

UK Stewardship Code Report

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Principle 1

Principle 1 = Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

1.1. Context

1.1.1. Background and purpose of the Fund

Surrey Pension Fund (the 'Fund') is part of the Local Government Pension Scheme (LGPS) which is a statutory scheme established by an Act of Parliament and governed by the Public Service Pensions Act 2013. The LGPS is a multi-employer scheme operating on a "funded" basis, meaning that contributions from employees and employers are paid into a fund which is invested, and from which pensions are paid. Regulations are set on a national basis, though individual Funds are managed at the local level by a designated Administering Authority. Surrey County Council is responsible for managing the Fund and is known as the 'Administering Authority'. Surrey Pension Fund Committee (the 'Committee') is the scheme manager for the Administering Authority under Regulation 5(7) of the Public Service Pensions Act 2013. The Committee is assisted by the Surrey Local Pension Board (the 'Board') which was established under Regulation 7 of the Public Service Pensions Act 2013 and performs an advisory role.

The Fund is also one of eleven Partner Funds in the Border to Coast Pensions Partnership (BCPP) which operates investment funds for the Partner Funds based on respective strategic asset allocations. The Fund does not therefore invest or engage directly with companies, but rather invests and engages through its pooled (BCPP) and non-pooled investment managers. A significant proportion of the Fund's assets have transitioned into the Border to Coast pool over recent years and are now managed by BCPP's internal and external investment managers who hold direct stewardship responsibility for these assets.

The purpose of the Fund is to ensure that it has sufficient assets to be able to meet its long-term obligations to pay pensions to the Fund's members, i.e., over the long term to be at or above a 100% funding level. It also has an objective to maintain employer contribution rates as reasonably stable and affordable as possible. The Fund is open to all eligible employees of Surrey County Council, the District and Borough councils within Surrey, and other participating employers. Employee contribution rates are set by the LGPS regulations, with the level of employer contribution being reviewed every three years through an actuarial valuation of the Fund.

1.1.2. Culture, values, and strategy

The Fund's focus remains on the fiduciary duty that it has to its employers and members, and the Fund understands the importance of being a responsible asset owner. This duty is embedded into the Fund's Strategic Plan (see Section 1.1.3. below) which draws on the Fund's core principles as set out in the Governance Policy Statement (see Section 1.1.4. below), and its Investment Strategy Statement which articulates the Fund's Investment Beliefs (see Section 1.1.5. below) and Responsible Investment Beliefs (see Section 1.1.6. below).

1.1.3. Strategic plan

The Fund sets a three-year Strategic Plan which outlines the Fund’s vision, mission, culture and values, yearly strategic themes as well as a detailed year-on-year outline of the actions that must be taken to achieve success. The Committee is updated on the Strategic Plan on a quarterly basis through a Surrey Pension Team Dashboard which was confirmed at the June 2023 Committee meeting, and the Plan is reviewed and approved annually. For 2023-2026, the Plan details the trajectory that the Fund must take to evolve from a ‘Good’ service in 2023/24 to an ‘Industry Leading’ service in 2025/26.

Year	Theme	Performance Target
2023/24	Focus	Good
2024/25	Transcend	Outstanding
2025/26	Trailblaze	Industry Leading

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Moreover, in the Plan, the Fund has outlined four key priorities for 2023/24 which are continually monitored and are used to guide performance and lead the trajectory towards becoming an ‘Industry Leading’ service in 2025/26. These four levers are outlined below:

- i. **Customer focus** = the Fund has a relentless focus on delivering value to the customer through the provision of a first-class service and customer experience.
- ii. **Investment expertise** = the Fund delivers its investment requirements by thought leadership in responsible investment and quality partnerships.
- iii. **Fit for purpose** = the Fund seeks to continuously improve the efficiency and effectiveness of all of its resources in order to achieve excellence and the highest assurance ratings.
- iv. **Ready for tomorrow** = the Fund is organisationally resilient and agile to design and pivot to new service models.

It is also important to note that the trajectory that the Fund has set within its Strategic Plan is centred on the Fund’s three key resources: its people, its systems and processes, and its culture and values. With regard to the latter of these three resources, the Fund has identified a number of overarching aspects of its culture and values. These include:

- i. **Performance** = we have a culture of going beyond and striving for excellence and have high-performing teams.
- ii. **Continuous Improvement** = we place great importance on continually developing and improving performance.
- iii. **Laser Focus** = we are laser-focused on delivering value to the customer.
- iv. **Accountability** = we are honest, open, inclusive and look after ourselves and each other.

1.1.4. Core principles

The Fund's culture and values are rooted in five principles identified by the Administering Authority and its advisors as fundamental to supporting the Fund's overall governance framework. The following five principles are detailed in the Fund's Governance Policy Statement and are underpinned by an overarching culture of risk management.

- i. **Effective Committee** = the effectiveness of the Pension Fund Committee and Officers to which delegated function has been passed, including areas such as decision-making processes, knowledge, and competencies.
- ii. **Written Plan Policies** = the establishment of policies and their implementation.
- iii. **Appropriate Accountability** = clarity of areas of responsibility between Officers and Pension Fund Committee Members.
- iv. **Effective Information Flow** = the ability of the Pension Fund Committee and Officers to communicate clearly and regularly with all stakeholders.
- v. **Rigorous Supervision and Monitoring** = the ability of the Pension Fund Committee and Officers to ask for the appropriate information and advice and to interpret that information in their supervision and monitoring of the Scheme in all areas.

1.1.5. Investment beliefs

The Fund's investment beliefs are articulated clearly in an Investment Strategy Statement which was last updated in August 2023. This document is an important governance tool for the Fund and provides transparency in relation to how the Fund's investments are managed. The Fund's key investment beliefs are set out below:

i. Investment governance

The Fund has access to the necessary skills, expertise, and resources to manage the whole Fund, as well as internally managing a small proportion of the Fund's assets (primarily cash).

Investment consultants, independent advisors and Officers are a source of expertise and research to inform and assist Committee decisions.

The Fund should continuously monitor and improve its governance structure where relevant, through bespoke training in order to implement tactical views more promptly but acknowledges that achieving optimum market timing is very difficult.

ii. Long-term approach

The Fund looks to take a long-term approach to setting investment strategy, as appropriate, depending on a number of factors, including consideration of the strength and status of underlying employer covenants.

The most important aspect of risk is not the volatility of returns, but the risk of absolute loss, and of not meeting the objective of facilitating affordable, stable contribution rates for employers.

Illiquidity and volatility are risks which offer potential sources of additional compensation to the long-term investor. Moreover, it is important to avoid being a forced seller in short-term market setbacks.

Participation in economic growth is a major source of long-term equity return.

Over the long term, equities are expected to outperform other liquid assets, particularly government bonds and cash.

Well governed companies that manage their business in a responsible manner will likely produce higher returns over the long term.

iii. **Appropriate investments**

Allocations to asset classes other than listed equities and bonds (e.g., private market assets) offer the Fund other forms of diversification/returns with different risk premia.

Diversification across asset classes and manager strategies that have relatively low correlations with each other will tend to reduce the volatility of the overall Fund return.

In general, allocations to bonds are made to achieve additional diversification.

iv. **Management strategies**

A well-balanced portfolio has an appropriate mix of passive and active investments.

Passive, index-tracker style management provides low-cost exposure to equities and bonds and is especially attractive in efficient markets.

Active managers, capturing diversified investment styles, can add value over the long term, particularly in less efficient markets, and the Fund believes that, by following a rigorous approach, it is possible to identify managers who are likely to add value, over the long term.

Active management can be expensive but can provide additional performance. Fees should be aligned to the interests of the Fund rather than performance of the market.

Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.

1.1.6. Responsible Investment beliefs

In addition to its investment beliefs, the Fund has also developed a set of Responsible Investment (RI) beliefs. The RI beliefs were developed because the Fund believes that investments made on behalf of scheme members should be

sustainable in the short, medium, and long-term through the identification and consideration of Environmental, Social and Governance (ESG) factors into the investment selection, monitoring, and deselection process. The Fund has an overriding fiduciary and public law duty to act in the best long-term interests of scheme members to achieve the best possible financial returns with an appropriate level of risk. It recognises that RI considerations increasingly reflect real financial risks, and as a result these factors should be included in the investment decision-making process.

Specifically, since early 2020 and on an ongoing basis the Fund has worked to understand how its investments might impact on the delivery of the United Nations Sustainable Development Goals (SDGs). The SDGs are ‘an urgent call for action by all countries – developed and developing – in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests’.

The results of an SDG Mapping exercise were delivered in early 2021, which showed a link between the Fund’s investments and their potential impact on the delivery of the SDGs. The Committee determined that this link was worth exploring further, and as a result identified the link between the Fund’s investments and the SDGs to be an important component of any future RI activity. Consequently, the UN SDGs act as the framework through which the Fund’s RI beliefs have been developed, and these RI beliefs are set out below:

- i. Surrey Pension Fund believes that the United Nations Sustainable Development Goals represent an appropriate foundation in terms of the Fund’s overall RI approach.
- ii. Surrey Pension Fund believes that taking account of RI considerations can provide investment opportunities, as well as identifying investment risks.
- iii. Surrey Pension Fund requires the consideration of ESG factors to be incorporated into the portfolio construction process of all investments made by its investment managers.
- iv. RI considerations are important irrespective of asset class.
- v. RI considerations are important across all time horizons. This is true not just in terms of protecting and enhancing long-term investment return, but also increasingly in terms of the interests expressed by our stakeholders.
- vi. Going further, Surrey Pension Fund believes that ESG factors are relevant in the context of benchmarking, risk analysis and investment opportunity identification.
- vii. Responsible management of RI issues by Surrey Pension Fund and its agents is also considered a reputationally important issue.
- viii. Surrey Pension Fund views climate risk – and the issues which contribute to it – as being of significant direct and indirect concern to all stakeholders and as a result, the Fund’s approach towards ‘Net Zero’ is a prominent area of focus.
- ix. Surrey Pension Fund believes in an ‘Engagement with Consequences’ approach. This advocates the use of engagement over divestment as the means to promote our RI beliefs – however, taking legal action against

company management or selling an asset remain options when it comes to inadequately addressed ESG concerns in the investments made by our managers.

- x. We also recognise the value in engaging collaboratively to leverage greater influence together with other investors who share our priorities through joint initiatives and organisations.
- xi. The exercise of our ownership rights through voting is an important part of implementing our RI beliefs.

1.2. Activity

1.2.1. Actions taken

The Fund has taken a number of significant actions to ensure that its investment beliefs, strategy, and culture are embedded in its stewardship activities. The key activities undertaken are outlined below:

i. Launching of an RI Policy

Previously, Surrey's RI approach was set out in terms of its approach to ESG factors within the Fund's Investment Strategy Statement (ISS), which was created and periodically updated by the Committee. When the ISS was updated in September 2021, it was decided to create a separate RI Policy to reflect the increased importance of RI matters, and to capture recent changes in terms of institutional investors' approaches towards RI and ESG factors.

Following this commitment, the Fund's RI Policy was launched in June 2022 subject to consultation before a final document was approved at the June 2023 Committee meeting. This policy constitutes the Fund's first standalone articulation of its RI approach, and formally acknowledges the Fund's commitment to putting into practice its RI beliefs. It is of utmost importance to emphasise this launch as it is the priorities contained within the Fund's RI policy that have continuously been drawn upon throughout the current reporting period to drive the stewardship activities outlined below. The policy sets out the Fund's approach as a responsible asset steward in addressing RI issues associated with its investment strategy and communicates the Fund's position to stakeholders.

In acknowledgement of the fact that approaches to RI and ESG factors are continually developing, the Fund's RI Policy is to be reviewed annually and updated to reflect developing best practice.

ii. Setting a Net Zero date

In line with the priority set out in the Fund's RI Policy to 'make a commitment to achieving "net zero" in terms of the Fund's investments,' in June 2023 the Committee agreed to set a carbon Net Zero target date of '2050 or sooner'. This commitment was made following rigorous scenario analysis and engagement by the Committee, the Fund's RI Sub-Committee and the Fund's Investment Consultant and recognises the position of the Administering Authority and a number of the Fund's scheduled and admitted bodies who have declared a climate emergency. Climate risk, as

detailed extensively in Principle 4, is of prominent concern to the Fund and the Fund recognises the need to consistently measure progress against this commitment. Moreover, as the regulatory environment evolves towards requiring the reporting and management of climate risk strategies by LGPS pension funds, short, medium, and long-term metrics are equally significant. In the short-term, activity-related metrics such as annual asset-related GHG emissions, investment manager reviews (including policy as well as performance reviews) and strategic engagement progress targets all contribute towards a consistent approach to medium and long-term objective delivery.

In determining a Net Zero date of '2050 or sooner,' the Fund believes that this target balances the need for portfolio decarbonisation alongside the Committee's fiduciary duty. The terminology 'or sooner' has been used to recognise that the Committee may review its target date in the future, notably, for example, if more companies adopt earlier Net Zero targets with more credible implementation plans.

iii. **Increased investment into LGIM Future World**

In line with the Fund's increased commitment to RI, its articulation of a set of RI Beliefs and the launch of a standalone RI Policy, the Fund has made a concerted effort to increase its investment in the LGIM Future World Global Equity Index Fund which increased from 0% to 18% of the Fund's total portfolio between 31 March 2021 and 31 March 2023. Over the 2023/24 reporting period, the Fund invested a further £100m (April 2023) through the redemption of £89m from the BCPP UK Equity Alpha Fund and an £11m in-specie transfer out of the LGIM Future World Emerging Markets Fund.

The LGIM Future World Global Equity Index Fund is a fund that incorporates 34 ESG factors to tilt the portfolio's investments. The Future World product range also executes exclusions through the application of the Future World Protection List and the Climate Impact Pledge. The Future World Protection List is a set of exclusions based on companies which fail to meet either globally accepted principles of business practice, or whose business is incompatible with a low-carbon transition. No company with over 20% of revenue derived from thermal coal mining and extraction and/or thermal coal power generation and/or oil sands can be considered for investment. Exclusions also apply to manufacturers of controversial weapons or companies in perennial breach of the UN Global Compact, an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies. The Climate Impact Pledge is the 'engagement with consequences' approach that LGIM takes in relation to climate engagement and through the use of a set of metrics, companies are assessed with consistent laggards generating votes against the Chair for all products and divestment from Future World funds.

iv. **Emerging markets**

In alignment with the Fund's RI beliefs, in July 2023 the Fund switched from a passive to an active management approach in relation to its Emerging Markets allocation. This switch was made through the complete redemption of the Fund's remaining holding in the LGIM Emerging Markets Fund with £267m being invested

into the actively managed BCPP Emerging Markets Equity Alpha Fund. The intention of this approach was for the Fund to access potentially higher returns and concomitantly cut the carbon emissions of its portfolio whilst simultaneously driving a just, green transition by continuing to invest in markets where the potential for carbon emission reductions was highest. This shift in portfolio management was therefore favoured over divestment to avoid carbon emissions from one portfolio merely being transferred to another without necessarily having any real-world impact on carbon emission reductions. From the Fund's perspective, the share of the Fund's carbon emissions derived from the Emerging Markets allocation is expected to fall from approximately one-third to 15%, in line with the Fund's Net Zero ambitions.

1.3. Outcome

1.3.1. How the Fund's purpose and investment beliefs have guided stewardship, investment strategy, and decision-making

In line with the activities outlined above, the Fund has also made significant progress in ensuring that its purpose, Investment Beliefs and RI Beliefs guide its actions and decision-making. This progress has been reflected in a concerted effort to produce a new and bespoke Fund Voting Policy in addition to an updated Investment Strategy Statement that better aligns with the Fund's purpose and Investment Beliefs.

New voting policy

One of the Fund's key priorities following acceptance of the RI Policy was to thoroughly review and update its voting policy. With investment governance at the heart of the Fund's investment beliefs, the Committee agreed that, with help from its RI Consultant, the Fund's Voting Policy needed to be recalibrated to reflect best practice in the industry. Specifically, to account for the latest UK Stewardship Code, best practice from the UK Corporate Governance Code, the International Corporate Governance Network (ICGN), the Organisation for Economic Cooperation and Development (OECD), EU Directives, the Financial Conduct Authority (FCA) diversity rules, guidance from the Pensions and Lifetime Savings Association (PLSA), the Investment Association Principles of Remuneration and BCPP. Put simply, the Fund recognised that stewardship is an evolving concept and that its voting policy had to be updated to reflect this.

At the September 2023 Committee meeting, this objective was achieved with the Committee unanimously approving an updated and bespoke Fund Voting Policy for non-pooled assets that codified the Fund's approach into specific voting actions and which embraces the idea that the active oversight and stewardship of companies encourages good long-term value and performance. This codification and the adoption of a much greater depth of voting rules has enabled the Fund to implement a revised voting template to improve the consistency of voting in line with the Fund's policy. The Fund takes seriously its responsibility to ensure that its voting rights are exercised in an informed, constructive and considered manner and in accordance with its Investment and RI Beliefs, the new policy covers nine key areas of corporate governance:

- 1) Audit and Accountability
- 2) Executive Remuneration
- 3) Mergers and Acquisitions
- 4) Political and Charitable Donations
- 5) Environmental Issues
- 6) The Board and Committees
- 7) Shareholders' Rights and Capital Structures
- 8) Article Changes
- 9) Shareholder Resolutions

ii. New ISS

The Fund's Investment Strategy Statement was also updated and approved by Committee in June 2023 to reflect the Fund's new asset allocation as well as reaffirming the Fund's Investment Beliefs. A section has also been added in the ISS on 'Employer-Related Strategies' which places emphasis on the more prudent valuation of Exited and Closed liabilities within the Fund which, in line with the Fund's purpose, is designed to reduce the risk to other employers that deficits emerge that would need to be funded.

1.3.2. How the Fund has served the best interests of its clients and beneficiaries

As outlined in Section 1.1.1., the overarching measure through which the Fund determines its performance and therefore how well it has satisfied the best interests of beneficiaries is through its funding level. Between 31 March 2023 and 31 December 2023, this measure improved significantly from 127% to **XXX%**, in line with the Fund's purpose over the long-term to be at or above a 100% funding level.

***check in March**

Moreover, as detailed in Section 4.2.1., despite dips (primarily attributable to external market crises driven by Covid, the Liability-Driven Investment crisis and the Russian invasion of Ukraine, as well as aggressive central bank actions to combat persistently high inflation), the Fund's value has increased significantly over the last few years from £3.8bn at 31st March 2020, to £5.2bn at 31st March 2023. ***check in March**

The Fund has also sought more direct channels through which to be informed about beneficiaries' views so as to ensure that it is satisfying their needs. Whilst these measures are outlined in detail in Principle 6, of particular note has been the Fund's concerted effort to gain insights from beneficiaries regarding its RI activities with an extensive RI consultation being undertaken between September and November 2022 which has played a continuous role in informing the Fund's RI approach throughout the current reporting period. This consultation was undertaken with the help of the Fund's dedicated RI Consultant and resulted in over 7,300 online and postal responses from stakeholders that fed into the Fund's RI Policy. More details of this consultation and the impact that it continues to have can be found in Section 5.1.1.

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Principle 2

Principle 2 = Signatories' governance, resources and incentives support stewardship.

2.1. Activity

2.1.1. How the Fund's governance structure and processes have enabled effective stewardship

Pension Fund Committee:

Responsibility and governance for the Pension Fund, including investment strategy, fund administration, liability management and corporate governance is delegated to the Surrey Pension Fund Committee. More specifically, the Committee is responsible for determining the Fund's investment beliefs, setting the Fund's strategic asset allocation, producing the Fund's stewardship policies, providing arrangements for holding its agents (including BCPP) to account, requesting specific investment options from BCPP, and the timing of any transition of assets to BCPP. As the Fund's decision-making body, the Committee has a key role in ensuring that the Fund's stewardship activities are effective and is ultimately responsible for producing the Fund's stewardship and RI policies.

The Committee is advised by a representative of the Fund's professional investment consultant, an independent advisor, the Director of Finance, Corporate and Commercial, and the Assistant Director, LGPS Senior Officer. The Pension Fund Committee meets on at least a quarterly basis and more frequently, as deemed required.

Local Pension Board:

From 1 April 2015 the Surrey Pension Fund Committee has been assisted in its management of the Fund by a Local Pension Board made up of employer and scheme member representatives. The role of the Local Pension Board, as defined in Section 106 of the Local Government Pension Scheme Regulations 2013, is to assist the County Council as the Administering Authority:

- (a) To secure compliance with:
 - I. the scheme regulations;
 - II. any other legislation relating to the governance and administration of the LGPS Scheme and any connected scheme;
 - III. any requirements imposed by the Pensions Regulator in relation to the LGPS Scheme.

- (b) To ensure the effective and efficient governance and administration of the LGPS Scheme.

The Local Pension Board effectively and efficiently complies with the Code of Practice on the governance and administration of public service pension schemes issued by The Pensions Regulator and meets on at least a quarterly basis. The Local Pension Board has power to do anything that is calculated to facilitate or is

conducive or incidental to the discharge of any of its functions but should always act within its terms of reference.

2.1.2. Resourcing of stewardship activities

Structure and representation:

i. Surrey Pension Fund Committee:

Surrey Pension Fund Committee is comprised of six nominated members of the County Council, two representatives from the Borough/District Councils nominated by the Leader of the Council, one representative from the external employers, and one representative of the members of the Fund.

ii. Local Pension Board:

The Local Pension Board is made up of representatives of the employers and members within the Surrey Pension Fund and the representation between employees and employers should be equal. The Fund is overseen by an independent non-voting chairman. The Terms of Reference of the Board outline the constitution of members as follows:

– Employer Representatives:

- 2 x Surrey County Councillors
- 2 x Other employer representatives (these representatives come from nominations from other employers in the Fund such as District, Borough and Parish Councils, Academies, Police and other scheduled or admitted body employers in the Surrey Pension Fund)

– Member Representatives:

- 1 x GMB nominated representative
- 1 x Unison nominated representative
- 2 x Other member representatives

Training, experience, and skills:

Surrey Pension Team is committed to providing training for those involved in the governance of the Fund to ensure that Committee and Board Members have the necessary skills and knowledge to act effectively in line with their responsibilities. Members of both the Committee and the Board participate in regular training delivered through a formal programme to ensure they have the knowledge and capacity to carry out their roles and all Members and Officers are expected to complete a minimum of four hours of training per financial year, in addition to any induction training. As part of the Fund's commitment to delivering a professional pensions service to stakeholders, an annual training plan is prepared and approved by the Committee. The annual training plan outlines the Fund's vision of training as a continual process centred on three key points:

- a) The collective knowledge of the Board/Committee
- b) The general pensions environment
- c) Coping with changes (e.g., legislation)

It is recommended that such knowledge, understanding, and competency is evaluated on an annual basis to identify any training or educational needs of Officers and the Committee. Updates are provided as required taking account of the identification of any knowledge gaps, changes in legislation, key legislation (e.g., triennial valuation) and the receipt of updated guidance.

Staff also regularly attend LGA and CIPFA training as appropriate, and receive in-house training from actuary, fund managers and via a dedicated Training Officer. Professional courses, such as CIPP are also offered and are recorded via a staff skills matrix. Ad hoc training courses are produced as the LGPS regulations change. More specific training for Committee and Board Members is outlined below alongside details of training provided by the Fund's pooling company, BCPP.

Local Pension Board [*check table](#)

Board Members must complete, by their first meeting or within the first three months of their appointment if earlier, the online training courses provided in the Public Service Toolkit by The Pensions Regulator (TPR), and within the first six months of their appointment, the TPR Trustee Toolkit. Board Members must also complete, within the first twelve months of their appointment, the online training courses available on the LGPS Online Learning Academy (LOLA) which contains LGPS-specific learning modules, with the first introductory module required to be completed prior to their first meeting. Members must also attend the LGA three-day training course covering the Fundamentals of the LGPS at the earliest opportunity, and within the first twelve months of their appointment. Moreover, Board Members must also assess their training needs by covering the training needs analysis template provided by The Pensions Regulator.

The following table provides an outline of the mandatory training log for Board Members in 2023/24 whilst beyond this, Tim Evans also attended the LGPS Governance Conference in York between 18th-19th January 2024. [*check with Jennifer at end of March](#)

Board Training and Development Log 2023/24

Mandatory training log:

Training	Tim Evans	David Lewis	Jeremy Webster	William McKee	Trevor Willington	Siobhan Kennedy	Brendan Bradley	Chris Draper (new)
TPR Public Service Toolkit	-	✓	✓	✓	✓	✓	✓	✓
TPR Trustee Toolkit	-	-	-	-	✓	✓	✓	-
Local Government Association Fundamentals 1	-	✓	✓	✓	✓	✓	-	-
Local Government Association Fundamentals 2	-	✓	✓	✓	-	✓	-	-
Local Government Association Fundamentals 3	-	✓	✓	✓	✓	✓	-	-
LOLA v2 Unit 1	-	✓	✓	-	-	✓	✓	-
LOLA v2 Unit 2	-	✓	✓	-	-	✓	✓	-
LOLA v2 Unit 3	-	✓	✓	-	-	✓	✓	-
LOLA v2 Unit 4	-	✓	✓	-	-	✓	✓	-
LOLA v2 Unit 5	-	✓	✓	-	-	✓	✓	-
LOLA v2 Unit 6	-	✓	✓	-	-	✓	✓	-
LOLA v2 Unit 7	-	N/A	N/A	-	-	✓	-	-
LOLA v2 Unit 8	-	N/A	N/A	-	-	✓	-	-

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LOLA v2 Current Issues	-	N/A	N/A	-	-	✓	-	-
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Pension Fund Committee

The administrators of the Fund are committed to the implementation of the Code of Practice on public sector pensions finance knowledge and skills and the Committee has agreed the following knowledge and skills policy statement.

1. The Pension Fund Committee recognises the importance of ensuring that all staff and members charged with the financial administration and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the responsibilities allocated to them.
2. It therefore seeks to utilise individuals who are both capable and experienced and it will provide/arrange training for staff and members of the Committee to enable them to acquire and maintain an appropriate level of expertise, knowledge, and skills.

All Committee Members receive a Member Induction Handbook, access to the LOLA and the Surrey Pension Team Governance SharePoint site upon becoming a Member. The Fund's SharePoint site contains a documents hub, materials from previous training courses and details of upcoming training available. It is also a requirement of the Fund that Committee Members complete the equivalent training of Board Members outlined above within the same required timescales. It is the view of the Fund that the material covered by The Pensions Regulator Public Service Toolkit is of equal relevance to Committee Members as to Board Members.

The following table provides an outline of the mandatory training log for Committee Members in 2023/24 whilst two Members also attended the PLSA Local Authority Conference between 26th-28th June and one Member attended the LGPS Governance Conference in York between 18th-19th January. ***check with Jennifer at end of March**

Committee Training and Development Log 2023/24

Mandatory training log:

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Training	Nick Harrison	David Harmer	Trefor Hogg	Richard Tear	George Potter	Kelvin Menon	Steve Williams	Robert Ashley King	Robert Hughes	Duncan Eastoe (new)
TPR Public Service Toolkit	✓	-	✓	✓	-	✓	-	-	-	✓
TPR Trustee Toolkit	✓	-	✓	-	-	✓	-	-	-	-
LGA Fundamentals 1	✓	-	✓	-	-	✓	✓	-	-	✓
LGA Fundamentals 2	✓	-	✓	-	-	✓	✓	-	-	✓
LGA Fundamentals 3	✓	-	✓	-	-	✓	✓	-	-	✓
LOLA v2 Unit 1	✓	-	✓	✓	-	✓	✓	-	-	-
LOLA v2 Unit 2	✓	-	✓	✓	-	✓	-	-	-	-
LOLA v2 Unit 3	✓	-	✓	✓	-	✓	-	-	-	-
LOLA v2 Unit 4	✓	-	✓	✓	-	✓	-	-	-	-

LOLA v2 Unit 5	✓	-	✓	✓	-	✓	-	-	-	-
LOLA v2 Unit 6	✓	-	-	✓	-	✓	-	-	-	-
LOLA v2 Unit 7	✓	-	-	✓	-	N/A	-	-	-	-
LOLA v2 Unit 8	✓	-	-	✓	-	N/A	-	-	-	-
LOLA v2 Current Issues	✓	-	✓	✓	-	N/A	-	-	-	-

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Officers

It is crucial that Officers have the necessary skills and knowledge to carry out the tasks of managing the Fund's investments responsibly and administering the payment of benefits. The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required for the role. Officers should be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have knowledge of the six areas of the framework. The knowledge required for each Officer is held in the Surrey Pension Team matrix and the Officer's individual skills are measured against this matrix with any training needs identified being added to the individual's training plan. Officers attend relevant training events and seminars during the year to ensure they remain up to date with the latest requirements and they are also required to keep up to date with relevant issues affecting the Fund. Specifically, Officer training focuses on the following areas:

- a) **Public Sector Pension Governance** = understanding the guidance and regulations in relation to local pension boards and keeping up to date with how other Funds are working with their boards, in order that the Board can be supported effectively and add value to the governance of the Fund.
- b) **New Investment Arrangements** = understanding the implications of how the Financial Conduct Authority (FCA) will implement the Markets in Financial Instruments Directive (MiFIDII) and how Surrey Pension Fund will comply.
- c) **New Investment Products** = keeping up to date with what the market is offering, in order to assess the validity of new products for investment by the Surrey Pension Fund.
- d) **Accounting Issues** = keeping up to date with the latest CIPFA guidance on the format of the Fund's Statement of Accounts and the content of the Annual Report.
- e) **Pensions Administration Regulations** = understanding the latest guidance and interpretation of changes to LGPS Regulations and their impact on procedures.
- f) **Pensions Administration Systems** = keeping up to date with updates/new releases to the software system Altair, passing training onto all staff.
- g) **Actuarial Methods, Standards and Practices** = understanding the work of the actuary and the ways in which actuarial information is produced.

Throughout the 2023/24 reporting period, Officers engaged in a broad range of optional training courses and events. A non-exhaustive list includes: two LGA Insights Residentials (May 15th-18th and September 4th-7th), a PLSA Local Authority Conference (June 26th-28th), two LGA Insights Online courses (July 3rd-7th and February 19th-23rd), a Prosci course (October 17th-19th), a Pensions Managers Conference (November 21st-22nd), a Cyber Security Conference (November 30th), a Motivating and Engaging your Team course (November 14th), an LGPS Governance Conference (January 18th-19th) and a course on Writing Effective Press Releases

(January 19th). *check with Jennifer at end of March Beyond this, a number of individuals within the Surrey Pensions Team have been working throughout the year towards a Certificate in Pensions Administration (CIPP).

With regard to Officers' experience and qualifications, an outline of the experience and qualifications of relevant Senior Officers within the Fund is detailed in the table below:

Role	Qualifications	Experience
<ul style="list-style-type: none"> – Assistant Director – LGPS Senior Officer 	<ul style="list-style-type: none"> – Diploma in Investment Planning (The Chartered Institute of Bankers) – CF2 Investment & Risk (CII) – Certificate in Lean Competency – Part Qualified Accountant (CIPFA) 	<ul style="list-style-type: none"> – 6 years in role – 23 years relevant experience – 6-year member of the Policy Board of the Pensions and Lifetime Savings Association (PLSA)
<ul style="list-style-type: none"> – Head of Investment and Stewardship 	<ul style="list-style-type: none"> – Associate of the Society of Investment Professionals, CFA UK – CFA Certificate in ESG Investing 	<ul style="list-style-type: none"> – 2 years in role – 33 years in investment management
<ul style="list-style-type: none"> – Deputy Head of Investment and Stewardship 	<ul style="list-style-type: none"> – BSc Accounting and Finance degrees – Certified Public Accountant 	<ul style="list-style-type: none"> – 2 years in role – 22 years in Investment Accounting, Financial Modelling and Financial Services Software
<ul style="list-style-type: none"> – Head of Accounting and Governance 	<ul style="list-style-type: none"> – Postgraduate Diploma in Financial Strategy – Fellow of the Institute of Chartered Accountants in 	<ul style="list-style-type: none"> – 2 years in role – 34 years in Finance

	<ul style="list-style-type: none"> England and Wales (FCA) – Business and Finance Professional (ICAEW) – Associate Member of the Association of Corporate Treasurers (AMCT) 	
<ul style="list-style-type: none"> - Head of Service Delivery 	<ul style="list-style-type: none"> - BA Honours in Business Management & HR - Certified (previously practitioner) in Agile Project Management 	<ul style="list-style-type: none"> - 1.5 years in role - 5 years in LGPS - 13 years in Local Government

Border to Coast Pensions Partnership (BCPP)

All Partner Funds, including Surrey Pension Fund, are offered training by BCPP in relation to RI and ESG issues and specific training is provided on identifying ESG risks and opportunities so as to develop Partner Funds’ policies and investment principles for inclusion in respective Investment Strategy Statements. Moreover, RI and ESG training is also provided to BCPP’s Investment Team where required with assistance and input from Robeco, BCPP’s Voting and Engagement Partner, and other experts.

Diversity:

Though the Fund does not formally report on workforce diversity, its Strategic Plan is committed to tangibly improving the diversity, equalities and inclusion status of the Fund which fully embraces the position taken by the Administering Authority: Surrey County Council is committed to being a fair, compassionate, and inclusive council that genuinely values difference and makes everyone feel safe and that they belong. Focusing on equality, diversity and inclusion is also vitally important to the Council to improve the experiences of residents and staff and ensure no-one in the county is left behind. The Council’s latest workforce Equalities and Diversity analysis is available online at: [Equalities and Diversity Analysis 2019-2021 \(surreycc.gov.uk\)](https://www.surreycc.gov.uk/equality-diversity-analysis-2019-2021).

Over the past twelve months, the Fund has also developed two key measures to improve its insights and reporting on diversity. Firstly, a pulse survey has been developed and is being emailed to Fund staff on a six-monthly basis to help to understand views on workforce diversity and how it can be improved in the future. Secondly, a dashboard providing details of the Fund’s overarching workforce

strategy including its approach to workforce diversity is in the process of being developed. The aim of this development is to provide staff across the Fund with up-to-date information and a better understanding of how the Fund’s workforce strategy is being implemented.

Investment in systems, processes, research, and analysis:

i. Asset Pooling: Border to Coast:

In order to satisfy the requirements of the LGPS (Management and Investment of Funds) Regulations 2016, the Fund became a 1/11th equal shareholder in Border to Coast Pensions Partnership (Border to Coast) Limited. Border to Coast is a Financial Conduct Authority (FCA) regulated Operator and an Alternative Investment Fund Manager (“AIFM”).

Border to Coast has an internal team of investment managers, in addition to appointing external managers. Its role is to implement the investment strategies of the Partner Funds through a range of investment sub-funds, offering internally and externally managed solutions. A significant proportion of the Fund’s investments are made through Border to Coast and where it is not practical or cost effective for assets to be transferred into the pool (e.g., existing private equity investments), they are managed at the Fund level. Whilst these assets are unlikely to be transferred, it is expected that once these investments are fully distributed, the proceeds will be reinvested into Border to Coast.

Service providers and advisors:

<u>Role</u>	<u>Company</u>	<u>Services provided</u>
Pooling Partner	Border to Coast Pensions Partnership	– Operates investment funds for the Fund including equities, credit, private markets, and real estate.
Fund Manager	Newton Investment Management	– Manages a global equity alpha mandate for the Fund.
Fund Manager	CBRE Global Investors	– Manages real estate mandate for the Fund.

<u>Role</u>	<u>Company</u>	<u>Services provided</u>
Fund Manager	Legal and General Investment Management	<ul style="list-style-type: none"> – Manages a range of regional and global equity funds, fixed income and currency hedging on behalf of the Fund.
Actuary	Hymans Robertson	<ul style="list-style-type: none"> – Prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within the Funding Strategy Statement and LGPS regulations and appropriately targeting Fund solvency and long-term cost efficiency.
Global Custodian	Northern Trust	<ul style="list-style-type: none"> – Produces a customised benchmark to analyse performance data for the Fund and for each manager and more generally ensures the safekeeping of the Fund's investments.
Banker	HSBC	<ul style="list-style-type: none"> – Provides banking services.
Legal Advisor	Eversheds (Pensions Law)	<ul style="list-style-type: none"> – Ensures the Fund complies with all regulations and

<u>Role</u>	<u>Company</u>	<u>Services provided</u>
		broader local government requirements, including the Administering Authority's own procedures.
Legal Advisor	Browne Jacobson (Legal Due Diligence)	– Ensures the Fund complies with all regulations and broader local government requirements, including the Administering Authority's own procedures.
Advisor	Minerva Analytics	– Responsible Investment and Voting Consultant
Private Market Manager	abrdn Private Equity	– Manages private market investments on behalf of the Fund.
Private Market Manager	BlackRock	– Manages private market investments on behalf of the Fund.
Private Market Manager	Capital Dynamics	– Manages private market investments on behalf of the Fund.
Private Market Manager	Goldman Sachs Asset Management	– Manages private market investments

<u>Role</u>	<u>Company</u>	<u>Services provided</u>
		on behalf of the Fund.
Private Market Manager	Hg Capital	– Manages private market investments on behalf of the Fund.
Private Market Manager	Livingbridge Equity Partners	– Manages private market investments on behalf of the Fund.
Private Market Manager	Pantheon Global Infrastructure	– Manages private market investments on behalf of the Fund.
Private Market Manager	Glenmont Partners	– Manages private market investments on behalf of the Fund.
Private Market Manager	Darwin Alternative Investment Management	– Open-Ended Investment Company (OEIC) focussed on UK real assets.
AVC Provider	Prudential Assurance Company	– Manages additional voluntary contributions that the membership may make.
AVC Provider	Utmost Life and Pensions	– Manages legacy additional voluntary contributions that

<u>Role</u>	<u>Company</u>	<u>Services provided</u>
		the membership has made.
Auditor	Ernst and Young	<ul style="list-style-type: none"> – Ensures compliance with standards and requirements, monitors, and advises on fraud detection and signs off annual reports and financial statements.

Incentives to integrate stewardship into investment decision-making:

As has previously been outlined, the Fund is a Partner Fund of BCPP with the operation of investment funds principally delegated to BCPP. In line with this pooling approach, BCPP is required to engage with investment funds on the Fund’s behalf and make investments that align with the Fund’s investment strategy and RI priorities. The Committee reviews BCPP’s RI Policy on an annual basis. Whilst Partner Funds have a range of pathways through which to monitor and cooperate with BCPP, further incentives to integrate stewardship into investment decision-making are principally held by the pooling partner.

As detailed in BCPP’s latest Responsible Investment and Stewardship Report, this integration of stewardship and investment decision-making is principally held through BCPP’s governance structure. Specifically, BCPP has a dedicated RI Team that sits within its Investment Team to ensure that responsible investment and stewardship priorities run through all of its investment decision-making processes. The Fund regularly cooperates and engages with BCPP’s RI and Investment teams to ensure that its RI priorities inform investment decisions. Stewardship is therefore integral to BCPP’s selection and appointment of investment fund managers and the pooling partner has a range of RI Specialists who monitor and implement this process as well as monitoring how such managers vote on key RI-related issues.

2.2. Outcome

2.2.1. Measuring the effectiveness of governance structures and processes in promoting stewardship

The Fund considers it best practice to monitor and regularly review its governance structure and processes and does so in a range of ways as outlined below:

One Pensions Team Dashboard:

Throughout the 2023/24 reporting period, the Fund recognised that improvements could be made regarding the transparency and cohesiveness of the way that it monitors and reviews the performance and processes of each of the Fund's teams and sought to address this. This recognition resulted in the launch of a One Pensions Team Dashboard which is designed to pull together the Key Performance Indicators of each of the Fund's four teams (Service Delivery, Accounting & Governance, Investment & Stewardship and Change Management) into a single page dashboard so as to enable more effective, transparent, and overarching insights to be gained into the Fund's overall performance, structures, and processes. Further details and explanation notes regarding the One Pensions Team Dashboard can be found in the September 2023 Committee Meeting Agenda Reports Pack ([\(Public Pack\)Agenda Document for Surrey Pension Fund Committee, 08/09/2023 11:15 \(surreycc.gov.uk\)](#), pp. 41-51), at which the Dashboard was presented.

