Derbyshire Pension Fund

Tel. 01629 538900
derbyshirepensionfund.org.uk

The UK Stewardship Code 2020 Signatory Application

October 2024

County Hall, Matlock, Derbyshire, DE4 3AH
Administered by Derbyshire County Council

lgps

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Glossary of Terms and Abbreviations

Abbreviation	Term
AA	Administering Authority or Administering Authorities
AAF	Audit & Assurance Faculty
ABS	Annual Benefit Statement
AGM	Annual General Meeting
AUM	Assets Under Management
CA100+	Climate Action 100+
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Investment Officer
CIPFA	Chartered Institute of Public Finance Accountants
Committee	Pensions & Investments Committee
CIP	Conflicts of Interest Policy
CS	Climate Strategy
CSP	Climate Stewardship Plan
DCC or County Council	Derbyshire County Council
DPF	Derbyshire Pension Fund or Fund
MHCLG	Ministry for Housing, Communities and Local Government (formally Department for Levelling Up, Housing and Communities)
ESG	Environmental, Social and Governance
FOI	Freedom of Information
FRC	Financial Reporting Council
FSS	Funding Strategy Statement
Fund	Derbyshire Pension Fund or DPF
IGB	Investment Grade Bonds
IIGCC	Institutional Investors Group on Climate Change

IIMT	In-House Investment Management Team
ISS	Investment Strategy Statement
IVIS	Institutional Voting Information Services
IWG	Investment Working Group
Joint Committee	LGPS Central Pool Joint Committee
LAPFF	Local Authority Pension Fund Forum
LGA	Local Government Association
LGIM	Legal & General Investment Management
LGPS	Local Government Pension Scheme
LGPSC	LGPS Central Limited
LGPS Central Pool	LGPS Central Pool comprising the LGPS Central Partner Funds
LGPS Central Partner Fund	The LGPS pension funds of Cheshire, Derbyshire Leicestershire, Nottinghamshire, Shropshire, Staffordshire, Worcestershire and West Midlands; the collective owners of the LGPS Central Pool and the shareholders of LGPS Central Limited
LGPSC	LGPS Central Limited
PAF	LGPS Central Pool Practitioners' Advisory Forum
RI / RI Framework	Responsible Investment / Responsible Investment Framework
RI&E	Responsible Investment & Engagement
RI&S	Responsible Investment & Stewardship
RIIS	Responsible Investment Integration Status
RIWG	Responsible Investment Working Group
SAAB	Strategic Asset Allocation Benchmark
SAB	LGPS Scheme Advisory Board
SDGs	United Nations Sustainable Development Goals
SEC	US Securities and Exchange Commission
SF	LGPS Central Pool Shareholders'' Forum
TCFD	Taskforce for Climate-related Financial Disclosures

The Fund	Derbyshire Pension Fund
TPR	The Pensions Regulator
UN	United Nations
WACI	Weighted Average Carbon Intensity

INTRODUCTION

Derbyshire Pension Fund (DPF / the Fund / the Pension Fund) is an open-ended defined benefit Local Government Pension Scheme (LGPS) covering the Derbyshire region. With assets under management of around £6.5 billion, split across multiple asset classes, the Fund's primary responsibility is to meet the pension entitlements of its 95,000 scheme members. The Fund is a member of the LGPS Central Pool.

As a long-term investor, the Fund believes that responsible investment can positively contribute towards investment returns and enhance shareholder value. The Fund continues to build its responsible investment capabilities and actively integrates Environmental, Social & Governance factors into its investment philosophy and processes.

Over the last five years, the Fund has developed both a Responsible Investment Framework and Climate Strategy, which support and enhance, the Fund's Investment Strategy Statement.

Following a detailed review in 2023-24, including a public consultation, the Fund updated its Investment Strategy Statement, Responsible Investment Framework and Climate Strategy in March 2024 to reflect the ongoing improvement in the Fund's funding level, and also to increase the Fund's ambition to reduce its carbon footprint.

The Fund's Responsible Investment Framework uses a three-pillar approach to monitor responsible investment covering selection, stewardship and transparency & disclosure. The Fund also believes that collaboration with other-liked minded investors, either through the LGPS Central Pool or other collaborative bodies such as the Local Authority Pension Fund Forum or the Institutional Investors Group on Climate Change, can promote positive change, increases engagement coverage and scale and can enhance long-term investment returns.

The Fund's Climate Strategy sets out how the Fund manages climate-related risks and opportunities, together with supporting the aims of the Paris Agreement. The Fund aims to achieve a portfolio of assets with net zero carbon emissions by 2050. This aim is supported a number of Climate Strategy targets in line with best practice.

This document sets out the Fund's application to remain a signatory to the UK Stewardship Code 2020. The application has been developed in alignment with the UK Stewardship Code 2020, and the content reflects guidance given by the Financial Reporting Council (FRC) contained within its 'Review of Stewardship Reporting 2022' and 'Effective Stewardship Reporting: Examples from 2021 and expectations for 2022' reports and the 'Investment Stewardship – What's new in 2022?' webinar. It also reflects feedback received from the FRC as part of the Fund's 2023 application.

The document has been through a robust evaluation process where it has been reviewed by the Investments Manager, Head of Pension Fund, the DCC Director of Finance and the Fund's Pensions & Investments Committee. It has also been reviewed for comment by the responsible investment team at LGPS Central Limited, the Fund's LGPS investment pooling operating company. The Fund is confident that its reporting is fair, accurate and balanced.

