access attractive parts of the credit market • Increase expected return in a wider range of market conditions • Corporate bonds offering relatively low yield 	<ul style="list-style-type: none"> • Rising gilt yields have pushed down the value of corporate bonds, and increased their yield. • Diversified credit funds remain well placed to navigate ongoing volatility through active management, including views on interest rates. 	<ul style="list-style-type: none"> ➤ Retain existing plan and timescale, with a new diversified credit manager able to take advantage of wider credit spreads. ➤ Implementation could be phased to mitigate volatility in yields.
Reduce allocation to absolute return to fund an increased allocation to infrastructure equity	<ul style="list-style-type: none"> • Increase the Fund's level of inflation protection • Enhance the yield of the overall portfolio • Diversify the sources of growth exposure 	<ul style="list-style-type: none"> • Absolute return managers well placed to navigate ongoing volatility through active management <ul style="list-style-type: none"> • Ruffer provides significant inflation protection given current positioning • There is the potential for infrastructure valuations to be impacted by rising real yields. 	<ul style="list-style-type: none"> ➤ Maintain absolute return allocation (particularly Ruffer – given its inflation protection) until the infrastructure equity mandate is drawn ➤ Retain the current plan given we expect funding could not take place in c. 9-18 months (depending on IFM deal flow). ➤ Reassess ahead of drawdown based on market conditions at that time.

Assessment of current target strategy (2)

Strategic change	Strategic rationale	Key considerations based on current market environment	Recommendations
<p>Reduce allocation to index-linked gilts to fund an increased allocation to private credit</p>	<ul style="list-style-type: none"> • Provide access to the 'illiquidity premium' offered by private debt, enhancing overall expected return. • Index-linked gilts offering relatively low yield, and other asset classes able to provide directional inflation protection with higher yields. 	<ul style="list-style-type: none"> • Rising real yields have pushed down the value of index-linked gilts and increased their yield (albeit still negative). Index-linked gilts now represent significantly better value to provide protection against long-term inflation. 	<ul style="list-style-type: none"> ➤ Maintain the index-linked gilt allocation. ➤ Given private credit not expected to be implemented in the short term, we recommend to engage with ACCESS on expected timescales for launch of their proposition and review based on this.
<p>Reduce target allocation to balanced property to fund a new allocation to inflation-linked property</p>	<ul style="list-style-type: none"> • Increase direct inflation protection. • Diversify the sources of growth exposure at a strategic level • More attractive prospects for alternative property than balanced going forward 	<ul style="list-style-type: none"> • Property markets have so far remained relatively resilient to volatility; we believe now could be an attractive time to exit balanced property given market sentiment and pricing. • Residential property is likely to come under pressure given the current environment. 	<ul style="list-style-type: none"> ➤ Hold proposed allocation to inflation-linked property in index-linked gilts until ready to implement. ➤ This offers inflation protection in the interim and reduces property exposure in what we expect to be a challenging environment. ➤ Review the case for inflation-linked property in the current environment.

Fixed income implementation timeline

Q1 Committee Meeting (24 February 2022) - Completed

- Proposed method and timeline for implementing fixed income allocation for consideration.
- Committee to agree on approach & liquid fixed income evaluation criteria.

Q2 Committee Meeting: Diversified Credit Manager Due Diligence Update

- Isio/Officers to provide update to the Committee.
- Discuss diversified credit manager due diligence to date.

Post Q1 Committee Meeting - Stage 1: Diversified Credit Manager Due Diligence

- Isio researched and shortlisted potential managers for the mandate.
- Officers involved in manager selection beauty parade for short listed managers and subsequently requested further information in relation to due diligence.
- Due diligence to determine the most suitable manager for the mandate remains ongoing.