Reviewing the Fund's RI Policy:

As outlined in Principle 1, the Fund has recently worked towards completing its own Responsible Investment Policy with the help of external experts. This policy builds on the holistic review of the Fund's approach to Responsible Investment in 2020, where it was agreed that the UN Sustainable Development Goals should play a key role in helping shape the investment strategy, as well as monitoring progress on ESG issues over time. After several rounds of review by the Responsible Investment Sub-Committee, the Policy was approved by the Pension Fund Committee on 17th June 2022 subject to consultation with the Pension Fund members. Following this consultation, the Fund's RI policy was formally agreed at the June 2023 Committee meeting and is to be reviewed and updated annually to reflect best practice approaches to RI and ESG factors. For more details of the review of the Fund's RI Policy, see Section 5.1.1.

Reviewing training:

In line with best practice, the Board reviews its training needs on an annual basis with a knowledge and understanding log included in the Board's annual report. The Board also adheres to a Governance, Attendance, Knowledge, and Understanding Policy which sets out the required attendance of Board Members at meetings each year, the roles and responsibilities of Board Members as well as their knowledge and understanding requirements. The Board has also applied CIPFA's technical knowledge and skills framework which outlines six areas of knowledge and skills that have been recognised as the core technical requirements for those working in public sector pensions. It is anticipated that Members will, over a period of time, work towards a full understanding of the relevant issues, with Board Member progress being reviewed on an annual basis.

Moreover, Committee and Board Members must undertake a personal training needs analysis and annual review of their skills, competences, and knowledge to identify gaps and weaknesses. They will also be periodically and independently assessed and benchmarked against other Administering Authorities with knowledge gaps being

incorporated into future training plans. Members are also required to complete an annual Self-Assessment Questionnaire to assess their overall levels of 'Knowledge and Understanding' with training being provided on identified areas as necessary, including induction and ongoing refresher training.

Reviewing the Fund's Voting Policy:

The Fund periodically reviews its Voting Policy to incorporate current or developing stewardship issues and takes on board feedback received from ongoing discussions with the investment managers. As outlined in Principle 1, it was recognised over the year that the Fund's Voting Policy needed to be updated to reflect best practice and was subsequently reviewed and approved at the September 2023 Committee meeting. Minerva Analytics have also been contracted over the last ten years to review and provide consultancy advice on share voting and company corporate governance which has assisted the Fund in ensuring that its stewardship approach is up to date as well as helping to keep Officers and the Committee up to date with the latest stewardship developments to be reflected in the Fund's Investment Strategy Statement. Moreover, as more of the Fund's assets have transitioned into the Border to Coast pool over recent years, the direct stewardship responsibility for these assets has transferred to BCPP which has created its own Voting Policy accordingly.

Reviewing the effectiveness of the Committee:

The effectiveness of the Committee is monitored by the Board which receives regular updates regarding Committee activities and has oversight of Pension Fund policies and processes as well as reviewing Key Performance Indicators for pension administration on a quarterly basis.

Reviewing the Fund's Investment Strategy:

The investment strategy is set for the long-term but is reviewed from time to time. Normally, a full review is carried out as part of each actuarial valuation and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile and that it will achieve the expected returns assumed during the valuation process. A core component of the next review will be to consider the most suitable ways of addressing the risks and opportunities from climate change.

2.2.2. Determining how governance structures and processes can be improved to promote stewardship

Whilst the Fund currently has in place a range of mechanisms through which it reviews the effectiveness of its governance structures, processes, and policies, it is continually looking for innovative ways through which they can be improved to promote stewardship.

Improvements in the process through which RI-related information is disclosed are at the forefront of the Fund's attention as a means of promoting stewardship by ensuring that RI reporting is as accessible as possible for stakeholders. To this end, the Fund will look to expand upon the content of the RI-related information that it communicates to stakeholders as well as the methods through which this

communication takes place. With regard to the former, the Fund will look to go beyond reporting that focuses on asset holdings, valuation and performance, and future reporting requirements to encompass a wider range of stewardship issues including more detailed information on voting activity, engagement activity and outcomes, asset sales/divestments (particularly in relation to disposals made in relation to unacceptable ESG factor risks) and the carbon intensity of specific investments and portfolios. With regard to communication methods, the Fund currently provides RI-related information to stakeholders via the Surrey Pension Fund website, the Fund's Annual Report, and through reports submitted at Committee and Board meetings but is actively considering ways in which it can expand upon these delivery methods as a means of promoting its stewardship activities.

Over the last twelve months, the Fund has placed a concerted effort on staff development and training to add value to the Fund as well as supporting the Fund's plans to 'grow its own'. Specifically, the Fund has sought to enhance staff knowledge through the revision of training plans and skills matrices which have been coupled with the launch of a more focussed staff development and Pensions Trainee program as well as a career pathway tool designed to facilitate the development and retention of Pension Team members.

With regard to the training and development of Board and Committee Members, personalised training plans for Members have been issued over the course of the 2023/24 reporting period in order to ensure that training is tailored to the needs of each Member. Moreover, prior to Committee meetings Members have been involved in bespoke, BCPP-led training sessions designed to improve Members' understanding of the investment opportunities within different asset classes. As an example, prior to the March 2024 Committee meeting, BCPP led a session on UK real estate and UK-focussed private markets to enhance Members' awareness of the Fund's private market investments. The Fund will look to ensure that these training sessions continue throughout the 2024/25 reporting period to maximise Members' understanding of the Fund's investments in different asset classes. The Fund has also actively considered changes to the format of Board and Committee training for the 2024/25 reporting period to improve compliance and engagement with the Fund's Training Policy.

Moreover, whilst oversight and administration of the Fund is carried out by a team of 71 full-time staff [*Jennifer to email end of March figures on 05/04](#), two of whom focus specifically on investment and stewardship following the establishment of a dedicated Investment and Stewardship team in 2022, the Fund recognises that effective resourcing is crucial in ensuring that RI priorities are met. With the approval of the Committee, the Fund will seek additional resources where deemed necessary to ensure that its RI priorities are effectively delivered.

Principle 3

Principle 3 = Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

3.1. Context

Conflicts of interest, including those relating to matters of investment stewardship, are managed across three areas: (i) the Board, (ii) the Committee, and (iii) Officers and third parties. The relevant Codes have been produced to ensure that Members, Officers and third parties uphold the highest standards of conduct in alignment with the Seven Principles of Public Life: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, and Leadership.

(i) Board

The process through which the Fund identifies and manages Board conflicts of interest is outlined in The Surrey Local Pension Board's Code of Conduct & Conflict of Interest Policy which was updated in early 2024. For the Board, a conflict of interest exists where there is a divergence between the individual interests of a person and their responsibility towards the Local Pension Board, such that it might be reasonably questioned whether the actions or decisions of that person are influenced by their own interests. In other words, conflicts of interest impinge upon individuals' objectivity, therefore prejudicing their capacity to perform their duties and responsibilities towards the Board. Prior to appointment, all prospective Board Members are required to complete the Surrey Local Pension Board Conflict of Interest declaration which is held on a Register of Interests managed by the Fund's Accounting and Governance team. A preventative training policy (the Public Service Toolkit) is also maintained for all Members. As part of this training, Members must successfully complete a Conflicts of Interest module within the first three months of their appointment in order to improve their awareness and understanding of conflicts of interest.

(ii) Committee

Conflicts of interest within the Committee are governed by the Administering Authority's Constitution which details how the Administering Authority conducts its business, how decisions are made, and the procedures that must be followed to ensure that these decisions are efficient, transparent, and accountable to local people. Part 6 of the Constitution explains the process for identifying and managing Councillors' conflicts of interest with a specific emphasis placed on the Register of Interests that must be consulted when or before an issue arises to ensure that the public, employees, and fellow Councillors are aware of the interests that may give rise to a conflict. The Constitution also states that Councillors are personally responsible for deciding whether an interest should be declared during the standing item relating to conflicts of interest at the start of each Committee meeting. Such declarations help to ensure that public confidence in the integrity of the Committee and the Administering Authority is maintained. These declarations are managed and monitored by the Administering Authority's Democratic Services team. Part 6 of the Administering Authority's Constitution can be found at the following link: [Part 6 01 - Member Code of Conduct.doc.pdf \(surreycc.gov.uk\)](#).

(iii) Officers and third parties

In line with the governance of Committee conflicts of interest, Part 6 of the Administering Authority's Constitution also includes an Officer Code of Conduct document which explains the process by which personal interests and outside commitments of Officers and third parties should be identified and managed. This policy document applies to all Officers within the Administering Authority in addition to agency workers, contractors and their staff whilst working on behalf of the Administering Authority. Specifically, the policy document states that Officers must ensure that:

- a) Their private interests or beliefs do not conflict with their professional duties
- b) Their position within the Council is not used to confer an advantage or disadvantage on any person
- c) They are not involved in, nor influence, any decision or allocation of Council services or resources from which they, their family or friends might benefit.

Officers are required to declare personal interests whenever there is, or could be perceived to be, a conflict of interest between their duties as an employee and their membership of an organisation. Any conflicts should be approved and reassessed every 12 months by the relevant Officer's Line Manager. Further details relating to the identification and management of Officer conflicts of interest can be found at the following link: [Officers code of conduct \(surreycc.gov.uk\)](http://surreycc.gov.uk).

3.2. Activity

The process by which conflicts of interest are identified and managed is outlined in the relevant documents noted in Section 3.1. above. For Board Members, this process is detailed in the Board's Code of Conduct & Conflict of Interest Policy and in the first instance, is the responsibility of Board Members who must complete the Surrey Local Pension Board Conflict of Interest Declaration and the compulsory Conflicts of Interest module that forms part of the Public Service Toolkit induction training. These two steps provide the groundwork for Members to understand where they may hold a conflict of interest and it is their duty to declare such a conflict to the Chair of the Local Pension Board, or alternatively to the Scheme Manager. Potential conflicts of interest may come in many guises and an example may be:

- A Local Pension Board Member may be required to review a decision which may be, or appear to be, in opposition to another interest or responsibility, e.g.:
 - A review of a decision which involves the use of departmental resources in the function of the Board, whilst at the same time being tasked with reducing this departmental resource by virtue of their employment;
 - A Local Pension Board Member could also be employed or have an interest either privately or as part of the

Council in a service area of the Council for which the Board has cause to review;

- An independent Member of the Board may have a conflict of interest if they are also advising the Scheme Manager.

When a conflict has been identified, it is then recorded in a Register of Interests which is circulated to the Board and the Scheme Manager for review and publication. The Register of Interests is included in the Fund's Annual Report and is updated to reflect any new conflicts of interest that have been identified during the reporting period (see p. 27 of the Fund's 2022/23 Annual Report [Surrey County Council's Annual Report 2023 \(surreypensionfund.org\)](https://www.surreypensionfund.org)). With regard to addressing conflicts of interest, if the Board suspects any conflict of interest, it should report its concerns to the Scheme Manager and when seeking to prevent a potential conflict of interest becoming detrimental to the conduct of decisions, the Board should consider obtaining legal advice when assessing its course of action and response. The Board may wish to consult the Director of Legal and Democratic Services in the first instance.

For Committee Members, the process for identifying and managing conflicts of interest is detailed in Part 6 of the Administering Authority's Constitution and similarly in the first instance, is the responsibility of Members themselves. Specifically, within 28 days of becoming a Member (or within 28 days following re-election), Members must register with the Monitoring Officer any disclosable pecuniary interests as well as any other registerable interests. The Monitoring Officer then updates the Register of Interests based on those declared. It is the responsibility of Members to ensure that the Register of Interests is kept up to date with the Monitoring Officer being notified of any new interests or changes to existing registered interests within 28 days of the Member becoming aware of the change. Moreover, Declarations of Interest are a standing item on the Committee's agenda with Members required to declare any disclosable pecuniary interests and/or other interests arising under the Code of Conduct in respect of any items considered during the meeting. With regard to addressing conflicts of interest, Members are required to not participate in any item where they have a disclosable pecuniary interest. Where Members have a significant personal interest in an agenda item, they may participate in the discussion and vote on the matter unless that interest could be reasonably regarded as prejudicial.

Officers, like Members, are primarily responsible for identifying any potential or actual conflicts of interest that they have and should declare such interests within 28 days of joining the Fund/Administering Authority or within 28 days of transferring to a new role within the Fund/Administering Authority. The declaration of conflicts of interests is made through the My Surrey logging system and is assessed by the Officer's Line Manager who must approve the conflict and reassess the situation every 12 months. An example of an Officer conflict of interest may be membership of an organisation that is not open to the public, requires commitment of allegiance to the organisation to be a member, and which has secrecy about its rules, membership, or conduct.

3.3. Outcome

Throughout the 2023/24 reporting period, only one declaration of interest was raised by a Board or Committee Member at respective quarterly meetings which was handled accordingly. At the Committee meeting on 15 December 2023, one Member confirmed that they were a non-voting member of the Scheme Advisory Board. This declaration was acknowledged by the Chair of the Committee and no immediate action was required based on the contents of the agenda. Two Committee Members also updated their register of interests during the current reporting period.

Further steps:

1. New Board Conflicts of Interest Policy

The Fund reviewed its Local Pension Board Code of Conduct and Conflict of Interest Policy during the reporting period to make sure that it reflected best practice. Following discussions with Senior Officers, the Fund's Change Management and Accounting and Governance teams agreed to work towards the production of a revised Local Pension Board Code of Conduct and Conflict of Interest Policy which is due to be reviewed in **April 2024 *check date with Adele when published**. This revision is designed to improve how Board conflicts of interests are identified and managed and is to be updated in line with best practice. The policy will also confirm that for Board Members, education on identifying and dealing with conflicts of interest will be included as part of the training requirement in the Governance, Attendance, Knowledge, and Understanding Policy.

2. Good Governance Project

The Fund has continued to actively prepare for and consider the implications of the LGPS Good Governance Project throughout the 2023/24 reporting period in line with ongoing developments and the Good Governance Report published by Hymans Robertson in 2021. The contents of this initial report assisted the Fund's restructure in 2022/23 with a designated LGPS Senior Officer position being created and discussions have been ongoing throughout the current reporting period to improve the Fund's approach to identifying and managing conflicts of interest, as well as in relation to Member training. The Fund will seek to actively apply any updated findings arising from the LGPS Good Governance Project throughout the 2024/25 reporting period.

Principle 4

Principle 4 = Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

4.1 Activity

4.1.1 Approach to identifying systemic and market-wide risks

The identification and management of systemic and market-wide risks is an important mechanism through which the Fund promotes a well-functioning financial system and operates as an effective asset steward. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations, with policies being reviewed regularly to reflect changes in activity and in market conditions. Responsibility for the Fund's risk management strategy rests with the Fund itself with the Committee responsible for approving and the Deputy Chief Executive and Executive Director of Resources responsible for maintaining the Risk Register. Oversight of the Risk Register and the Fund's risk management protocols is maintained by the Board which meets ahead of the Committee and takes the lead in reviewing the Risk Register and reporting issues of concern to the Committee.

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits to members). Consequently, the aim of the Fund's investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gain across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Administering Authority monitors these investment risks as part of its overall pension fund risk management programme.

4.1.2. Examples of how the Fund has identified and mitigated systemic and market-wide risks

The table below illustrates the primary systemic and market-wide risks identified by the Fund as well as the mitigations that the Fund has implemented to manage these risks.

<u>Risk identification</u>	<u>Risk Mitigation</u>
<p>Climate risk = the Fund recognises that climate change is a material investment consideration and must be continually monitored and reported on. In line with the Fund's long-term approach to investment, climate risks have been categorised based on their likely impact in the short- (0-10 years), medium- (10-30 years), and long-term (30-80 years). In the short-term, climate risk is focused</p>	<ul style="list-style-type: none"> • The Fund included climate scenario stress testing in the contribution modelling exercise for the local authority employers at its latest 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly

<u>Risk identification</u>	<u>Risk Mitigation</u>
<p>on the potential for rapid market repricing in relation to climate transition activities (e.g., market awareness of the implications of climate change become clearer, perceived or real increased pricing of greenhouse gas emissions etc.,). In the medium-term, whilst the impacts of a climate transition remain in focus, the risk/opportunity is centred on potential technological or policy changes and the impact that they may have on investments. In the long-term, the Fund has identified the impact of physical risks as the core component of climate risk with issues such as natural disasters and changes in the availability of resources potentially impacting the volatility of financial markets and the viability of certain assets or business models.</p>	<p>given the severity of the stresses applied.</p> <ul style="list-style-type: none"> • As part of work to determine a suitable Net Zero date for the Fund, the RI Sub-Committee has undertaken a number of scenario analyses throughout the 2023/24 reporting period using both qualitative and quantitative data analysis so as to ascertain the impacts on portfolio composition of different target dates. • All of the Fund’s investment managers have been asked to provide carbon footprinting metrics, where available, in order to take a “total portfolio” approach and be consistent with TCFD recommendations. This analysis helps to identify key sources of carbon risks in manager portfolios and helps the Committee to engage with managers on such risks. • The Committee will continue to monitor the progress of the Fund’s approach to climate risk and reporting, in the context of all risks to sustainable development, and how it can impact investment decisions. • The Fund’s UN SDG mapping exercise had TCFD considerations included at its core, and as such climate risks were formally considered as part of this exercise. One of the key outputs was the identification of the Core Investment Beliefs to be used by the Fund in setting its overall investment strategy. • The Fund approved the policy of BCPP in respect of climate considerations, and on behalf of Partner Funds BCPP will continue to:

<p align="center"><u>Risk identification</u></p>	<p align="center"><u>Risk Mitigation</u></p>
	<ul style="list-style-type: none"> → Assess its portfolios in relation to climate change risk where practicable. → Incorporate climate considerations into the investment decision-making process. → Engage with companies in relation to business sustainability and disclosure of climate risk in line with TCFD recommendations. → Encourage companies to adapt their business strategy in alignment with a low carbon economy. → Support climate-related resolutions at company meetings which we consider reflect our Responsible Investment Policy. → Encourage companies to publish targets and report on steps taken to reduce greenhouse gas emissions. → Co-file shareholder resolutions at company AGMs on climate risk disclosure after due diligence, that are deemed to be institutional quality shareholder resolutions consistent with our RI policies. → Monitor and review fund managers in relation to climate change approach and policies. → Participate in collective initiatives collaborating with other investors

<u>Risk identification</u>	<u>Risk Mitigation</u>
	<p>including other pools and groups such as the Local Authority Pension Fund Forum (LAPFF).</p> <p>→ Engage with policy makers on climate change through membership of the Institutional Investor Group on Climate Change (IIGCC).</p>
<p>Currency risk = the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.</p>	<ul style="list-style-type: none"> • The Fund has a policy to passively hedge up to 50% of the equity exposure to US dollar, yen, and the euro. Legal and General Investment Management (LGIM) manages this currency hedge on behalf of the Fund. • Individual fund managers may use derivatives if permitted by their investment management agreements. • Fund managers will take account of currency risk in their investment decisions.
<p>Cyber security risk = business interruption or cyber security breach leading to data integrity issues or financial loss.</p>	<ul style="list-style-type: none"> • The Fund's disaster recovery plan is closely monitored by the Senior Leadership Team and business continuity plans are regularly reviewed, communicated, and tested. • The Fund gains assurance from its custodian, Northern Trust, regarding their cyber security compliance. • The Fund ensures that system security and data security is in place and that internal control mechanisms ensure the safe custody and security of LGPS assets.

<u>Risk identification</u>	<u>Risk Mitigation</u>
	<ul style="list-style-type: none"> • The Fund ensures that its memorandum of understanding and privacy notice is compliant with current legislation and regularly engages with the host authority IT team to ensure security protocols are up to date. • The Fund maintains a central registry of key partners' business continuity plans, ensures staff are aware of their roles and responsibilities under Surrey's cyber security policy and ensures members' data is remotely and securely backed up. • Data encryption technology is in place, which allows the secure sending of data to external service providers. • Records held via paper files are being phased out and any hardcopy pension admin records are locked daily in a secure place. • The Fund's custodian proactively and reactively identifies and responds to cyber threats.
<p>General market risk = the risk of loss from fluctuations in equity prices, interest and foreign exchange rates and credit spreads.</p>	<ul style="list-style-type: none"> • The Fund is invested in a diverse pool of assets to ensure a reasonable balance between different asset categories, having taken external professional advice as necessary. • The management of the Fund's assets is split between a number of investment fund managers with different benchmark performance targets and investment strategies. • Managers are expected to maintain a diverse portfolio and each manager has investment guidelines in place that specify the manager's investment powers and restrictions.

<u>Risk identification</u>	<u>Risk Mitigation</u>
	<ul style="list-style-type: none"> Managers are required to report on any temporary breaches of their investment powers and are required to take corrective action as soon as is practicable.
<p>Inflation risk = pay and price inflation is significantly more than anticipated.</p>	<ul style="list-style-type: none"> The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring is maintained to give early warning. Some investment in bonds helps to mitigate inflationary risk to a limited degree, specifically for those employers in the closed and exited strategies. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
<p>Regulatory risk = changes by the Government to particular employer participation in LGPS Funds leading to impacts on funding and/or investment strategies. Changes to national pension requirements and/or HMRC rules e.g., changes arising from public sector pensions reform. Time, cost and/or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis.</p>	<ul style="list-style-type: none"> The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Advice is taken from the Fund Actuary, Consultants, Independent Advisor and Fund Managers amongst others on the impact of changes on the Fund and strategies are amended as appropriate. The Fund and the Administering Authority are monitoring progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The Deputy Head of Service Delivery at the Fund provided numerous update meetings throughout the

<u>Risk identification</u>	<u>Risk Mitigation</u>
	<p>2023/24 reporting period including a 'Lunch & Learn' session to ensure that Officers were aware of the risks and who could be affected. These update meetings were designed to mitigate any risks from the case.</p> <ul style="list-style-type: none"> • The Government's long-term preferred solution to the GMP indexation and equalisation – conversion of GMPs to scheme benefits – was built into the 2019 valuation. • Advice is taken from the Fund Actuary on the position of the Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
<p>Social Risk = human rights and equity – the Fund's relationships with people, as well as its policies and actions that impact individuals, groups, and society.</p>	<ul style="list-style-type: none"> • ESG factors including social risks such as human rights, social equity and a Just Transition are at the heart of the engagement activity carried out on behalf of the Fund by its investment managers. In the 2023/24 reporting period, one of Robeco's (BCPP's Voting and Engagement Partner) engagement themes was a 'Just Transition in Emerging Markets' which focussed on the energy and mining sectors and sought to ensure that companies understood and considered the need for a fair and inclusive approach to decarbonisation. • Beyond engagement, the Fund mitigates social risk through its voting activity. Specifically, the bespoke Voting Policy published in the reporting period states the Fund's expectations of companies to report on the societal risks and impacts of their operations. The adequacy of such disclosures

<u>Risk identification</u>	<u>Risk Mitigation</u>
	<p>helps to inform the Fund’s decision to vote on the company’s annual report or a sustainable alternative resolution.</p> <ul style="list-style-type: none"> • The Fund actively considers and discusses social risk with its investment managers as part of the review of its escalation process with investee companies. • As outlined in Principle 1, the Fund’s RI Beliefs were formulated following a UN SDG mapping exercise and provide a framework through which the Fund’s investments are made. As such, social issues encompassed by the SDGs (e.g., combatting poverty and reducing inequalities) run through and inform the Fund’s investment and stewardship activities.

4.1.3. Participation in industry initiatives and collaboration with other stakeholders

The Fund recognises the importance of engaging with industry initiatives and works closely with a range of stakeholders to manage market-wide and systemic risks and promote a well-functioning financial system. The principal industry initiatives that the Fund is involved in are outlined below though the Fund also regularly reviews opportunities to join more initiatives as well as considering the function that the Fund should play within them (e.g., active member vs signatory) to achieve desired outcomes.

Pensions and Lifetime Savings Association (PLSA):

The Fund is a Member of the PLSA and is represented on the Policy Board and in the Local Authority Committee by the Assistant Director, LGPS Senior Officer. The Fund plays an active role in the quarterly meetings held by the Policy Board which guides and decides the public policy positions of the PLSA with a particular focus on the six priority themes of adequacy, pensions dashboards, Defined Benefit funding, Defined Contribution decumulation, responsible investment and the LGPS. Two particular focuses of the Policy Board over the reporting period have been the themes of LGPS Pooling/Consolidation and LGPS Retirement Living Standards. Through its representation on the Policy Board, the Fund was also involved in discussions culminating in the PLSA’s two strategic projects for 2024: Pensions and

Growth (ensuring that the role for pensions in supporting UK growth does not compromise the interest of scheme members and, if possible, provides some advantages for pension funds and providers) and the PLSA 2035 Vision (sets out the PLSA vision for the future of UK pensions in a short document such that politicians, regulators, think tanks and the pensions industry are clear on the PLSA's high-level view).

Cross-Pool Collaboration Client Group (CPCCG):

The Fund's Assistant Director, LGPS Senior Officer represents the Fund as a Member of the CPCCG which was established by and for LGPS Administering Authority Pension Funds involved in investment pooling across the LGPS. The CPCCG comprises representatives from Administering Authorities from the LGPS Investment Pools and meets on at least a bi-monthly basis to enable ideas and best practice to be exchanged between Funds across a wide range of areas including governance, regulatory matters and investment management and pooling.

LGPS Cross-Pool Responsible Investment Group:

The Fund participates in the LGPS Cross-Pool Responsible Investment Group, a collaborative group consisting of representatives from each of the eight LGPS pools. The Fund plays an active role in meetings within the group which aims to share information and best practice in relation to Responsible Investment between funds and pools. Over the 2023/24 reporting period, the Fund has updated the group on its commitment to TCFD reporting, the launch of its new RI Policy and the setting of a Net Zero date.

LAPFF:

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), a collaborative shareholder engagement group representing most of the LGPS Funds and UK Pension Pools that campaigns on ESG issues, thereby demonstrating the Fund's commitment to sustainable investment and the promotion of high standards of corporate governance and responsibility. More information on the LAPFF and the engagement role that it plays on behalf of the Fund can be found in Principle 10.

Pensions for Purpose:

In 2021, the Fund became a member of Pensions for Purpose, a professional investment member network with the objective of directing capital towards sustainable and impactful investments by empowering members through a range of training platforms, events, and member forums which the Fund has continued to play an active role in throughout this reporting period, as well as an online Knowledge Centre. The network functions to create connections between asset managers, pension funds and their professional advisors to encourage investments that align with environmental and social aims.

TCFD:

In June 2019, the Fund voluntarily became an early adopter of the Task Force for Climate-Related Financial Disclosures (TCFD), an industry-led initiative created by

the Financial Stability Board to provide recommendations regarding climate-related financial risk disclosures across a wide range of sectors to demonstrate the risk that climate change poses at a macro-economic level. In developing such disclosures, the TCFD's aim is that organisations will be better placed to identify and consider relevant information about material climate-related financial risks and opportunities that can have an impact on the decisions made by their stakeholders. The Committee supports the recommendations of the TCFD as a framework to help manage and report on the actions being taken to identify climate change-related risks and opportunities in the Fund's investment strategy.

Since its launch, the TCFD has become the de-facto climate framework for global regulators. In November 2020, the UK Chancellor of the Exchequer announced that in order to accelerate progress on climate risk disclosures, the UK will move towards mandatory TCFD reporting across major segments of the UK economy by 2025, with a significant portion of requirements introduced by 2023. The Fund became an early adopter of the TCFD because it recognised the importance of understanding climate risks and opportunities relative to its role as an institutional investor. The Fund's first formal annual report on its commitment to the TCFD was approved by the Committee at its meeting on 11 September 2020 and the Fund produces an annual TCFD Report detailing how the Committee maintains oversight to ensure that the Fund's relevant climate-related risks and opportunities are considered appropriately by all stakeholders involved in the day-to-day management of the Fund.

4.1.4. How has the Fund aligned its investments according to its identification and management of risks?

Increased investment in LGIM Future World Global Equity Index Fund

ESG risks are at the heart of the Fund's investment decision-making process and in response to these risks, the Fund increased its investment in the LGIM Future World Global Equity Index Fund by £100m in April 2023. As outlined in Section 1.2.1., the LGIM Future World Global Equity Index Fund seeks to tackle ESG risks whilst improving long-term financial outcomes by incorporating 34 ESG factors to tilt the portfolio's investments whilst concurrently applying the Future World Protection List and the Climate Impact Pledge so as to exclude businesses whose business practices are incompatible with a low-carbon transition. Exclusions within this index include companies with over 20% revenue derived from thermal coal mining and extraction and/or thermal coal power generation and/or oil sands whilst companies failing to meet LGIM's minimum corporate governance standards may also be excluded from the fund. By substantially increasing its investment in the LGIM Future World Global Equity Index Fund, the Fund is thereby aligning its investments to its assessment of ESG risks and promoting a low-carbon transition in line with its Net Zero date.

Climate Opportunities and Climate Opportunities 2 Fund

In addition to the Fund's commitment to LGIM Future World Global Equity Index Fund and as outlined in greater detail in Section 7.3.1., the Fund has also continued to fund its commitment to BCPP's Climate Opportunities Fund throughout the

2023/24 reporting period as well as being involved in discussions with BCPP regarding the launch of a Climate Opportunities 2 Fund. BCPP's Climate Opportunities Strategy is an approach to mitigating climate risk and was agreed with Partner Funds to invest not only in operational renewable assets but also in companies at the forefront of the technological developments that are leading the transition of the "built economy" to a sustainable, low carbon future. The Fund's original commitment to BCPP's Series 2 Climate Opportunities Strategy was £235m and the funding of this has continued throughout the 2023/24 reporting period. As the pipeline of opportunities aligned with BCPP's Climate Opportunities Fund have been greater than expected, discussions have continued throughout the 2023/24 reporting period regarding the launch of a Climate Opportunities 2 Fund which will be ***update after March** discussed at the Fund's March 2024 Committee meeting. In line with this development, training has been planned for Committee Members in early 2024 to improve their understanding of the Climate Opportunities Strategy ***update after March**.

Switch to BCPP Emerging Markets Equity Alpha Fund

As outlined in detail in Section 1.2.1., in July 2023 the Fund redeemed the entirety of its holdings in LGIM's passively managed Emerging Markets Fund and reinvested into BCPP's actively managed Emerging Markets Equity Alpha Fund. This product was created by BCPP at the request of Partner Funds (including Surrey Pension Fund) as it was believed that an actively managed product would provide Partner Funds with greater opportunities to invest in companies with ambitious ESG and decarbonisation policies, rather than investing solely on the basis of a company's market cap weight in the index. In total, the Fund invested £276m into BCPP's Emerging Markets Equity Alpha Fund which better aligned with the Fund's ambition to mitigate climate risk and to become Net Zero by 2050 or sooner.

4.2. Outcome

4.2.1. How effective has the Fund's approach been in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets?

Reduced carbon intensity of the Fund's investments:

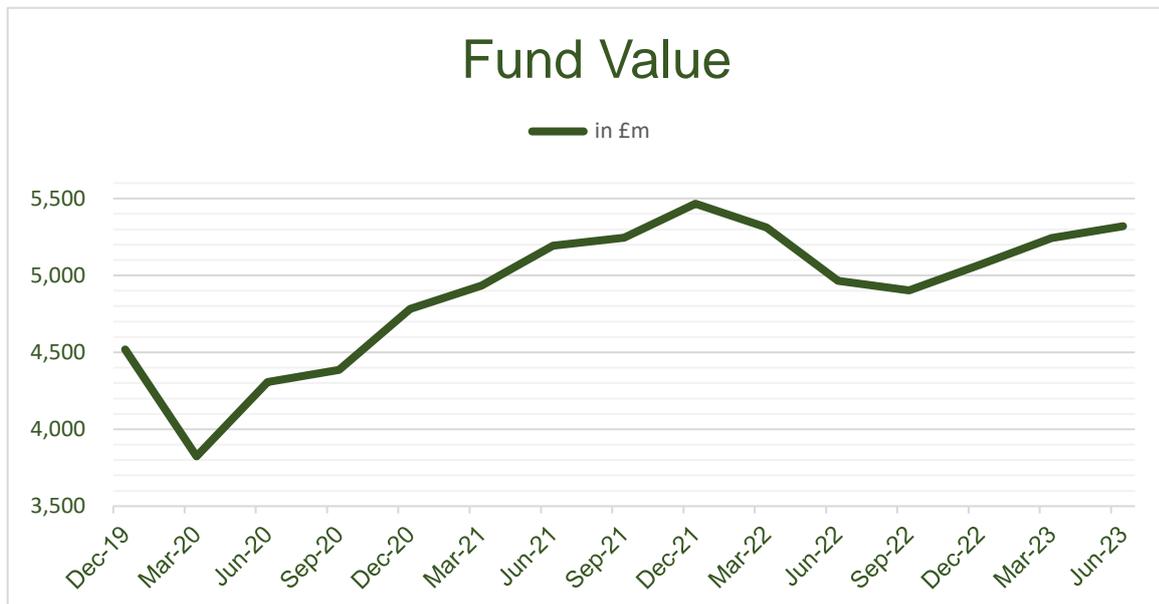
One of the clearest indicators of the success of the Fund's approach to addressing ESG risks through its investments has been the significant reduction in the Weighted Average Carbon Intensity (WACI) of the Fund's investments over recent years. The WACI measurement is expressed as metric tonnes of CO₂ equivalent and represents the carbon dioxide and equivalent emissions of a company divided by the company's revenue, with this measure then being weighted by the weighting within the portfolio. At the September 2023 Committee meeting, Members were presented with and approved the draft TCFD report for 2022/23 which noted that since 2018 the Fund's WACI measurement had fallen by 58% for the listed equity portion of the Fund with a WACI (119 tCO₂e per \$million revenue) 19% lower than the MSCI All Companies World Index benchmark (147 tCO₂e per \$million revenue). Moreover, the carbon footprint of the Fund's listed equities (61 tCO₂e per \$million invested) was found to

be more than 33% below the MSCI All Companies World Index benchmark (92.1 tCO_{2e} per \$million invested). These figures provide a clear indication of the Fund's desire to become Net Zero by 2050 or sooner which has been further buttressed by the Fund's investments in the LGIM Future World Global Equity Index Fund during the 2023/24 reporting period.

Continued increase in Fund value *alter graph at end of March with latest figures:

In addition to the reduction in carbon intensity of the Fund's investments, the Fund believes that the risk identification and mitigation strategies outlined above alongside its robust governance structure have been effective in minimising the negative effects of broader market-wide and systemic risks. Specifically, despite a number of seismic and unforecastable crises over recent years including Covid and the Liability-Driven Investment (LDI) crisis, the Fund's value has grown despite dips over the last four years (see graph below). To a significant extent, this growth can be attributed to the Fund's firm belief in a long-term investment strategy and a diversified portfolio which has minimised the Fund's exposure to such risks. A greater focus on stewardship and RI (notably through an extensive RI Policy consultation and the production of an RI Policy in 2023) has improved the Fund's resilience and confidence when managing unforeseen risk.

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Principle 5

Principle 5 = Signatories review their policies, assure their processes and assess the effectiveness of their activities.

5.1. Activity

5.1.1. Policies and review process

The Fund recognises the importance of having well-defined policies that are reviewed regularly to enable effective governance and stewardship. The following table outlines the Fund’s key policies and the respective review process that the Fund undertakes.

<u>Policy</u>	<u>Review Process</u>
<p>Investment Strategy Statement = this Statement sets out the Fund’s investment policy, suitable persons appointed to implement the policy as well as the regular reviews and monitoring of investments. The Investment Strategy Statement is an important governance tool for the Fund, as well as providing transparency in relation to how the Fund’s investments are managed.</p>	<ul style="list-style-type: none"> The Fund’s Investment Strategy Statement is reviewed following each triennial valuation to ensure that the investment strategy will achieve the expected returns assumed during the valuation process. The Statement is also reviewed and revised from time to time in order to reflect any policy changes.
<p>Funding Strategy Statement = this Statement details the Fund’s approach to setting contribution rates and maintaining stable and affordable employer contributions.</p>	<ul style="list-style-type: none"> The Funding Strategy Statement is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pension Fund Committee, and included in the Committee meeting minutes.
<p>Responsible Investment Policy = this policy sets out the Fund’s approach as a responsible asset steward in addressing RI issues associated with its investment strategy. It is also produced to communicate the Fund’s position to stakeholders.</p>	<ul style="list-style-type: none"> The Fund commissioned a dedicated RI consultant, Minerva, to help to produce the Fund’s Responsible Investment Policy. This went through the Fund’s RI Sub-Committee and is reviewed, updated, and approved annually to reflect developing best practice. Moreover, though taking place prior to the current reporting period, it provides crucial context

	<p>to understand the extensive RI consultation that the Fund undertook in 2022 which has fed into and provides the foundation for the Fund’s formal adoption of its RI Policy at the June 2023 Committee meeting. From September to November 2022 the Fund undertook an extensive review of its RI Policy through consultation with LGPS Members, Employers, Board and Committee Members as well as the general public in order to gain feedback on the draft version of the Fund’s first RI Policy. This process resulted in 7,337 online and postal consultation responses in the form of surveys which gave the Fund a range of insights including how respondents viewed the use of the UN SDGs as a foundation for the policy, and how important they viewed the need to incorporate ESG factors into the portfolio construction process. A ‘Further Thoughts’ section was also included at the end of this consultation process as a qualitative addition to enable respondents to provide more detailed feedback to inform the Fund’s RI policy and activities.</p>
<p>Training Policy = the Fund’s Training Policy is produced to: a) ensure the Fund is managed, and its services delivered, by Members and Officers with the appropriate knowledge and expertise to be competent in their role; b) provide those with responsibility for governing the Fund to evaluate the information they receive and effectively challenge it where appropriate; c) support effective and robust decision-making, ensuring decisions are well-founded and comply with regulatory requirements or guidance from The Pensions Regulator, the Scheme Advisory Board and the</p>	<ul style="list-style-type: none"> • The Fund demonstrates compliance with its training plan on a yearly basis through the Annual Report with training plans being developed on an annual basis and updated as required taking account of the identification of any knowledge gaps, changes in legislation, key legislation (e.g., triennial valuation) and receipt of updated guidance. The Fund’s latest Training Policy was supported by the Board and approved at the June 2023 Committee meeting.

<p>Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC); d) ensure an understanding of the operation and administration of the Fund and; e) meet the required needs in relation to the Fund's objectives.</p>	
<p>Pension Administration Strategy = this Strategy sets out the expected levels of administration performance of both the Fund and the employers within the Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.</p>	<ul style="list-style-type: none"> • The Administration Strategy is subject to basic annual reviews as well as thorough periodic reviews that are aligned with the triennial valuations.
<p>Communications Policy = this policy provides an overview of how the Fund communicates with its stakeholders and is produced to ensure that the Fund delivers clear, timely and accessible communication.</p>	<ul style="list-style-type: none"> • The Communications Policy is reviewed annually and updated sooner if the communications arrangements or other matters included within it merit consideration. The Fund's latest Communications Policy was supported by the Board and approved at the June 2023 Committee meeting.
<p>Admissions Policy = this policy sets out the Administering Authority's approach to admitting new employers into the Fund.</p>	<ul style="list-style-type: none"> • The Admissions Policy is reviewed annually and updated accordingly.
<p>Cessations Policy = this policy sets out the Administering Authority's approach to dealing with circumstances where a scheme employer leaves the Fund and becomes an exiting employer.</p>	<ul style="list-style-type: none"> • The Cessations Policy is reviewed annually and updated accordingly.
<p>Risk Management Policy and Risk Register = this policy sets out the Fund's approach to identifying, evaluating, and controlling risks in order to ensure that risks are recognised, and then either eliminated or reduced to a manageable level.</p>	<ul style="list-style-type: none"> • Changes to the Risk Register are reported to the Committee on a quarterly basis with both the Risk Management Policy and the Risk Register being approved on an annual basis.