The Fund was delighted to become a signatory to the Stewardship Code for the first time in August 2023, and believes that the Fund's application to continue to be a signatory, which has been unanimously approved by the Fund's Pensions & Investments Committee, demonstrates the Fund's commitment to long-term and sustainable responsible investment.

Approved by the Fund's Pensions & Investments Committee: 23 October 2024

Purpose and Governance: Principle 1

Purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for employers and beneficiaries leading to sustainable benefits for the economy, the environment and society

1.1 Background and Context

Membership

DPF had 109,478 membership records on 31 March 2024 covering approximately 95,000 individual members. These fall into three categories:

- Active members, who are currently employed by a local government employer or other organisation that offers LGPS membership within Derbyshire.
- Deferred members, who previously paid into the LGPS within Derbyshire and since leaving the scheme have left their pension on hold with the Fund.
- Pensioners and Dependents, who are currently in receipt of their pension benefits.

A breakdown of the Fund's membership is included in the table below.

Membership Records – 31 March 2024	Members	Share %
Active	37,503	34.3%
Deferred	35,797	32.7%
Pensioners and Dependents	36,178	33.0%
Total	**109,478**	**100.0%**

Employers

The Fund had 357 Scheme Employers on 31 March 2024. The majority of the Fund's Scheme Employers, by number, are Academies (63%), which are maintained schools that have converted to Academy status. However, the bulk of the scheme member records (65%) on 31 March 2024 related to the 10 main Councils participating in the Fund.

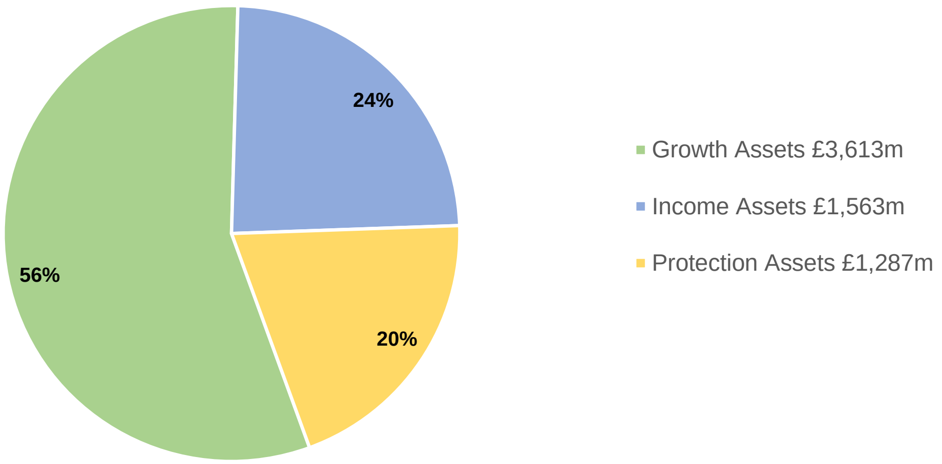
A breakdown of the Fund's Scheme Employers is included in the table below.

Scheme Employers – 31 March 2024	Employers	Share%
Main Councils	10	2.8%
Universities & FE Colleges	3	0.8%
Academies	225	63.0%
Maintained Schools	6	1.7%
Housing Associations	4	1.1%
Other Scheduled Bodies	4	1.1%
Admission Bodies	67	18.8%
Town & Parish Councils	38	10.7%
Total Scheme Employers	**357**	**100.0%**

Fund Assets

DPF's assets under management were valued at £6,463m on 31 March 2024. The Fund's assets are broadly split between three categories: Growth assets; Income assets; and Protection assets. These categories are described in more detail under **Principle 4.**

Derbyshire Pension Fund Asset Allocation - Total Fund Assets £6,463m



Growth Assets	£3,613m	56%
Listed Equity	**£3,286m**	**51%**
Global Sustainable	£1,901m	29%
UK	£757m	12%
Japan	£337m	5%
Emerging	£291m	5%
Private Equity	**£327m**	**5%**
Unquoted	£217m	3%
Quoted	£110m	2%

Income Assets	£1,563m	24%
Infrastructure	**£649m**	**10%**
Unquoted	£548m	8%
Quoted	£101m	2%
Multi-Asset Credit	**£467m**	**7%**
Diversified MAC	£259m	4%
Private Credit	£208m	3%
Property	**£447m**	**7%**
UK Direct Property	£323m	5%
Indirect Property	£124m	2%

Protection Assets	£1,287m	20%
Government Bonds	£327m	5%
Index-Linked Bonds	£344m	5%
Investment Grade Credit	£366m	6%
Cash	£250m	4%

Geographic Exposure

The geographic breakdown of DPF's assets on 31 March 2024 is shown below at an overall Fund level, and at an asset class level. The portfolio is well diversified by geographic region.

The Fund's largest exposure to a specific region is to the UK at 41% of assets, followed by North America at 29%, Other (including Asia and Emerging Markets) at 15% and Europe also at 15%.