Summary, considerations & next steps

Summary

- The revised strategy is expected to increase the portfolio's expected return, whilst broadly maintaining the previous level of downside risk.
- 2022 has seen significant market volatility, with material write-downs in the value of equity and fixed income markets.
- We continue to believe that the agreed direction of travel remains appropriate, but we believe that the implementation approach should be adapted to reflect evolving market conditions.
- We propose maintaining the absolute return allocation (particularly Ruffer – given the manager's current positioning, allocation to index-linked gilts, and its inflation protection) until the infrastructure equity mandate is drawn (anticipated in 9-18 months).
- While credit spreads have widened, impacting valuations of both corporate bonds and diversified credit, we believe a more diversified credit portfolio will benefit the Fund and provide some downside protection going forwards. We believe a more dynamic approach will be beneficial in the current environment. As such, we continue to recommend using the corporate bonds to fund the new diversified credit mandate. A phased implementation should be considered to mitigate market volatility.
- We propose retaining the index-linked gilt allocation over the short term given its recent material fall in value and the inflation protection offered. It is likely that it will be some time before ACCESS can offer a private credit vehicle – the Committee should continue to explore whether it is viable to proceed off pool if no firm timescales can be provided.
- We believe the Committee should consider trimming the core property exposure (which is currently earmarked for inflation-linked property) and hold this in index linked gilts in the interim.

- We also believe the Committee should re-visit the case for inflation-linked property in the current environment ahead of implementing the strategic allocation.
- Given the time lag involved in implementing the investment changes, primarily due to the time involved in the procurement of mandates, ACCESS availability, as well as the private market nature of some of the investments, it is expected that these changes will continue to be implemented in stages over the next 12-18 months.

Considerations & Next steps

- Committee to review the considerations in this paper, and agree whether the investment strategy remains fit for purpose.
- Committee to review the considerations in this paper around timing of implementation, and whether amendments should be made to the current plan.
- If agreement is to proceed, Committee agree to the continuation of due diligence for the diversified credit mandate.
- The Officers to make further progress regarding the proposed private credit allocation once further information is available from ACCESS regarding the timing of proposition availability and confirm timescales and evaluation criteria at this stage.
- The Committee should consider if they wish to re-visit the case for inflation-linked property.

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ES East Sussex PF Pension Fund

Environmental, Social & Governance Statement



Voting and engagement report Q1 2022 1 January - 31 March 2022

Executive summary

Responsible Investment (“RI”) is a subject that the East Sussex Pension Fund’s (ESPF or the Fund) Pension Committee (“the Committee”) take seriously. Environmental, social and governance factors are considered throughout the Committee’s decision-making process.

This report sets out voting and engagement activity carried out during the last quarter.

Investment strategy

Generating sustainable long term investment returns is the Fund’s primary objective and it does so by investing across a range of asset classes such as equities, bonds, cash, and infrastructure using both active and passive management styles. Asset allocation is expected to be the Fund’s main driver of returns and risk over the long term. The Funds [Investment Strategy Statement](#) describes the high-level principles governing the investment decision-making and management of the Fund.

The Fund believe that Responsible Investment (RI) supports the purpose of the Scheme – the provision of retirement income for individuals. RI is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long-term returns.

Investment managers

The Fund uses mostly active managed strategies, with the Committee seeking to achieve a balance between cost and return. Active and passive managers have a duty to act as responsible investors and are expected to act as good stewards for the companies they invest in or lend to.

All the Fund’s managers are required to report their engagement activity on a regular basis and exercise the voting rights in relation to the Fund’s investments as far as practical. This report summarises those activities.

Policies and approach

The Fund have policies detailing our Investment Strategy and approach to Responsible Investment. These policies are [available on the Funds website](#).

Collaborations

The Fund believes a philosophy of engagement is the most effective approach in addressing ESG concerns and driving long lasting change. To be effective, it is best done in conjunction with other parties such as the ACCESS pool or the Local Authority Pension Fund Forum. Participation in the pool will increase the Fund’s ability to influence positive action among the companies it invests in and accelerate the transition to a sustainable pathway (the need to engage other pool members is also important). The Fund is additionally a

signatory to the Principles for Responsible Investment (PRI), Institutional Investors Group on Climate Change (IIGCC) and Pensions for Purpose. The Funds Investment Managers will also have a number of memberships which are shown in the report below.