Voting Policy = this policy sets out the principles of good corporate governance and details how the Fund seeks to exercise its influence on investee companies.

- The Fund periodically reviews its Voting Policy and takes into account current and developing stewardship issues whilst incorporating feedback received from ongoing discussions with the investment managers.

In addition to the policies outlined above, BCPP and Robeco also report on BCPP's stewardship activities each quarter with these activities being reviewed and reported to the Committee.

5.1.2. Internal or external assurance received by the Fund and the rationale behind the Fund's chosen approach

Internal assurance:

- **Internal Audit** = the Internal Audit team assess the internal controls in place at the Fund to ensure that the Fund's processes and systems are appropriate for managing risks. The Internal Audit team also undertake testing each year across a range of areas to enable the Fund to identify areas of good practice as well as areas where improvements may be made. For example, in April 2023 the Internal Audit team provided a Reasonable Assurance opinion regarding the Fund's governance structure and gave the Fund insight into the extent and effectiveness of its current governance arrangements, specifically in relation to the preliminary LGPS Good Governance Project recommendations.
- **Local Pension Board** = as outlined in Principle 2, the Local Pension Board performs a crucial assurance role in ensuring that the Fund is managed and administered efficiently and that its governance and stewardship activities are effective.

External assurance:

- **Actuary** = the Fund's Actuary prepares valuations including the setting of employers' contribution rates and also assists the Administering Authority in considering possible changes to employer contributions between formal valuations where necessary. The Actuary also provides advice relating to new employers in the Fund (including the level and type of bonds or other forms of security) and relating to bulk transfers and individual benefit-related matters, as well as advising on the termination of employers' participation in the Fund.
- **External Audit** = the Fund's financial statements are audited annually by a professional services firm. The audit firm reviews the regulatory compliance and financial reporting of the Fund. The financial statements must be prepared in accordance with LGPS regulations and CIPFA guidance. As part of their work, the external auditor conducts an independent analysis of the operation of the Fund including a review of its investment holdings.

- **Independent Advisor** = the Fund's Independent Advisor performs an assurance role by providing advice to the Committee where necessary, notably in relation to the Fund's approach to RI risk identification and mitigation.
- **Investment Consultant** = the Fund's Investment Consultant provides the Fund with assistance in the management of its investments and informs and assists the Committee in making investment decisions.

5.1.3. How has the Fund ensured that its stewardship reporting is fair, balanced, and understandable?

The Fund recognises the importance of reporting on its stewardship activities in a fair, balanced and understandable way and has put in place several measures to action this throughout the 2023/24 reporting period. A selection of these measures are outlined below:

I. Improving stakeholder understanding of the Fund's stewardship activities

One of the insights gained from the Fund's Responsible Investment consultation process was that the technical terms used in the RI Policy and the consultation more broadly were sometimes confusing to stakeholders and this is a consideration that has therefore been at the forefront of the Fund's attention when producing policies and other published documents throughout the 2023/24 reporting period. This point was raised in the qualitative feedback section of the consultation process and the Fund recognises that whilst technical language is sometimes unavoidable when discussing investment and stewardship activities, there is a need to use more 'plain English' in policy documents and consultations to ensure that its stewardship reporting is as understandable as possible.

II. Summarising LAPFF and Robeco documents

The Fund has put in place additional voluntary measures to ensure that whilst Committee sessions are livestreamed for the general public and Committee papers are published online, the content of these papers is made as user-friendly as possible so that viewers are able to understand any stewardship issues discussed. Specifically, the Fund now provides additional summarised versions of the reports produced by the LAPFF and BCPP's Voting and Engagement Partner, Robeco, given the naturally technical nature of their reports. This action is designed to ensure that whilst their reports are available to the public, less technical and more user-friendly versions are also available, thereby maximising opportunities for those interested to engage with the content in future meetings.

III. Improving the accessibility of the Fund's website and communications

In addition to improving the understandability of documents and reports, the Fund has placed a concerted effort in bolstering the accessibility of its website and the information it contains and is committed to ensuring that all information meets the Web Content Accessibility Guidelines (WCG 2.1). Specifically, all reports published

on the website are required to go through thorough style and usability checks and the Fund draws upon advice provided by the Administering Authority's accessibility team to ensure that the wording and formatting of documents is accessible to the widest possible audience. The Fund also ensures that all communications to stakeholders are available, where possible, in electronic, print, large print, braille and audio formats as requested.

5.2. Outcome

5.2.1. How has the Fund's review and assurance led to the continuous improvement of stewardship policies and processes?

Aligning the Fund's new RI Policy to the UN SDGs:

As part of the Fund's attempts to enhance its sustainable stewardship activities and incorporate ESG into its investment approach, the Fund agreed in 2020 to adopt the UN SDGs as a framework through which to approach Responsible Investment. Though completed prior to the current reporting period, this framework is important to emphasise as it remains of utmost importance in providing the contextual foundation upon which improvements to stewardship policies and processes in the current and previous reporting periods are, and have been, based. A review of support for this alignment with the UN SDGs was incorporated into the Fund's extensive RI consultation with LGPS members, Employers, Board and Committee Members and the general public in 2022, with only 4.5% of respondents disagreeing or strongly disagreeing with the statement that the UN SDGs should be the guiding principles for the Fund's ESG engagement. This feedback played a key role in informing the development of the Fund's RI Policy which was formally approved at the June 2023 Committee meeting.

Changes to the wording of the Fund's RI Policy in response to RI consultations:

A second change arising from the Fund's RI consultation was the need to change the wording of one section of the RI Policy in response to feedback from stakeholders. Specifically, whilst the average response rate with the Agree or Strongly Agree categories across the range of questions was 70% and no question had a response rate of more than 7% for Disagree or Strongly Disagree combined, there were a larger than average number of neutral votes regarding the Fund's engagement approach. With regard to a belief in the Fund's 'Engagement with Consequences' approach, 34.9% of respondents neither Agreed nor Disagreed, suggesting that the Fund could provide further clarity on the meaning of this term. This matter was discussed at the June 2023 Committee meeting with an agreement that a re-wording was required to clarify the Fund's escalation process and specify investment categories that are excluded from the Fund's portfolio. This was voted on by Members at the September 2023 Committee meeting and unanimously agreed.

Concerted effort on setting a Net Zero date following RI consultations:

The Fund has invested a significant amount of time in understanding the investment strategy implications of potential Net Zero policies and whilst the Fund's approach to

Net Zero was already a prominent area of focus and a key part of the Fund's RI Beliefs, the need for the Fund to set an explicit Net Zero date in the 2023/24 reporting period was further evidenced by the RI consultation with stakeholders in 2022. The qualitative section of this consultation saw a wide range of views including support for the setting of a Net Zero date. In response to the consultation, the setting of a Net Zero date for the Fund's investments became a key priority for the Committee for the 2023/24 reporting period with this priority being completed in June 2023 when the Committee agreed a Net Zero date of '2050 or sooner'. The Fund will review the investment opportunity set on an annual basis to determine whether a full review of the Net Zero target date is required.

Principle 6

Principle 6 = Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

6.1. Context

6.1.1. Structure of the scheme

As outlined in Principle 1, the Fund is part of the Local Government Pension Scheme (LGPS) and is a contributory defined benefit pension scheme that provides pensions and other benefits for pensionable employees of Surrey County Council, the borough and district councils in Surrey, and a range of other scheduled and admitted bodies within the county area (teachers, police officers and firefighters are not included as they come under other national pension schemes). Scheduled bodies include Local Authorities and similar bodies whose staff are automatically entitled to be members of the Fund. Admitted bodies include voluntary, charitable, and similar bodies or private contractors undertaking a Local Authority function following the outsourcing of services to the private sector.

Benefits are funded by contributions and investment earnings. Contributions are made by Active Members of the Fund in accordance with the Local Government Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023 ***need updated figures when possible**. Employee contributions are supplemented by employers' contributions using rates which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022 and new rates were applied from April 2023. Currently, employer contribution rates range from 12.7% to 43.6% of pensionable pay. ***need updated figures when possible**

6.1.2. Size and profile of membership ***need updated figures for 2023/24 when possible**

As at 31 March 2023, the Fund was comprised of over 300 employers and approximately 111,000 Members broken down into approximately 36,000 Contributory Employees, 44,000 Deferred Pensioners, and 31,000 Pensioners and Dependants. The table below provides a breakdown of the profile of membership by age range:

Age Group	Active	Deferred	Pensioners	Widow/Dependent	Grand Total
0-5	-	-	-	10	10
6-20	616	29	-	156	801
21-40	10,431	10,096	1	89	20,617
41-55	15,397	19,899	160	151	35,607
56-75	9,083	14,396	18,361	1,409	43,249
76-100	4	50	8,282	2,028	10,364
100+	-	-	39	29	68
Total	35,531	44,470	26,843	3,872	110,716

6.1.3. Breakdown of assets under management *need updated figures when possible

The allocation of the Fund's investments by asset class is outlined in the Fund's Investment Report with the table below outlining the Fund's investment breakdown over the last two years as at 31st March.

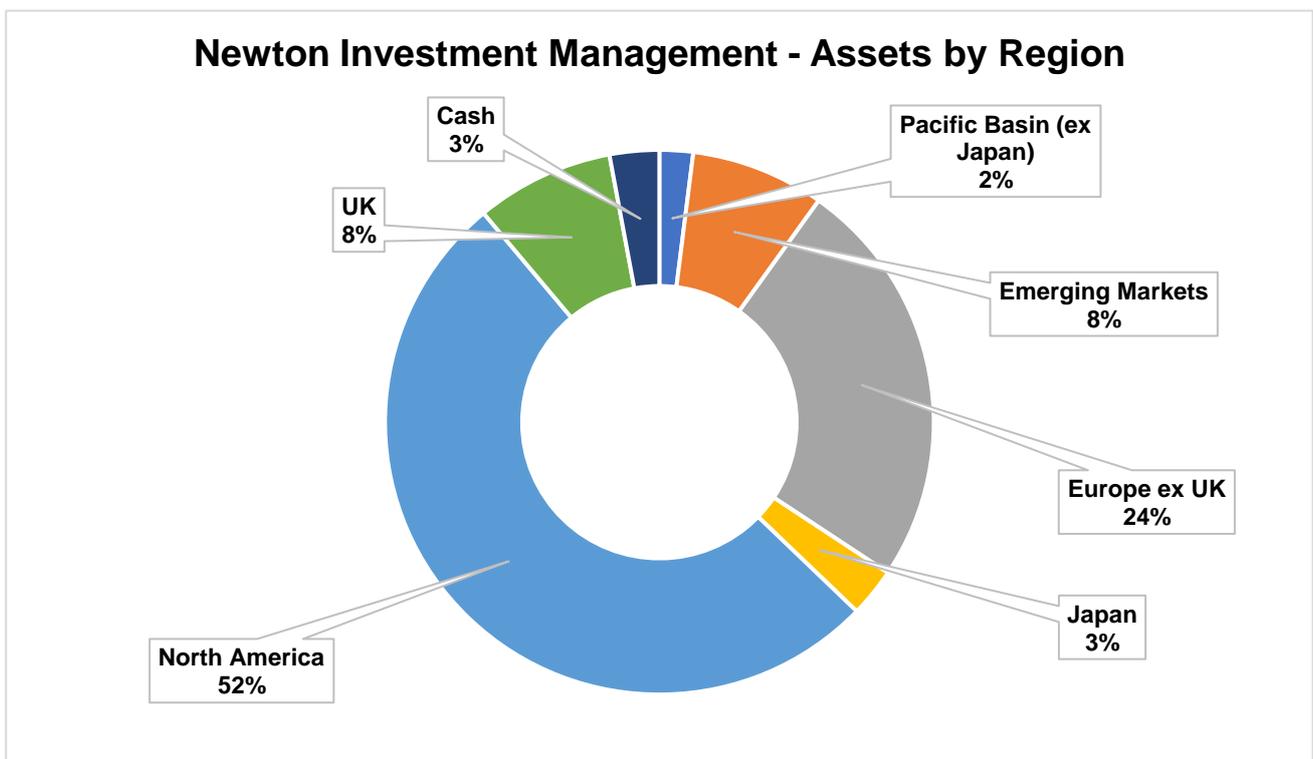
Asset class	MV as at 31 March 2022 (£m)	Asset allocation as at 31 March 2022 (%)	MV as at 31 March 2023 (£m)	Asset allocation as at 31 March 2023 (%)
Listed Equities	3,185.9	59.8	3,053.6	58.1

Private Markets	558.1	10.5	795.2	15.1
Listed Alternatives	402.3	7.6	250.7	4.8
Property	338.4	6.4	307.8	5.9
Fixed Interest Securities	760.1	14.3	689.8	13.1
Internally Managed Cash, Liquidity Fund & Currency Overlay	80.4	1.5	160.6	3.1
Total	5,325.2	-	5,257.6	-

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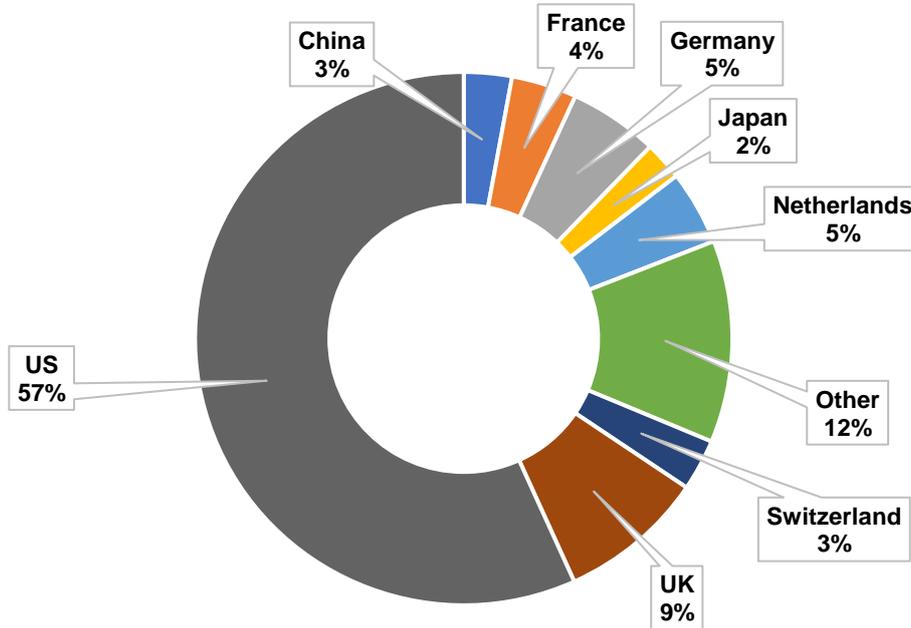
The following charts provide a detailed geographical breakdown of individual holdings within each of the Fund's global mandates:

1. Newton Investment Management (as at December 31st 2023) *update after March if possible



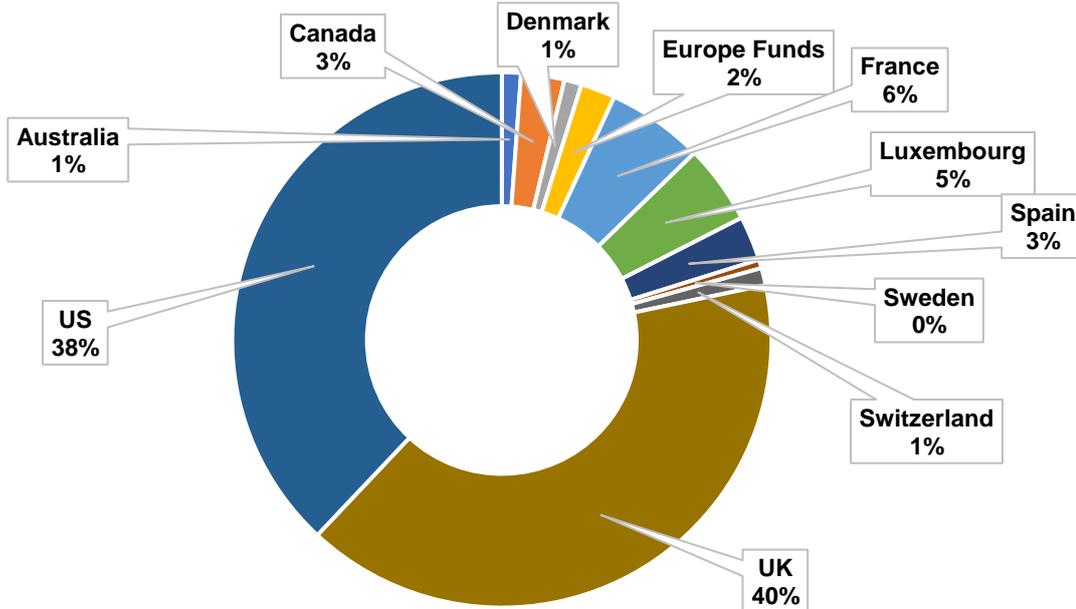
2. **BCPP Global Equity Alpha Fund (as at December 31st 2023)** ***update after March if possible**

BCPP Global Equity Alpha Fund - Assets by Region



3. **BCPP Listed Alternatives (as at December 31st 2023)** ***update after March if possible**

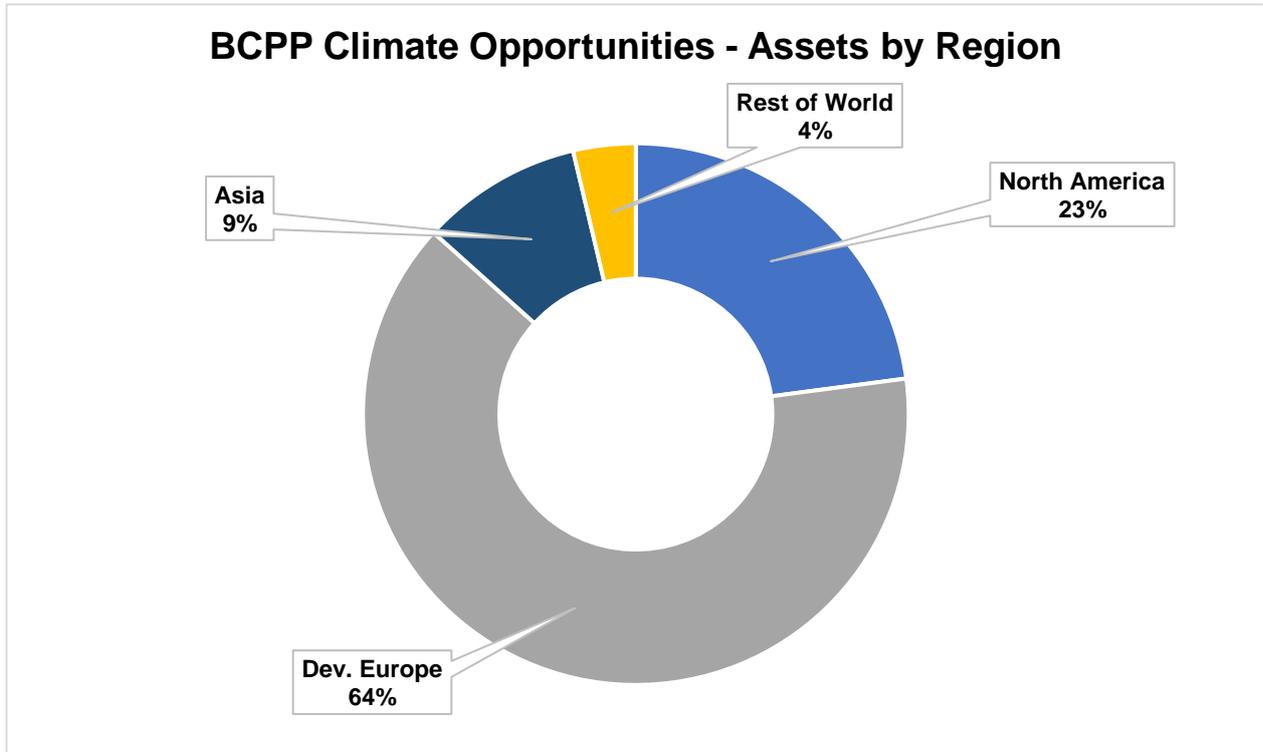
BCPP Listed Alternatives - Assets by Region



16

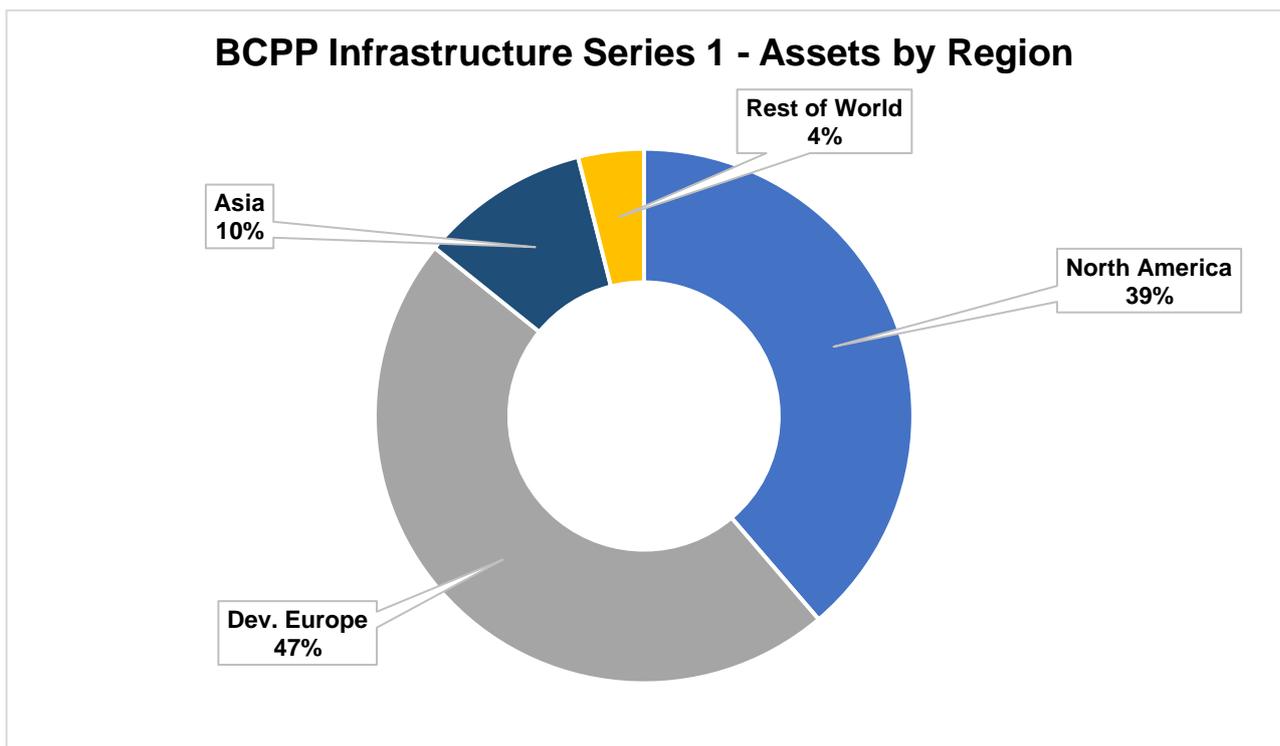
4. **BCPP Alternatives (as at September 30th 2023)** ***update after March if possible**

a) **Climate Opportunities Fund:**

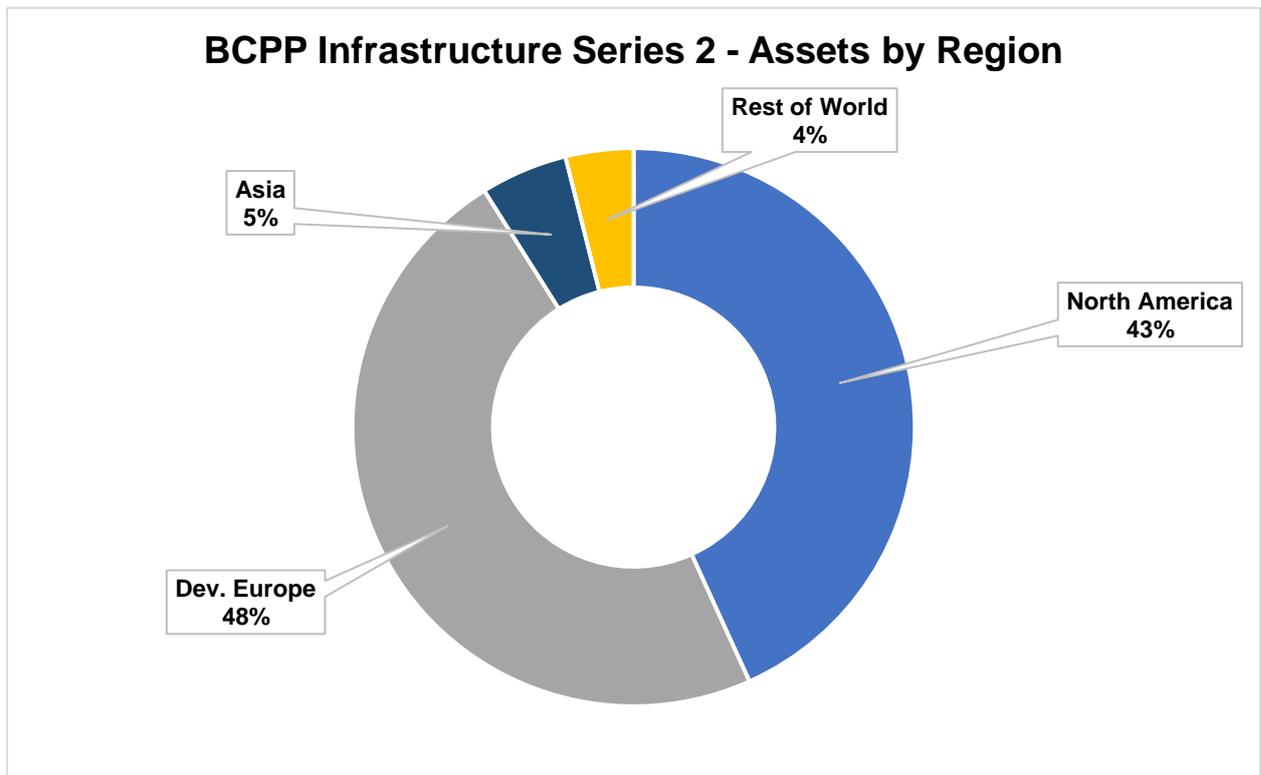


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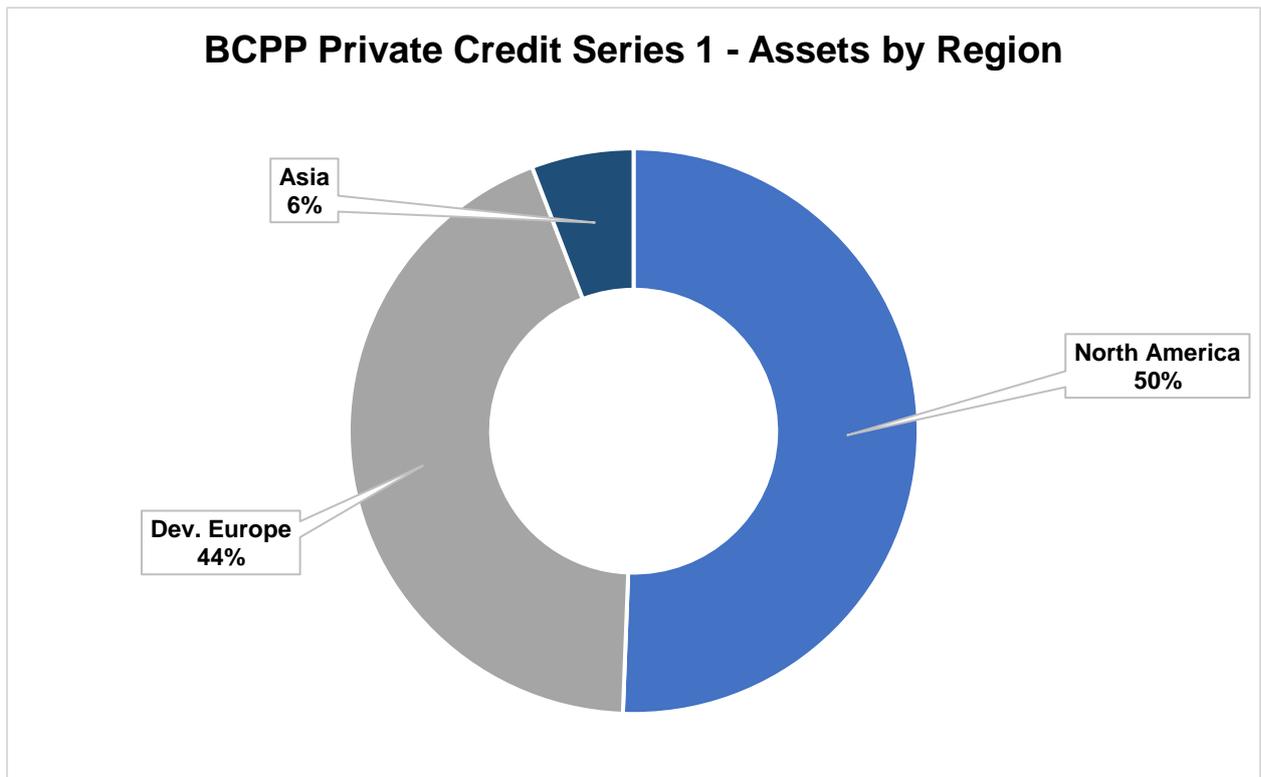
b) **Infrastructure – Series 1:**



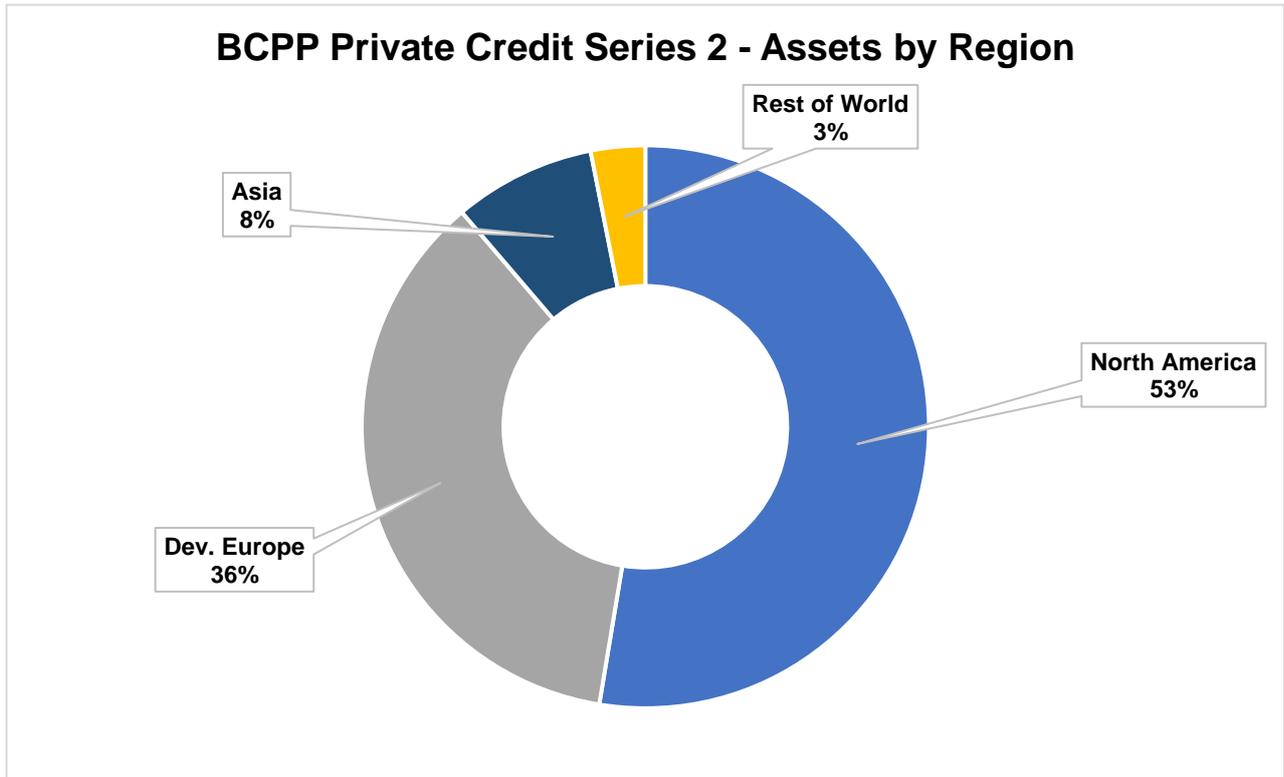
c) Infrastructure – Series 2:



d) Private Credit – Series 1:

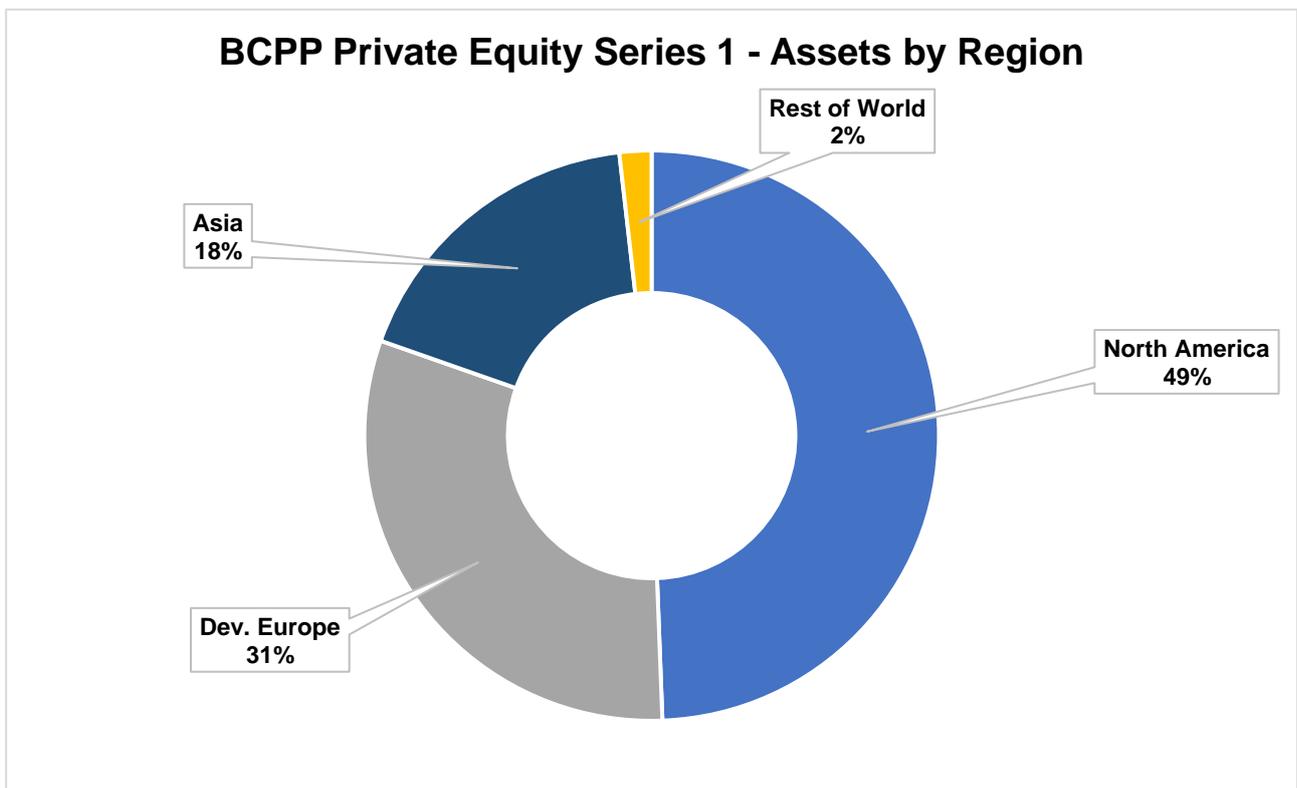


e) Private Credit – Series 2:

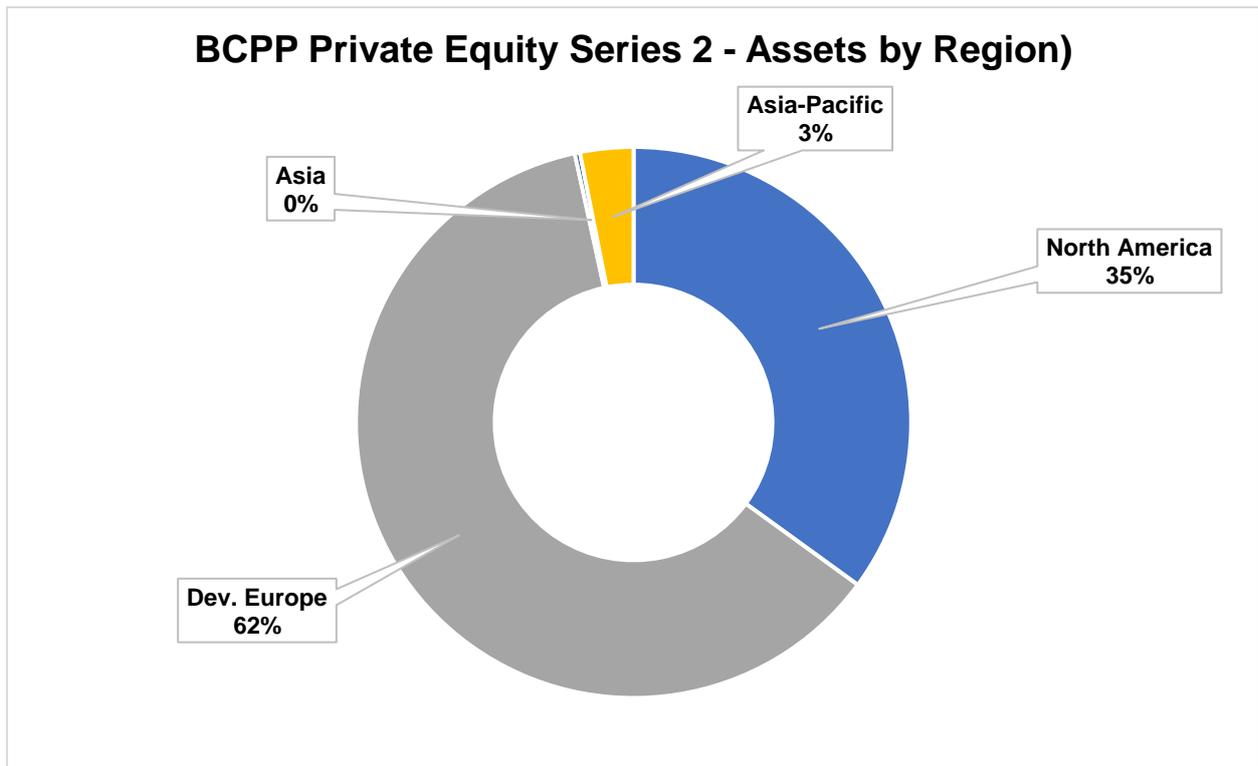


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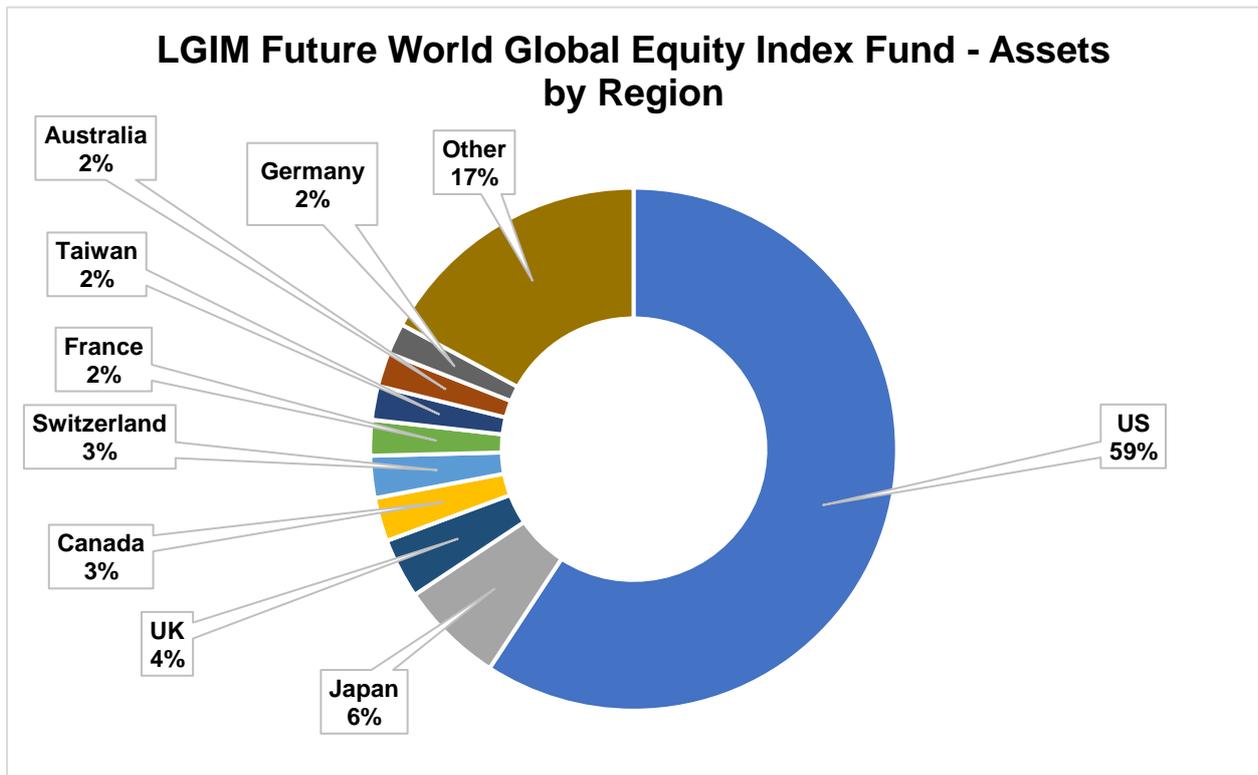
f) Private Equity Series 1:



g) Private Equity Series 2:



4. LGIM Future World Global Equity Index Fund (as at September 30th 2023)
*update after March if possible



6.1.4. Investment time horizon

The Fund primarily operates on the basis of a long-term investment time horizon with the aim, as outlined in Principle 1, to be at or above a 100% funding level over the long-term. The Committee recognises that funding levels can be volatile from year to year, as they depend on both investment market levels and estimates of liability values. Consequently, the Fund has chosen a long-term investment strategy that is able to steer a robust course through changing market environments so as to deliver to the needs of beneficiaries.