Derbyshire Pension Fund Geographic Exposure

Total Fund	
£6,463m	**100%**
	Fund Weight
UK	*41%*
N. America	*29%*
Europe	*15%*
Other	*15%*

Growth Assets		
£3,613m		**56%**
	Portfolio Weight	*Fund Weight*
UK	*27%*	*15%*
N. America	*39%*	*22%*
Europe	*9%*	*5%*
Other	*25%*	*14%*

Income Assets		
£1,563m		**24%**
	Portfolio Weight	*Fund Weight*
UK	*51%*	*12%*
N. America	*13%*	*3%*
Europe	*32%*	*8%*
Other	*4%*	*1%*

Protection Assets		
£1,287m		**20%**
	Portfolio Weight	*Fund Weight*
UK	*68%*	*13%*
N. America	*21%*	*4%*
Europe	*10%*	*2%*
Other	*1%*	*1%*

1.2 Purpose

The LGPS is a national pension scheme for people working in local government or for other employers that participate in the scheme. Although the scheme itself is national, it is administered locally in England and Wales through 86 local funds or sub-schemes.

Derbyshire County Council (County Council / DCC) is the administering authority for the LGPS within Derbyshire, investing and administering Derbyshire Pension Fund (DPF or the Fund) on behalf of over 350 employers and approximately 95,000 individual scheme members. The responsibilities of the administering authority include liaising with stakeholders, collecting and investing contributions, maintaining member records and paying pension benefits.

The overarching objective of the Pension Fund is to deliver secure, accurate and efficient administration of the LGPS in Derbyshire on behalf of the Fund's employers and members. This is supported by the following five core objectives:

- ensuring sound governance arrangements for the Fund
- ensuring sufficient assets are available to pay pension benefits
- delivering a high-quality service to scheme members and employers
- enabling employer contribution rates to be kept as constant as possible and at reasonable cost to the taxpayer
- delivering clear, timely and relevant communications to all stakeholders

1.3 Investment Beliefs and Strategy

The Fund has four key investment related documents:

- Investment Strategy Statement
- Funding Strategy Statement
- Responsible Investment Framework
- Climate Strategy (supported by an annual Taskforce for Climate Related Financial Disclosures Report)

The Investment Strategy Statement (ISS) and the Funding Strategy Statement (FSS) are inextricably linked, one of the core objectives of the Fund (to meet all benefit payments as and when they fall due) will be met through a combination of employer contributions resulting from the funding strategy and asset returns and income resulting from the investment strategy. The Responsible Investment Framework (RI Framework) works in tandem with the Fund's Climate Strategy (CS), and both policies help to align the Fund's investment beliefs with its fiduciary duty to members and employers.

DCC's Pensions & Investments Committee (Committee) oversees the management and administration of Derbyshire Pension Fund on behalf of DCC. The Committee is responsible for reviewing and approving the Fund's policies and strategies, approving quarterly asset allocation, monitoring investment performance, overseeing the Fund's involvement in investment pooling and the overall stewardship of the Fund.

The Committee has agreed a long-term investment strategy that aims to maximise the returns from investments within acceptable levels of risk, contributes to the Fund having sufficient assets to cover the accrued benefits, and enables employer contributions to be kept as stable as possible.

The ISS takes into account the following beliefs:

- A long-term approach to investment will deliver better returns
- The long-term nature of LGPS liabilities allows for a long-term investment horizon
- Asset allocation is the most important factor in driving long term investment returns
- Liabilities influence the asset structure; funds exist to meet their obligations
- Risk premiums exist for certain investments; taking advantage of these can help to improve investment returns
- Markets can be inefficient, and mispriced for long periods of time; therefore, there is a place for active and passive investment management
- Diversification across investments with low correlation improves the risk/return profile
- Secure and growing income streams underpin the ability to meet future liabilities
- Responsible investment can enhance long term investment performance
- Investment management costs should be minimised where possible but net investment returns after costs are the most important factor

The FSS is prepared in collaboration with the Fund's actuary, and after consultation with the Fund's employers. The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers pay for their own liabilities. A key objective of the FSS is to ensure the long-term solvency of the Fund.

The RI Framework sets out the Fund's approach to responsible investment which includes the integration of Environmental, Social and Governance (ESG) considerations into the investment process and the Fund's stewardship and governance activities. RI is a core part of the Fund's fiduciary duty. Effective management of financially material ESG risks should support the requirement to protect and enhance investment returns over the long term.

The Climate Strategy sets out the Fund's approach to addressing the risk and opportunities related to climate change. The Fund supports the ambitions of the Paris Agreement (to hold the increase in the global temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C) and aims to achieve a portfolio of assets with net zero carbon emissions by 2050. The Fund aims to ensure that its investment portfolio will be as resilient as possible to climate related risks over the short, medium and long term. The development of a separate Climate Strategy in 2020 reflects the potential material effect of climate change, and the response to climate change, on the assets and liabilities of the Fund.

To support the Fund in addressing the risks and opportunities surrounding Climate Change, the Fund has commissioned LGPS Central Limited (LGPSC), the Fund's investment pooling operating company, to produce an annual Climate Risk Report. The first report was commissioned in 2019 and the fourth annual report was considered at the January 2024 Pensions & Investments Committee. The Fund has also complied with the disclosure requirements of the Task Force on Climate-Related Financial Disclosures (TCFD) since 2020. The Fund's fourth annual TCFD report was noted by the DCC's Pensions & Investments Committee in January 2024 and has been published on the Fund's website.