East Sussex Pension Fund Engagement

East Sussex Pension Fund Commitments

As an advocate of responsible investment the Fund is a member of the following organisations:

- Institutional Investors Group on Climate Change (IIGCC)
- Local authority Pension Fund Forum (LAPFF)
- Principles for Responsible Investment (PRI)

In addition, the Fund has committed to reporting under the following initiatives:

- Financial Reporting Council (FRC) Stewardship Code 2020*
- Taskforce on Climate Related Financial Disclosure (TCFD)

*Commitment made, Statement to be send to FRC for consideration in 2022

In addition to being members of these groups East Sussex demonstrates is commitment to RI by actively participating via representation in:

- LAPFF Officer Member of LAPFF Executive
- Membership of the IIGCC Corporate Programme Advisory Group

Engagement Activities completed in Q1 2022 through LAPFF are [available here](#)

Examples of engagement activity are

Shell

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

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

In Progress: The war in Ukraine has highlighted that in addition to climate change problems oil and gas also carry problems with the security of supply, the ethics of supply and the volatile price (as opposed to

cost) of oil and gas. These matters will be built into future LAPFF engagements. High fossil fuel costs also make already unviable CCS-type projects even less viable

Occupied Palestinian Territories (OPT)

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

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

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

Chipotle

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

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

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

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

Uyghur Engagements - Dell

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

Achieved: To date, LAPFF has met with two of the eight companies, Dell and Cisco, and has had correspondence on the matter with a further two. Tesco has agreed to a meeting in May 2022, shortly after publishing the annual report and sustainability materials, whilst Microsoft also provided further details. Both Dell and Cisco provided similar responses during the meeting, noting that they had not found any instances of Uyghur forced labour in their due diligence processes. Both companies are members of the Responsible Business Alliance and conduct audits with its assistance. Given the complexity of technological supply chains, it was unclear how far down the audit process went for either company. Both Dell and Cisco appeared to take on board feedback from LAPFF, encouraging for better transparency around reporting, particularly on the topics of modern slavery, grievance mechanisms on whistleblowing, and more examples of precisely what serious findings they find in their audits, and how they remedy this.

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

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

Engagement with policy Makers

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

IIGCC

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

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

January 2022

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

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

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

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

IIGCC response to DWP consultation on climate and investment reporting

January 2022

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

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

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

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

January 2022

The Financial Conduct Authority (FCA) published Discussion Paper 21/4: Sustainability Disclosure Requirements and investment labels on 3rd November 2021. The Discussion Paper sought initial views on Sustainability Disclosure Requirements (SDRs) for asset managers and FCA-regulated asset owners, as well as a new sustainable investment product labelling system, following the announcement of measures by HM Treasury in its sustainable finance roadmap in October 2021.

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

IIGCC response to IPSF consultation on a Common Ground Taxonomy

January 2022

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

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

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

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

LAPFF

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

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

PRI

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

United Kingdom

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

European Union

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

<ul style="list-style-type: none"> • PRI welcomed the European Commission proposal for a Corporate Sustainability Due Diligence Directive (CSDD) and published a position paper supporting the extension of the scope of companies reporting under the Corporate Sustainability Reporting Directive.
<p>United States of America</p> <ul style="list-style-type: none"> • The Securities and Exchange Commission (SEC) proposed a climate risk disclosure rule. The PRI hosted a webinar and Q&A for signatories and will prepare a comment letter. • PRI published signatory interviews on human capital management to inform policy makers. • PRI supported the SEC's proposed pay vs. performance rule, to link ESG to executive compensation.
<p>Canada</p> <ul style="list-style-type: none"> • PRI encouraged the Canadian Standards Association to mandate GHG disclosure of Scopes 1, 2 and most relevant Scope 3 emissions and align regulation with the 2021 TCFD Guidance on Metrics, Targets and Transition Plans.
<p>Japan</p> <ul style="list-style-type: none"> • The Financial Services Agency has established a new Technical Committee for ESG Rating and Data Providers to discuss possible codes of conduct for ESG rating and data providers.
<p>China</p> <ul style="list-style-type: none"> • The national Emissions Trading System regulation has been extended to require GHG disclosures from further sectors including petrochemicals, chemicals, iron and steel, non-ferrous metals, paper and civil aviation.
<p>Australia</p> <ul style="list-style-type: none"> • PRI responded to Australian Prudential Regulation Authority's consultation on its standards for investment governance – SPS 530, recommending greater clarity regarding mitigation of material market-wide ESG risks