6.2. Activity

6.2.1. Seeking beneficiaries' views

The approach that the Fund takes to seeking beneficiaries' views is set out in the Fund's Communication Policy Statement. This policy outlines the strategic approach taken by the Fund regarding communications and specifically details the means by which a wide range of stakeholders (including Scheme Members and Employers) are informed of, and consulted on, pension matters, including investment and stewardship activities.

The Fund communicates with beneficiaries through a wide range of channels which are outlined in detail in the Communication Policy Statement, and the Fund is committed to ensuring communications are accessible to all stakeholders. A selection of key communication channels are outlined below:

<u>Communication Channel</u>	<u>Purpose</u>
Surrey Pension Fund website	The Fund's website provides access to investment information, member guides, forms, policies, reports, newsletters, videos, and other information. New items and blogs are also produced on the website regularly and as the need arises, to highlight current issues, upcoming changes or to provide articles of interest. In January 2024, a new website dedicated to Members was also launched as a means of improving access to information and providing a more user-friendly navigation system. Specifically, this website was designed to be bespoke for Surrey Pension Fund and gives greater opportunity for the Fund to directly add different varieties of information such as blogs and articles that have previously required Members

	to access through links which are less user-friendly and more prone to errors.
Surrey Pension Fund for Employers website	The Fund's dedicated employer website provides access to employer procedures, guides, investment information, forms, spreadsheets, newsletters, and other information.
Customer Relationship Team	The Fund's Customer Relationship Team was established in its current format in October 2022 and functions as a dedicated team that responds to queries posed by beneficiaries. Moreover, the Customer Relationship Team actively runs online and face-to-face events such as webinars and walk-in pension clinics (see below) where beneficiaries are able to ask questions directly to Officers on a broad array of subjects including investment and stewardship issues.
Employer newsletters	The Fund sends a newsletter to employers on a quarterly basis.
Active Member newsletters	The Fund provides active members with a newsletter on a biannual basis (in April and August) to improve understanding of pensions, how the LGPS works and the impact of any changes in legislation. The newsletter also advises scheme members of their rights and benefits.
Deferred and Pensioner Member newsletters	The Fund provides deferred members with a newsletter on an annual basis to provide information regarding how the LGPS functions, the impact of any changes in legislation, and the implications of transferring out of the scheme.

<p>Online and face-to-face events</p>	<p>The Fund arranges a programme of online and face-to-face events each year to meet with groups of members. The Fund arranges these events in conjunction with employers, via Olive for Surrey County Council members, and these events are advertised to members of the scheme via a SharePoint site. In 2023/24, three highly attended online Question & Answer webinars were also held for the Fund's active members on a range of topics including understanding the 'My Pension' Portal, understanding Members' Annual Benefit Statement as well as a webinar providing an overview of the LGPS and the benefits that it offers.</p>
<p>Individual meetings</p>	<p>Members can visit the Fund's offices by appointment if they prefer to speak face-to-face. Throughout the 2023/24 reporting period, due to high demand five walk-in pension clinics were held throughout November to enable Members to ask questions regarding matters of interest.</p>
<p>Committee and Board meetings</p>	<p>Committee and Board meetings are open to the public and can be attended both in-person and online with relevant papers published online.</p>
<p>RI Policy Consultation</p>	<p>For more details, see Section 5.1.1.</p>

6.3. Outcome

6.3.1. Evaluating the effectiveness of methods to understand the needs of clients and/or beneficiaries

The Fund's Communication Policy is reviewed annually and updated sooner if the communications arrangements, stakeholder feedback, or other matters included within it merit reconsideration. The 2023/24 Communications Policy was approved at the June 2023 Committee and further projects to improve the Fund's approach to

communicating with beneficiaries have been discussed throughout the reporting period. Three of these projects are outlined below:

Further steps:

1. Customer Insights Project

At the heart of the Fund's approach to improving the way in which it considers beneficiaries' views is its Customer Insights project, first discussed at the August 2021 Board meeting before being launched substantively in 2023. The aim of this project is to improve the Fund's understanding of the perceptions that stakeholders have both of the Fund as a whole and of the services that it provides. By listening, analysing, and acting on the insights of stakeholders, the Fund believes that it will be in a better position to deliver services more effectively whilst achieving its key strategic objectives. In this sense, the project is intrinsically tied to the Fund's Strategic Plan (see Section 1.1.3) and specifically targets the first lever within this plan, Customer Focus.

In practice, the preliminary step within the project was to identify the core stakeholder groups that insights would be derived from and to then determine the format through which information would be gained. Throughout the current reporting period, the Fund has considered plans to engage with four core stakeholder groups: recently retired members, active members nearing retirement, members who have recently transferred out of the Fund, and those members who have recently joined the Fund. From these four groups, around 350/400 individuals will be contacted with extensive qualitative research being undertaken to provide both a detailed and representative understanding of stakeholders' perceptions of the Fund. Though the precise format that this qualitative research will take for each of the stakeholder groups is under consideration (e.g., focus groups, in-depth interviews etc.), the first stage of the data gathering process has commenced throughout the current reporting period with the help of a third-party service provider. Between November 2023 and February 2024, the Fund and its third-party service provider has engaged with a sample of employers through one-hour interviews that will be further analysed throughout the 2024/25 reporting period.

2. 'Amplifying Our Presence' plan

At the September 2023 Committee meeting, the Change Management Team within the Fund formally announced a multi-year 'Amplifying Our Presence' plan. The aim of this plan was to identify and engage with stakeholder groups to determine whether the Fund is communicating with stakeholders correctly, whether the forms of communication used by the Fund are preferred by stakeholders, and to consider what information the Fund wants to communicate with stakeholders going forward. From this plan, a number of activities have been scheduled for implementation throughout 2024 including the launch of a new Surrey Pension Team Member website (designed to enhance usability and enable the Fund to engage with Members through innovative methods such as blogs) and an increased reliance on Q&A webinars focusing on key topics of interest to Members given that this format has been well-received throughout 2023/24.

3. Provision of more pension clinics in 2024/25 due to positive feedback

As a result of positive in-person feedback from Members in relation to the five walk-in clinics held in November 2023, the Fund has planned for walk-in clinics to become a more regular feature of communications with Members throughout the 2024/25 reporting period. Specifically, towards the end of the 2023/24 reporting period the Fund has been actively considering both a more formalised and frequent holding of pension clinics as well as expanding the sites at which the clinics are held. In November 2023, the five clinics were all held in the location at which the Customer Relationship Team was based. In future, the Fund hopes to be able to organise the clinics at each of the Administering Authority's four main offices to ensure that beneficiaries from across the county are able to posit queries at greater convenience.

Principle 7

Principle 7 = Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

7.1. Context

7.1.1. Issues the Fund has prioritised for assessing investments, prior to holding, monitoring through holding and exiting

The Fund's Investment Beliefs and Responsible Investment Beliefs are outlined in Principle 1 and map out the way in which the Fund assesses investments and integrates ESG issues into its investment decisions. Since 2022, an RI Sub-Committee has also operated within the Fund to further consider how the Fund's RI Beliefs can be integrated into its investments.

Alongside the extensive RI Consultation process that the Fund undertook in 2022 to gain the insights of stakeholders with regard to integrating stewardship and investment (this is outlined in depth in Principle 5), as is briefly outlined in Principles 4 and 5 the Fund has undertaken ground-breaking work over recent years to integrate the UN SDGs into its investment process with the intention of ensuring that ESG issues become systemically intertwined with the Fund's culture, values and investment beliefs. This work began in 2020 and involved using the World Benchmarking Alliance's (WBA) SDG 2000 Benchmark to understand the Fund's starting position against the SDGs. The companies targeted within the SDG 2000 Benchmark have the most potential to help deliver the SDGs if they are managed and ran in a sustainable manner and become leaders in their sectors for others to follow as an example. Through this benchmarking process, the Fund has therefore been able to evaluate its investment process to ensure that its RI Beliefs and key ESG issues are at the forefront of the assessment and monitoring of its investments.

The findings from the Fund's mapping against the WBA SDG 2000 are summarised below and illustrate the means by which the Fund's assessment of its investments through the lens of the UN SDGs has informed its decision-making:

- Approximately 63% of the Fund's equity and corporate bond holdings are also in the WBA SDG 2000 Index.
- Whilst the overlap against the WBA SDG 2000 was purely coincidental, it presented an opportunity to focus on these holdings, and how these companies are managed. Improving the management of these companies can allow them to make progress in helping to deliver the SDGs.

The Fund has since used this analysis and worked with the Committee to discuss how it can integrate the findings into its Investment Strategy as well as ensuring the SDGs form the foundation of its Investment Beliefs. The Fund is also continuing to develop its integration of ESG issues into the investment process through activities such as:

- Working with BCPP in using its influence to engage with its invested companies (see Principles 9, 10 and 11)
- Seeking further SDG-friendly investment opportunities

- Developing future Climate Impact (SDG 13: Climate Action) related performance reporting and understanding how it impacts the Fund’s investments

7.2. Activity

7.2.1. How the Fund’s integration of stewardship and investment has differed for funds, asset classes and geographies

The Fund’s RI Policy outlines the approach taken to integrate stewardship across different funds, asset classes and geographies and the Fund expects its investment managers to take the Fund’s RI Beliefs into account when managing investments on behalf of the Fund, irrespective of the asset class they manage.

When considering investments across asset classes, the Fund accepts that currently, incorporating ESG/RI issues into the process of making and then monitoring investments is more straightforward for some asset classes than others (e.g., for actively managed listed equities compared with Government bonds). As such, the approach the Fund chooses to integrate stewardship can vary considerably, though the Fund is continuously looking to integrate ESG factors across all asset classes. For example, from a listed equity perspective, the Fund currently holds a target allocation of 19.5% for the LGIM Future World Global Equity Index Fund, a sustainable equity fund tilted to companies less reliant on carbon in their business operations. Equally, from a private markets perspective the Fund has sought to integrate ESG factors by seeking environmentally sustainable investments, which is where the majority of climate-related investment opportunities currently exist. Specifically, the Fund has invested in a Renewable Energy Infrastructure strategy as well as committing to a Climate Opportunities Fund (see Principle 4).

Though the Fund accepts that some asset classes are at an earlier stage of development in terms of ESG integration, as a responsible asset steward the Fund expects investment managers across asset classes to demonstrate leadership in addressing, communicating, and reporting on ESG/RI issues throughout the investment process. All investment managers are required to describe how, and the extent to which, they incorporate ESG/RI issues into their investment processes, and any new investment managers appointed are also required to disclose their ESG/RI approaches at the time of consideration for appointment.

One of the key methods that the Fund uses to ensure the integration of stewardship and investment is through its engagement activity, with the Fund’s RI Policy detailing the different approaches that the Fund can take when engaging with investment managers prior to and throughout the investment process. The table below illustrates a number of the Fund’s engagement options which vary depending on the asset class chosen:

Asset Class	Engagement Options
Equities – Index	<ul style="list-style-type: none"> ○ Implementation of a bespoke Voting Policy for non-pooled assets that codifies the Fund’s approach into specific voting actions ○ Implementation of a bespoke Voting Policy for pooled assets that codifies BCPP’s approach into specific voting actions ○ Direct engagement by Robeco or by asset managers with companies held on an index-driven basis linked to engagements undertaken for any actively held holdings
Equities - Active	<ul style="list-style-type: none"> ○ Implementation of a bespoke Voting Policy for non-pooled assets that codifies the Fund’s approach into specific voting actions ○ Implementation of a bespoke Voting Policy for pooled assets that codifies BCPP’s approach into specific voting actions ○ Direct engagement by Robeco or by asset managers with companies held on an active basis – via direct meeting / letter / email / call / attendance at investor events
Fixed Interest – Government Bonds, Government Index Linked Bonds	<ul style="list-style-type: none"> ○ Limited direct engagement options – consideration of RI issues affecting national governments and their responses to them typically sits at the investment appraisal stage, prior to investing

Fixed Interest – Multi Asset Credit, Corporate Index Linked Bonds	<ul style="list-style-type: none"> ○ Direct engagement is possible for the Fund’s asset managers or Robeco on listed companies that also issue debt owned by the Fund ○ Engagement with companies issuing debt – via direct meeting / letter / email / call / attendance at investor events
Real Estate – Pooled	<ul style="list-style-type: none"> ● Investment via collective vehicles means that engagement activity has to be at investment manager level, particularly if a fund of funds is the chosen vehicle of investment
Infrastructure – Pooled	<ul style="list-style-type: none"> ● Investment via collective vehicles means that engagement activity has to be at investment manager level, particularly if a fund of funds is the chosen vehicle of investment
Private Debt / Equity / Venture Capital - Direct	<ul style="list-style-type: none"> ● Direct ownership of private companies, or loans to private companies means that RI considerations and expectations can be established from the outset, and influence can be exerted directly on these investments as a relatively small group of investors are the owners
Private Debt / Equity / Venture Capital - Indirect	<ul style="list-style-type: none"> ● Investment via collective vehicles means that engagement activity has to be at investment manager level, particularly if a fund of funds is the chosen vehicle of investment

Cash	<ul style="list-style-type: none"> For banks holding cash deposits that are listed entities, engagement can take place in the same manner as for Equities, if the bank shares are held as part of an existing investment. Where money market funds are used, engagement would again be possible at a secondary level, engaging with the investment managers of the funds involved
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7.2.2. How the Fund has ensured that: (a) tenders have included a requirement to integrate stewardship and investment including material ESG issues, and (b) that the design and award of mandates include requirements to integrate stewardship and investment to align with the investment time horizons of clients and beneficiaries

Border to Coast:

As outlined previously, the Fund is a Partner Fund within the Border to Coast Pensions Partnership which possesses a dedicated RI team who effectively integrate ESG issues into investment decisions across portfolios and asset classes.

As part of the LGPS pooling requirement, the Fund is not currently, actively tendering for investment management services. It is the responsibility of BCPP to design and award mandates which the Fund is then able to invest in. More details are provided in Border to Coast’s *Responsible Investment Policy* ([Microsoft Word - Border to Coast RI Policy 2024- FINAL \(External\)](#)) which is summarised below:

i. Key ESG issues considered in investment decisions:

Environmental Issues	<ul style="list-style-type: none"> – Climate change – Resource and energy management – Water stress – Single-use plastics – Biodiversity
Social Issues	<ul style="list-style-type: none"> – Human rights – Child labour – Supply chain – Human capital – Employment standards

	<ul style="list-style-type: none"> – Pay conditions (e.g., living wage in UK) – Just transition
Governance Issues	<ul style="list-style-type: none"> – Board independence – Diversity of thought – Executive pay – Tax transparency – Auditor rotation – Succession planning – Shareholder rights
Other Issues	<ul style="list-style-type: none"> – Business strategy – Risk management – Cyber security – Data privacy – Bribery and corruption – Political lobbying

ii. How ESG issues are integrated into internally managed assets:

Voting and engagement is a key part of the investment process with all members of BCPP’s RI team being knowledgeable and well-informed on ESG issues. BCPP also draws on specialist providers for ESG data and research alongside general stock and sector research. BCPP also recognises the role that ESG factors play in relation to bond performance and, whilst recognising that it is often more difficult to integrate ESG for fixed income investment decisions than it is for listed equity investments, BCPP draws on ESG analysis to enable corporate and sovereign issuers to effectively manage risk whilst concomitantly drawing on third-party ESG data to determine a bond’s credit quality.

iii. How ESG issues are integrated into externally managed assets:

ESG criteria is included as a core element of BCPP’s Request for Proposal (RFP) criteria and scoring as part of the external manager appointment process with managers required to detail their consideration of ESG factors in their research analysis as well as their investment decisions. BCPP also monitors managers’ integration of ESG factors into investment decisions through an internal monitoring framework with managers required to report on their RI activities on a quarterly basis and become signatories or comply with the international standards applicable to their geographical location. External managers are also encouraged to become signatories to the UN-supported Principles for Responsible Investment.

iv. How ESG issues are integrated into private markets:

ESG questionnaires are used to assess the ESG strategies of managers chosen by BCPP in relation to private market investments with General Partners (GPs) also

required to complete an annual monitoring questionnaire to ensure alignment with specific RI and ESG-related indicators. These indicators are continually monitored with targets set where necessary to improve the integration of ESG factors into private market investments.

v. How ESG issues are integrated into real estate:

ESG and RI form key aspects of the selection and screening process that BCPP uses when assessing GPs in relation to Global Real Estate Funds whilst BCPP is also working to implement a best-in-class approach to managing ESG risks alongside a third-party manager.

Other investment managers:

Outside of BCPP, the Fund has high expectations of investment managers when it comes to integrating ESG factors into investment decisions. The Fund views investment manager selection, investment activity and ongoing monitoring processes as core elements in the effective implementation of the Fund's RI Policy. Non-pooled investment managers must be able to clearly demonstrate how the topic of ESG is embedded into their investment processes and such managers are expected to fully support the Fund in monitoring and reporting on any RI-related objectives. Moreover, the Committee reviews how its managers assess, manage, and integrate climate risks into their portfolio construction and security selection decisions and engagement takes place with managers where they are perceived to be lagging behind their peers in terms of ESG integration and climate risk management. Some of the core expectations of investment managers as detailed in the Fund's RI Policy are outlined below:

- The Fund believes that it is primarily the responsibility of its investment managers to effectively identify, mitigate and report on RI-related risks (typically covering ESG factors), specifically those that may be financially material, as part of their investment selection, monitoring, and deselection process. The Fund also expects its investment managers to take a holistic approach to identifying risk as opposed to a stand-alone concern and believes that RI risks should be fundamentally integrated into a sustainable investment approach.
- The Fund expects its investment managers, having taken the Fund's RI views into account, to be responsible for the identification, mitigation (where possible) and reporting of RI risks over short, medium, and long-term timeframes. The Fund's investment managers should be able to clearly identify any such actions that they have taken to identify and mitigate RI risks in the context of the short, medium, and long-term and then be in a position to report this activity.
- The Fund expects its investment managers to manage assets in alignment with the Fund's RI Policy. Investment manager RI policies may be directly or independently reviewed to verify an ongoing alignment with the Fund's existing policy and any applicable regulatory or best practice standards.
- The Fund's investment managers are expected to provide reporting at least annually in terms of RI-related activity associated with their mandate, and

more frequently where their mandates require them to do so (for example with quarterly reporting of voting and engagement activity).

- The Fund expects that its UK-based investment managers will be signatories to, and comply with, the Financial Reporting Council's UK Stewardship Code and also expects its non-UK-based investment managers to provide a formal statement on their approach to stewardship of client assets.

7.3. Outcome

7.3.1. How information gathered through stewardship has informed acquisition, monitoring and exit decisions

Glenmont Clean Energy Fund

The Fund's active decision to commit €45m to Glenmont's Clean Energy Fund Europe III, a dedicated renewable energy fund, was made in line with the Fund's RI Beliefs and a growing concern over climate change. Glenmont Clean Energy Fund Europe III is a single strategy fund investing exclusively in renewable energy infrastructure across Europe. The Fund is fully invested and is primarily invested in solar (43%) with remaining investments in onshore wind (34%), offshore wind (21%) and other renewable energy sources. In alignment with the Fund's Net Zero ambitions, as at 31 March 2023 the operating portion of the portfolio had offset 723,155 tonnes of CO₂. ***update where possible**

LGIM Future World Global Equity Index Fund

As a direct result of the Fund's stewardship and ESG activities and the information informing the Fund's commitment to Net Zero (e.g., scenario analysis by the Fund's Investment Consultant and RI Sub-Committee, see Principle 8), the Fund switched its index-driven global equity allocation, managed by LGIM, from the RAFI Multi-Factor and MSCI World Low Carbon Target Index Funds to the LGIM Future World Global Equity Index Fund in October 2021. As outlined in Section 1.2.1., the Fund bolstered its commitment to this Fund over the 2023/24 reporting period through a further £100m investment (April 2023).

In doing so, the Fund has substantially improved the ESG metrics arising from its passive equity allocation. The index that LGIM's Future World Global Equity Index Fund follows uses a combination of exclusions and engagement with consequences to achieve a "decarbonisation pathway" target of at least 50% lower emissions compared to the benchmark as at May 2021 and a further at least 7% year-on-year reduction to 2050. The Committee believes that this product is well positioned from an ESG perspective and is expected to help reduce the Fund's exposure to companies with poor ESG practices. Investment in LGIM Future World Global Equity Index Fund is therefore both an attractive return opportunity and an important means of positively contributing to the just transition to a lower carbon world.

Climate Opportunities Strategy ***potential to update following March 2024 Committee meeting:**

As detailed in Principle 4, in April 2022 the Fund committed £235 million to BCPP's Series 2 Climate Opportunities Strategy which is designed to exploit the opportunities provided by the transition to a lower carbon future and therefore aligns with the Fund's RI priorities. This strategy was considered and agreed by Partner Funds given the common aim of being able to invest not only in operational renewable assets but also in companies that were leading the development of new technologies that will be part of the transition of the "built economy," enabling a resilient and sustainable lower carbon future. Broadly, this strategy will invest in a range of assets including operating assets, development assets and new technologies, including agriculture and forestry. Over the current reporting period, the Fund has continued to fund its commitment whilst BCPP has also begun to plan the launch of a second Climate Opportunities Fund given that the pipeline of opportunities aligned with the former have been greater than expected. Discussions regarding the launch of the second Climate Opportunities Fund will continue into the 2024/25 reporting period.

Principle 8

Principle 8 = Signatories monitor and hold to account managers and/or service providers.

8.1. Activity

8.1.1. How the Fund monitors investment managers and service providers

The monitoring of investment managers and service providers takes place through a range of processes as outlined below:

Monitoring of investment managers:

– Performance monitoring:

- The Fund performs quarterly investment monitoring analyses on investment managers' performance relative to the index benchmark. The customised benchmark is provided by the Fund's custodian which is derived from a series of investment indices weighted by the Fund's asset allocation. Benchmark targets are specified in the contract between the Fund and the manager. The Fund's global custodian also produces performance data for each manager as well as for the Fund as a whole and this performance data is reported to the Committee on a quarterly basis.
- The Independent Advisor presents a review of all fund managers to the Committee on at least an annual basis to discuss the portfolio composition, strategy, and performance.
- New Investment Management Agreements (IMAs) set out specific expectations regarding resourcing, deliverables, targets, and/or objectives. Monitoring of these agreements forms part of the routine investment manager engagement meetings and feeds into the existing investment manager reporting and review processes.

– ESG/RI-specific monitoring:

- In addition to the expectations outlined in Principle 7, the Fund also conducts the following ESG/RI monitoring of its investment managers:
- The Fund expects its investment managers to report on their ESG/RI factor integration approaches for all asset classes. All investment managers are also required to describe how, and the extent to which, they incorporate ESG/RI issues into their investment processes, and any new investment managers appointed are also required to disclose their ESG/RI approaches at the time of their consideration for appointment. Examples of information that must be disclosed to the Fund include the investment manager's use of ESG data (e.g., details of data sources and tools used, verification, scope of portfolio coverage of the data etc.), ESG risk management information (e.g., updates or changes

to ESG risk management processes, positive and negative examples of how ESG factors have impacted investment decisions etc.), as well as any material RI ‘incidents’ (i.e., details of the incident and an explanation of any investment actions taken as a result).

- Investment managers are required to provide a robust explanation of any positions they have adopted which are not in alignment with either the Fund’s RI Policy or any RI-related performance objectives set out in their mandate. As outlined in Principle 7, the Fund also expects that investment managers provide reporting at least annually in terms of RI-related activity associated with their mandate, and more frequently where their mandates require them to do so.
- In addition to performance reports, the stewardship activities of the Fund’s investment managers are also regularly reported back to the Fund with this information often reported publicly via the Council’s website through reports submitted for consideration by the Committee (e.g., the quarterly voting activity undertaken).
- BCPP plays a central role in the Fund’s investment arrangements which includes the investment management and monitoring of RI-specific elements of mandate delivery (e.g., ensuring ongoing strategic alignment between BCPP-managed investments and Partner Funds’ RI Policies), with which BCPP can track progress towards RI objectives.
- BCPP ensures that any external investment managers’ procurement and selection processes contain ESG and RI considerations, including the request for proposal (RFP) criteria and scoring and the investment management agreements.

Monitoring of BCPP:

- Surrey Pension Fund, in agreement with its Partner Funds, is able to guide expectations of BCPP when it comes to manager appointment, monitoring and termination.
- Reporting expectations of BCPP are determined collectively by the Partner Funds and as a result, the Fund has input into the reporting requirements. On a general basis, the Fund expects BCPP’s RI reporting to cover areas such as voting, engagement, portfolio carbon intensity measurement and other ESG reporting requirements as identified by the Fund. The Fund also expects BCPP to undertake regular reporting on the investment, stewardship and ESG-associated activities undertaken by any external investment managers appointed by the pool.
- BCPP holds quarterly performance workshops where each Partner Fund is able to ask questions and engage with BCPP on performance-related matters.

- BCPP also holds monthly meetings with the Partner Funds with a broader agenda which gives each Fund the opportunity to hold BCPP to account on specific matters.
- Quarterly Officer Operation Groups are also held each quarter which enable Officers from each Partner Fund to meet with BCPP in-person to discuss investment performance alongside other matters of interest.

Monitoring of service providers:

– Service delivery monitoring:

- Agent Service Level Agreements (SLAs) include provisions relating to performance, supporting RI activity, resourcing, strategy, progress towards objectives and reporting. Certain objectives will be contract-specific, reflecting the nature of the service (e.g., in relation to the asset class in question for an investment manager, the range of ancillary services provided by a custodian, or the specialist services provided by a third party outsourced service provider etc.).
- On an annual basis, the Fund's Investment Consultant is held to account through a CMA Scoresheet which scores the Investment Consultant across a number of objectives.

– ESG/RI-specific monitoring:

- The custodian of both the Fund and BCPP, Northern Trust, supports service providers in carrying out their respective roles in the execution of the Fund's RI Policy, as well as in relation to services provided by Northern Trust themselves which are relevant (e.g., securities lending and reporting).
- All service providers must have a verifiable public commitment to RI (e.g., being a PRI signatory).
- The Fund expects all service providers to have their own standards regarding sustainable business practices which are in alignment with the Fund's RI Policy, including socially responsible business practices and commitments in relation to environmental standards (including, but not limited to, TCFD reporting).
- The Fund formally sets out reporting requirements for specialist agents (e.g., RI consultants, third party portfolio reporting, proxy voting services, engagement services or securities litigation specialists) that are appointed to provide services to the Fund which contribute to the implementation of the Fund's RI Policy. These requirements are set out in contractual arrangements. The Fund believes that reporting expectations should reflect what should reasonably be expected of a professional asset management firm, either because of regulatory requirement or from client interest and demand.

8.2 Outcome

8.2.1. How services have been delivered to meet the Fund's needs

Setting a Net Zero date:

Following the approval of the Fund's RI Policy by the Committee in June 2022, one of the Fund's core objectives for 2023/24 was to set a Net Zero date. This objective was set because the Fund recognised that climate risk was a significant concern to all stakeholders. In March 2023, the Fund's Investment Consultant was commissioned to conduct analysis to support an understanding of the investment implications of setting a Net Zero target date for the Fund's portfolio. The Fund's RI Sub-Committee has also undertaken a range of scenario analyses over the reporting period using both qualitative and quantitative data analysis to determine the impacts on portfolio composition of different target dates. As detailed in Section 1.2.1., at the June 2023 Committee meeting the extensive analysis conducted by the Fund's Investment Consultant was presented to the Committee and it was agreed, based on the evidence provided, that the Fund would set a Net Zero date of '2050 or sooner'. This work by the Fund's Investment Consultant therefore enabled the Fund to achieve one of its core objectives for 2023/24.

Switch from LGIM Emerging Markets Fund to BCPP Emerging Markets Equity Alpha Fund:

In December 2022, the Committee agreed that the Fund's emerging markets exposure would move from a passive LGIM product to an actively managed BCPP product. This decision was made to attempt to enhance returns and because ESG, decarbonisation and the transition to Net Zero are core components of the Fund's investment strategy. The Fund believed that emerging markets offered an attractive investment opportunity but was conscious that when this area of the portfolio was invested through a passive product, it accounted for an outsized proportion of the Fund's total carbon footprint. Switching to an actively managed fund allows the Fund to continue to access these potential returns whilst also positively impacting the Fund's approach to ESG, decarbonisation and a Just Transition. The decision by BCPP, in line with the wishes of Partner Funds (including Surrey Pension Fund), to create an actively managed product therefore aligned with the Fund's needs, its RI Beliefs, and the services provided by the Fund's Investment Consultant which helped to inform the commitment to become Net Zero by '2050 or sooner'. Notably, the Fund's assets held within BCPP's Emerging Markets Equity Alpha Fund now fall under the BCPP 2050 Net Zero or sooner target (no such targets had been set for LGIM's Emerging Markets Fund).

As outlined in Section 1.2.1., in July 2023 this switch from LGIM's Emerging Markets Fund (passive) to BCPP's Emerging Markets Equity Alpha Fund (active) was formally completed through the complete redemption of the Fund's remaining holding in LGIM Emerging Markets Fund. In total, £276m was invested into BCPP's Emerging Markets Equity Alpha Fund.

Investment in LGIM Future World aligns with Fund's RI Principles:

Whilst the Fund's switch to LGIM's Future World Global Equity Index Fund in 2021 and increased investment in the 2023/24 reporting period have been outlined in Principles 1, 4 and 7, these activities illustrate the importance of the Fund's engagement with its dedicated RI Consultant and investment managers. Specifically, following the Fund's RI consultation with stakeholders in 2022, the Fund worked closely with its RI Consultant to produce a set of RI Principles that would help to guide future investment and stewardship decisions. In line with these RI Principles outlined in Section 1.1.6, during the 2023/24 reporting period the Committee considered further investment into LGIM's Future World Global Equity Index Fund with the Fund's Investment Consultant given that the product not only provided a robust and measurable framework for assessing the effectiveness of its engagement with companies but also aligned directly with at least eight of the UN SDGs identified in the Fund's UN SDG Mapping exercise in 2021 (see Principle 1). Consequently, as detailed in Section 1.2.1., the Fund invested a further £100m into the LGIM Future World Global Equity Index Fund in April 2023.

Principle 9

Principle 9 = Signatories engage with issuers to maintain or enhance the value of assets.

9.1. Activity

9.1.1. Expectations the Fund sets of those who engage on its behalf

General Fund approach to engagement:

As a long-term asset steward, the Fund seeks to positively influence companies' ESG approaches through the use of voting rights and by formal shareholder engagement. The Fund expects its investment managers to follow this model of responsible asset stewardship, but the services of other third-party providers may be sought when necessary to help identify issues of concern and engage with investee companies. The Fund believes that the best way to influence companies on RI matters is through an ongoing process of responsible ownership. The investment managers' four-step process guiding engagement is set out below:

- 1) **Assess:** the identification and consideration of all material issues and risk factors associated with any given investment (including ESG & RI factors);
- 2) **Invest/Divest:** having assessed the appropriateness of an investment opportunity, the active decision is made to buy (or sell) the asset;
- 3) **Steward:** responsible oversight of the asset involves engaging with the investee company, voting at listed company meetings and engaging with company management on issues of concern;
- 4) **Report:** providing the results of the stewardship back to the Fund, so that the Fund is informed on how the asset is being managed, and whether there are any current concerns.

This process is circular and ongoing; however, it may be the case that after several attempts at constructive engagement with an investee company that the initial concerns expressed have not been addressed satisfactorily, and so either legal action (by way of a Class Action process with other investors) or divestment/sale of the asset are appropriate next steps in the Fund's 'Engagement with Consequences' approach, as outlined in Principle 11.

Expectations of each party when it comes to engagement:

The responsibility for undertaking engagements on behalf of the Fund is shared between BCPP and the other investment managers insofar as:

- Individual investment managers follow their own approaches towards engaging with investee companies on all matters that have the potential to affect investment performance;
- BCPP currently uses the services of its Voting and Engagement Partner, Robeco, as well as carrying out its own engagement activity;
- The Fund is able to help to set any engagement priorities for the investment managers – both those within BCPP, and the non-pooled managers; and
- Either the Fund or BCPP – working on their own or with other investors – are able to take legal action against investee companies through participating in a Class Action, where deemed appropriate.

Whilst the Fund has not currently set any explicit engagement priorities, it supports those that have been determined by BCPP to be most material to their investments. These are:

Environmental	Social	Governance
<ul style="list-style-type: none"> • Low carbon transition • Waste and water management 	<ul style="list-style-type: none"> • Social inclusion through labour management 	<ul style="list-style-type: none"> • Diversity of thought

The Committee has the right to determine any specific engagement or RI-themed priorities and will look to its agents to help with their monitoring and delivery.

9.2. Outcome

9.2.1. Outcomes of engagement

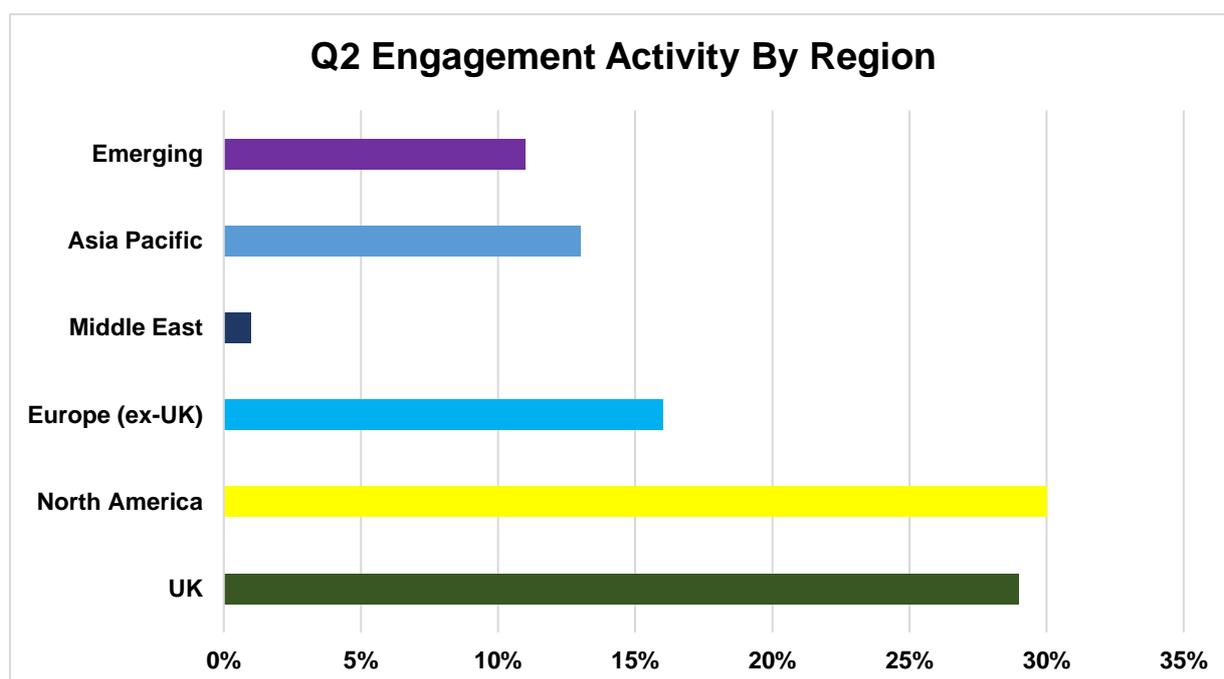
The breakdown of engagements and case study examples of stewardship activities undertaken by the Fund’s Pooling Partner on behalf of Partner Funds that have been published throughout the 2023/24 reporting period are outlined below, alongside those of BCPP’s Voting and Engagement Partner, Robeco.