1.4 Culture and Values

The Fund's culture & values are consistent with DCC's (as administering authority for Derbyshire Pension Fund) Code of Conduct for Employees. The DCC Code of Conduct for Employees notes that everyone who uses Council services is entitled to expect the highest standards of conduct from Council employees and all employees are responsible for improving life for local people by delivering high quality services. To achieve this, all employees, whilst at work, must:

- Act fairly, honestly, objectively and to the best of their ability;
- Not allow personal or private interest to influence their work; and
- Not do anything as an employee that may discredit the Council.

The DCC Code of Conduct sets values that underpin employee behaviour, including the need to be open minded, honest & accountable, political neutrality; equality; ensuring that decisions are fair and transparent; maintaining standards; personal relationships & interests; corruption; the use of information; and gifts and hospitality.

1.5 Outcome Reporting

The Fund is committed to always serving the best interests of its beneficiaries and stakeholders, adhering to its fiduciary duty to members and employers. One of the core objectives of the Fund is to deliver clear, timely and relevant communication to all stakeholders. DPF meets this objective by sending regular news updates and monthly Employer Newsletters to participating employers and also posting these on the Fund's website at www.derbyshirepensionfund.org.uk.

Copies of public Pensions & Investment Committee reports and minutes can be found on the Derbyshire Democracy website and copies of the meeting notes in respect of Derbyshire Pension Board meetings can be found on the Fund's website.

During 2024, the Fund has set up a Member Engagement Forum which aims to increase understanding about members experience of being part of the fund. This will help the Fund to improve the service that it provides to its members from active membership through to retirement. The first meeting took place in July 2024 and the Fund plans to hold forum meetings on a regular basis.

The Fund also seeks member and employer feedback on material policy and strategy updates, to ensure that the best interests of our beneficiaries and stakeholders are being met. An example of the Fund's most recent consultation is explained in greater detail under **Principle 6**, which sought member and stakeholder feedback on the proposed changes to the Fund's Investment Strategy Statement, Strategic Asset Allocation Benchmark, Responsible Investment Framework and Climate Strategy. As part of the consultation process, the Fund contacted over 90,000 individual scheme members to invite their feedback.

1.6 How effective has the Fund been in serving the best interests of its members and stakeholders

The Fund is mindful that it is a long-term investor and that the successful delivery of its goals and objectives is best measured over the same long-term horizon. However, the Fund made significant progress towards delivering on several of its key objectives in the year to 31 March 2024, which the Fund believes is strong evidence of it serving the best interests of its scheme members and stakeholders. Key achievements during the reporting period include:

Fund Work Stream	Description of Achievement
Funding Level	• At the April 2023 Pensions and Investments Committee, the Fund's Actuary Hymans Robertson reported that the Fund's funding level had improved from 97% on 31 March 2019 to 100% on 31 March 2022, moving from a deficit of £163m to a small surplus of £1m
Investment Performance	• The Fund delivered investment returns of 9.3% in the 12 months to 31 March 2024, increasing the value of the Fund by £548.9m, resulting in a total Fund value of £6,436m on 31 March 2024 • The Fund continues to add positive investment performance relative to its strategic asset allocation benchmark (SAAB) over the long term. The Fund delivered an annualised excess return over the SAAB of 0.22% over 5 years to 31 March 2024, rising to 0.34% over 10 years to 31 March 2024 • The Fund estimates that changes to the Fund's SAAB over the ten years to 31 March 2024 increased the Fund's investment value by around £285m, rising to around £445m including annualised excess returns
Strategy Reviews, Public Consultation	• Fund Officers carried out a detailed and thorough review of the Fund's Investment Strategy Statement, Strategic Asset Allocation Benchmark, Responsible Investment Framework and Climate Strategy • Updated versions of the Fund's Investment Strategy Statement, Strategic Asset Allocation Benchmark, Responsible Investment Framework and Climate Strategy were presented to Pensions & Investments Committee in December 2023. The updated versions were approved by Pensions & Investments Committee for public consultation • The public consultation ran for seven weeks between 13 December 2023 and 31 January 2024 • The Fund received a total of 67 responses, of which the majority related to responsible investment issues, particularly climate change. All of which were reviewed and considered by the Fund's officers and presented to the Pensions and Investments Committee for consideration • At the March 2024 Pensions and Investments Committee meeting, Committee approved the revised Investment Strategy Statement, Strategic Asset Allocation Benchmark, Responsible Investment Framework and Climate Strategy, which became effective 1 April 2024
Pensions and Investments	• The Pensions and Investments Committee met on seven occasions between April 2023 and March 2024

Committee, Pensions Board	• The Derbyshire Pension Fund Pension Board met on three occasions between April 2023 and March 2024

Training	• There were three training sessions held for Pensions & Investments Committee Members and Derbyshire Pension Board Members, on topics including:
	  ○ Investment Strategy Statement and Strategic Asset Allocation Benchmark
	  ○ Multi-Asset Credit
	  ○ Private Equity
	  ○ Climate Investments
	  ○ Pension Fund Cash Flow
	  ○ Ill health retirement
	  ○ LPGS Pooling & LGPSC
	  ○ Responsible Investment & Climate Risk Monitoring
	• Additional training sessions (covering RI matters) were also held for member induction sessions for 1x Pensions and Investments Committee member and 3x new Derbyshire Pension Board members