Activities and training undertaken directly by the Fund

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



Fund manager meetings

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

Industry meetings, events and training

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

Policy

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

Engagement

- Quarterly engagements

Services

- Just Transition Inquiry
- LAPFF Exec Diversity Taskforce

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

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

5. RI roundtable – Reddington

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

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

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

7. Say on Climate: Making Climate Action Count

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

The event included

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

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

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

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

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

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

11. LAPFF Executive meeting

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



Third party supplier commitments

Along with its investment managers, the Fund also encourages its third-party providers to part take in the industry relevant responsible investments activities and groups, to promote and consider these items. An example of the supplier commitments and activities is provided below

Barnet Waddingham (Fund Actuary)

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

Barnet Waddingham is a founding signatory of the Net Zero Investment Consultants Initiative and is a member of the Pensions Climate Risk Industry Group (PCRIG). They also have a net zero pledge, with details on all the above being found under the attached link

ISIO (investment advisory service)

ESG Beliefs can be found under Scheme Documents: [Pension investment consultants | Isio](#)

Isio have adopted the Impact Investing Institute [Impact Investing Principles for Pensions](#)

Northern Trust (Custodian)

Northern Trust - Social Responsibility page - [available here](#)

Northern Trust - Latest Corporate Social responsibility report – [available here](#)

See “Selected memberships and initiatives” page for external engagement.

Moody's, formerly known as Vigeo Eiris, (Climate consultant)

Moody's - Sustainability page - [available here](#)

Moody's are part of the “Say on Climate” campaign, accounting for sustainability, Task force for Climate Related Disaster (TCFD) and was given the highest grade for tackling climate change by the Climate Disclosure Project (CDP)

LGPS Pooling

East Sussex are part of the ACCESS pool and all investment managers the fund invests in through the ACCESS pool need to comply with the ACCESS voting guidelines.

Examples of what should be voted for and against below:

Vote for:

- Adoption of Report and Accounts unless Auditors Report is qualified.
- The annual report should include a separate section that describes the work of the Audit Committee.
- All directors should be subject to regular re-election, at least every three years.
- Long term incentive schemes should be based on challenging performance targets over a consecutive period of at least three years. Therefore, performance targets for minimum rewards should be based on at least producing median performance for the industry or average market returns.
- All political donations should be fully disclosed and justified. Any political donations should be subject to a separate vote.
- The company should publish a formal statement setting out its approach to dealing with environmental issues.

Vote against:

- The Report and Accounts are not considered to present a true and fair view of the company's financial position.
- The re-appointment of the auditors where the fees for non-audit work are material and exceed the fee for audit work.
- The election of an executive director, who is not subject to re-election by rotation at least every three years.
- Election of a chairman where the candidate combines the roles of Chairman and Chief Executive, unless there are exceptional circumstances e.g., a temporary arrangement, pending separation of the posts
- Proposed dividend and special dividends which are not covered by earnings and the company offers no explanation of policy.
- Annual report, where significant environmental risks in relation to the company's activities are not disclosed or reported on or reporting is considered poor or inadequate.

LONGVIEW (listed equity)

Part of Access Pool

Fund Manager collaborate engagement groups - links on page 33

FRC Stewardship Code	Institutional Investors Group on Climate Change (IIGCC)
United Nations Principles for Responsible Investment (UNPRI)	

Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
3	51	33	18	0	33	18

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

Engagement

Longview Partners - [Responsible Investment & Engagement Policy](#)

Longview currently send tailored ESG reports to ESPF each Quarter. Q1 22 engagement examples provided to us are below:

Company A – January 2022

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

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

Company B – January 2022

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

Company B recently added two non-executive directors to the board, bringing diversity of experience and background and putting the company on a good footing from a governance perspective given their size and age. The company has stated its commitment to Diversity and inclusion (D&I) and had made positive steps recently in formalising a D&I programme. In relation to executive compensation, the rationale for the revised Long Term Incentive Plan (LTIP) was discussed. We believe more detail will be made available prior to the AGM.