Overview of engagements ***add in Q1 when possible**

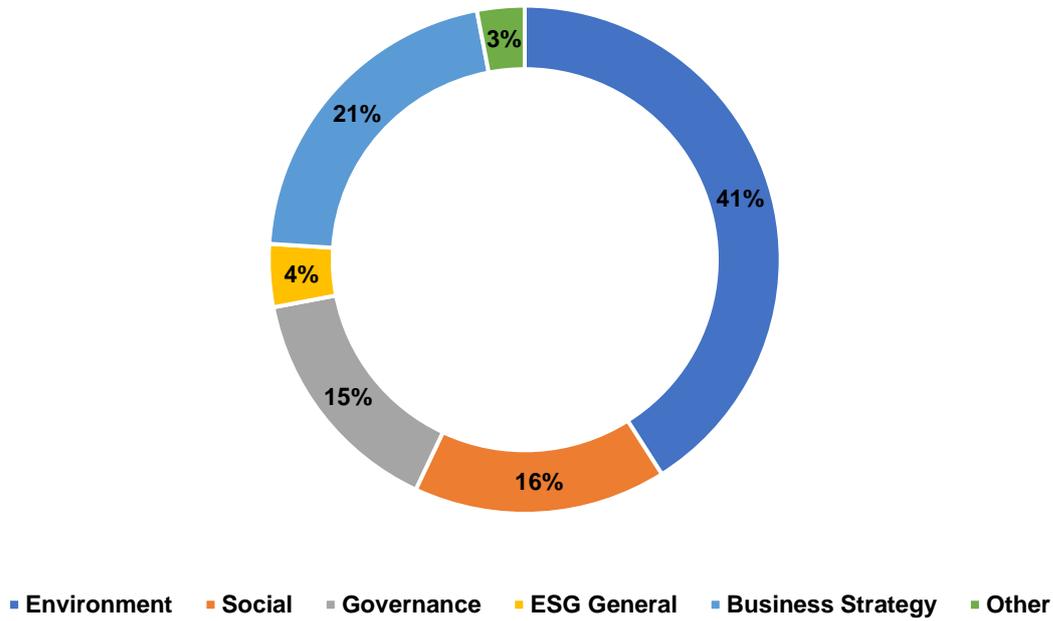
- **BCPP:**

BCPP produces a Quarterly Stewardship Report which outlines the number of engagements it has had with companies over the quarter, the engagement activity by geography, as well as providing a detailed overview of a small number of those engagement activities. The charts below illustrate the breakdown of these engagements by region and by engagement topic:

Q2 (1st April 2023 – 30th June 2023, 409 engagements):

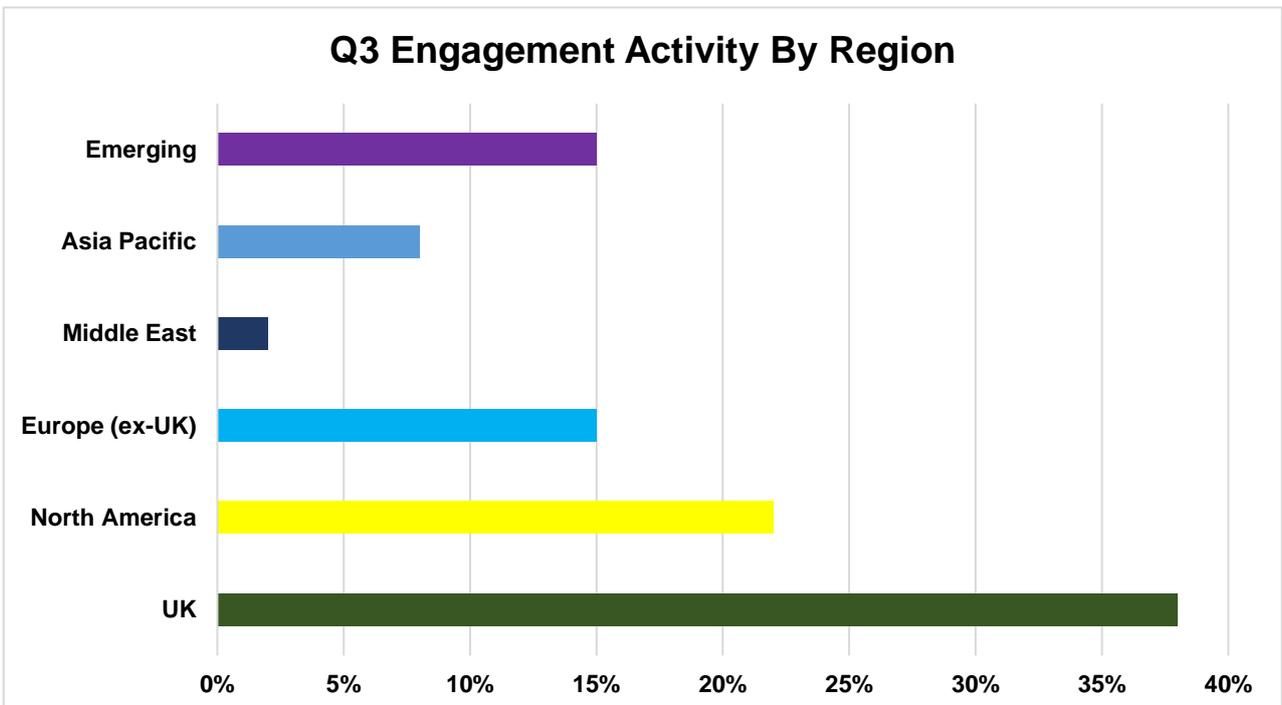


Q2 Breakdown of Engagement Topics

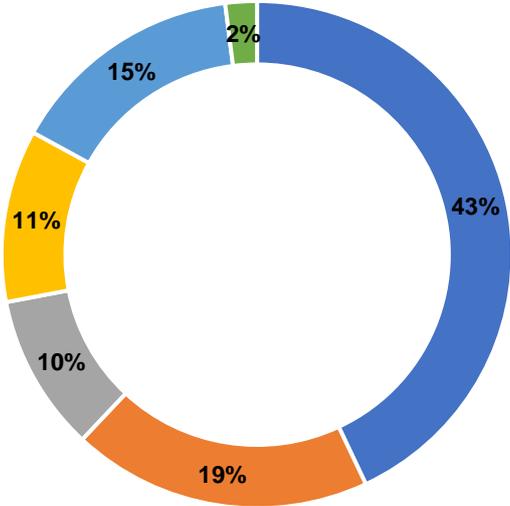


16

Q3 (1st July 2023 – 30th September 2023, 550 engagements):



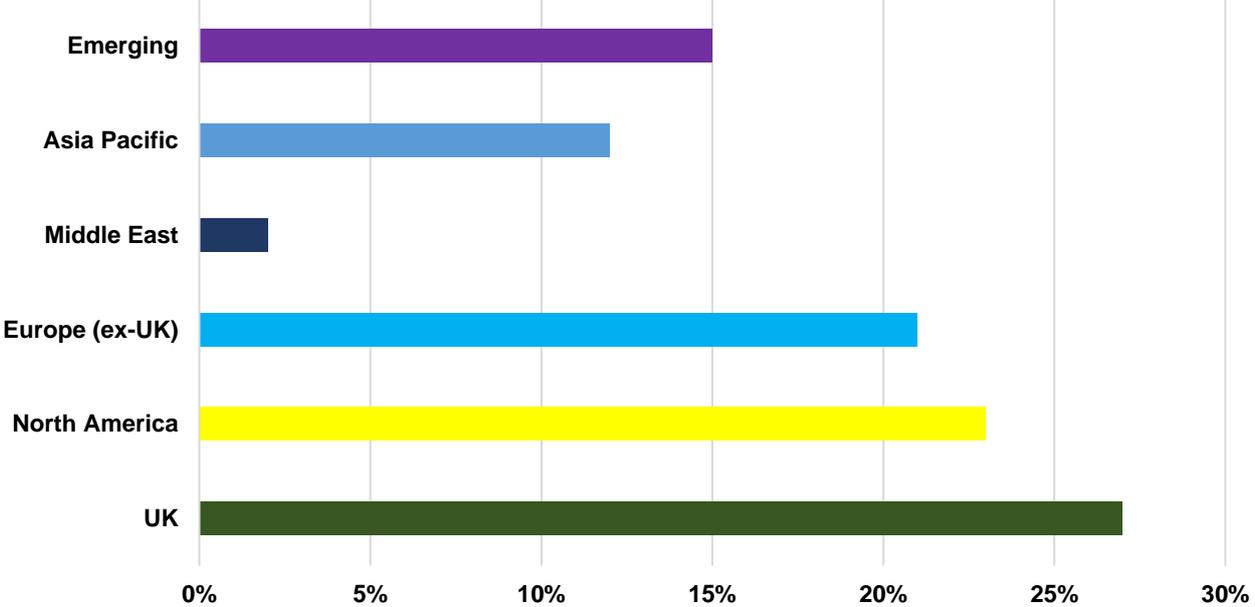
Q3 Breakdown of Engagement Topics



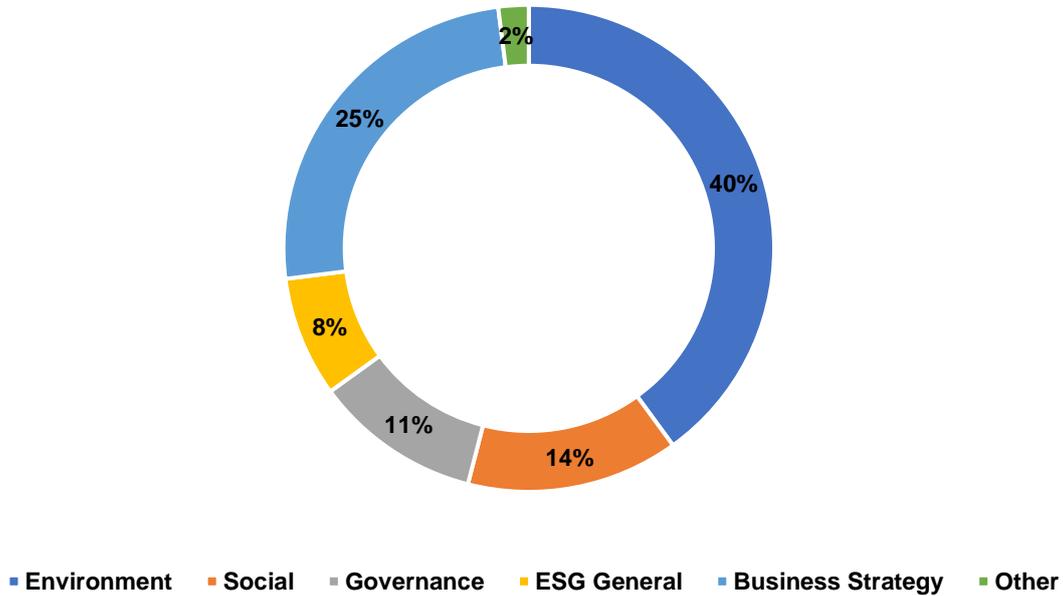
■ Environment ■ Social ■ Governance ■ ESG General ■ Business Strategy ■ Other

Q4 (1st October – 31st December 2023, 457 engagements):

Q4 Engagement Activity By Region



Q4 Breakdown of Engagement Topics

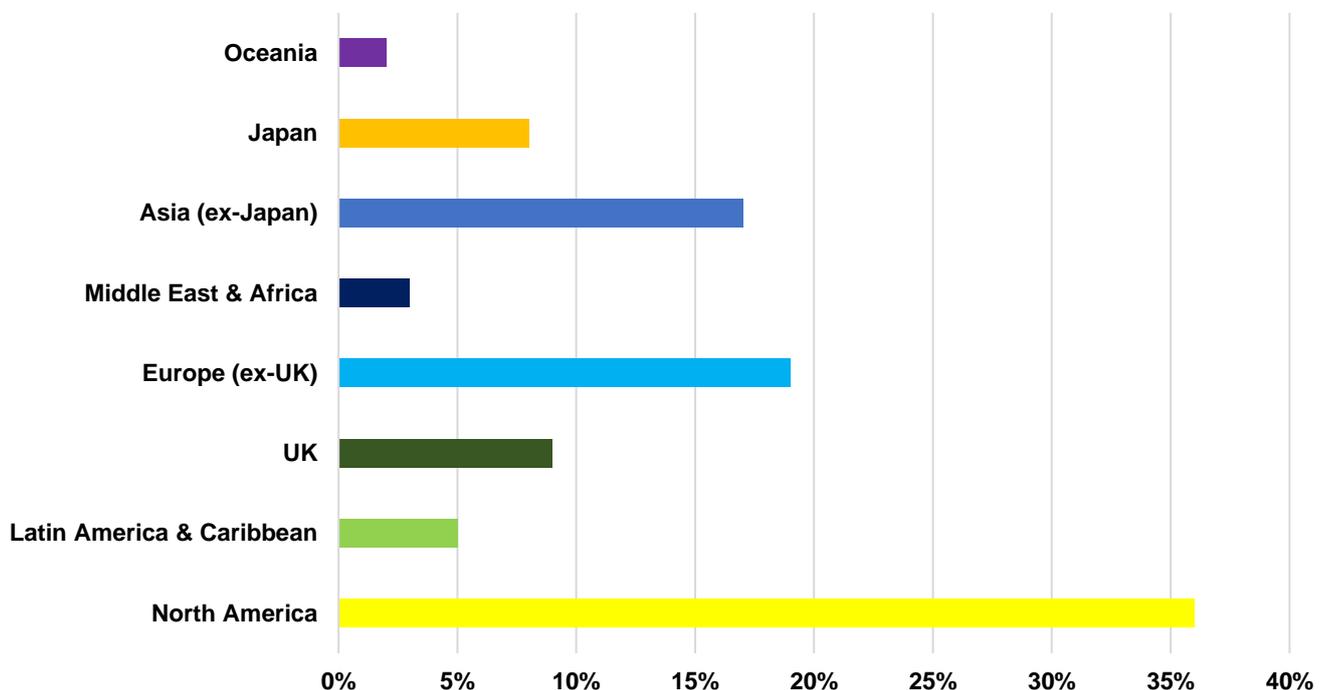


- **Robeco:**

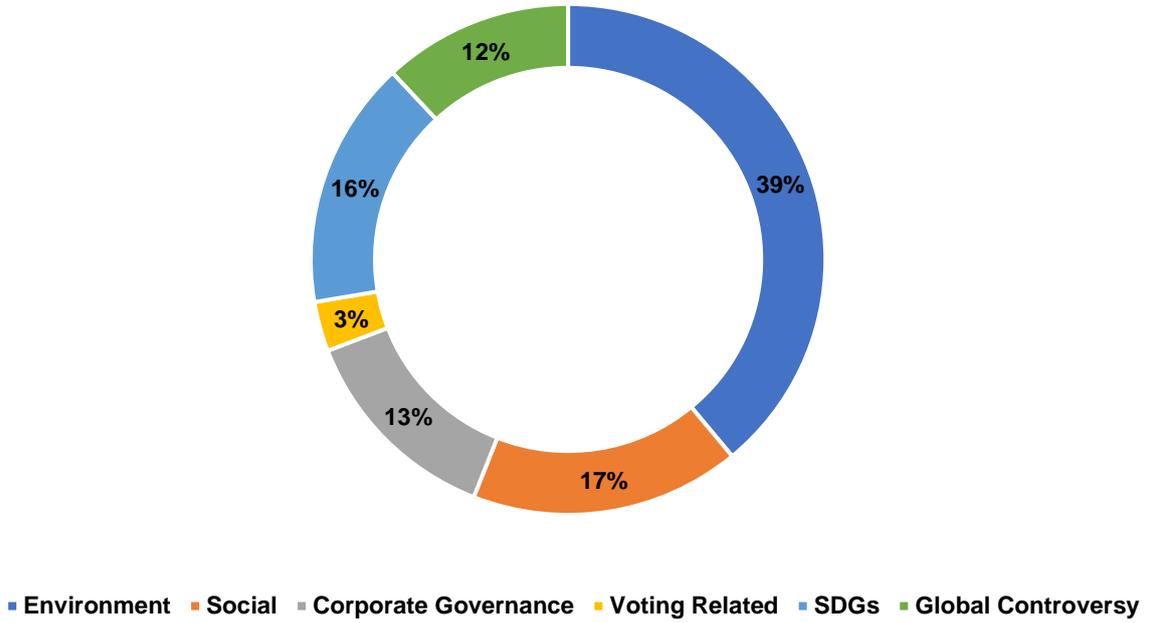
Robeco, BCPP’s Voting and Engagement Partner, produces an Active Ownership Report each quarter which provides detailed engagement statistics as well as numerous case studies relating to engagement activity over the previous quarter. The charts below illustrate the breakdown of these engagements by region and by engagement topic:

Q2 (1st April 2023 – 30th June 2023, 159 engagement cases):

Q2 Engagement Activity By Region

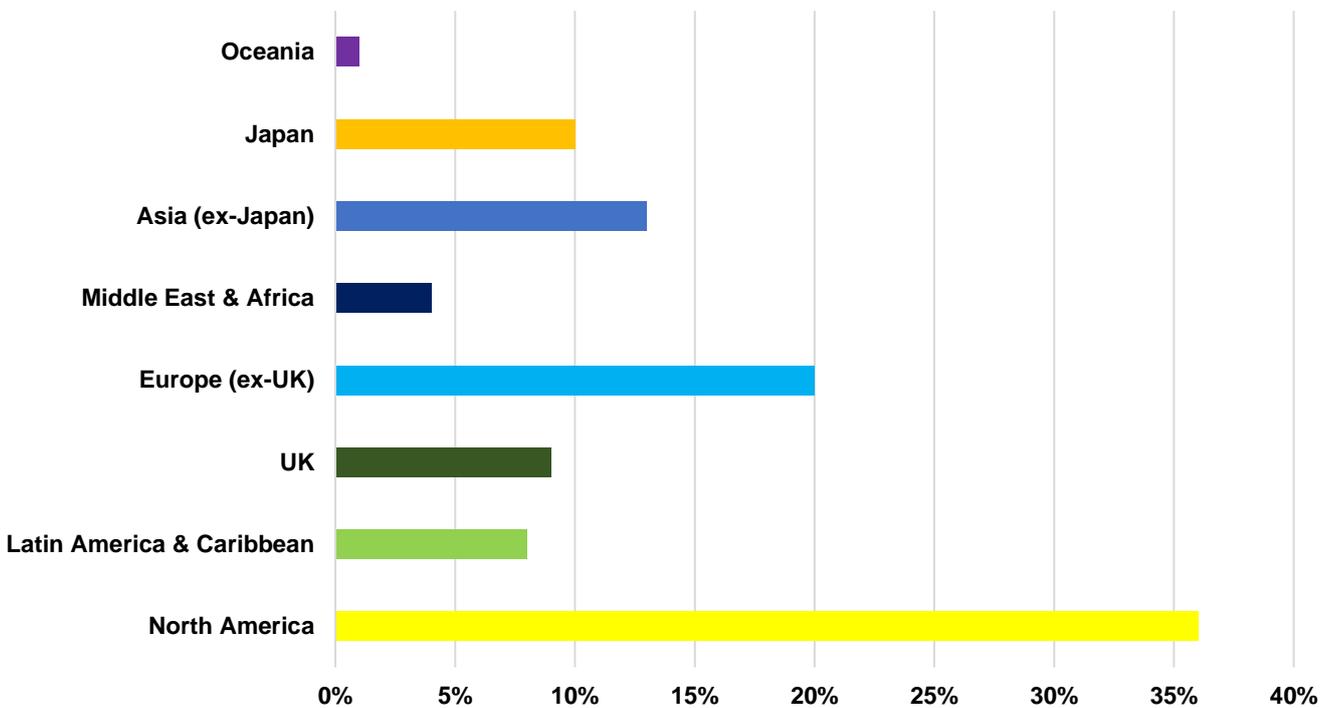


Q2 Breakdown of Engagement Topics

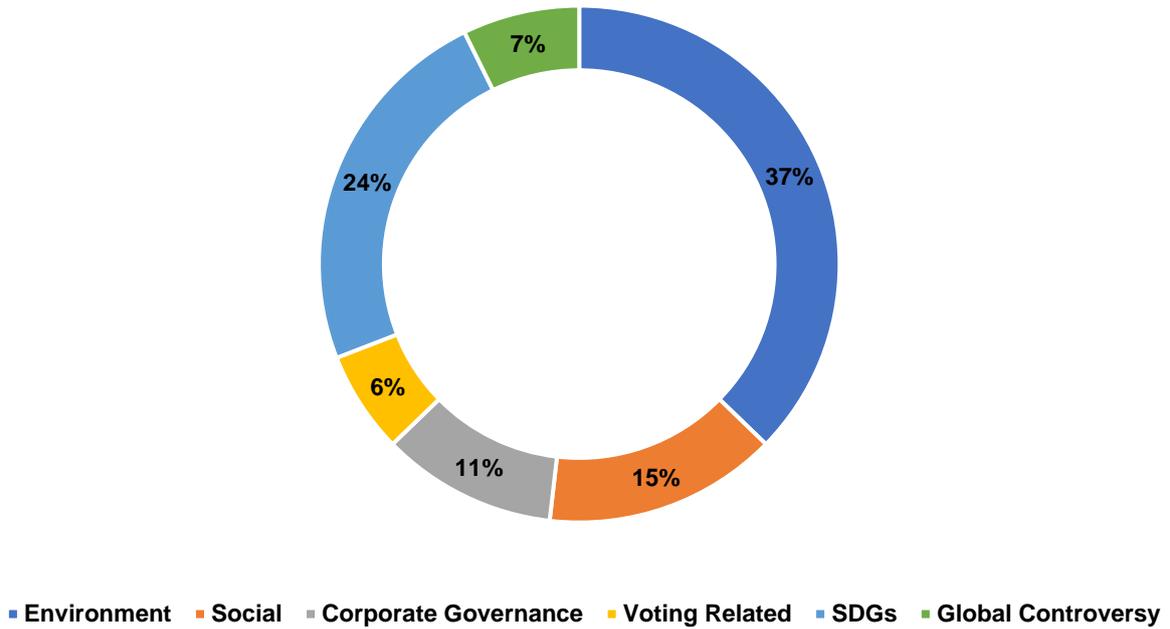


Q3 (1st July 2023 – 30th June 2023, 110 engagement cases):

Q3 Engagement Activity By Region



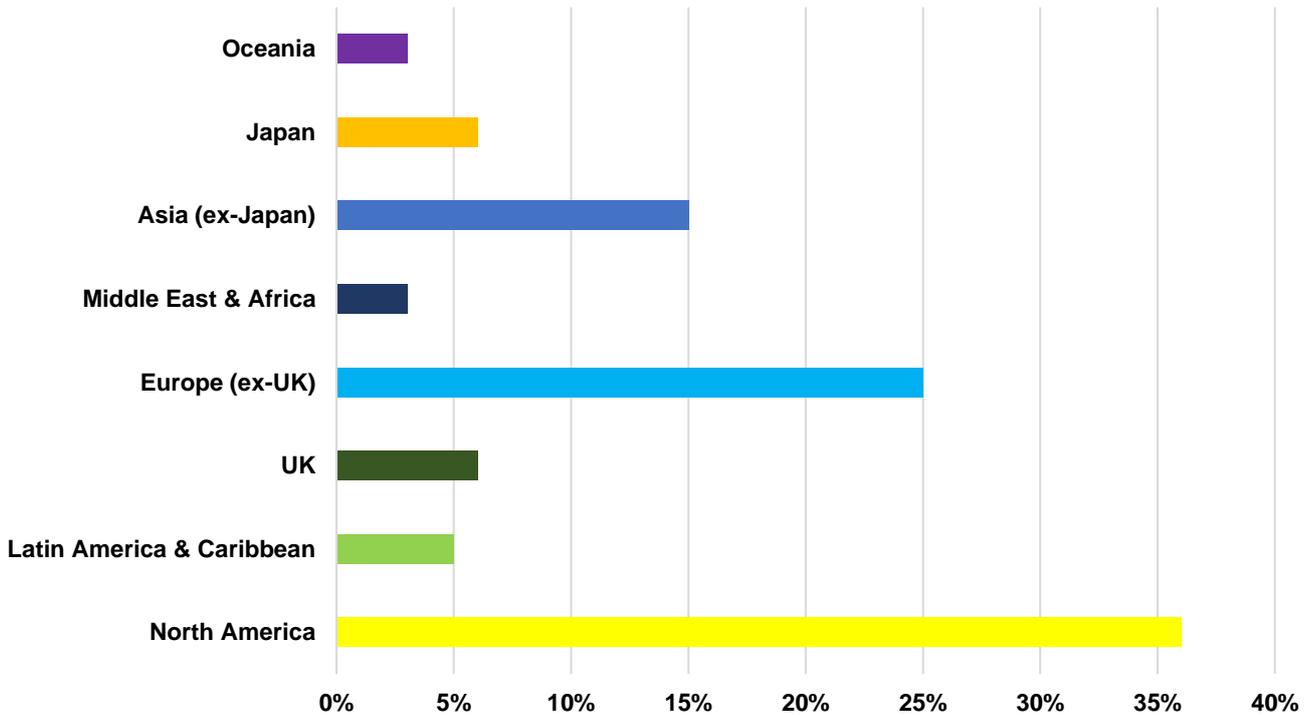
Q3 Breakdown of Engagement Topics



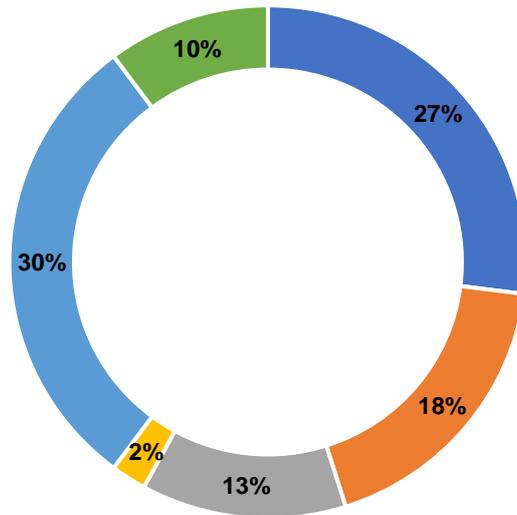
16

Q4 (1st October 2023 – 31st December 2023, 226 engagement cases):

Q4 Engagement Activity By Region



Q4 Breakdown of Engagement Topics



■ Environment ■ Social ■ Corporate Governance ■ Voting Related ■ SDGs ■ Global Controversy

Case study examples

- **BCPP:**

The case study example below of an engagement carried out on behalf of Partner Funds is taken from one of BCPP's Quarterly Stewardship Reports over the 2023/24 reporting period.

- a) **US Venture Capital – Improving Standards – Alternatives (Environment, Social, Governance):**

- **Issue**

BCPP will engage with General Partners (GP) where they believe their responsible investment standards and policies require improvement. This was the case when a GP identified an attractive Venture Capital (VC) opportunity for the Private Equity Portfolio. ESG is less well developed in VC, especially in the US. The GP was considering ESG-related criteria during its investment process but had no formalised policy.

- **Engagement action and outcome**

The Border to Coast Alternatives team engaged with the manager during the diligence process to outline ESG requirements and showcase industry best practice. Consequently, the manager introduced a formalised ESG Policy, and implemented an ESG diligence checklist to use as part of their standard diligence process for all new investments. They appointed a third-party specialist firm to conduct annual ESG training for their full team and added a series of ESG-related questions to the annual reporting request issued to all portfolio companies. BCPP continues to engage with the manager to support further enhancements to their ESG process and procedures. Where a VC manager fails to collaborate with BCPP, BCPP may consider it appropriate to further escalate their approach. A similar VC manager was rejected for investment due to failing to engage or implement the required RI enhancement.

- **Robeco:**

The case study examples below are taken from Robeco's Active Ownership Reports over the 2023/24 reporting period.

- a) **Heidelberg Materials (Environment):**

- **Issue**

- German building materials company Heidelberg Materials has historically had a large climate footprint due to its activities in the hard-to-abate-cement sector.

- **Engagement action and outcome**

- Having engaged with the company both individually and as a supporting investor under the Climate Action 100+ initiative, the company has showcased not only good awareness of climate-related risks, but also a very proactive approach to addressing them. Over the course of the engagement, the company's emissions reduction targets were validated by the Science-Based Targets initiative against a 1.5C pathway, and the company presented a detailed decarbonisation strategy to meet its medium- and long-term targets. Within this were plans announced in July 2023 to open its first fully decarbonised cement plant in Germany. The company furthermore included climate change performance elements in its executive remuneration and appointed a

sustainability officer to the Executive Board. Robeco successfully closed the engagement in the fourth quarter of 2023.

b) Nike (Governance):

○ **Issue**

In response to the effects of the pandemic, US athletic footwear company Nike implemented a “more flexible” short-term incentive structure based on two equally weighted, six-month performance periods.

○ **Engagement action and outcome**

Robeco flagged their concern regarding the lack of transparency on certain adjusted performance goals and were satisfied that the company has since transitioned back to the historical design whereby short-term incentive payouts are earned based on year-long targets.

c) Mondelez International (Environment, Social):

○ **Issue**

Mondelez is one of the world’s largest US snacks companies. With many of their products based on chocolate, the company is a major importer of cocoa, one of the five key forest-risk commodities.

○ **Engagement action and outcome**

Robeco has been in an ongoing dialogue with the company, pushing them in particular on integrating its forest restoration efforts within its operating model. In 2023, under the company’s new sustainable cocoa sourcing models, Mondelez has for the first time included clear off- and on-farm restoration targets. While affected areas continue to be insignificant compared to the company’s sourcing footprint, Robeco sees this as a first step to a more ambitious biodiversity approach.

Principle 10

Principle 10 = Signatories, where necessary, participate in collaborative engagement to influence issuers.

10.1. Activity

10.1.1. The Fund's approach to collaborative engagement

What is the Fund's approach to collaborative engagement?

The Fund believes that collaborative action on ESG and RI matters is of fundamental importance to achieving change. Through working with like-minded investors, the expectation is that more can be achieved by having a louder voice. Over the 2023/24 reporting period, one of the Fund's RI priorities has been to explore the options available to the Fund in terms of collaborating with other institutional investors on ESG and RI matters. The intention has been for the Fund to present the findings to Committee for their consideration and ultimate decision as to the collaboration approaches taken by the Fund.

Why does the Fund engage collaboratively?

The principal aim of engaging collaboratively is to amplify the Fund's voice and leverage greater influence when it comes to ESG and RI matters. The Fund has set four objectives which it believes that collaborative engagement can help to achieve, as set out in the Fund's RI Policy. Specifically, the Fund believes that collaborative engagement can ensure that:

- a) The Fund's RI Beliefs and concerns are addressed as efficiently and effectively as possible;
- b) The long-term investment performance of the underlying investments is maximised through the identification and minimisation of ESG and RI risks;
- c) The Fund's views are amplified with like-minded investors to increase the chance of bringing about meaningful change; and
- d) Scheme Members' invested monies continue to be managed in a sustainable manner.

10.1.2. What collaborative engagement has the Fund been involved in?

As outlined above, collaborative engagement is a crucial component of the Fund's investment approach, and such collaboration predominantly takes place through the Local Authority Pension Fund Forum (LAPFF) and BCPP (collaborating with other investor groups) who engage with companies on the Fund's behalf. The Fund's involvement in these forums and examples of collaborative engagement undertaken are outlined below:

LAPFF:

The Fund is a member of the LAPFF, a collaborative shareholder engagement membership group of LGPS funds that campaigns on ESG issues. Engagement through the LAPFF therefore amplifies the Fund's ability to promote stewardship issues in line with its RI Beliefs (see Section 1.1.6.) and therefore demonstrates the Fund's commitment to sustainable investment as well as its objective to act as a responsible asset steward. The LAPFF is a voluntary association of 85 public sector

pension funds and seven pool companies based in the UK with combined assets of over £300 billion. It exists to 'promote the long-term investment interests of local authority pension funds and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest'. In practice, the Fund's membership of the LAPFF means that the LAPFF engages with companies on ESG issues on behalf of the Fund. The LAPFF engages with companies across the world on a wide range of issues from human rights to climate action, and in 2022 it formally engaged with 159 companies. ***update after March 2024 with latest figures**

BCPP:

As outlined throughout the report, the Fund is a member of BCPP which, as well as engaging in its own right on behalf of the Fund, also works collaboratively with institutional investors and bodies in order to further widen its reach and amplify its voice (e.g., Climate Action 100+, 30% Club Investor Group, The Institutional Investors Group on Climate Change (IIGCC) and many more). The Fund works closely with BCPP's RI Team and meets on a regular basis to discuss the objectives and outcomes of the collaborative engagements it takes on behalf of Partner Funds, as well as how these engagements align with the Fund's RI Policy. Moreover, BCPP's Voting and Engagement Partner, Robeco, also directly engages on behalf of BCPP (and therefore Surrey Pension Fund) and produces quarterly Active Ownership Reports detailing their engagement activities. In 2022, Robeco engaged with 215 companies. ***update after March 2024 with latest figures**

10.2. Outcome

10.2.1. Outcomes of collaborative engagement

The LAPFF and BCPP undertook a number of collaborative engagements throughout the 2023/24 reporting period on behalf of the Fund. The objectives and outcomes of a selection of the collaborative engagements that have been published and reported to the Committee in the 2023/24 reporting period are outlined below:

LAPFF:

- The LAPFF produces a Quarterly Engagement Report which provides a number of in-depth examples of voting alerts, company engagement meetings, collaborative/stakeholder engagement and webinars/media engagement over the previous quarter. The two examples below are taken from LAPFF Quarterly Engagement Reports published throughout the 2023/24 reporting period.
- **Say on Climate (Environment):**
 - **Issue:** It is almost universally recognised that climate change poses significant systemic and company-level risks. Yet, despite the level of investment risk and the need for capital expenditure to deliver the transition, investors are not provided with a specific vote on their

climate plans for shareholder approval. Issuers are increasingly setting out their climate ambitions within a transition plan. It is also something regulators are looking at. For example, the UK's Transition Plan Taskforce, established by HM Treasury, is developing a "gold standard" for climate transition plans. Over the past two years, the LAPFF has sent letters to the FTSE All-Share companies requesting a vote on climate transition plans. While the LAPFF has been encouraged by the substantive responses, such resolutions during 2023 were far from standard practice, including among high-emitting companies.

- **Engagement action and outcome:** To continue to encourage companies to provide shareholders with such a vote, the LAPFF organised a letter to 35 companies in high-emitting sectors considered to face heightened climate risks, whose actions are essential to the accelerated action required to meet the Paris goals and where the risk investors face are substantial. The letter, like the previous one, was supported by CCLA Investment Management, Sarasin & Partners, and the Ethos Foundation. LAPFF gained the support of a wider group of investors and in total had 18 signatories which collectively represented £1.8 trillion in assets under management. The letter stressed the climate-related risks to investors. It also urged companies to provide such votes to enable shareholders to first express their view on climate strategies through a specific AGM vote rather than immediately voting against the Chair or another Board Member. The letter requested a response so that the signatories could make an informed assessment of the company's position. LAPFF will be tracking the responses to the letter and will continue to engage with companies about holding a climate transition plan vote. This could become an important area of shareholder focus if the recommendations of the Transition Plan Taskforce are introduced. LAPFF supports such votes becoming mandatory and will raise the issue where appropriate with policymakers.
- **Company Engagement Meetings – Shell (Environment):**
 - **Issue:** LAPFF has been seeking a meeting with the new CEO given concerns about the company's climate transition strategy under the previous CEO. Instead, Shell offered a meeting with the Chair, Sir Andrew Mackenzie.

- **Engagement action and outcome:** After a difficult start to the meeting, the tone and content of the engagement improved, and there was a more refreshing and open conversation about the challenges of decarbonisation. For that reason, and because Sir Andrew is relatively new, and was appointed after the deficit 2021 Climate Transition Plan, LAPFF recommended voting for his re-election and against the incumbent Non-Executive Directors that were appointed prior to him. LAPFF noted at the AGM that Sir Andrew indicated that Shell would be presenting a new Climate Transition Plan before the 2024 AGM; the Forum will be engaging further on that plan. Of particular interest is the extent of disclaimers in the Transition Plan itself and in the Annual Report's reference to the Transition Plan. LAPFF therefore have the conclusion that the Transition Plan is not reliable enough to be included for strategic purposes in the Annual Report, the requirements for which have legal thresholds of reliability.

BCPP:

- **Find it, Fix it, Prevent it – Crest Nicholson (Social):**
 - **Issue:** Modern slavery is a widespread and criminal activity. Weak law enforcement, complex supply chains, and migration have fuelled the exploitation of people through forced labour. Earlier this year, BCPP joined the 'Find it, Fix it, Prevent it' (FFP) engagement collaboration led by the investment manager CCLA, targeting 30 companies across the high-risk hospitality and construction sectors.
 - **Engagement action and outcome:** BCPP is leading the engagement with Crest Nicholson on behalf of the investor coalition and met with them in August to discuss how they identify and mitigate human trafficking, forced labour, and modern slavery in their supply chain. BCPP discussed an assessment of the company's risk management and a forthcoming public benchmarking. The company scored well on its Modern Slavery statement, legal compliance, and adherence to guidance, but less well on proactive risk management, which is common across the sector. Engagement will continue.
- **Climate Action 100+ - TotalEnergies (Environment):**
 - **Issue:** BCPP is a supporter of the investor group Climate Action 100+ and has agreed to vote against the Chair of

the Board where a company in a high-emitting sector fails the first four indicators of the Climate Action 100+ Net Zero Benchmark covering short, medium, and long-term emission reduction targets. As highlighted in BCPP's Q2 Stewardship Report, one such example concerns TotalEnergies, an integrated oil and gas company that operates globally and covers the entire oil and gas chain from exploration and extraction to refining and trading. In relation to the four indicators of the Climate Action 100+ Net Zero Benchmark, TotalEnergies only partially meets indicators 3 and 4 (medium-term and short-term targets). The shareholder resolution called for the company to adopt a 2030 Scope 3 emissions reduction target aligned with the Paris Agreement.

- **Engagement action and outcome:** In engaging with TotalEnergies and their misalignment with the Climate Action 100+ Benchmark, BCPP chose to vote against the re-election of a Board Member and in favour of an independent climate resolution. More broadly, 16% of shareholders voted against the re-election of the longest-tenured Board Member (in place of the Chair who was not standing for re-election), while the shareholder resolution received 30% backing. These results represent large and coordinated shareholder rebellions, demonstrating significant shareholder determination to improve the company's approach to climate change through engagement.
- **Royal London Asset Management – Yorkshire Water and Northumbrian Water (Environment):**
 - **Issue:** In 2023, BCPP joined a collaborative engagement initiative with the UK water utility sector coordinated by Royal London Asset Management. Focus areas include sewage pollution, water leakage, climate change mitigation and adaptation, biodiversity, antimicrobial resistance, and industry collaboration.
 - **Engagement action and outcome:** BCPP is leading the engagement with Yorkshire Water and Northumbrian Water on behalf of the collaboration. In October, BCPP met with Yorkshire Water to discuss its assessment of the Company against sector expectations. Discussion focused on areas that BCPP had identified as priorities: pollution and maintenance of good asset health; sustainable water abstraction; and biodiversity targets and net gain. The Company's response has been positive, and Yorkshire Water recently announced that it

is bringing forward sewage infrastructure investment in Scarborough and surrounding area, an area BCPP's engagement has highlighted as in need. Northumbrian Water has responded to engagement with further disclosure on BCPP's priorities, which is currently being assessed. Engagement with Yorkshire Water and Northumbrian Water will continue.

Principle 11

Principle 11 = Signatories, where necessary, escalate stewardship activities to influence issuers.

11.1. Activity

11.1.1. Expectations the Fund has set for asset managers that escalate stewardship activities on its behalf

The Fund believes in an ‘engagement with consequences’ approach towards its investments – constructively engaging with investee companies on any identified ESG and RI issues, rather than immediate divestment. As the Fund is externally managed, the actual implementation of the ‘engagement with consequences’ approach in relation to individual investments across asset classes falls to its investment managers. Engagement is a legitimate step by our managers in an escalation process where issues are identified, communicated to company management and their responses are assessed. However, the Fund does not believe that engagement should be an open-ended process without resolution. It is important that the materiality of each engagement is analysed, and that the response is carefully considered, so a conclusion can be reached as to whether the original issue has been resolved, has a reasonable expectation of being resolved, or is not likely to be resolved at all.