Manager Monitoring	• In the 12 months to 31 March 2024, the Inhouse Investment Management Team (IIMT) held 56 monitoring meetings with LGPSC and the Fund's external investment managers
Climate Risk Monitoring	• The Fund procured LGPSC to analyse the Fund's climate risk management and published its fourth Climate Risk Management Report • The Fund published its fourth annual Task Force Task Force on Climate-Related Financial Disclosures (TCFD) report • The Fund continued to report significant progress relative to its approved Climate Strategy targets
UK Stewardship Code 2020	• The Fund applied, and was accepted as a signatory to the UK Stewardship Code 2020 in August 2023
Member Forum	• During 2023-24, the Fund continued to build out plans for a Member Forum, including engaging with scheme members for forum members. The first Members Engagement meeting was held in July 2024, and included discussions around the Fund's approach to responsible investment

Purpose and Governance: Principle 2

Signatories' governance, resources and incentives support stewardship

2.1 Governance Arrangements

Governance Structure

The Fund is managed and administered by Derbyshire County Council in accordance with the Local Government Pension Scheme Regulations 2013 (2013 LGPS Regulations). Under the terms of the Council's Constitution, responsibility for the functions of Derbyshire Pension Fund is delegated to the Pensions & Investments Committee. A Local Pension Board (the Derbyshire Pension Board), set up in 2015 in accordance with the 2013 LGPS regulations, assists the Council with the governance and administration of the Fund.

The day-to-day management of the Fund is delegated to the Director of Finance who is supported by the Head of Pension Fund and in-house investment and administration teams. A significant proportion of the Fund's investment assets are managed by LGPSC (the Fund's investment pooling operating company) and by other external fund managers.

The Fund's governance objectives are to:

- Meet the highest standards of good governance through the application of the key principles of openness and transparency, accountability, integrity, clarity of purpose and effectiveness
- Ensure robust governance arrangements are in place to facilitate informed decision making supported by appropriate advice, policies and strategies, which do not unreasonably favour one group of stakeholders over another
- Ensure the Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise
- Comply with all appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance

The identification and management of conflicts of interest is integral to the Fund achieving its governance objectives. A Conflicts of Interest Policy has been developed for the Fund and was approved by the Pensions and Investments Committee in November 2020. The policy is reviewed on an annual basis by senior officers to ensure that it remains fit for purpose. The Conflicts of Interest Policy is discussed in more detail under **Principle 3**.

Pensions and Investments Committee

The Committee comprises eight voting Councillors representing Derbyshire County Council as the administering authority for the Derbyshire Pension Fund, and two voting Councillors representing Derby City Council, a major participating employer. Two trade union representatives are also entitled to attend Committee meetings as non-voting members. Officers of the Council and an independent investment adviser also attend meetings as required to provide advice and support to members of the Committee. Members of Derbyshire Pension Board are invited to attend the Committee's meetings as observers.

The Committee formally meets at least six times a year, supported by training sessions as required.

The Committee's responsibilities include:

- Approving and monitoring performance targets
- Reviewing and approving statements, strategies and policies, including: the Investment Strategy Statement; Quarterly tactical asset allocation; Funding Strategy Statement; Treasury Management Strategy; and other statutory policies required by the LGPS Regulations and strategy/policy statements in line with best practice
- Reviewing and considering reports, including triennial actuarial valuation report; annual report; administration and investment performance reports; and the risk register
- Ensuring arrangements are in place for communicating with the Fund's stakeholders and considering admission body applications
- Making appointments for the Fund, including the actuary; independent investment advisor; external fund managers for segregated mandates in advance of the management of the investment assets transitioning to the investment pool; and Additional Voluntary Contribution providers
- Overseeing DPF's involvement in investment pooling

Committee considered, noted and/or approved, 33 reports in the reporting period to 31 March 2024.

Copies of public Committee reports and minutes can be found on the Derbyshire Democracy website. Copies of the meeting notes in respect of Derbyshire Pension Board meetings can also be found on the Fund's website.

Committee meetings are open to the public, albeit there are some reserved matters (e.g. where they contain confidential information) which are discussed in a closed part of meetings, which the public is not allowed to attend.

A record of Committee and Derbyshire Pension Board attendance in the 2023-24 Committee year is set out in the table below.

Register of Attendance at 2023-24 Pensions and Investment Committee Meetings								
Committee Meeting	**Apr-23**	**Jun-23**	**Sep-23**	**Oct-23**	**Dec-23**	**Jan-24**	**Mar-24**	
Derbyshire County Council								Attendance
Cllr Neil Atkin	✓	✓	✓	✓	✓	✓	✓	100.0%
Cllr Barry Bingham	✗	✓	✓	✓	✓	✓	✓	85.7%
Cllr Mark Foster	✓	✓	✗	✓	✓	✓	✓	85.7%
Cllr Gary Musson	✓	✓	✓	✓	✗	✓	✓	85.7%
Cllr Peter Smith - Vice Chair	✓	✓	✓	✓	✓	✓	✓	100.0%
Cllr Alex Stevenson	✗	✗	✗	✗	✗	✗	✓	14.3%
Cllr David Wilson - Chair	✓	✓	✓	✓	✓	✓	✓	100.0%
Cllr Mick Yates	✓	✓	✗	✓	✓	✓	✓	85.7%
Derby City Council								Attendance
Cllr Carmel Ashby		✗	✓	✓	✓	✓	✓	83.3%
Cllr Lucy Care	✓	✓	✓	✓	✗	✗	✓	71.4%
Cllr Mike Carr	✓							100.0%
Derbyshire Pension Board Representative								Attendance
Derbyshire Pension Board Member	✓	✓	✓	✓	✓	✓	✗	100.0%
Trade Union Rep								Attendance
Trade Union Rep	✗	✗	✓	✗	✓	✓	✓	57.1%