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

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

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

Company C – February 2022

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

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

Company D – March 2022

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

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

Newton (Diversified Growth Fund /Absolute Return)

Part of Access Pool

Fund Manager collaborate engagement groups - links on page 33

United Nations Principles for Responsible Investment (UNPRI)	Institutional Investors Group on Climate Change (IIGCC)
FRC Stewardship Code	Climate action 100+
Net Zero Asset Managers Initiative	Taskforce on Climate Related Financial Disclosure
UN Global Compact	

Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
5	72	59	6	6	66	6

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

Engagement

Newton engaged with 31 issuers for the purpose of raising ESG concerns or to seek further information in the quarter

Newton – Responsible investment page - [available here](#)

Newton – Quarterly Reports - [available here](#)

Example voting rational

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

Example ESG Engagement

CitiGroup

US Bank - Equity and Fixed Income holdings

Newton met with management to discuss the company's approach to net zero. The bank has set tough targets to decarbonise its loan book, which currently has high exposure to heavy-emitting industries. The company seeks to directly influence the energy transition in this way. The company has published its third TCFD report which contains a number of advancements around governance, risk management and targets.

Climate change

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

Ruffer (Diversified Growth Fund /Absolute Return)

Part of Access Pool

Fund Manager collaborate engagement groups - links on page 33

United Nations Principles for Responsible Investment (UNPRI)	Climate action 100+
Transition Pathway Initiative	Institutional Investors Group on Climate Change (IIGCC)
Sustainability Accounting Standards Board (SASB)	FRC Stewardship Code
Net Zero Asset Managers Initiative	

Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
4	84	79	5	0	79	5

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

Ruffer voting guidelines and policies:

Ruffer – voting policy [available here](#)

Engagement

Bayer

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

BP

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

Chesapeake Energy

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

Royal Dutch Shell

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

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

Baillie Gifford

Part of Access Pool

Fund Manager collaborate engagement groups - links on page 33

United Nations Principles for Responsible Investment (UNPRI)	Institutional Investors Group on Climate Change (IIGCC)
FRC Stewardship Code	Net Zero Asset Managers Initiative
Taskforce on Climate Related Financial Disclosure	

Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
5	0	32	0	1	32	1

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

Resolutions voted on in quarter

Baillie Gifford – Governance and sustainability (LGPS) – [available here](#)

Baillie Gifford voting policies and guidelines

Baillie Gifford - Governance and sustainability – 2022 Principles and guidelines – [available here](#)

Engagement

Baillie Gifford - ESG information [available here](#)

Baillie Gifford - Quarterly reports [available here](#)

Examples of engagement in quarter

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

LEG Immobilien SE - Germany - Corporate Governance

Marks and Spencer Group plc - United Kingdom - Corporate Governance

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

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

Storebrand Global ESG Plus

Fund Manager collaborate engagement groups - links on page 33

United Nations Principles for Responsible Investment (UNPRI)	Institutional Investors Group on Climate Change (IIGCC)
Carbon Disclosure Project	Net Zero Asset Managers Initiative
Climate action 100+	Taskforce on Climate Related Financial Disclosure

Voting

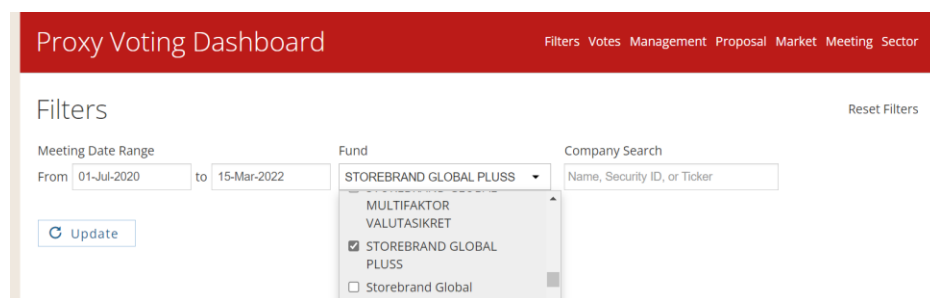
Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
72	755	690	57	8	679	76