If initial engagement does not lead to desired results, escalation by the managers may be necessary. Options for this escalation include collaborating with other investors, supporting shareholder resolutions, voting against directors or other relevant meeting agenda items, attending Annual General Meetings (AGMs) in person to raise concerns, publicly expressing concerns and co-filing shareholder resolutions.

If, after the escalation process, the investment case is still seen as fundamentally weakened, the decision may be taken by the manager to sell the company’s shares. Regulatory, legal, reputational, environmental, social, and governance issues are all risks that may be considered.

The Fund believes its investment managers should seek to first engage with investee companies on issues that they perceive to present a material financial risk. However, the reporting of these engagements, their materiality, the engagement outcomes, and their implications have not always been clearly communicated. The Fund commits to work with its investment managers to improve the disclosure and reporting of engagement activities undertaken on its behalf. The Fund will ask its investment managers to justify specific investments where it feels that engagement is not being effective or where financial risk may not be reflected in valuations. Where engagement fails to mitigate perceived material financial risks then the Fund expects its investment managers to consider stronger measures including collaborative engagement and/or investment action.

11.2. Outcome

11.2.1. Outcomes of escalation

BCPP:

The following three examples of engagement and escalation are taken from BCPP Quarterly Stewardship Reports throughout the 2023/24 reporting period.

1. Shell and BP (Environment)

- **Issue**

Shell and BP are significant contributors to BCPP's financed emissions, which BCPP are seeking to reduce to meet their Net Zero commitments. BCPP have determined that both companies have set insufficient medium-term emission reduction targets. They are also concerned about BP's backtracking on its climate targets which were put to a shareholder vote last year, and Shell's failure to meet every indicator of the Climate Action 100+ Net Zero Benchmark for the alignment of capital expenditure with Net Zero.

- **Engagement and escalation**

BCPP wrote to, and held meetings with, BP and Shell discussing their concerns and advising that they would be voting against the re-election of the Board Chairs in line with their strengthened climate voting policy and voting for independent shareholder resolutions in support of Scope 3 emissions reduction target aligned with the Paris Agreement. In April 2023, as part of engagement escalation, BCPP signalled their concern by joining other pension funds to publicly pre-declare their votes ahead of the AGMs, attracting significant press coverage. Further meetings will be held with Shell and BP in the second half of the year.

2. Responsible Investment Standards (Environment, Social, Governance)

- **Issue**

At times, BCPP must work proactively with the external manager to strengthen their RI approach. The quarterly and annual monitoring of external managers offers a key opportunity for BCPP's RI team to recognise possible areas for improvement. During the annual review of a manager, the RI team identified perceived weakness across both integration and stewardship.

- **Engagement and escalation**

The RI team downgraded the manager, and this was reported to BCPP's Investment Committee. BCPP escalated it with the manager and held further calls to discuss the improvements needed. Following their intervention, BCPP noted a material increase in the quality of the manager's disclosures and they have greater confidence in the integration of ESG factors.

3. Glencore (Environment)

- **Issue**

Glencore operates in emission-intensive sectors, facing climate risks that require effective management to preserve shareholder value. With this in mind, BCPP deemed the progress outlined in the company's climate report to be insufficient.

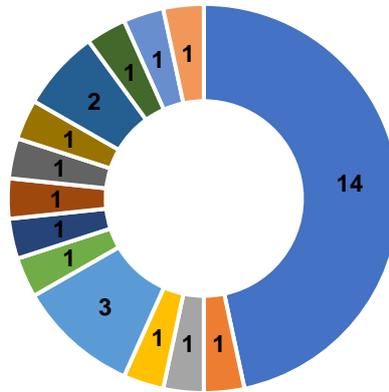
- **Engagement and escalation**

BCPP voted against the company's climate report and publicly pre-declared their votes ahead of the AGM. They also supported an independent shareholder proposal calling for a 2024 climate transition plan to include disclosure on whether the company's planned thermal coal production is aligned with the Paris Agreement, and the extent to which it is inconsistent with the IEA Net Zero scenario timelines for phasing out thermal coal for electricity generation. 30% of shareholders voted against the company's climate report, while 29% supported the shareholder resolution, evidencing a large contingent of Glencore investors seeking to improve the company's management of climate-related risks.

11.2.2. Geographical breakdown of voting watchlist

The following chart provides a geographical breakdown of BCPP's Voting Watchlist for 2023 based on those companies most at risk of requiring an escalation of current engagement activities due to concerns regarding their ESG activities.

Geographical Breakdown of BCPP Voting Watchlist (Number of Companies)



- US
- Italy
- Australia
- Switzerland
- China
- Saudi Arabia
- Republic of Ireland
- Malaysia
- Luxembourg
- South Korea
- France
- UK
- India

16

Principle 12

Principle 12 = Signatories actively exercise their rights and responsibilities.

12.1. Context

12.1.1. Expectations the Fund has for asset managers that exercise rights and responsibilities on their behalf

The Fund has a clear set of expectations of asset managers tied to the Fund's Investment and RI Beliefs outlined in Sections 1.1.5. and 1.1.6 respectively and the Fund believes that asset managers' exercising of rights and responsibilities is fundamental to the achievement of high-quality investment outcomes across asset classes. A number of these expectations are outlined below:

- All of the Fund's listed equities, credit and property managers are signed up to the UK Stewardship Code which provides a framework for investors to consider environmental, social, and corporate governance issues when making investment decisions.
- In line with its RI Beliefs and long-term approach to investment, the Fund seeks to positively influence companies' ESG approaches through the use of voting rights and by formal shareholder engagement. The Fund expects its investment managers to follow this model of responsible asset stewardship, but the services of other third-party providers may be sought where necessary to help identify issues of concern and engage with investee companies.
- Investment managers are required to provide a robust explanation of any positions they have adopted which are not in alignment with either the Fund's RI Policy or any RI-related performance objectives set out in their mandate.
- When it comes to engagement, the Fund's investment managers are expected to engage in constructive dialogue on behalf of the Fund and use their influence to encourage companies to adopt best practice in key ESG areas. Any engagements undertaken on investments held by the Fund should be reported, along with an assessment of the effectiveness of the engagement, and whether the engagement issue has been resolved or is ongoing.
- The Fund receives a report on all voting activities related to pooled investments.
- The Fund also expects the following to be reflected in the stewardship reporting of its investment managers:
 - explanation of the implementation of stewardship policies
 - how ownership rights have been exercised
 - any changes to the manager's engagement processes
 - examples of engagement and how they relate to monitoring and investment decisions
 - details on measurement of engagement success
 - details on whether engagements have been concluded successfully, concluded unsuccessfully, or are ongoing

- information on how portfolio managers have been involved in active ownership activities

12.1.2. Fund Voting Policy

As outlined in Section 1.3.1., the Fund produced a bespoke Voting Policy during the 2023/24 reporting period designed to reflect best practice in the industry and to recognise that stewardship is an evolving concept. The Fund's Voting Policy was approved at the September 2023 Committee meeting and applies to non-pooled assets managed by the Fund's non-pooled investment manager, Newton Investment Management. The policy forms part of the Fund's Responsible Investment and Stewardship Policy and outlines its intention to vote on shares in all markets where practicable. Where votes are particularly contentious, the Fund consults with BCPP, the LAPFF, LGIM, Newton Investment Management and Minerva to help inform its decision. As detailed in Principle 1, the policy covers nine key areas of corporate governance and can be found at the following link ([Annex 1 \(surreycc.gov.uk\)](#)).

12.1.3. BCPP Voting Policy

BCPP produced an updated Corporate Governance & Voting Guidelines Policy in January 2024 which applies to all of the Fund's investments managed by its pooling partner. BCPP is supported by its Voting and Engagement Partner, Robeco, who ensures that votes are made in line with its Corporate Governance and Voting Guidelines.

The Voting Guidelines cover a broad array of areas ranging from the composition and independence of Company Boards to Directors' Remuneration and provide detailed insights into how and why expectations and voting may differ based on varying market practices, sectors, and geographies. For example, when considering companies' diversity and inclusion policies, there is an expectation that boards should reflect the demographic/ethnic makeup of the countries a company is active in. The rationale for this approach is to ensure that voting and engagement reflect varying market practices in different regions of the world. As the Financial Conduct Authority has set diversity targets for board and senior board positions within certain companies, BCPP therefore expects that boards in the UK will be composed of at least 40% female directors whereas the threshold for developed markets without legal thresholds will be 33%. At least one female board member is also expected in emerging market and Japanese companies. The policy also sets out BCPP's expectations with regard to key ESG issues including human rights and climate change. With regard to the latter, BCPP uses recognised industry benchmarks such as Transition Pathway Initiative (TPI) metrics to inform voting and will vote against the Chair or relevant agenda item where companies score 2 or lower, and for Oil and Gas companies that score 3 or lower (unless more recent information is available). Where companies are not covered by industry benchmarks, an internally developed framework is used to identify those with insufficient progress on climate change. It is however acknowledged that global disparities mean that voting decisions must be made on a case-by-case basis, notably when considering the transition pathways of companies in developed markets and those in emerging market economies.

The Corporate Governance & Voting Guidelines Policy is reviewed with portfolio managers and interpreted flexibly to reflect the unique circumstances of different companies and meetings. The policy does however provide three general conditions informing whether BCPP will vote for, abstain or oppose:

- a. We will support management that acts in the long-term interests of all shareholders, where a resolution is aligned with these guidelines and considered to be in line with best practice.
- b. We will abstain when a resolution fails the best practice test but is not considered to be serious enough to vote against.
- c. We will vote against a resolution where corporate behaviour falls short of best practice or these guidelines, or where the directors have failed to provide sufficient information to support the proposal.

BCPP's Voting and Engagement Partner, Robeco, use Glass Lewis as a proxy advisor to provide advice on voting decisions in line with BCPP's Voting Guidelines. Glass Lewis is an independent provider of corporate governance services and the recommendations provided are reviewed by BCPP's RI specialists to ensure that BCPP's Voting Guidelines are interpreted flexibly depending on the unique circumstances of a particular company/meeting. This flexibility enables BCPP to override voting recommendations provided by Robeco where appropriate.

BCPP has an active stock lending programme with procedures in place to allow stock to be recalled prior to a shareholder vote. Stock lenders do not generally retain any voting rights on lent stock. As outlined in BCPP's RI Policy, a number of conditions are set and when any or a combination of the following conditions are met, stock is recalled prior to meetings whilst lending may also be restricted:

- The resolution is contentious.
- The holding is of a size which could potentially influence the voting outcome.
- BCPP needs to register its full voting interest.
- BCPP has co-filed a shareholder resolution.
- A company is seeking approval for a merger or acquisition.
- BCPP deems it appropriate.

BCPP's Corporate Governance & Voting Guidelines Policy can be found at the following link ([Microsoft Word - Border to Coast Corporate Governance Voting Guidelines 2024-FINAL \(EXTERNAL\)](#)).

12.1.4. LGIM Voting Policy

LGIM produces region-specific Corporate Governance and Responsible Investment Policies for the North American, UK and Japanese markets respectively in addition to producing a Global Corporate Governance and Responsible Investment Principles document which outlines LGIM's corporate governance expectations for all companies in which it invests on a global scale. These policies collectively inform how votes are made on the Fund's investments with LGIM. The Global document covers a broad array of areas ranging from the Company Board to Shareholder and Bondholder Rights whilst the region-specific documents enable votes to reflect differing market and local best practices with criteria therefore differing across geographies.

LGIM uses the Institutional Shareholder Services (ISS) ProxyExchange proxy voting platform which enables LGIM to vote electronically on clients' shares though all voting decisions are made by LGIM with no aspect of strategic decision-making outsourced. Within the UK market, LGIM does not lend stock though stock lending policies do differ for other markets with limits placed on the number of shares lent per fund and per stock. LGIM also retains the right of immediate recall of its shares where deemed necessary and always retains a number of shares in each voteable stock in order to be able to note its approval or dissent through a vote at a shareholder meeting.

LGIM's Global Corporate Governance and Responsible Investment Principles document can be found at the following link ([2023 Global corporate governance and responsible investment principles \(lgim.com\)](#)) alongside its UK ([UK corporate governance and responsible investment policy \(lgim.com\)](#)), North America ([lgim-north-america-corporate-governance-and-responsible-investment-policy-2023.pdf](#)) and Japanese policies ([2023 Japan Corporate Governance and Responsible Investment Policy \(lgim.com\)](#)).

12.2. Activity and Outcome

The Fund's investments in listed equities are split between actively managed funds and passively managed funds. Actively managed funds are primarily managed by the Fund's pooling partner, BCPP, and they have direct stewardship responsibility for these assets, exercised through their own Voting Policy. As at 31 March 2023 ***to update after March**, BCPP managed £1,490m for the Fund. Robeco has also implemented a detailed set of voting guidelines and manages BCPP's proxy voting platform which enables proxy voting recommendations to be produced for all meetings.

As at 31 March 2023 ***to update after March**, £491m of the Fund's listed equity investments were also actively managed by one manager outside of the pool, Newton Investment Management. As these investments are managed outside of the pool, they are covered by the Fund's own Voting Policy. Since 2013, the Fund has been given consultancy advice on share voting and company corporate governance by Minerva Analytics. The aim of this consultancy is to ensure that the Fund's approach to stewardship reflects the most up-to-date standards, and that Officers

and Committee Members are therefore informed of stewardship developments so as to inform the Fund’s Investment Strategy Statement.

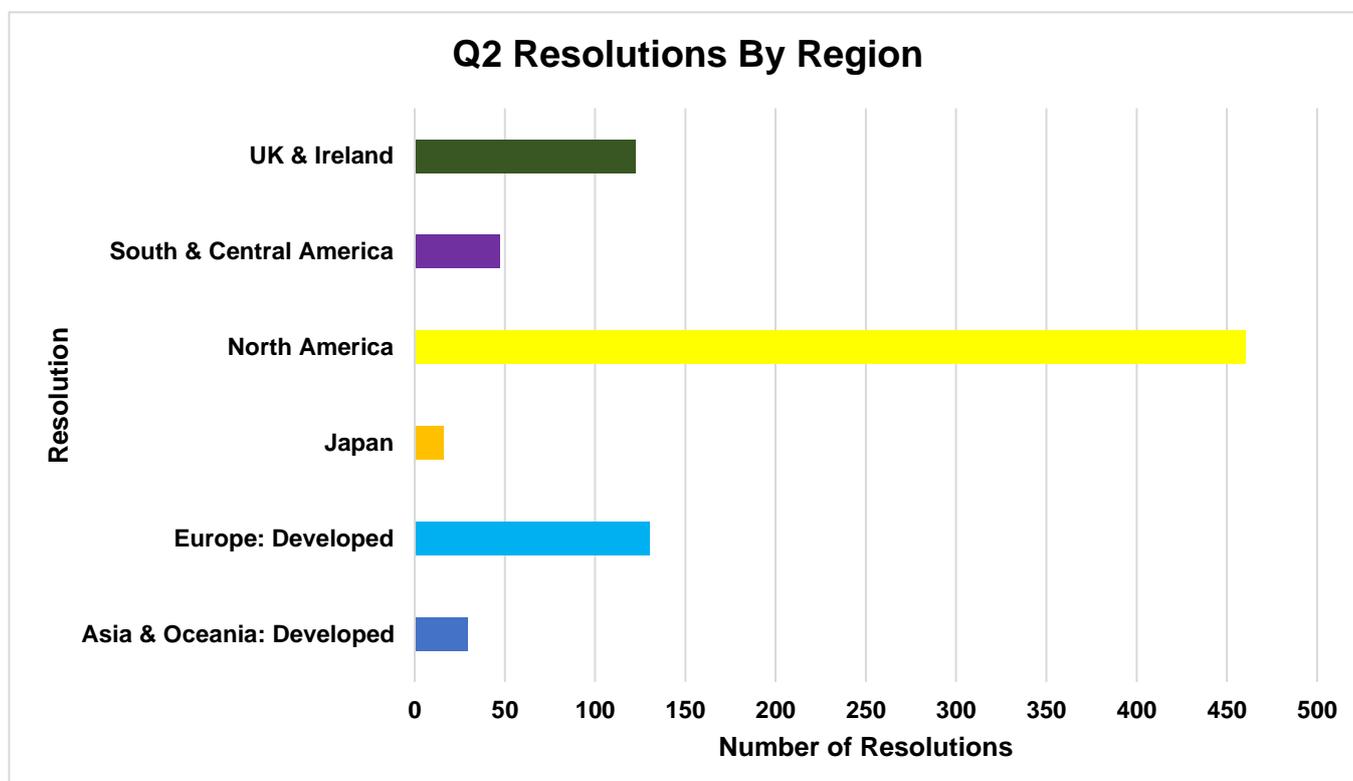
With regard to the Fund’s passively managed listed equities, these are managed by LGIM and as at 31 March 2023 stood at £1,323m ***to update after March**.

12.2.1. Listed equity assets – Directly Held (managed by Newton) *add in Q1 when available****

The Fund’s bespoke Voting Policy covers its listed equity investments outside of the pool, though there is the expectation that over time these assets will either be transferred to pooled funds or other asset classes. The voting records for each quarter (recorded based on calendar year, hence running from Q2 2023 - Q1 2024 in this report) are outlined below alongside a number of case study examples of specific voting decisions taken from each of the Fund’s Quarterly Voting Reports:

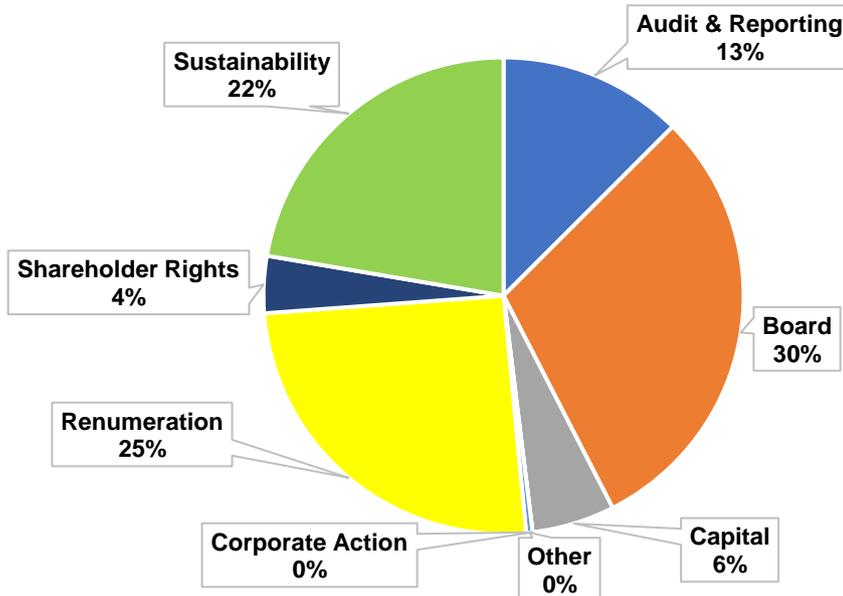
Q2 (1st April 2023 – 30th June 2023) (43 shareholder meetings, 804 resolutions voted on, [Microsoft Word - 230717 Surrey Q2 Voting 2023 \(surreycc.gov.uk\)](#)):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
71	29



16

Q2 Percentage of Votes Against Management by Resolution Category (Total Votes Against Management = 233)



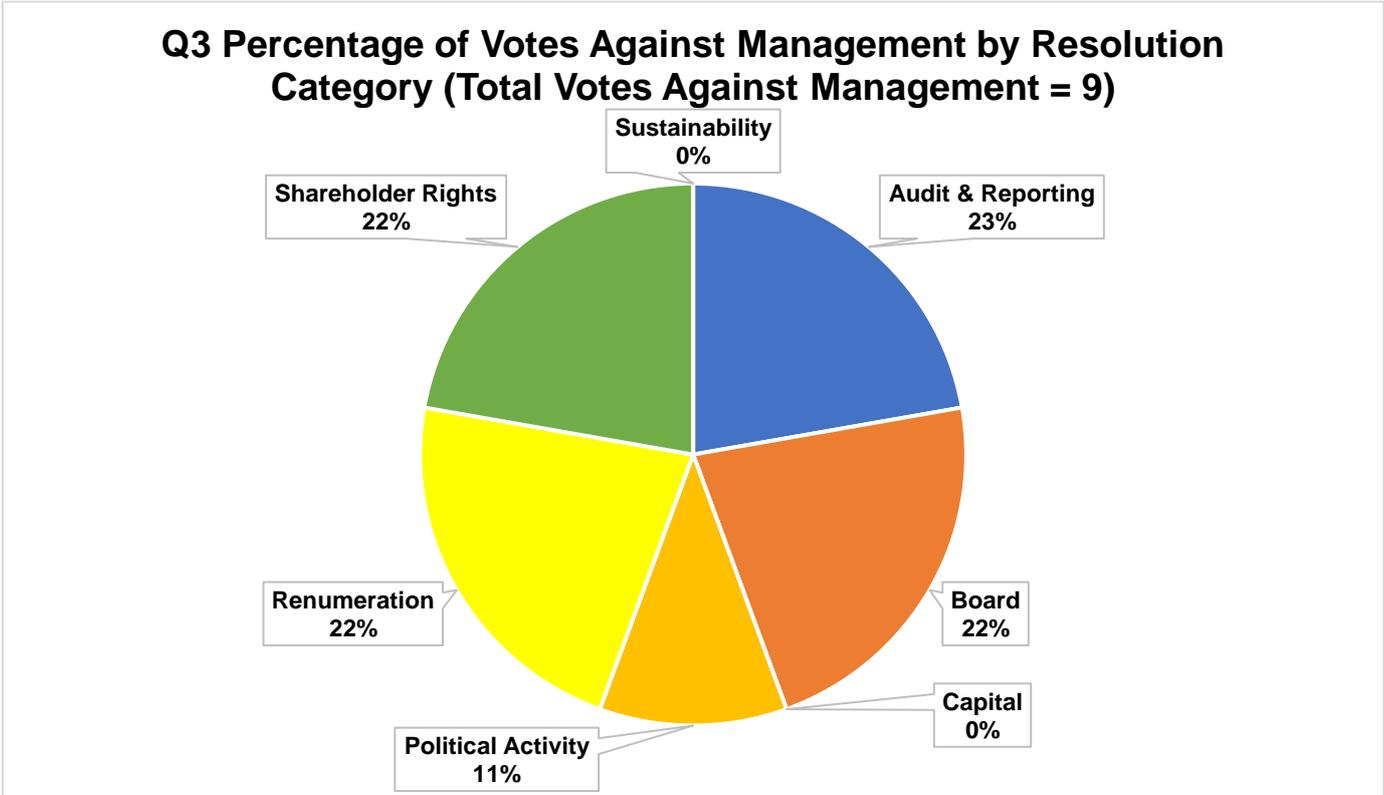
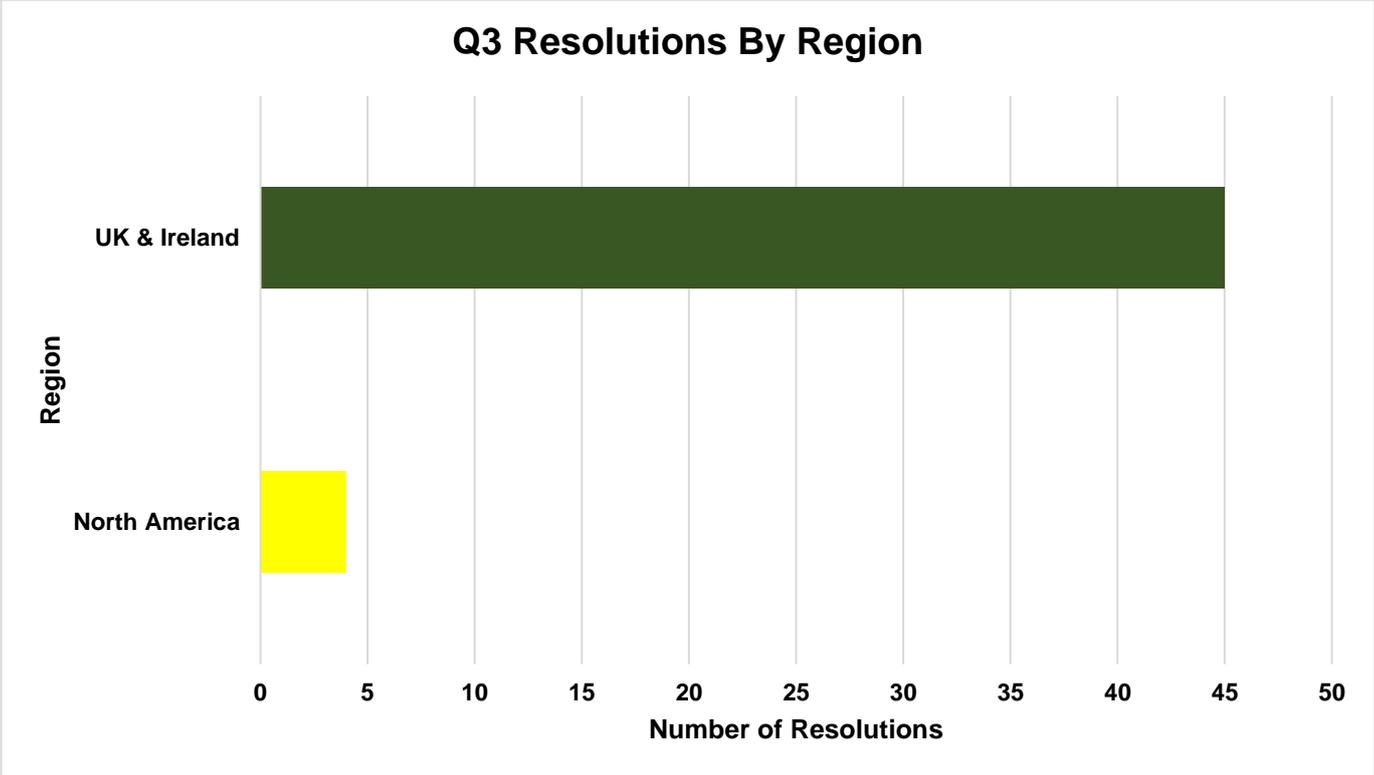
16

- **Q2 Case Study - CME Group Inc (Governance)** = The Fund voted against the approval of CME Group Inc’s remuneration report, and the report was defeated with 67.92% of the shareholder ballot withholding support. The vote outcome means that the company has suffered two consecutive remuneration defeats as 76.77% of the shareholder ballot withheld support at the 2022 AGM. The Fund had held concerns over the remuneration committee’s response to shareholder concerns expressed at the 2022 AGM over the one-off \$5.0m special bonus paid to CEO Terrence Duffy and with the alignment of pay with performance. In particular, concerns were held with the remuneration committee’s decision to grant Mr. Duffy a salary increase of 33% from \$1.5m to \$2.0M, as part of a revised employment agreement and with the structure of long-term incentive awards and the cash severance provisions in place.

Q3 (1st July 2023 – 30th September 2023) (3 shareholder meetings, 49 resolutions voted on, [Microsoft Word - 231121 Surrey Q3 Voting 2023 \(surreycc.gov.uk\)](https://www.surreycc.gov.uk/microsofword-231121-surrey-q3-voting-2023))

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
82	18

16

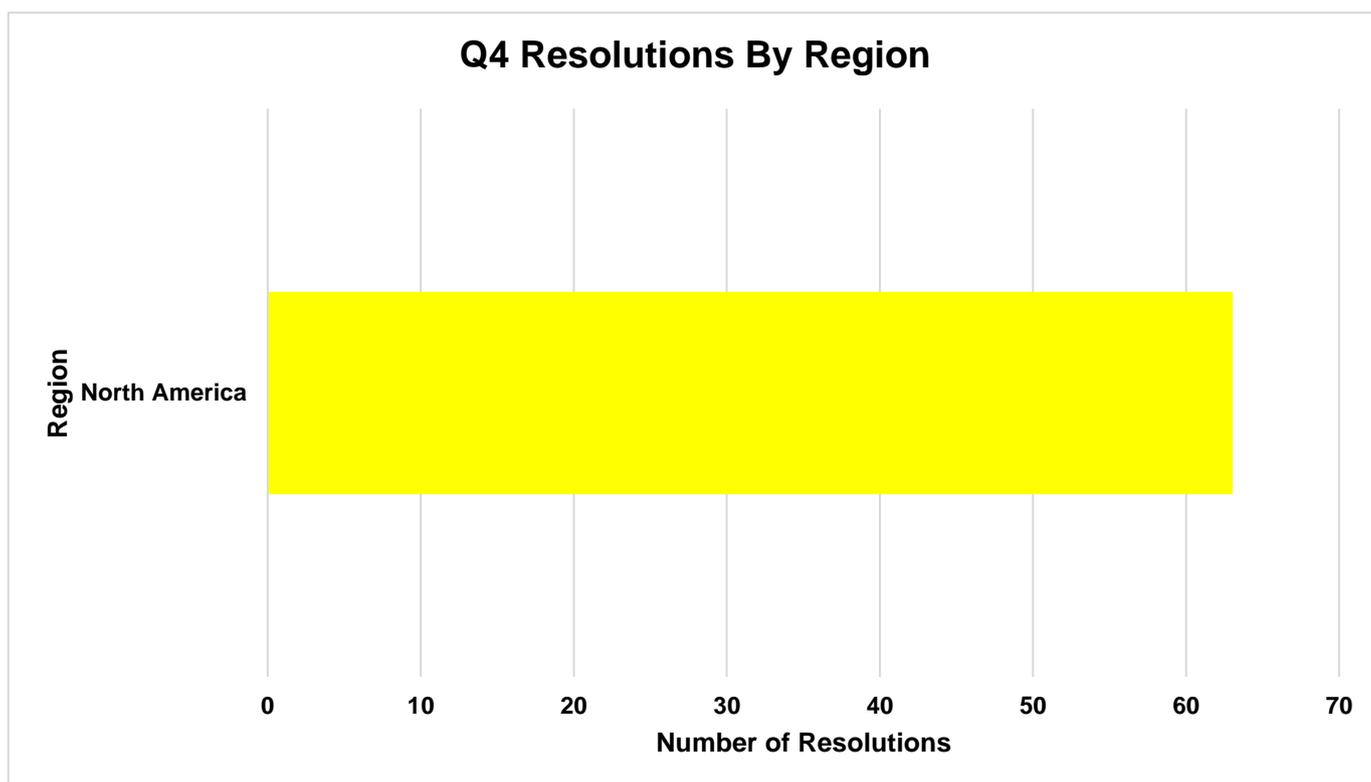


- **Q3 Case Study – Audit & Reporting (Governance)** = One of the Fund’s oppositional votes in the Audit & Reporting category was a vote cast against the appointment of an external auditor due to concerns with audit tenure and independence. The remaining oppositional vote concerned the approval of report & accounts due to disclosure concerns.

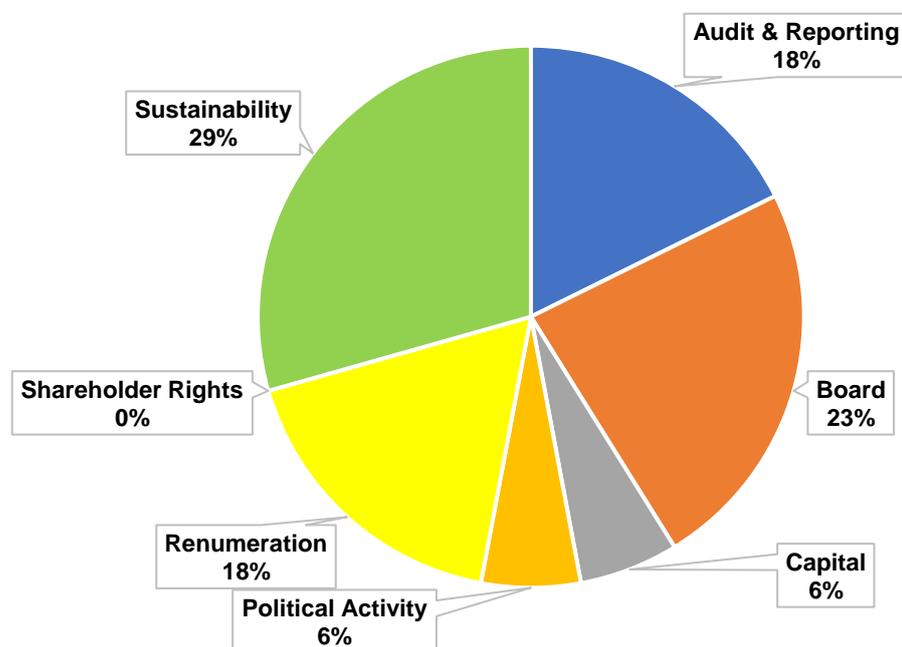
Q4 (1st October 2023 – 31st December 2023) (4 shareholder meetings, 63 resolutions voted on, [*add in link when March Committee papers published](#))

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
73	27

16



Q4 Percentage of Votes Against Management by Resolution Category (Total Votes Against Management = 17)



- **Q4 Case Study – Capital (Governance)** = One of the Fund’s oppositional votes in the Capital category was a vote cast against a management proposal to issue shares with the dis-application of pre-emption rights due to concerns over the size of the authority and potential dilution to existing shareholders.

12.2.2. Listed equity assets – BCPP

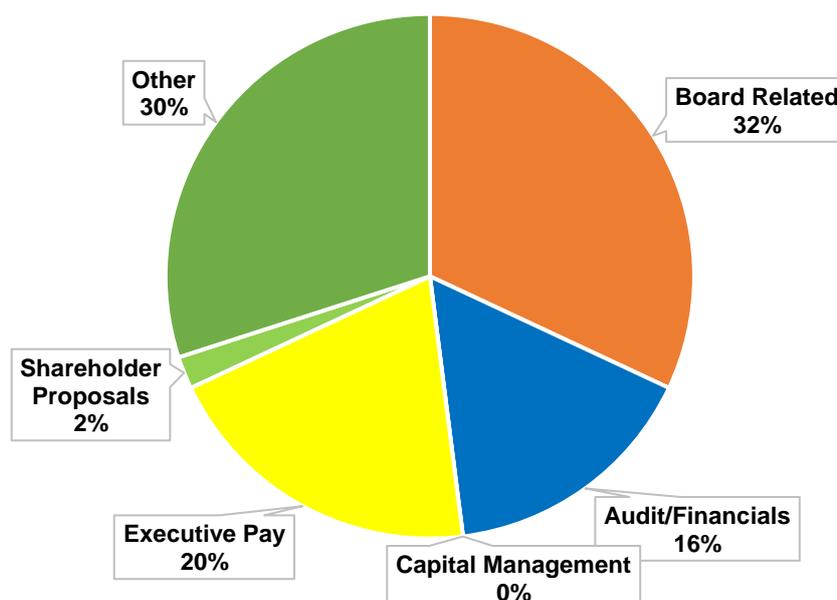
The Fund currently holds units in four listed equity funds managed by the Fund’s Pooling Partner, BCPP, all of which are governed by BCPP’s Voting Policy. As outlined in Principle 1, BCPP’s Emerging Markets Equity Alpha Fund was launched in July 2023, hence the voting records outlined below only begin in Q3. The voting records for each of the four funds across each quarter (again recorded based on calendar year, hence running from Q2 2023 - Q1 2024 in this report ***update depending on what can be included by May 2024**) are outlined below alongside a number of case study examples of voting decisions taken by BCPP’s Voting and Engagement Partner, Robeco, throughout the year. The case studies outlined have been taken from quarterly fund-specific Summary Voting Reports with links provided.

1. UK Listed Equity Alpha Fund

Q2 (1st April 2023 – 30th June 2023) (101 shareholder meetings, 1,780 items voted on) ([Border to Coast - Quarterly Stewardship Report](#))

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
93	7

BCPP UK Listed Equity Alpha Fund - Q2 Percentage of Votes Against by Resolution Category

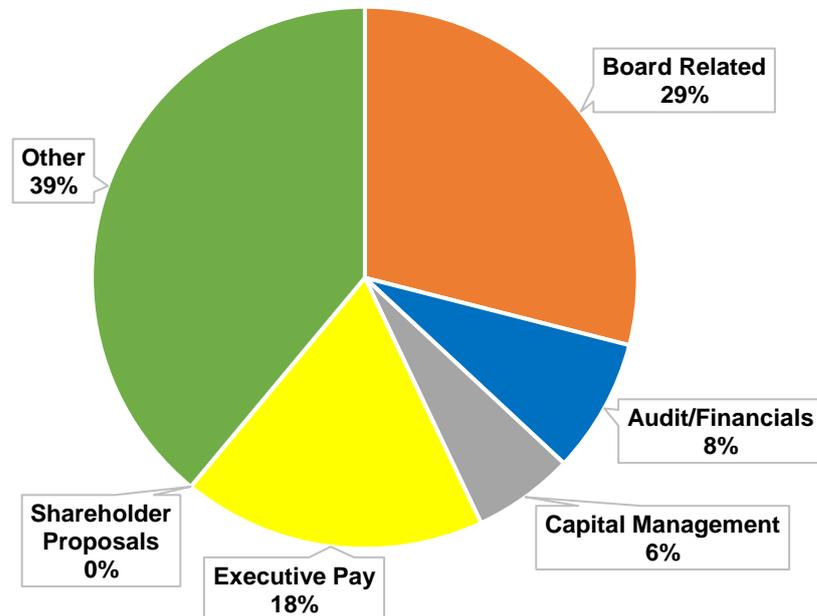


- **Q2 Case Study – BP plc (Environment)** ([Border-to-Coast-UK-Listed-Equity-Alpha-Fund-Summary-Voting-Report-2023-Q2.pdf \(bordertocoast.org.uk\)](#)) = BP's 2023 AGM occurred amidst high scrutiny over the company's announcement that it would backtrack on its climate ambitions. BP had garnered significant support (over 85%) for its previous climate transition plan at the 2022 AGM but decided to not put the revised plan up for a vote at the 2023 AGM. BCPP assessed this as a material governance concern and concluded that a vote against the Chair of the Board is warranted. The opposition against the chairman's election stood at ca. 10%.

Q3 (1st July 2023 – 30th September 2023) (46 shareholder meetings, 684 items voted on) ([Quarterly Stewardship Report \(bordertocoast.org.uk\)](#)):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
93	7

BCPP UK Listed Equity Alpha Fund - Q3 Percentage of Votes Against by Resolution Category

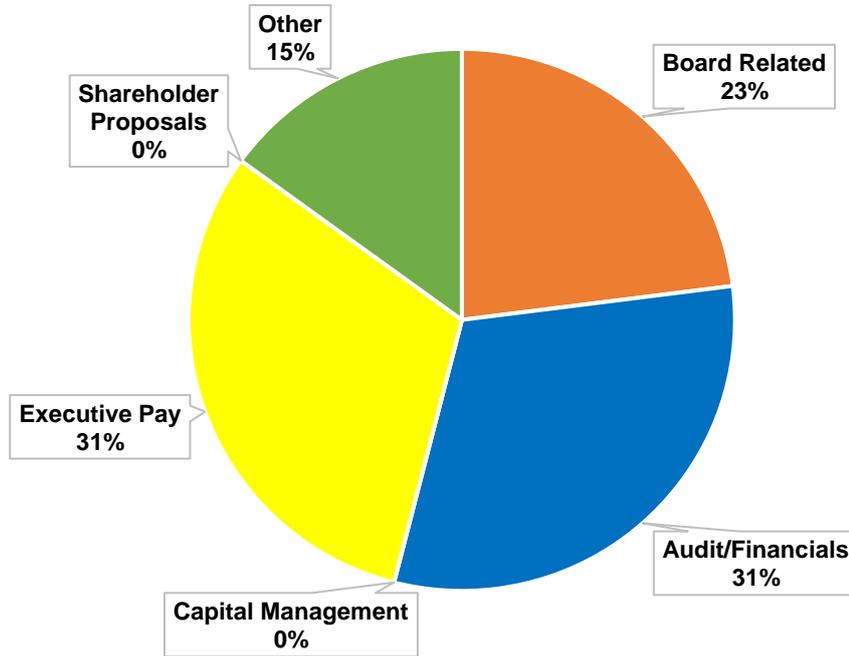


- **Q3 Case Study – Watches of Switzerland Group Plc (Governance)** ([Border-to-Coast-Integrated-Full-Details-Voting-Report-2023-Q3.pdf \(bordertocoast.org.uk\)](#)) = One of BCPP’s votes against management occurred in August 2023 when they voted against the authorisation of political donations at Watches of Switzerland Group Plc. The rationale behind this opposition was that, in line with BCPP’s Corporate Governance & Voting Guidelines Policy, there are significant democratic and reputational implications of companies becoming involved in the funding of political processes. As a result, any proposals concerning political donations will be opposed. BCPP’s view aligns with that of the Fund, and we believe that political donations are an inappropriate use of shareholders’ funds and will therefore always vote against such proposals.