Note: Cllr Mike Carr was replaced by Cllr Carmel Ashby in June 2023

Pensions and Investments Committee Training
An updated Fund Training Policy was approved by the Pensions and Investments Committee in March 2024, a copy of which can be found on the Fund's website. The Fund's Training Policy applies to all members of the Pensions and Investments Committee, all members of the Derbyshire Pension Board and senior officers involved in the management and administration of the Fund. In relation to training for those involved in the governance and the day-to-day management and administration of the Fund, the Fund's objective is to ensure that:

- Those persons charged with the financial management and decision making with regard to the Fund are fully equipped with the knowledge and skills required to discharge the duties and responsibilities allocated to them
- Those persons responsible for the day-to-day administration and running of the Fund have the appropriate level of knowledge and skills required to discharge their duties and responsibilities
- Those persons responsible for reviewing and approving the Fund's strategies and policies and for overseeing the governance of the Fund have sufficient knowledge and understanding, to be able to evaluate and challenge the advice they receive to ensure their decisions are robust and soundly based, to recognise and challenge performance management and legislative compliance information, and to effectively discharge their duties and responsibilities

To assist in achieving these objectives, the Fund has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on LGPS Knowledge and Skills (the CIPFA Code) and the Knowledge and Skills Framework for LGPS Committee Members and LGPS officers (CIPFA Framework).

Both the CIPFA Code and CIPFA Framework will apply to all Committee members and Board members, together with Senior Officers involved in the management and administration of the Fund.

The Fund also has regard to the knowledge and skills requirements of:

- Pensions Act 2004
- Public Pensions Services Act 2013
- The Pensions Regulator's Code of Practice
- MIFID II
- MHCLG Statutory Guidance
- Guidance from the England & Wales Scheme Advisory Board

Code of Practice on LGPS Knowledge and Skills 2021

The CIPFA Code and CIPFA Framework were updated in 2021. In line with the CIPFA Code, the Committee has adopted the following statements, as recommended by the CIPFA Code:

- This LGPS administering authority adopts the key principles of the Code of Practice on LGPS knowledge and skills.
- This LGPS administering authority recognises that effective management, governance, decision making and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.
- This administering authority has in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements to effectively acquire and retain LGPS knowledge and skills for those reporting for the management, delivery, governance and decision making of the LGPS.

- These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA LGPS Knowledge and Skills Framework.
- This administering authority will ensure that it has adequate resources in place to ensure all staff, members or other persons responsible for the management, decision making, governance and other aspects of the delivery of the LPGS acquire and retain the necessary knowledge and skills.
- This administering authority will report annually on how their knowledge and skills policy has been put into practice throughout the financial year in the Fund's annual report.
- This administering authority has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the appropriate officer, who will act in accordance with the administering authority's knowledge and skills policy statement, and, where they are a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).

The CIPFA Framework was published in 2021 and identifies eight core technical areas where appropriate knowledge and skills should be achieved and maintained. They are:

1. Pensions Legislation and Guidance
2. Pensions Governance
3. Funding Strategy and Actuarial Methods
4. Pensions Administration and Communication
5. Pensions Financial Strategy, Management, Accounting, Reporting and Audit Standards
6. Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management
7. Financial Markets and Products
8. Pension Services Procurement, Contract Management and Relationship Management

Members of the Committee, the Pension Board and senior officers complete self-evaluation forms on an annual basis assessing their knowledge of the eight core areas and also their knowledge about individual investment asset classes. A Training Plan is then developed based on the results of these assessments and is supplemented, where appropriate, to cover matters arising in the course of managing the Fund (e.g. additional training in advance of the consideration of new asset classes).

Training is provided either by pension fund senior officers or external third parties (e.g. investment manager training on asset class investments).

Training is delivered jointly to members of the Committee and the Pension Board where possible.

The training events in the year to 31 March 2024 comprised:

July 2023	Private Equity Pension Fund Cash Flows Ill Health LGPS Investment Pooling
October 2023	Investment Strategy Statement Strategic Asset Allocation Benchmark Responsible Investment Framework Climate Strategy
January 2024	Diversified Multi-Asset Credit

Four members of Derbyshire Pension Board also attended a three day Local Government Association Fundamentals Course which provided an overview of the LGPS scheme and current issues in LGPS administration, investments and governance.

Training was also provided externally by LGPSC at a Responsible Investment Summit in June 2024.

Subsequent to the period-end, a training event was held in April 2024 covering Climate Infrastructure, Climate Metrics, the McCloud Remedy, and My Pensions Online. This was followed by a training event held in July 2024 covering Private Credit, Actuarial Valuations and Pensions Dashboards.

All new members of either Committee or Derbyshire Pension Board also receive standalone induction training. During the reporting period, induction training sessions were held for 1x new Pensions and Investments Committee members and 3x new Derbyshire Pension Board members.

Derbyshire Pension Board

The Public Service Pensions Act 2013 introduced a framework for regulatory oversight by the Pensions Regulator and introduced a new governance structure for the LGPS which came into effect in April 2015 and included the requirement for administering authorities to establish Local Pension Boards. Derbyshire Pension Board consists of two Scheme Member representatives and two Scheme Employer representatives together with a non-voting Independent Chair.