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

Resolutions voted on in the quarter:

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

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



Storebrand voting guidelines and policies:

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

Engagement

Storebrand – Sustainability page [available here](#)

Storebrand – Quarterly Reports [available here](#)

Wellington (Listed equity – impact fund)

Fund Manager collaborate engagement groups - links on page 33

United Nations Principles for Responsible Investment (UNPRI)	Institutional Investors Group on Climate Change (IIGCC)
FRC Stewardship Code	Net Zero Asset Managers Initiative
Taskforce on Climate Related Financial Disclosure	

Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
9	49	47	2	0	46	3

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

Resolutions voted on in the quarter:

Wellington – Global proxy voting disclosure – [available here](#)

Wellington voting guidelines and policies:

Wellington – Global proxy voting policy 2021 – [available here](#)

Wellington Sustainability related investment Disclosures November 2021 – [available here](#)

Fund Overview

Actively managed equity fund which seeks to understand the world's social and environmental problems. The Fund looks to identify and invest primarily in the equities of companies that Wellington believe are addressing these needs in a differentiated way through their core products and services. Through the investments, the Fund seeks to improve access to, and the quality of, basic life essentials, reduce inequality and mitigate the effects of climate change. The Wellington Fund focuses on investing in the world you want to live in: focusing on investments that aim to achieve a positive social or environmental impact.

Engagement

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

Schneider Electric – Industrials
One meeting took place in the quarter focusing on

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

Shriram Transport Fi – Financials

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

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

Upwork Inc – Industrials

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

WHEB (Listed Equity – Impact fund)

Fund Manager collaborate engagement groups - links on page 33

United Nations Principles for Responsible Investment (UNPRI)	Institutional Investors Group on Climate Change (IIGCC)	Chemical Footprint Project
UKSIF	EUROSIF	FRC Stewardship
Carbon Disclosure Project	Net Zero Carbon 10	B Corps
Climate action 100+	The Big Exchange	Future Fit Business
Impact Management Project	Access to Medicines Foundation	British Standards Institute
Global Impact Investing Network	Net Zero Asset Managers Initiative	

Voting

Number of Vote-able meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
5	88	75	12	1	75	12

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

Resolutions voted on in the quarter:

WHEB – detailed voting record (Q1 2022) – [available here](#)

WHEB voting guidelines and policies:

WHEB – voting records – [available here](#)

WHEB – Stewardship and Engagement policy – [available here](#)

WHEB – RI policy – [available here](#)

Engagement

WHEB – Quarterly Reports [available here](#)

WHEB – Impact report [available here](#)

Atlas (Infrastructure)

Fund Manager collaborate engagement groups - links on page 33

United Nations Principles for Responsible Investment (UNPRI)	Institutional Investors Group on Climate Change (IIGCC)
Net Zero Asset Managers Initiative	Taskforce on Climate Related Financial Disclosure
FRC Stewardship Code	

Voting

Number of Voteable meetings	Resolutions voted	Votes for	Votes against	Abstained/ Withheld/ Did not vote	With management	Against management
1	18	18	0	0	18	0

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

Resolutions voted on in the quarter:

Atlas do not provide underlying quarterly voting information or their voting policy on their website. If required, this information should be requested directly from the fund manager.