Q4 (1st October 2023 – 31st December 2023) (25 shareholder meetings, 179 items voted on) ([Quarterly Stewardship Report \(bordertocoast.org.uk\)](#)):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
93	7

BCPP UK Listed Equity Alpha Fund - Q4 Percentage of Votes Against by Resolution Category



16

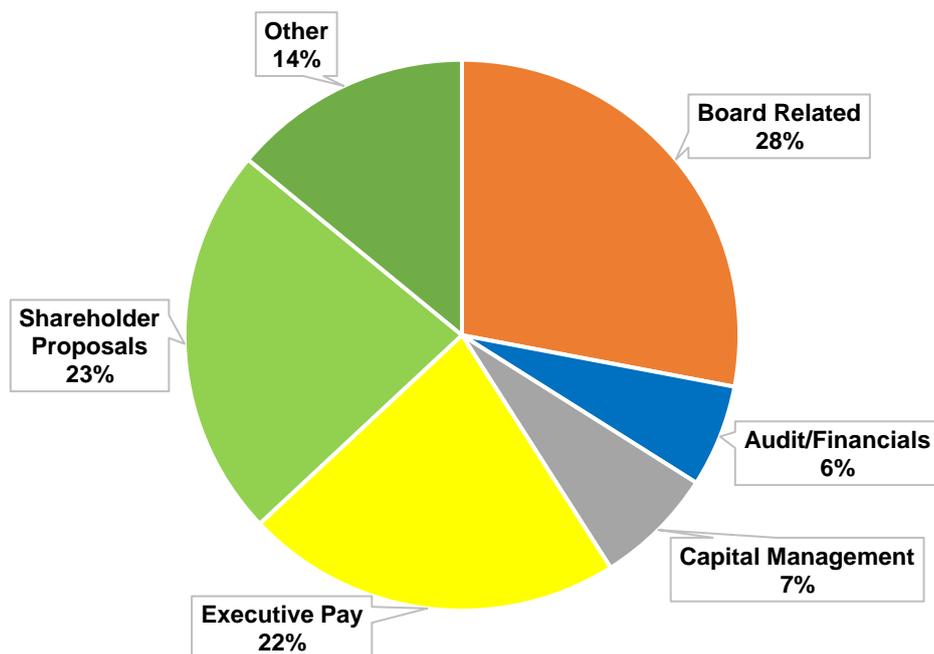
- **Q4 Case Study – Renishaw Plc (Governance)** ([BOE1E11.pdf](#) ([bordertocoast.org.uk](#))) = In November 2023, BCPP voted against management’s proposed Remuneration Policy and Remuneration Report given that the proposed remuneration structure placed excessive focus on short-term performance. This runs contrary to BCPP’s Voting Guidelines which state that incentives and bonuses should be linked to performance over the longer-term in order to create shareholder value.

2. Global Equity Alpha Fund

Q2 (1st April 2023 – 30th June 2023) (197 shareholder meetings, 3,203 items voted on) ([Border to Coast - Quarterly Stewardship Report](#)):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
83	17

BCPP Global Equity Alpha Fund - Q2 Percentage of Votes Against by Resolution Category

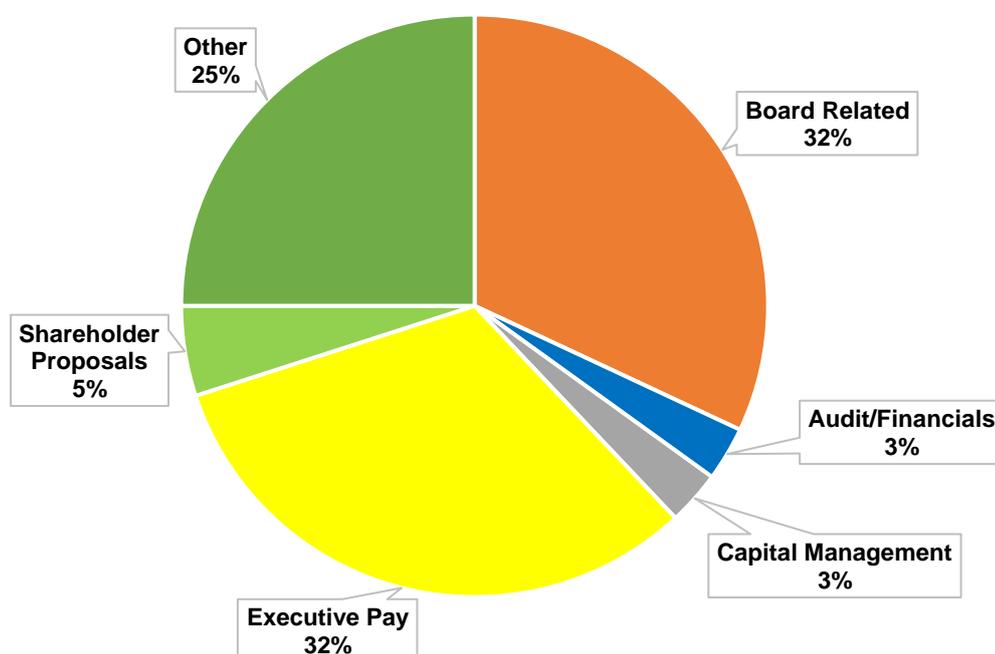


- **Q2 Case Study – Amazon (Environment, Social, Governance)** ([Border to Coast - Quarterly Stewardship Report](#)) = BCPP supported 14 shareholder proposals and opposed four. Out of the 14 supported proposals, five were related to their social inclusion and labour management focus. These resolutions asked for reports on working conditions, pay gaps, employee freedom of association assessment, and considering employee salaries in executive pay decisions. Implementing these requests could improve treatment and reduce labour-related risks. For example, the working conditions proposal aims to investigate if demanding performance targets contribute to injury and turnover rates. They also opposed four shareholder proposals. One requested a report on climate risks in employee retirement plans, which they found beyond shareholder scope. Another requested the formation of a public policy committee which was deemed unnecessary. Lastly, two proposals aimed to hinder their ESG efforts. The shareholder proposals on freedom of association and working conditions both received 35% support. Gender and racial pay proposals received 29%, employee to executive pay comparisons 7%, and hourly employee board representation 18% support. These results show ongoing investor focus on labour rights at Amazon. The two anti-social proposals received 1.6% and 0.8% support, highlighting low backing for such proposals despite their increasing prevalence. The proposals on climate risks in retirement options and a public policy committee got 7% and 6% support, respectively.

Q3 (1st July 2023 – 30th September 2023) (72 shareholder meetings, 533 items voted on) ([Quarterly Stewardship Report \(bordertocoast.org.uk\)](https://www.bordertocoast.org.uk)):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
83	17

BCPP Global Equity Alpha Fund - Q3 Percentage of Votes Against by Resolution Category



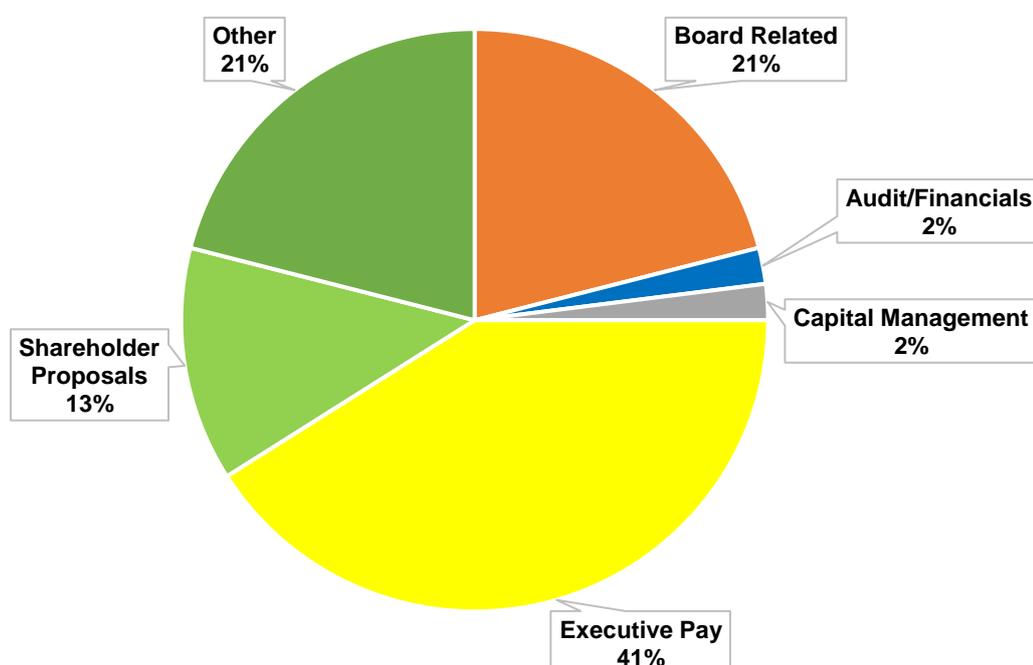
- **Q3 Case Study – Nike, Inc. 2023 AGM (Governance)** ([Border-to-Coast-Global-Equity-Alpha-Fund-Summary-Voting-Report-2023-Q3.pdf \(bordertocoast.org.uk\)](https://www.bordertocoast.org.uk)) = The Say on Pay proposal was particularly relevant as the resolution only garnered 65% support at the 2022 AGM. BCPP engaged with Nike on the topic of executive remuneration and were pleased to see that the company rolled out major improvements to its compensation program. In particular, the company increased the ratio of long-term incentives (LTI) delivered in the form of performance-based equity awards, while also moving to year-long targets under the short-term incentive plan (STI) and making no discretionary upward adjustments to final payouts. While recognising the positive changes, they maintained their concern regarding pay magnitude. Per the Summary Compensation Table, 2023 CEO pay stood at nearly USD 33 million. This, alongside a few other areas of concern, resulted in the company failing their

remuneration framework. BCPP therefore cast a vote against the Say on Pay proposal.

Q4 (1st October 2023 – 31st December 2023) (25 shareholder meetings, 243 items voted on) ([Quarterly Stewardship Report \(bordertocoast.org.uk\)](#)):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
84	16

BCPP Global Equity Alpha Fund - Q4 Percentage of Votes Against by Resolution Category

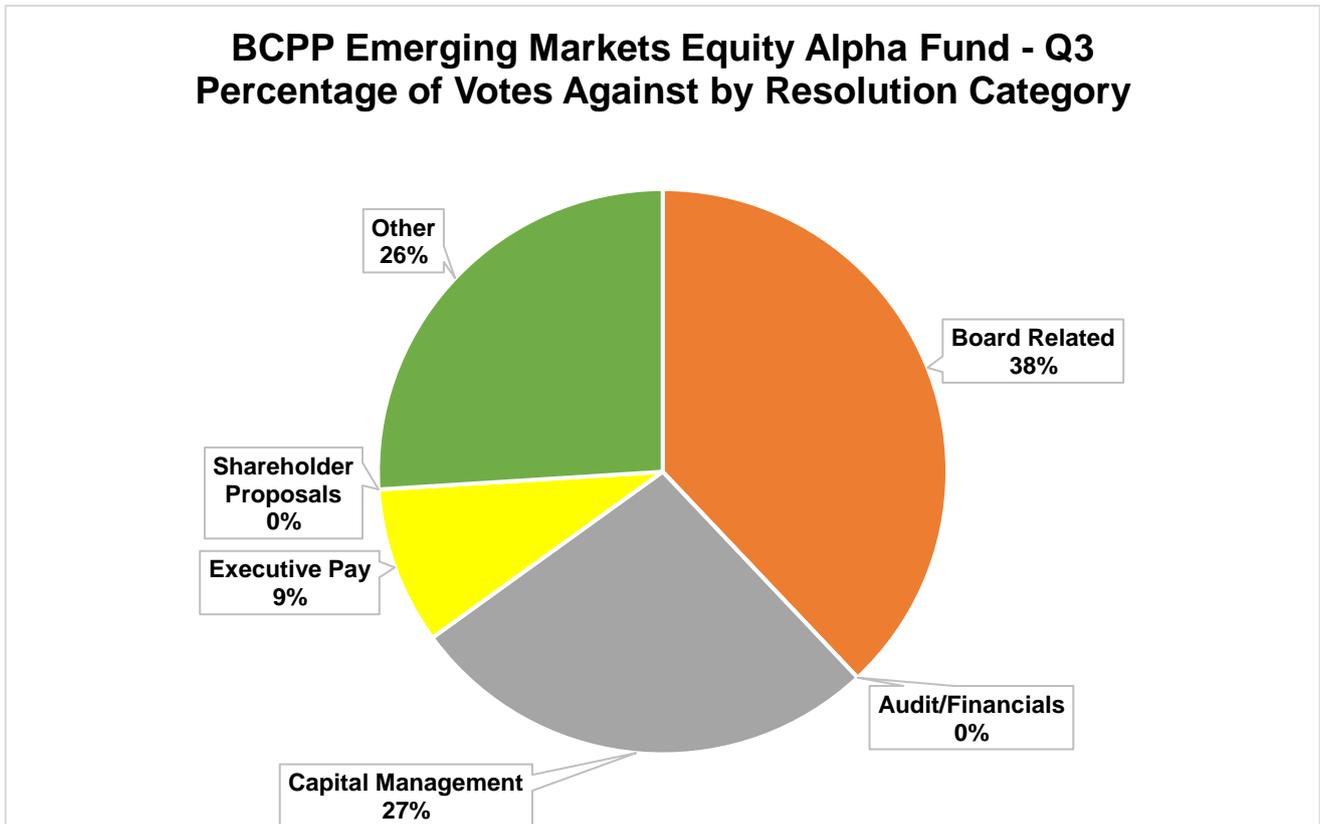


- **Q4 Case Study – XP Inc (Environmental) ([BOE1E11.pdf \(bordertocoast.org.uk\)](#))** = In October 2023, BCPP voted against management’s proposed election of directors at XP Inc given the belief that the company was not sufficiently addressing the impact of climate change.

3. Emerging Markets Equity Alpha Fund

Q3 (1st July 2023 – 30th September 2023) (35 shareholder meetings, 274 voted on) ([Quarterly Stewardship Report \(bordertocoast.org.uk\)](#)):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
86	14



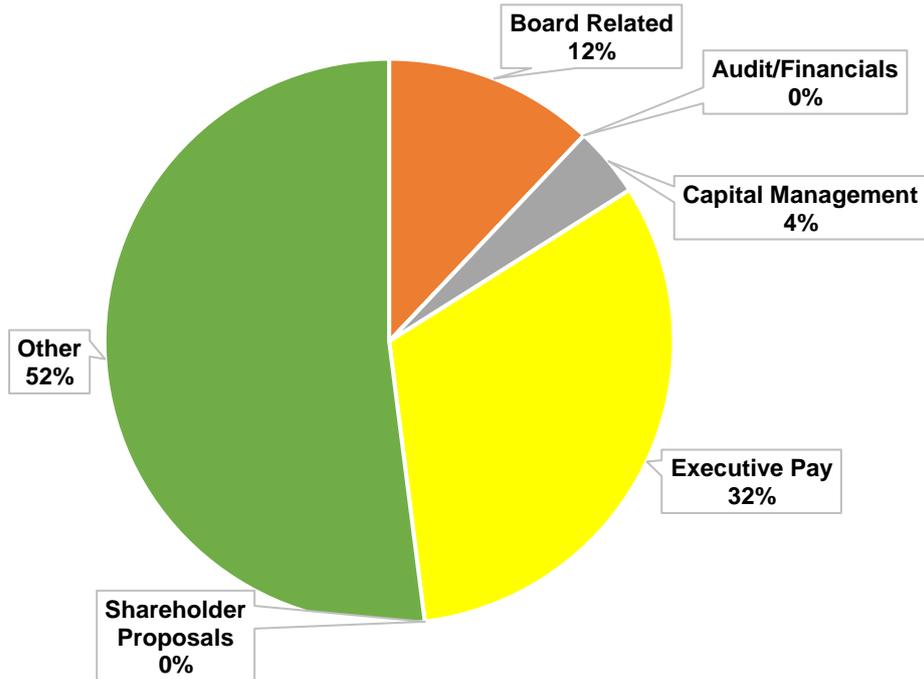
16

- **Q3 Case Study – Sao Martinho SA (Governance)** ([Border-to-Coast-Integrated-Full-Details-Voting-Report-2023-Q3.pdf \(bordertocoast.org.uk\)](#)) = In July 2023, BCPP voted against management’s proposed Remuneration Policy as the long-term awards contained within the policy were not linked to performance. BCPP’s decision was therefore in line with its Voting Policy which states clearly that incentives should be linked to performance over the longer-term to create shareholder value.

Q4 (1st October 2023 – 31st December 2023) (37 shareholder meetings, 156 items voted on) ([Quarterly Stewardship Report \(bordertocoast.org.uk\)](#)):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
84	16

**BCPP Emerging Markets Equity Alpha Fund - Q4
Percentage of Votes Against by Resolution Category**



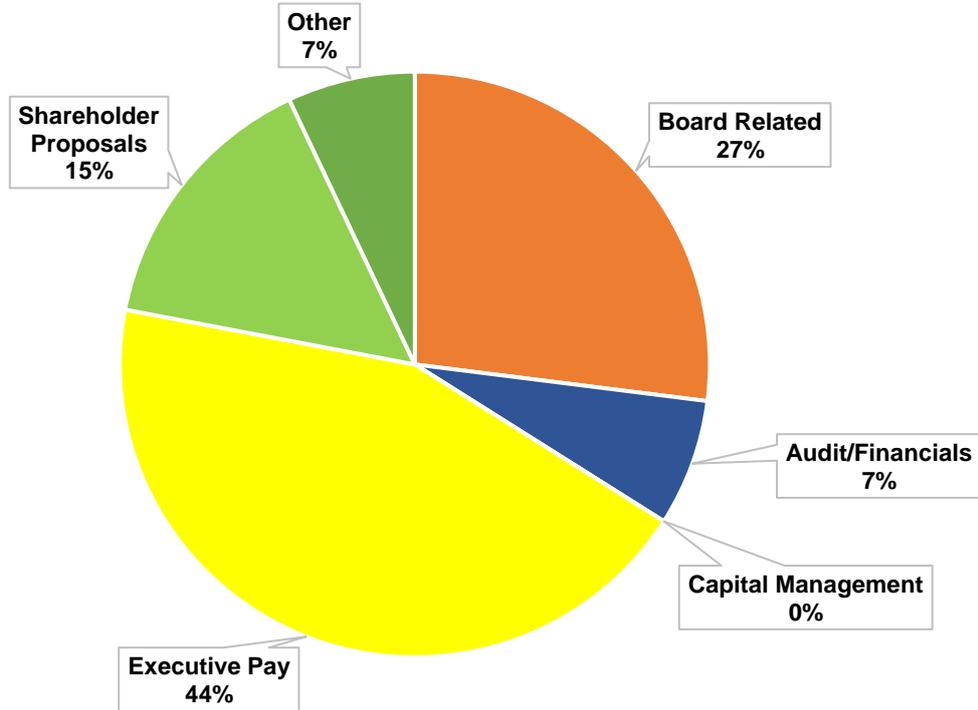
- **Q4 Case Study - Remgro Ltd (Governance)** ([BOE1E11.pdf](#) ([bordertocoast.org.uk](#))) = In December 2023, BCPP voted against management's proposed election of a member of the Audit and Risk Committee given the belief that the respective Board Member was serving on too many boards already.

4. BCPP Listed Alternatives Fund

Q2 (1st April 2023 – 30th June 2023) (33 shareholder meetings, 489 votes cast)
([Border to Coast - Quarterly Stewardship Report](#)):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
89	11

BCPP Listed Alternatives Fund - Q2 Percentage of Votes Against by Resolution Category



16

- **Q2 Case Study – Alexandria Real Estate Equities Inc. (Governance)**

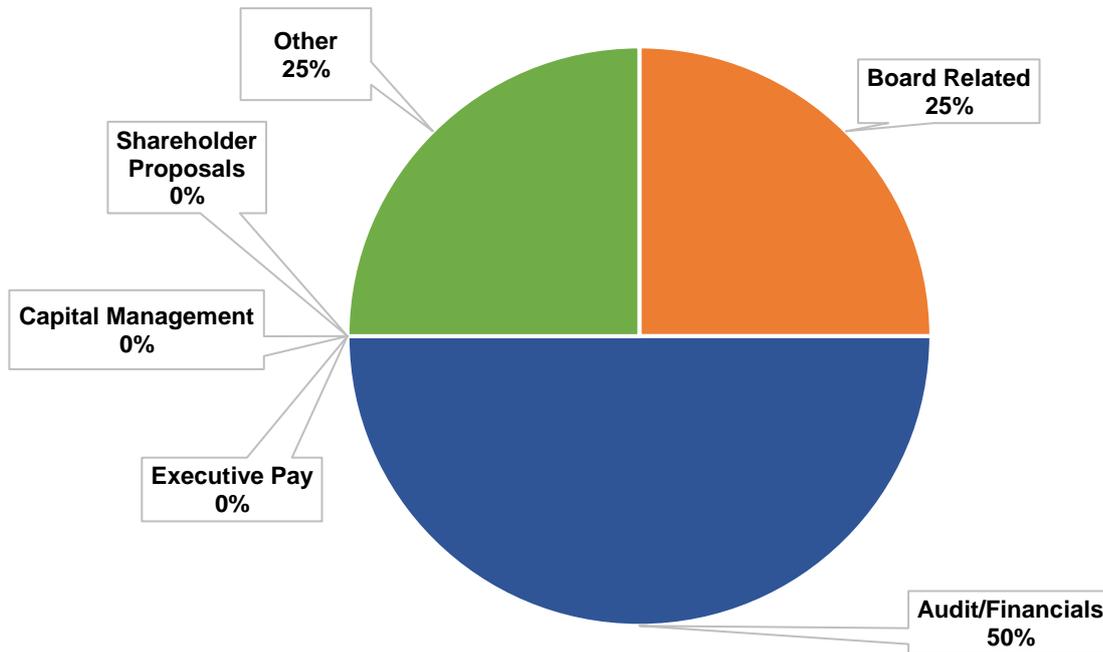
([Border-to-Coast-Integrated-Full-Details-Voting-Report-2023-Q2.pdf \(bordertocoast.org.uk\)](#))

= In May 2023, BCPP voted against management in an advisory vote on executive compensation as this entailed that substantial one-off payments would be made without performance criteria. This vote against was made in line with BCPP’s Corporate Governance and Voting Guidelines Policy which states that one-off payments such as annual bonuses should reflect individual and corporate performance targets with potentially negative implications when payments are made without performance-based incentives. This view is also shared by the Fund and our Voting Policy equally emphasises the need for performance-based incentives when determining executive remuneration.

Q3 (1st July 2023 – 30th September 2023) (13 shareholder meetings, 137 votes cast) ([Quarterly Stewardship Report \(bordertocoast.org.uk\)](#)):

Percentage of Total Votes With Management (%)	Percentage of Total Votes Against Management (%)
94	6

BCPP Listed Alternatives Fund - Q3 Percentage of Votes Against by Resolution Category

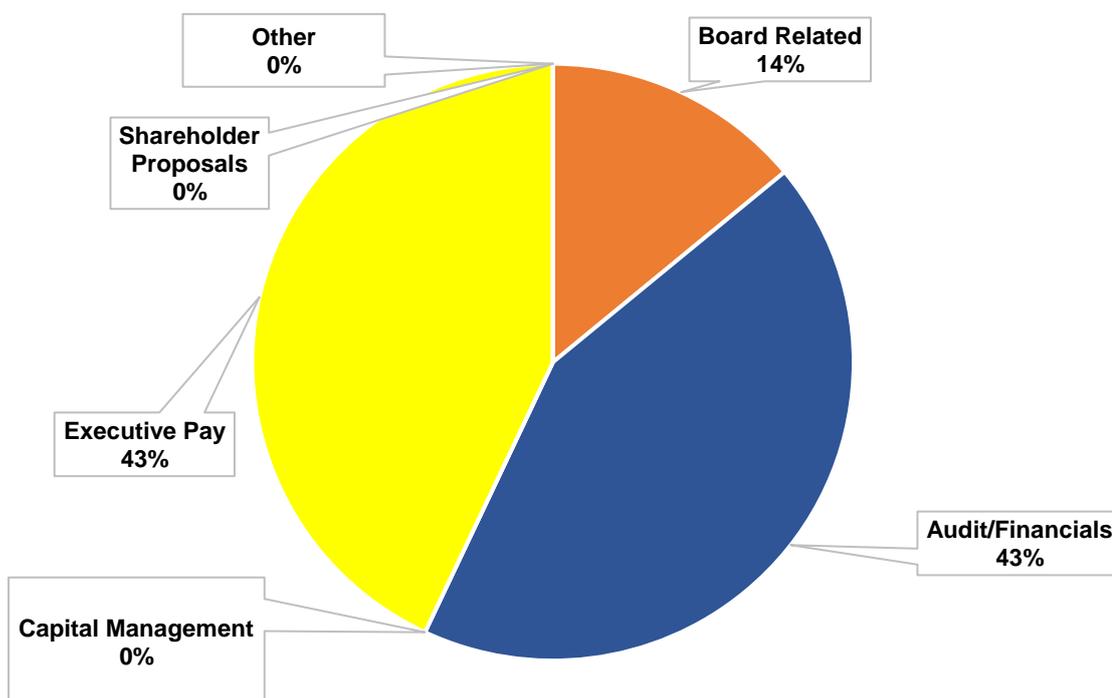


- **Q3 Case Study – National Grid Plc (Environment, Governance)** ([Border-to-Coast-Integrated-Full-Details-Voting-Report-2023-Q3.pdf \(bordertocoast.org.uk\)](#)) = In July 2023, BCPP voted against management regarding the re-election of the Chair of the Board at National Grid Plc and engaged the company ahead of the AGM to explain their rationale. In line with BCPP’s Corporate Governance and Voting Guidelines Policy, where a company is not meeting expectations regarding climate change risk management, BCPP will vote against the Chair of the Board or the most appropriate director up for election. This vote is also exercised when companies in the oil and gas sector or other high emitting companies do not fully meet the first four indicators of the Climate Action 100+ Net Zero Benchmark. As National Grid Plc only partially met the first three indicators of the Climate Action 100+ Net Zero Benchmark and failed the fourth indicator, BCPP voted against the Chair of the Board. Shareholder opposition to the re-election was 4%.

Q4 (1st October 2023 – 31st December 2023) (5 meetings, 33 items voted on)
([Quarterly Stewardship Report \(bordertocoast.org.uk\)](#)):

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
79	21

BCPP Listed Alternatives Fund - Q4 Percentage of Votes Against by Resolution Category



- **Q4 Case Study – Bluebay FundsSicav – Bluebay Financial Capital Bon (Governance)** ([BOE1E11.pdf \(bordertocoast.org.uk\)](#)) = In October 2023, BCPP voted against management’s proposed Board Chair fees given a lack of information provided by the company.

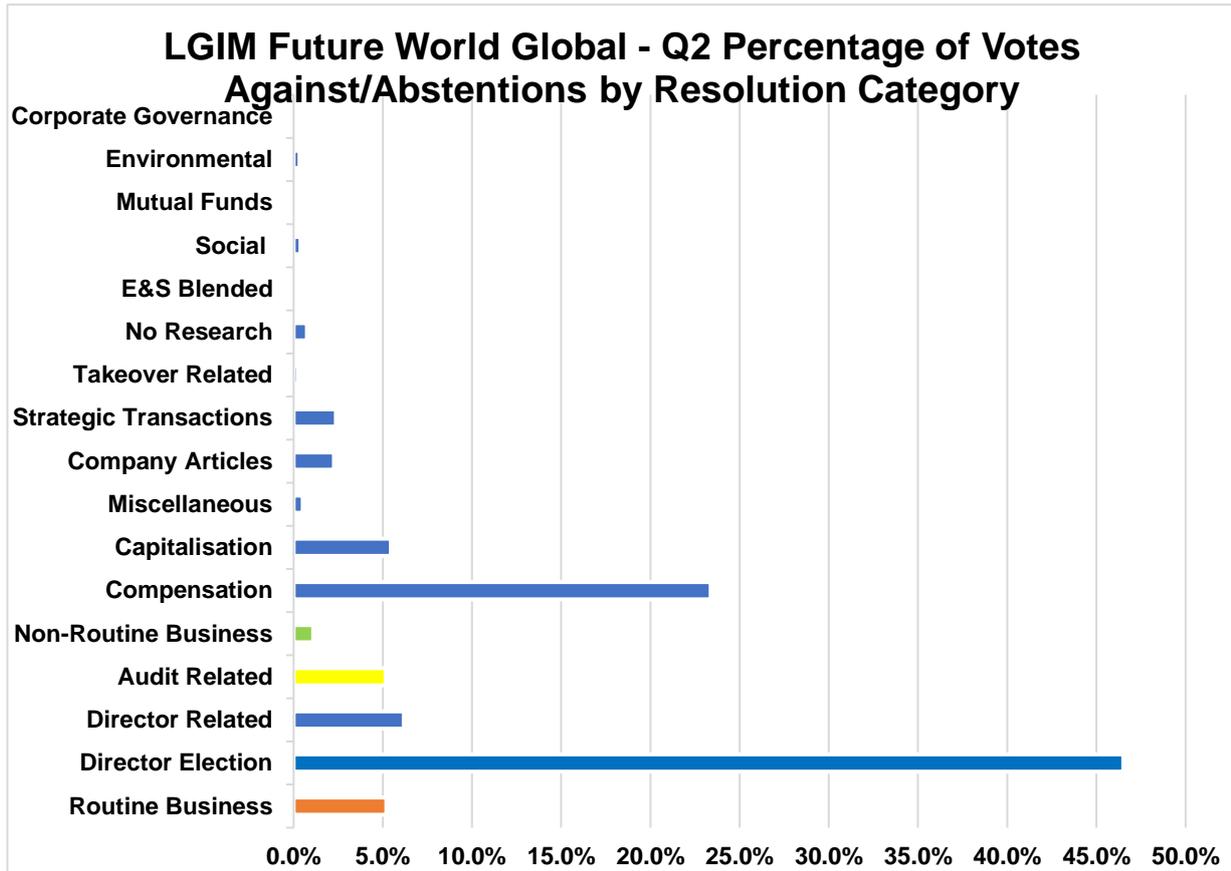
12.2.3. Listed equity assets – LGIM

The Fund currently holds shares in four listed equity funds managed by LGIM, all of which are governed by LGIM’s Voting Policy. The voting records for each of these funds across each quarter (again recorded based on calendar year, hence running from Q2 2023 - Q1 2024 in this report ***update depending on what can be included by May 2024**) are outlined below alongside a number of case study examples of voting decisions taken by LGIM throughout the year. The case studies outlined have been taken from LGIM’s quarterly ESG Impact Reports with links provided.

1. LGIM Future World Global Equity Index Fund

Q2 (1st April 2023 – 30th June 2023) (98,751 resolutions) ([Q2 2023 ESG Impact Report \(lgim.com\)](#))

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
76	24

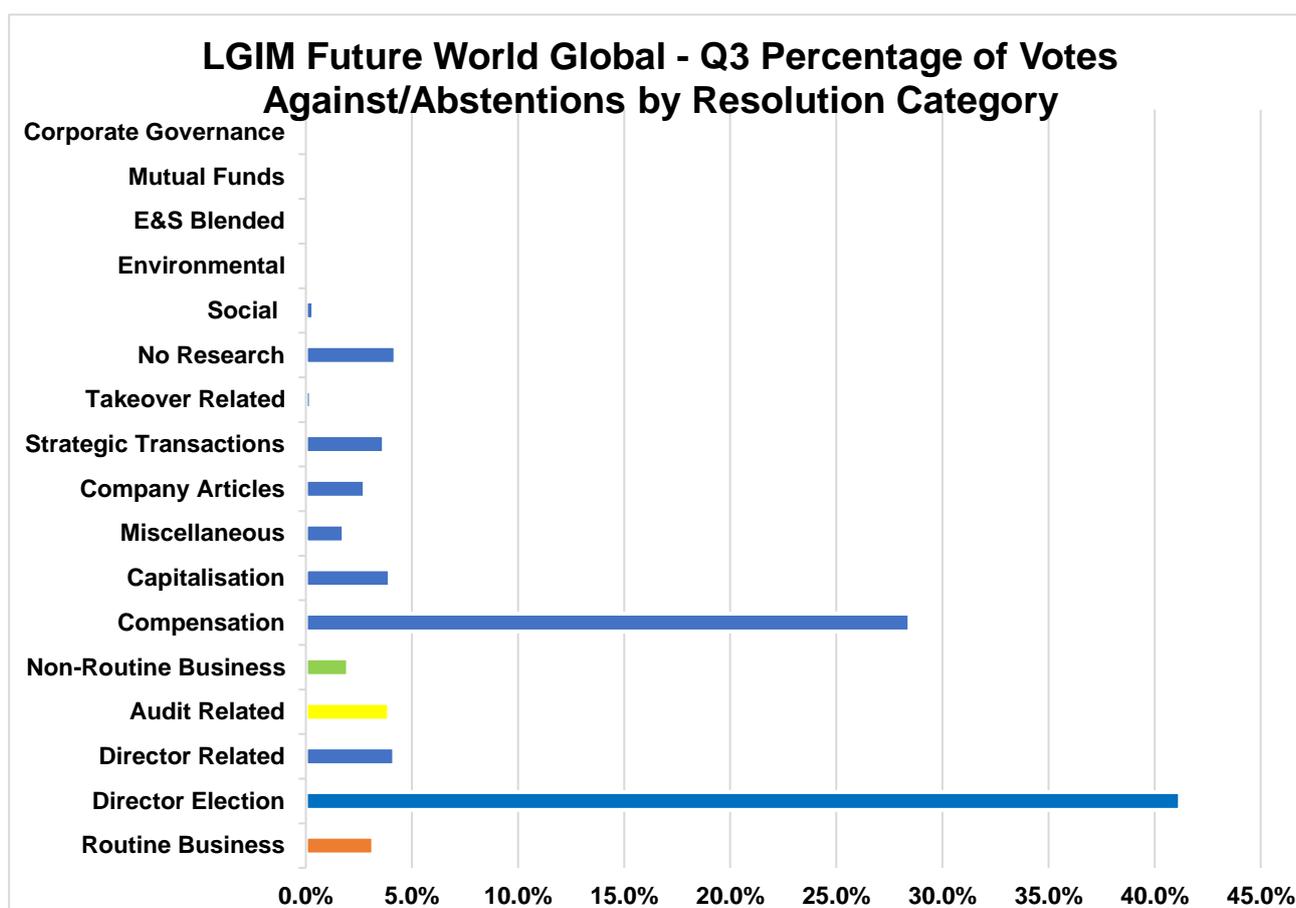


- **Q2 Case Study – Johnson & Johnson (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](https://www.issgovernance.com)) = In April 2023, LGIM voted for a shareholder resolution in favour of reporting on government financial support and equitable access to Covid-19 products whilst management voted against. The reason for LGIM’s decision was that it was determined that reporting on the impact of public funding regarding the company’s pricing and access plans would enable shareholders to be better informed regarding the company’s management of risks throughout the expected lifetime of a vaccine.

Q3 (1st July 2023 – 30th September 2023) (15,337 resolutions) ([Q3 ESG Impact Report \(lgim.com\)](#)):

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
78	22

16

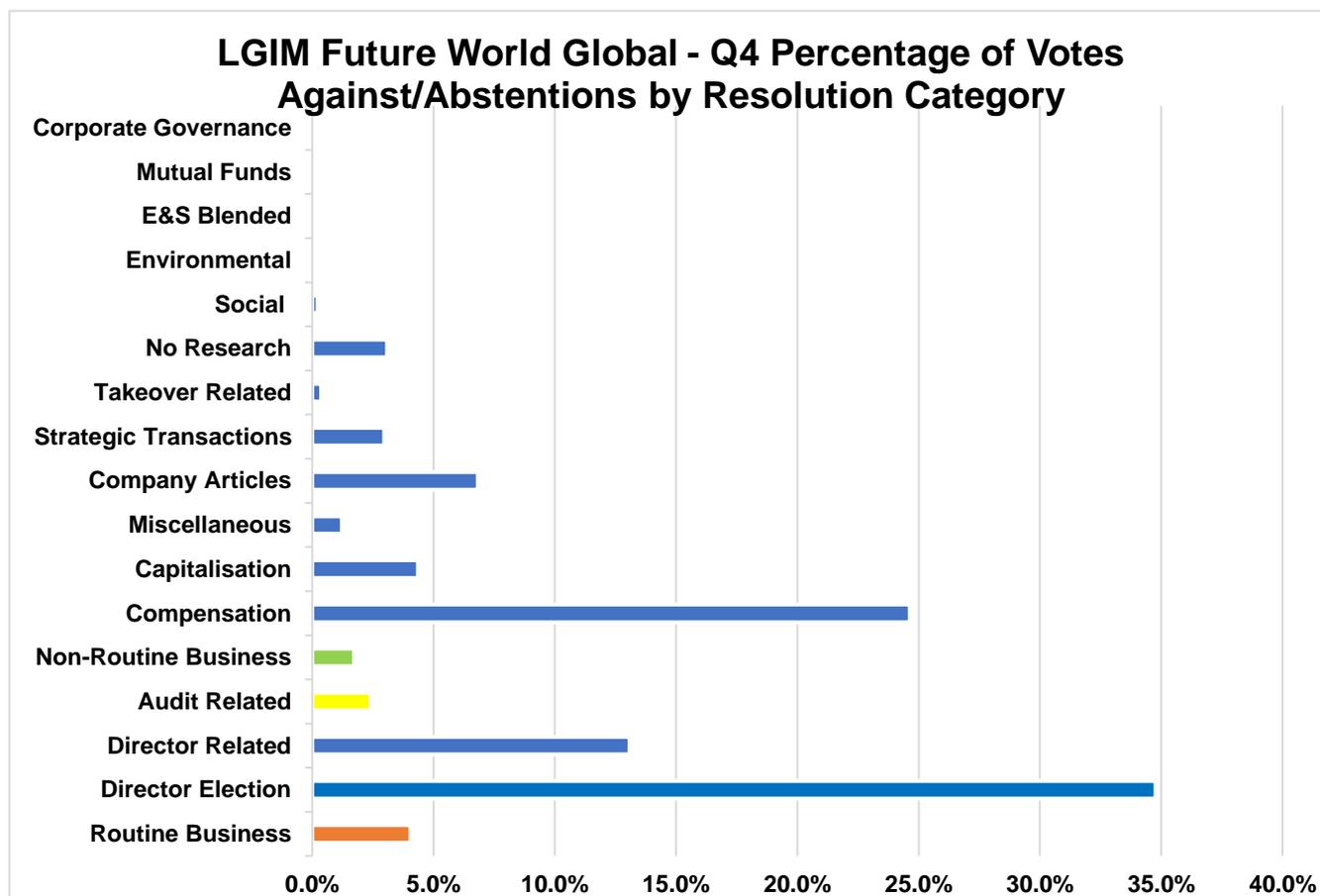


- **Q3 Case Study – Hindustan Petroleum Corporation Ltd (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](#)) = In August 2023, LGIM voted against the management nominee to become a director given concerns around political affiliation and the lack of clarity regarding the relevance of the nominee’s qualifications and experience.