Officers of the County Council attend Derbyshire Pension Board meetings to provide advice and support to members of the Derbyshire Pension Board. The role of Derbyshire Pension Board is to assist the administering authority to ensure the effective and efficient governance and administration of the LGPS, including:

- Securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme
- Securing compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme

Members of Derbyshire Pension Board are invited to attend Committee meetings as observers and receive all papers ahead of each meeting. The members of the Derbyshire Pension Board are also invited to attend the Pensions and Investments Committee training sessions noted earlier.

In-house Investment Management Team

The Fund's In-house Investment Management Team (IIMT) consists of a Head of Pension Fund, an Investments Manager and an Assistant Fund Manager. Team members come from diverse backgrounds across financial services, with significant combined experience in investment management, investment analysis, portfolio construction and management, asset class research (public and private market), fund manager research and selection, accounting and financial due diligence.

The IIMT works on a variety of investment, stewardship, responsible investment and ESG topics and issues. Topics of research carried out by the IIMT over the reporting period include (but are not limited to):

- Net Zero and climate transition pledges by governments, corporations and pension funds
- Climate risk metrics methodologies

- Governance arrangements and shareholder voting trends for executive pay and board nominations
- Multi-Factor tilting methodologies in multi-factor equity index products
- Natural capital investments, including Timberland and Farmland
- Carbon credit markets and carbon pricing
- ESG & Carbon tilting methodologies
- Paris Aligned Benchmarks
- The suitability and impact of using levered fund sleeves in private markets
- Performance hurdles and carried interest arrangements relating to private market funds

Additional Resourcing

In the Pension Fund's 2024-25 Service Plan, a new fund structure has been proposed which will introduce two new roles to the investment team: a Stewardship and Investment Officer (replacing and enhancing the Assistant Fund Manager role) and a Stewardship and Investments Analyst (a brand-new role). The new roles recognise that stewardship is at the very core of the Fund's investment activities.

Incentivising Stewardship

One of the reporting expectations of Principle 2 is to explain how any performance management or reward programmes have been used to incentivise workers to integrate stewardship and investment decision making. Due to the nature of being a local authority employer, the Fund cannot align compensation or performance rewards to incentivise stewardship activities. However, such incentives are unnecessary because responsible investment and stewardship are deeply embedded in the Fund's investment processes. Team members are keenly aware of their fiduciary duties and responsibilities and they are highly focussed to deliver positive and successful outcomes for members and stakeholders.

Independent Investment Advisor

In line with best practice, the Fund has an independent investment advisor, Anthony Fletcher of Apex Group (formerly MJ Hudson Allenbridge), to provide advice to the Pensions & Investments Committee on an ongoing basis, including attending Committee meetings to provide an update on investment markets, investment strategy and provide quarterly tactical asset allocations recommendations.

The appointment of the Fund's independent investment advisor is subject to an open and transparent public procurement process and was last completed in 2022.

The Fund's external investment advisor has a broad range of experience across investments, economics and markets, in addition to possessing ESG related knowledge and skills, to ensure that ESG advice, including advice on climate change, is provided in the context of the broader range of risk and reward considerations.

Key Governance Documents

DPF's key investment related governance documents comprise: Investment Strategy Statement; Funding Strategy Statement; Responsible Investment Framework; Climate Strategy; Taskforce for Climate Related Financial Disclosures Report; Annual Report; Pension Fund Service Plan; Investment Procedures Manual; Governance Policy & Compliance Statement; Treasury Management Strategy; and Conflicts of Interest Policy.

LGPS Central Pool – Governance Arrangements

Derbyshire County Council as the administering authority for Derbyshire Pension Fund, has partnered with the administering authorities for the LGPS pension funds of Cheshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands & Worcestershire (also referred to as Partner Funds) to form a collective investment pool, known as the LGPS Central Pool (the Pool), in accordance with Government guidance on the pooling of LGPS investment assets.

Each of the eight administering authorities is a one-eighth shareholder in LGPS Central Limited (LGPSC), the FCA authorised and regulated operating company set up by the eight shareholders, to manage pooled investment products on behalf of the eight LGPS pension funds.

The governance arrangements of the LGPS Central Pool include the following bodies:

The Joint Committee is a public forum for the Administering Authorities within the LGPS Central Pool to provide oversight of the delivery of the objectives of the Pool, the delivery of client service, the delivery against the Pool's business case and to deal with common investor issues. The Joint Committee provides assistance, guidance and recommendations to the individual administering authorities, taking into consideration the conflicting demands and interests of the participants within the Pool. The Joint Committee does not have delegated authority to make binding decisions on behalf of the administering authorities. Membership of the Joint Committee consists of one elected member from each of the administering authorities. The Chair of the Fund's Pensions & Investments Committee, or their nominee, represents Derbyshire County Council on the LGPS Central Pool Joint Committee

The Shareholders' Forum (SF) oversees the operation and performance of LGPSC and represents the ownership rights and interests of the eight shareholders within the LGPS Central Pool. Collective shareholder discussions take place in the Shareholders' Forum and aim to ensure that the shareholders act in a unified way in LGPSC company meetings, having agreed to a common set of principles.

Membership of the Shareholders' Forum consists of one representative from each shareholder. The Director of Finance or his/her nominee represents Derbyshire County Council at the Shareholders' Forum and at LGPSC company meetings, with delegated authority to make decisions on any matter which requires a decision by the shareholders of LGPSC.