Atlas – Environmental, social and governance – [available here](#)

Atlas voting guidelines and policies:

Atlas – Responsible investment policy – [available here](#)

Engagement

Atlas - ESG Page [available here](#)

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

Fund Manager collaborate engagement groups - links on page 33

United Nations Principles for Responsible Investment (UNPRI)	Institutional Investors Group on Climate Change (IIGCC)
FRC Stewardship Code	Carbon Disclosure Project
Net Zero Asset Managers Initiative	Climate action 100+



Engagement

Q1 22 engagement carried out by Osmosis:

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

Schroders (Property)

Fund Manager collaborate engagement groups - [links on page 33](#)

United Nations Principles for Responsible Investment (UNPRI)	Institutional Investors Group on Climate Change (IIGCC)
Carbon Disclosure Project	Net Zero Asset Managers Initiative
Climate action 100+	Taskforce on Climate Related Financial Disclosure

Engagement

Schroders - Sustainability page [available here](#)

Schroders - Quarterly sustainable reports [available here](#)

Schroders advised:

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

Infracapital (Infrastructure)

Fund Manager collaborate engagement groups - [links on page 33](#)

Institutional Investors Group on Climate Change (IIGCC)	Investors Forum
Financial Reporting Council	UK Sustainable Finance and Investment Association
ILPA Diversity in Action Initiative	Climate action 100+
Carbon Disclosure Project	Climate-wise Disclosures

Engagement

Infracapital - Responsible Investment approach including ESG engagement [available here](#)

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

Pantheon (Infrastructure)

Fund Manager collaborate engagement groups - [links on page 33](#)

United Nations Principles for Responsible Investment (UNPRI)	Taskforce on Climate Related Financial Disclosure
Sustainability Accounting Standards Board (SASB)	RepRisk
Initiative Climate International (iCI)	

Engagement

Pantheon - ESG Page [available here](#)

Pantheon - ESG Reports [available here](#)

Achievements in quarter

Pantheon won the Diversity & Inclusion leader of the Year at the Real Deals Private Equity Awards 2022

M&G (Fixed Income)

Fund Manager collaborate engagement groups - [links on page 33](#)

Institutional Investors Group on Climate Change	Investors Forum
Financial Reporting Council	UK Sustainable Finance and Investment Association
Diversity in Action Initiative	Climate action 100+
Carbon Disclosure Project	Climate-wise Disclosures

Engagement

M&G - Sustainability page [available here](#)

M&G - Responsible Investment & Reports [available here](#)

Adams Street (Private Equity)

Fund Manager collaborate engagement groups - links on page 33

United Nations Principles for Responsible Investment (UNPRI)	Taskforce on Climate Related Financial Disclosure
RepRisk	Initiative Climate International (iCI)
Science based targets Initiative	

Engagement

Adams Street - Responsibility page [available here](#)

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

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

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

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

Harbourvest (Private Equity)

Fund Manager collaborate engagement groups - [links on page 33](#)

Diverse Alternative Investment Industry Statement	Taskforce on Climate Related Financial Disclosure
Initiative Climate International (iCI)	Diversity in Action Initiative
United Nations Principles for Responsible Investment (UNPRI)	

Engagement

Harbourvest – Annual ESG report [available here](#)

Harbourvest – TCFD progress report [available here](#)

Some further detail on engagement with underlying GPs will be contained in the Annual Reports for some of their underlying funds which should be available from June 2022 onwards.

Engagement Group Links

[Access to Medicines Foundation](#)

[B Corps](#)

[British Standards Institute \(BSI\)](#)

[Chemical Footprint Project](#)

[Climate Action 100+ \(CA100+\)](#)

[European Sustainable Investment & Finance Association \(EUROSIF\)](#)

[Financial Reporting Council Stewardship Code \(FRC\)](#)

[Future Fit Business](#)

[Global Impact Investing Network](#)

[Global Real Estate Sustainability Benchmark \(GRESB\)](#)

[ILPA Diversity in Action Initiative](#)

[Impact Management Project](#)

[Initiative Climate International \(ICI\)](#)

[Investors Forum](#)

[Local Authority Pension Fund Forum \(LAPFF\)](#)

[Net Zero Carbon 10](#)

[Net Zero Asset Managers Initiative](#)

[RepRisk](#)

[The Big Exchange](#)

[Transition Pathway Initiative \(TPI\)](#)

[Sustainable Accounting Standards Board](#)

[UK Sustainable Investment & Finance Association \(SIFA\)](#)

[UN Global Compact](#)

[United Nation Principals for Responsible Investment \(UNPRI\)](#)

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