Q4 (1st October – 31st December 2023) (12,960 resolutions) ([Q4 2023 Quarterly engagement report \(lgim.com\)](#))

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
72	28

16

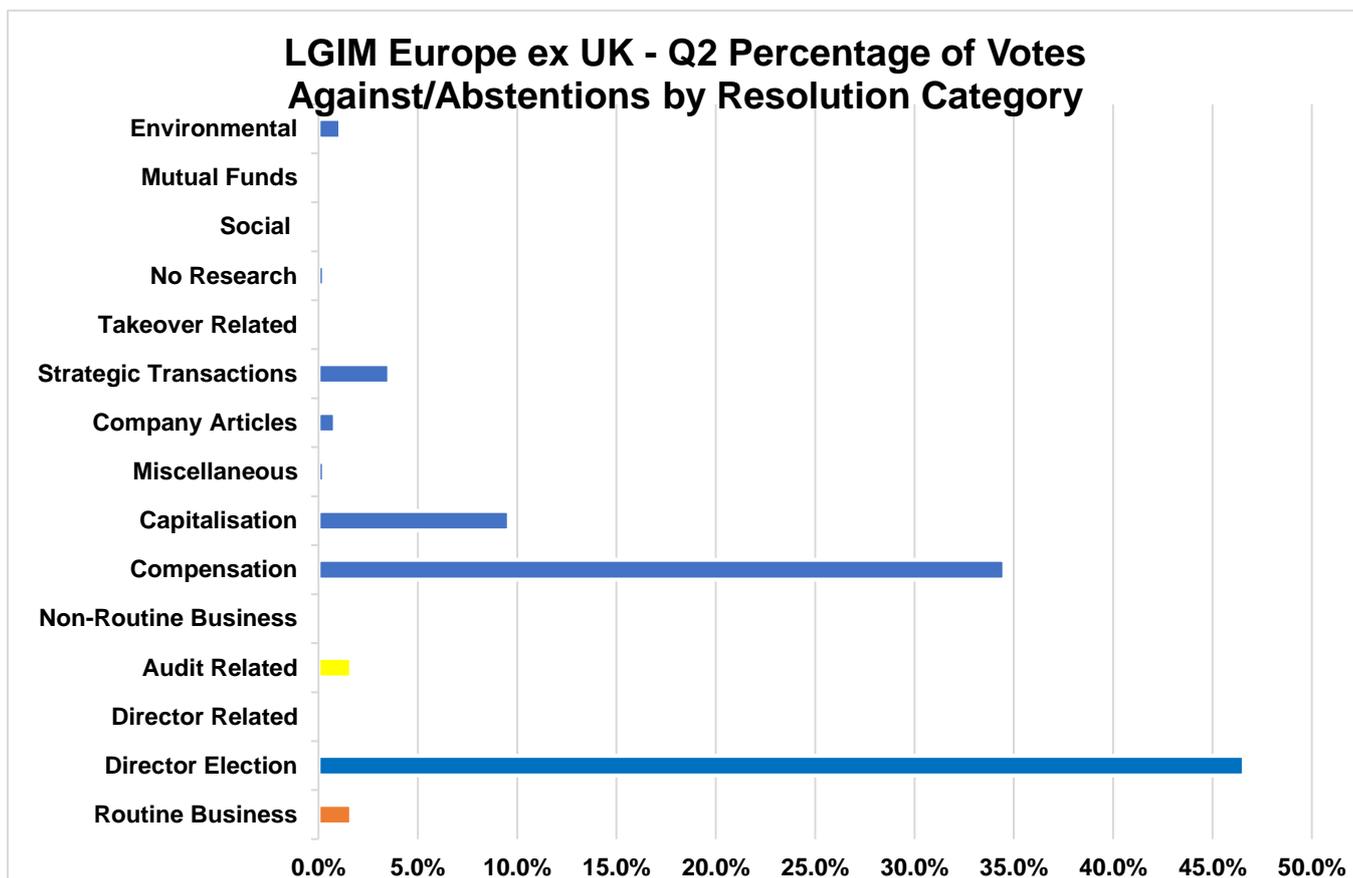


- **Q4 Case Study – Guanghui Energy Co., Ltd. (Governance) ([LGIM Vote Disclosures \(issgovernance.com\)](#))** = In November 2023, LGIM voted against a management proposal to amend the company’s Articles of Association as the proposed amendments were not considered to provide adequate accountability and transparency to shareholders.

2. LGIM Europe ex UK

Q2 (1st April 2023 – 30th June 2023) (20,058 resolutions) ([Q2 2023 ESG Impact Report \(lgim.com\)](#))

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
94	6



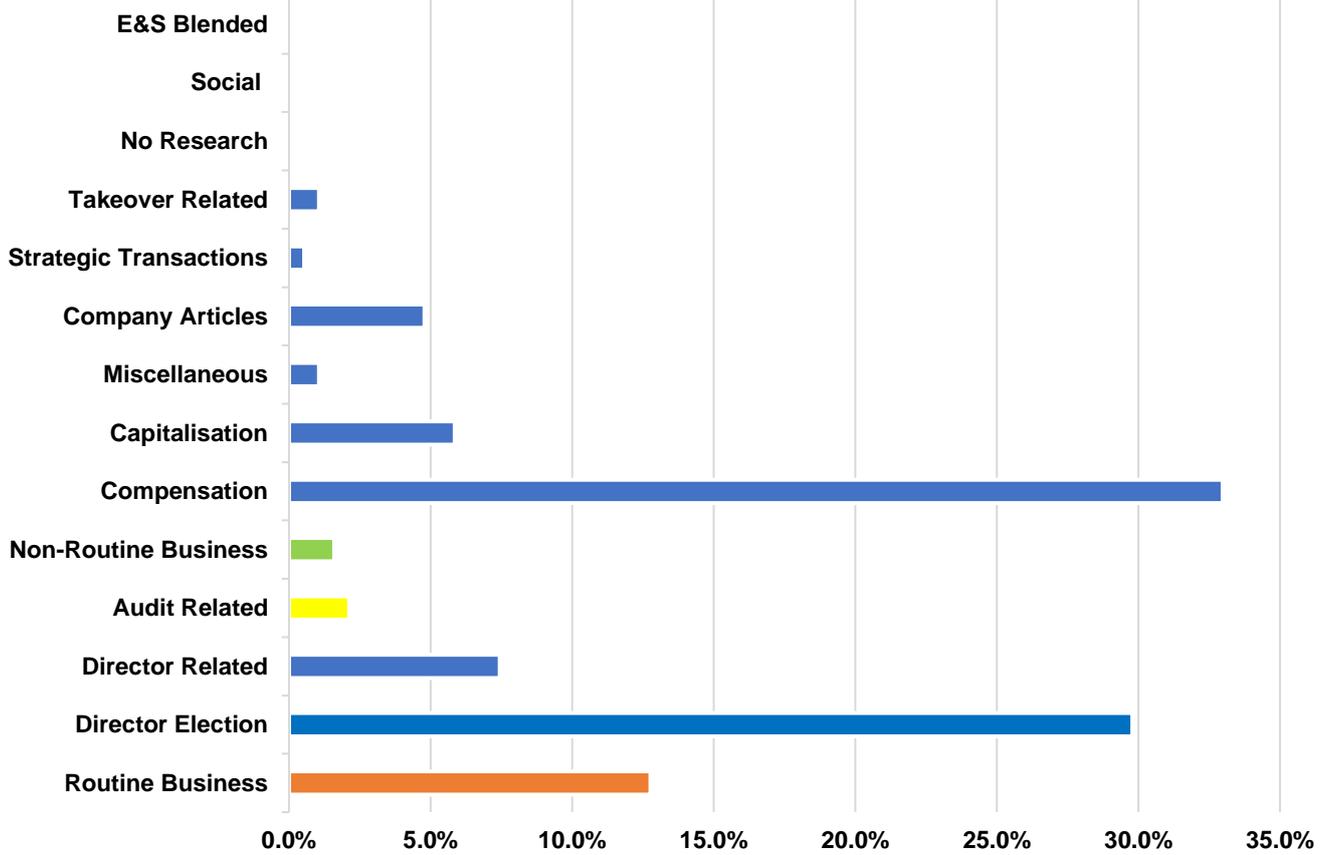
16

- **Q2 Case Study – Ion Beam Applications SA (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](#)) = In June 2023, LGIM voted against the ratification of PricewaterhouseCoopers as auditors given that the company had not provided any rationale for the auditor change in line with applicable European regulation.

Q3 (1st July 2023 – 30th September 2023) (975 resolutions) ([Q3 ESG Impact Report \(lgim.com\)](#)):

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
81	19

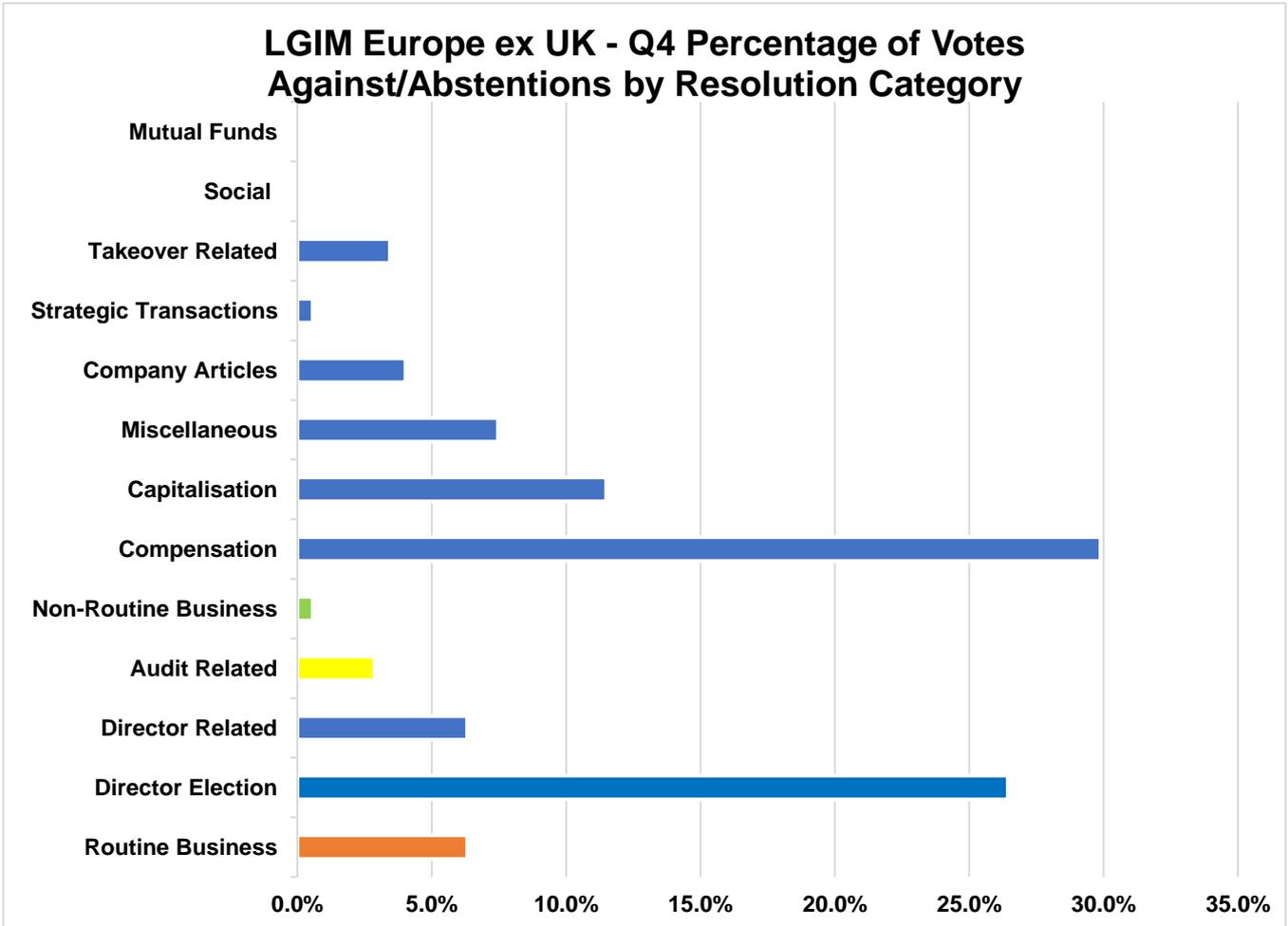
LGIM Europe ex UK - Q3 Percentage of Votes Against/Abstentions by Resolution Category



- **Q3 Case Study – EMS-Chemie Holding AG (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](#)) = In August 2023, LGIM voted against the approval of remuneration of the Executive Committee as there was no cap on the level of annual bonus, very little information regarding performance conditions whilst bonus payments also appeared to be determined at the discretion of the board. There was also little information provided to explain why the bonus was earned.

Q4 (1st October – 31st December 2023) (948 resolutions) ([Q4 2023 Quarterly engagement report \(lgim.com\)](#))

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
82	18



16

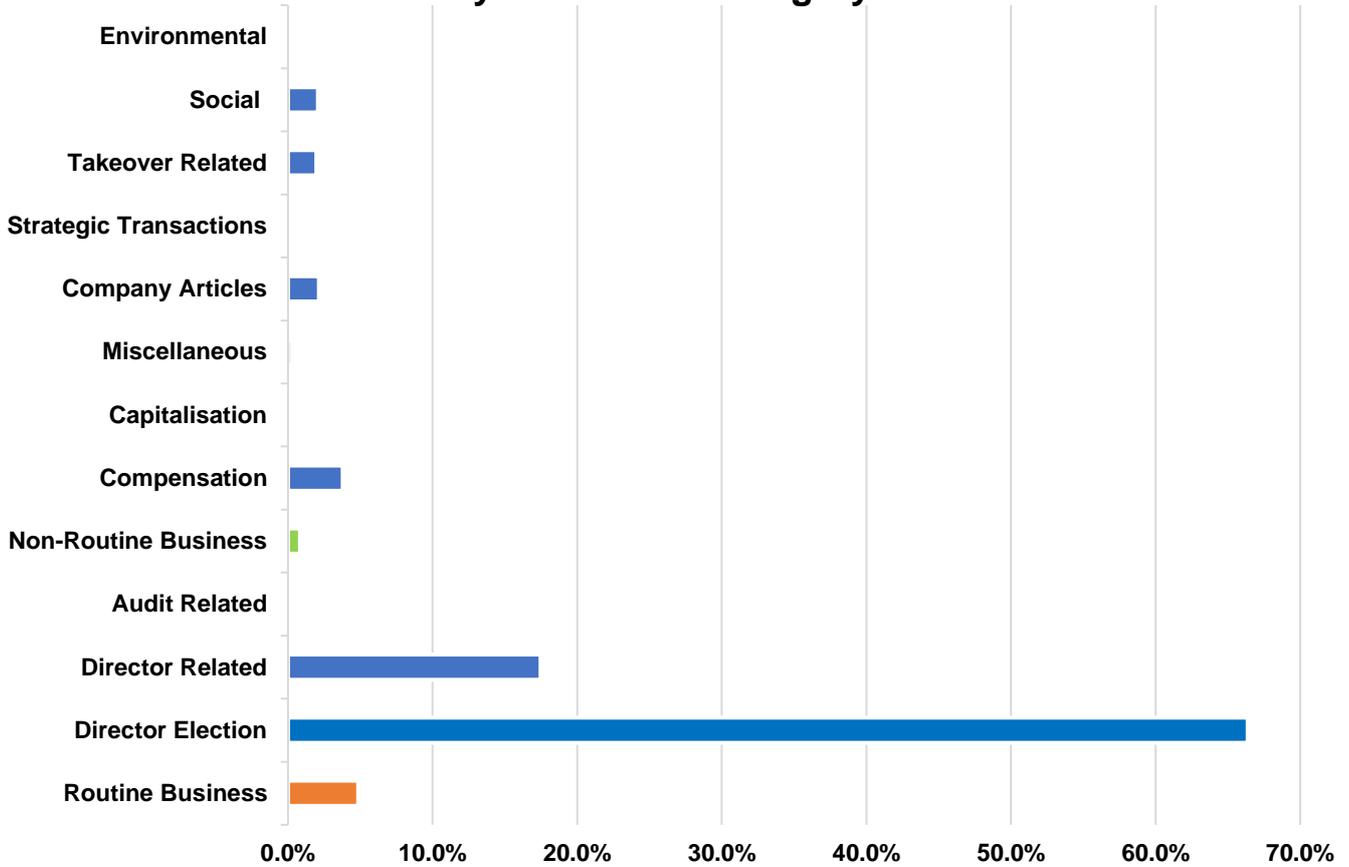
- **Q4 Case Study – Coloplast A/S (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](#)) = In December 2023, LGIM voted against management’s proposed remuneration report due to a lack of sufficient disclosures regarding performance conditions which did not allow shareholders to make a fully informed assessment of remuneration. Equally, LGIM voted against the report because it expects a sufficient proportion of long-term incentives to be subject to performance conditions which are aligned to the company’s long-term strategy and measured over a period of at least three years.

3. LGIM Japan

Q2 (1st April 2023 – 30th June 2023) (11,752 resolutions) ([Q2 2023 ESG Impact Report \(lgim.com\)](#))

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
86	14

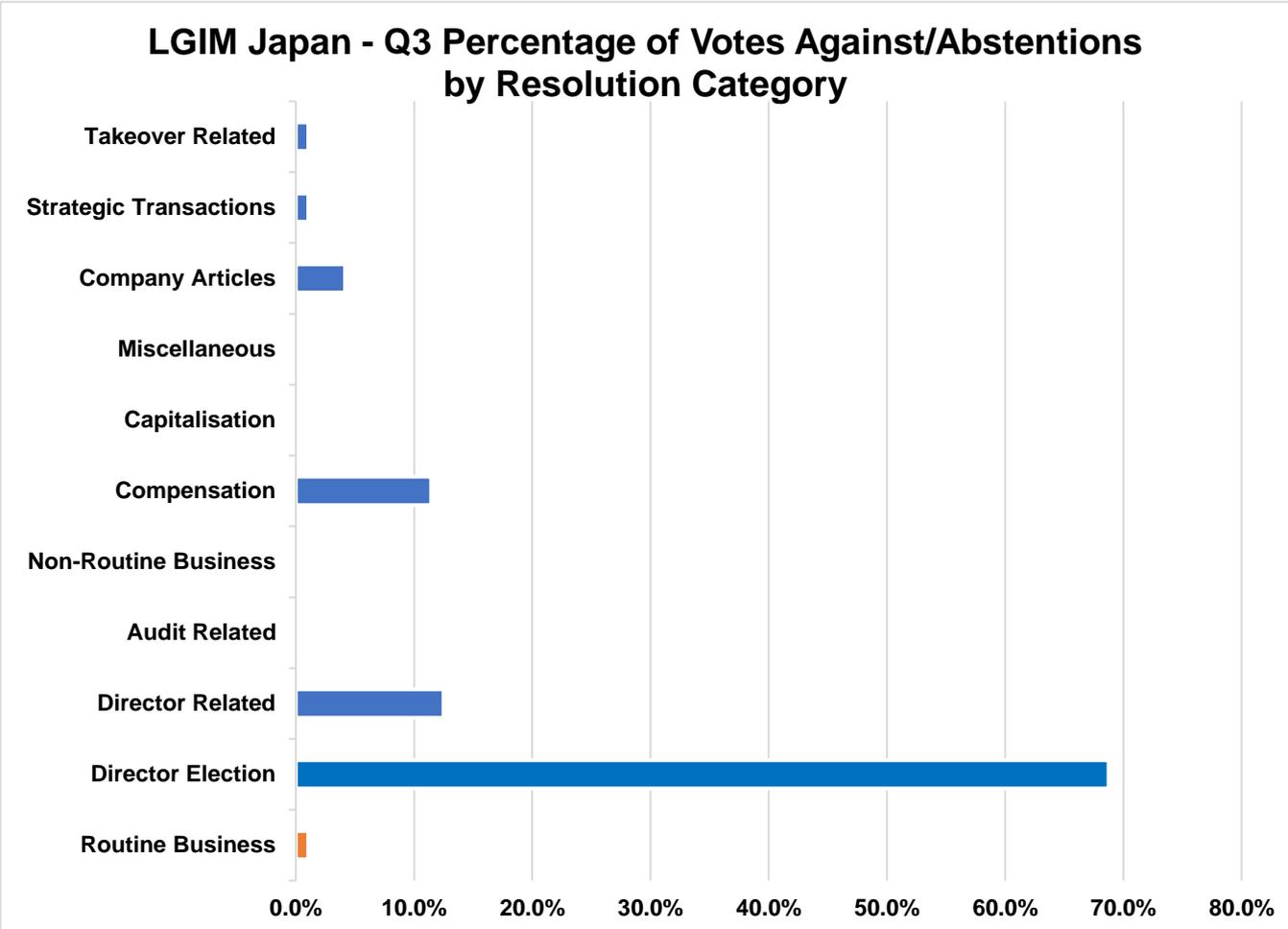
LGIM Japan - Q2 Percentage of Votes Against/Abstentions by Resolution Category



- **Q2 Case Study – Resorttrust, Inc. (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](https://issgovernance.com)) = In June 2023, LGIM voted against the election of a Board Director due to concerns regarding the size of the board. LGIM considers board effectiveness is optimised when the board is not unduly large.

Q3 (1st July 2023 – 30th September 2023) (574 resolutions) ([Q3 ESG Impact Report \(lgim.com\)](https://lgim.com)):

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
83	17



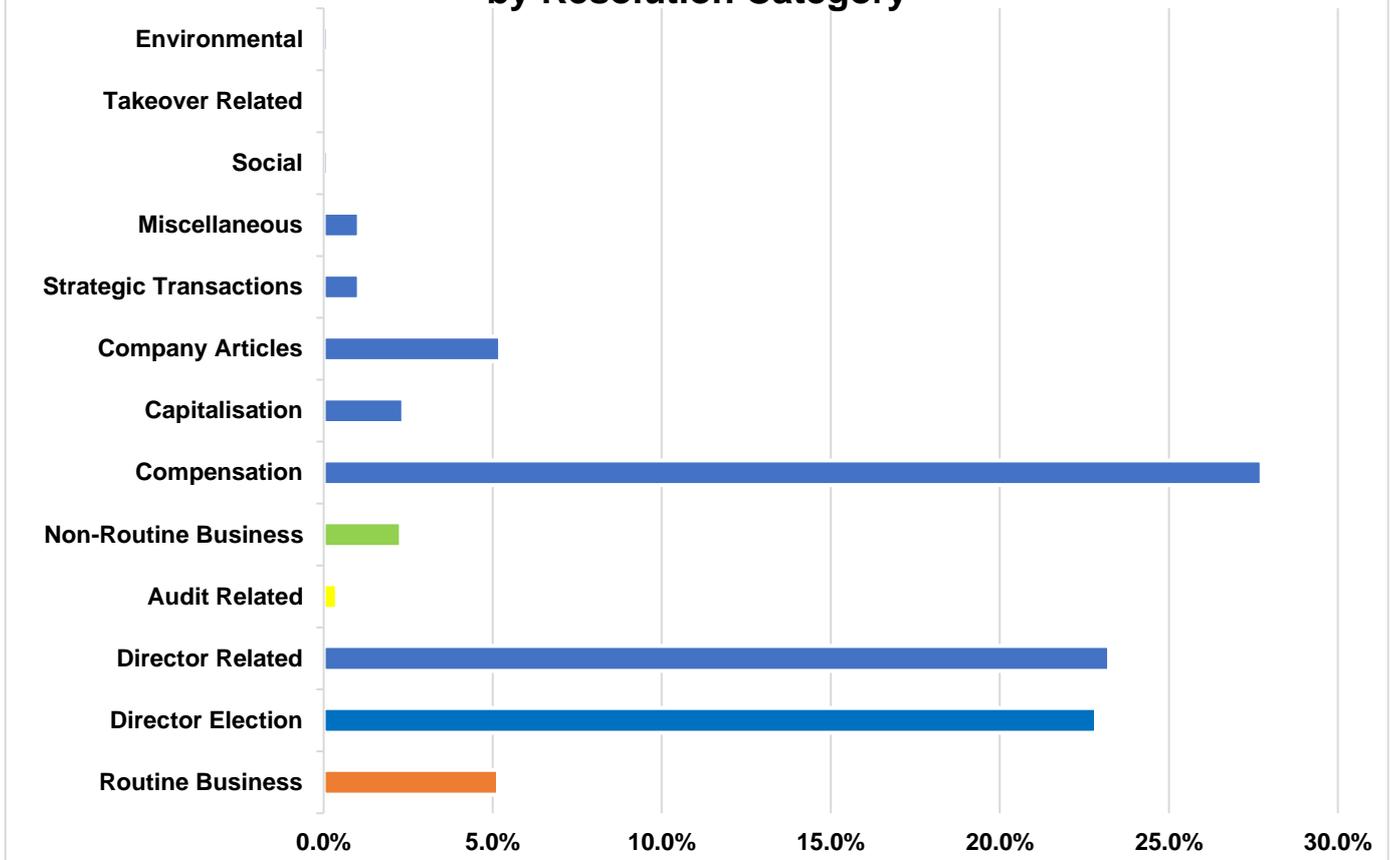
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- **Q3 Case Study – United Urban Investment Corp. (Environment)** ([LGIM Vote Disclosures \(issgovernance.com\)](#)) = In August 2023, LGIM voted against the election of an Executive Director given that the company was deemed to not meet minimum standards with regard to climate risk management.

Q4 (1st October 2023 – 31st December 2023) (555 resolutions) ([Q4 2023 Quarterly engagement report \(lgim.com\)](#))

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
82	18

LGIM Japan - Q4 Percentage of Votes Against/Abstentions by Resolution Category

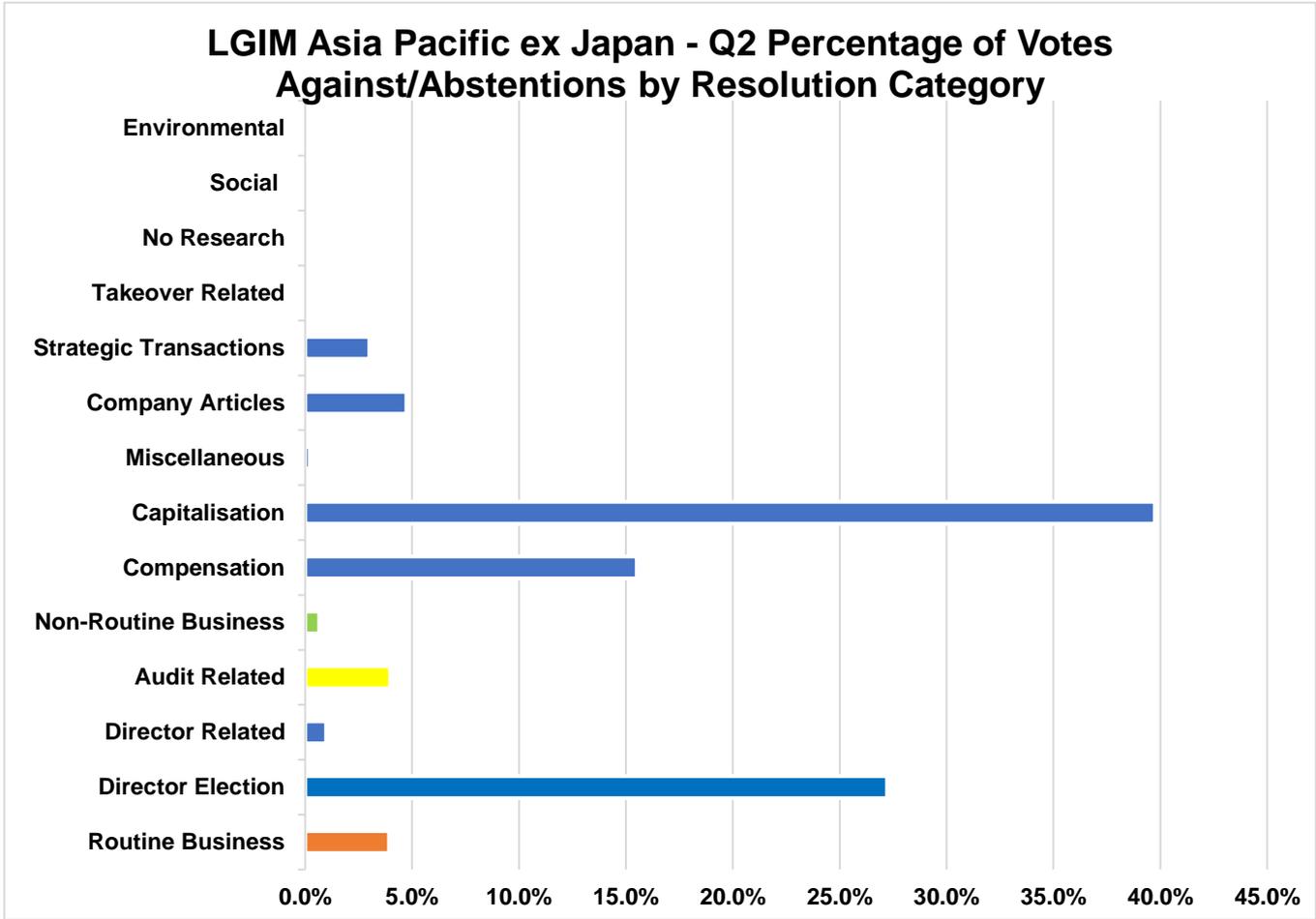


- **Q4 Case Study – Advance Residence Investment Corp. (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](https://issgovernance.com)) = In October 2023, LGIM voted against management’s proposal for the election of an Executive Director at Advance Residence Investment Corp. due to an absence of disclosure regarding the use of a former CEO as Advisor to the Board at the company.

4. LGIM Asia Pacific ex Japan

Q2 (1st April 2023 – 30th June 2023) (7,483 resolutions) ([Q2 2023 ESG Impact Report \(lgim.com\)](https://lgim.com))

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
75	25

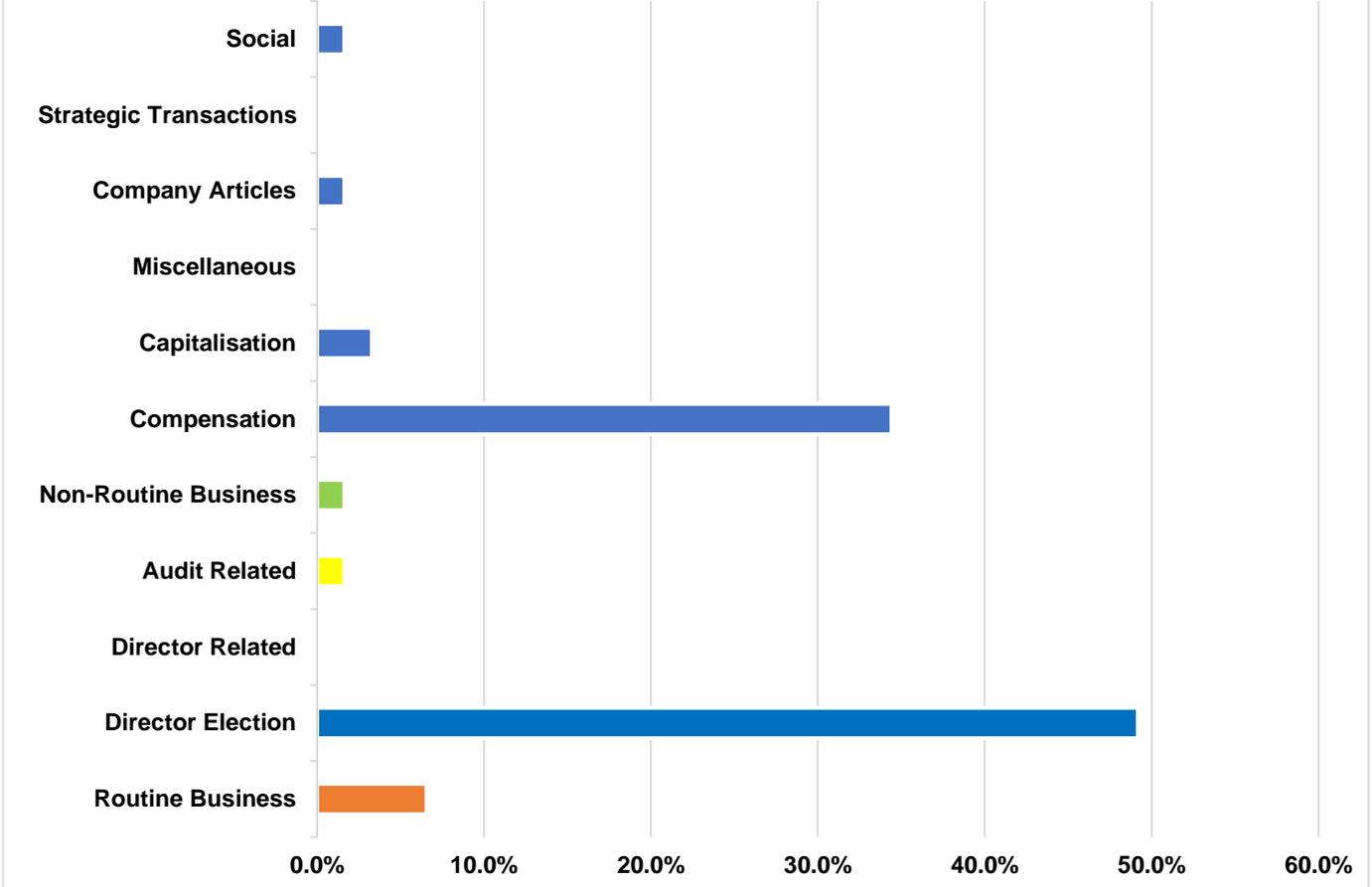


- **Q2 Case Study – Taiwan Semiconductor Manufacturing Co., Ltd. (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](https://www.lgim.com/issgovernance.com)) = In June 2023, LGIM voted against management’s proposed endorsement and guarantee provision as it was believed that the provision may expose the company to unnecessary risks and it was believed that the company failed to provide a compelling rationale for the proposed changes.

Q3 (1st July 2023 – 30th September 2023) () ([Q3 ESG Impact Report \(lgim.com\)](https://www.lgim.com/q3-esg-impact-report)):

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
81	19

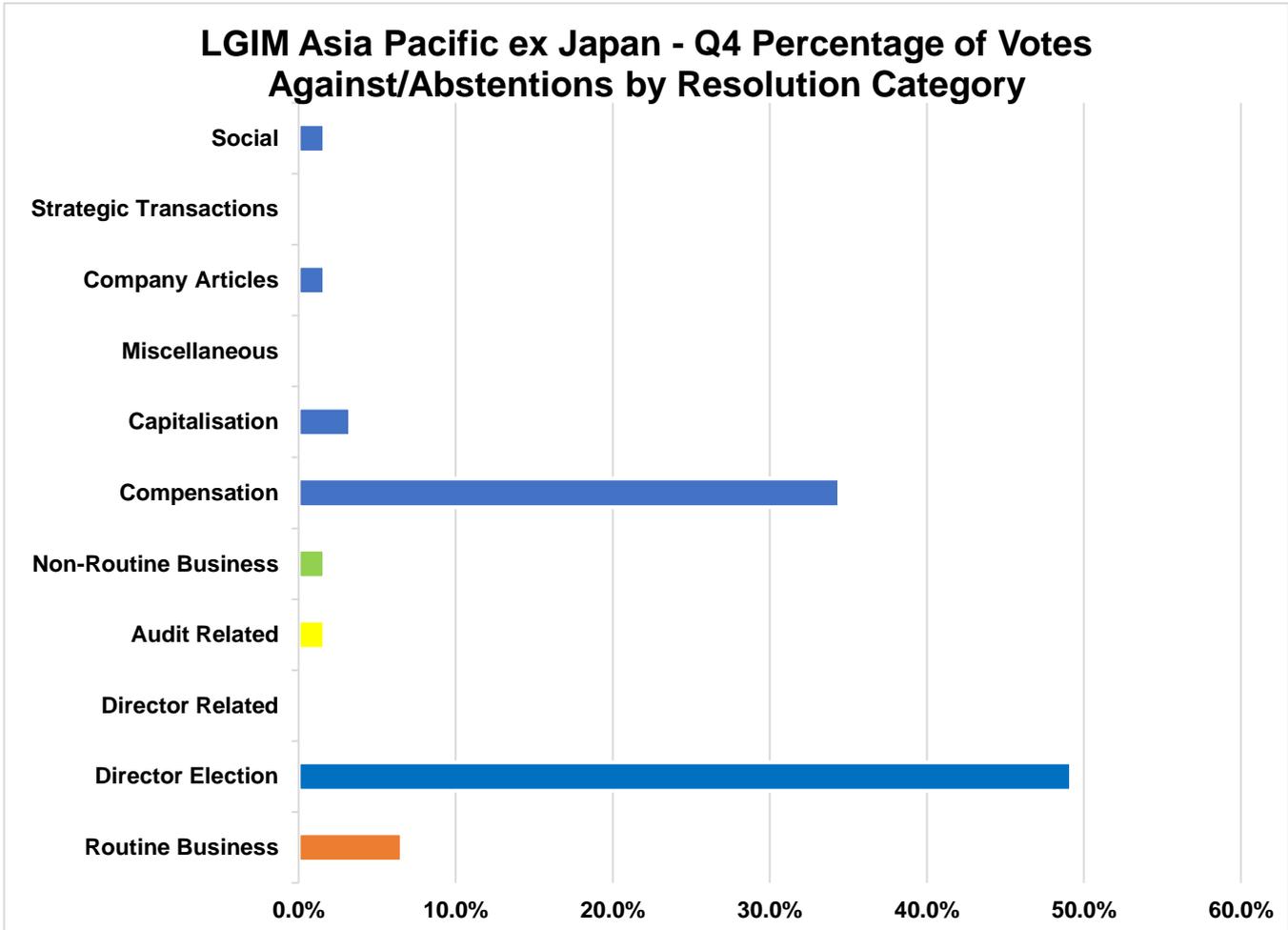
LGIM Asia Pacific ex Japan - Q3 Percentage of Votes Against/Abstentions by Resolution Category



- **Q3 Case Study – SD Biosensor, Inc. (Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](https://www.lgim.com/issgovernance.com)) = In August 2023, LGIM voted against the election of an Outside Director to serve as a Member of the Audit Committee given that LGIM expects companies to have a diverse Board of Directors with at least one female representative.

Q4 (1st October 2023 – 31st December 2023) (4,943 resolutions) ([Q4 2023 Quarterly engagement report \(lgim.com\)](https://www.lgim.com/q4-2023-quarterly-engagement-report))

Percentage of Total Votes With Resolution (%)	Percentage of Total Votes Against/Abstention from Resolution (%)
69	31



16

- **Q4 Case Study – AGL Energy Limited (Environmental, Social, Governance)** ([LGIM Vote Disclosures \(issgovernance.com\)](https://www.issgovernance.com)) = In November 2023, LGIM voted against management’s proposal for the election of a director given that the company met the criteria for inclusion in LGIM’s Future World Protection List which, as outlined in Principle 4, incorporates companies that fail to meet minimum standards of globally accepted business practices.

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