The Practitioners' Advisory Forum (PAF) is a working group of officers appointed by the administering authorities within the LGPS Central Pool to support the delivery of the objectives of the Pool and to provide support for the Joint Committee and Shareholders' Forum. The Director of Finance, the Head of Pension Fund, the Investments Manager and the Assistant Fund Manager actively represent Derbyshire County Council on the Practitioners' Advisory Forum as required. PAF is supported by four sub-working groups: Finance Working Group, Governance Working Group, Investment Working Group, and Responsible Investment Working Group. The Investment Working Group and Responsible Investment Working Group are discussed in more detail under **Principle 8**.

LGPSC – Responsible Investment Resources

LGPSC also has a dedicated Responsible Investment & Stewardship (RI&S) team that sits within LGPSC's investment team and reports to the LGPSC CIO. The LGPSC RI&S team currently consists of a Director of Responsible Investment & Engagement, Head of Stewardship, Responsible Investment & Engagement Manager, Net Zero Manager, Senior Stewardship Analyst and two Responsible Investment & Engagement Analysts. Team members come from diverse academic backgrounds and specialisms across RI policy development, ESG integration in public and private markets, stewardship and engagement across the value chain, as well as climate expertise.

Due to the size of the portfolio (over 3,000 companies) LGPSC is assisted by an external Stewardship Provider, EOS at Federated Hermes, for stewardship activities beyond the scope of the LGPSC-led stewardship activities. LGPSC and EOS share a view that dialogue with companies on ESG factors is essential in delivering improved long-term returns for investors, as well as more sustainable outcomes for society. EOS reports on voting and engagement activities across relevant ACS funds on a quarterly and annual basis. EOS also engage with regulators, industry bodies and other standard setters on LGPSC's behalf to try and shape capital markets and the environment in which companies and investors can operate more sustainably.

Purpose and Governance: Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

3.1 Conflicts of Interest Policy

The Fund's Conflicts of Interest Policy (CIP) sets out the process for identifying, monitoring and managing conflicts of interest in the governance and management of the Fund. The CIP is an aid to good governance, in conjunction with the Fund's other governance documents, encouraging transparency and minimising the risk of any matter prejudicing decision making or the management of the Fund.

The current legislative background largely relates to managing conflicts of interest with respect to members of Local Pension Boards. In the interests of best practice, the Fund's CIP relates to all individuals involved in the management and governance of the Fund, including Committee members, Derbyshire Pension Board members, Fund senior officers, Fund advisors and suppliers.

DPF encourages a culture of openness and transparency and encourages individuals to be vigilant, have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest, and of how potential conflicts should be managed.

A summary of the policy is included in the table below:

Conflicts of Interest Policy

Purpose and Objectives
The aim of the Policy is to provide guidance to members of the Pensions and Investments Committee and the Derbyshire Pension Board, officers, advisers and suppliers on how to manage conflicts when undertaking their roles and in relation to Fund. It is also intended to provide assurance to the Fund's members, employers and wider stakeholders that conflicts are managed appropriately.

Along with the County Council's other constitutional documents, including Codes of Conduct for members and for officers, it aims to ensure that individuals involved in the governance and management of the Fund do not act improperly or create a perception that they may have acted improperly.

To whom the Policy applies
The Conflicts of Interest Policy is established for the guidance of:

- All members of Derbyshire Pension Board
- All members of the Pensions and Investments Committee, including trade union observers and any other representatives
- Senior officers involved in the governance and management of the Pension Fund (such as the Director of Finance and the Head of Pension Fund)
- All advisers and suppliers to the Fund, whether providing advice or supplies to the Derbyshire Pension Board, the Committee or Fund officers

In addition to the requirements of the Conflicts of Interest Policy, elected members and officers are also required to adhere to the County Council's Code of Conduct and to the Member and Officer Relationships Protocol, which both form part of the County Council's Constitution.

Reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Fund, including but not limited to the asset pool operator, dispute adjudicators, actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers.

3.2 Operational Procedures for Managing Conflicts of Interest

The Fund takes a three-stage approach to managing conflicts:

Identifying a conflict of interest

- All individuals to whom the CIP applies are provided with a copy of the CIP upon appointment to their role
- It is the responsibility of the individual to identify if a conflict exists and to seek advice from the Head of Pension Fund or County Council's Monitoring Officer, if required
- Members of the Pensions & Investments Committee, members of Derbyshire Pension Board and senior officers involved in the governance and management of the Fund will be required to complete a Declaration Form, on their appointment to their role
- It is the responsibility of members of the Committee, the Derbyshire Board, and relevant senior officers to keep their declarations of interest up to date
- In advance of any formal meeting, any individual who considers they may have a conflict of interest related to an item of business on the agenda should advise the Chair of the meeting and the Head of Pension Fund as soon as possible
- At the start of any meetings of the Pensions & Investments Committee meetings, Derbyshire Pension Board, or any other formal Pension Fund meetings, the Chair will ask all individuals present who are covered by this Policy to declare any interests

Managing a conflict of interest

- Where an actual conflict of interest on an agenda item is identified, an individual will be expected to exclude themselves from participating in the discussion and from voting on the relevant matter
- Where a potential conflict of interest on an agenda item is identified, advice will be sought from the Monitoring Officer, who will provide guidance regarding the individual's participation in the relevant discussion and vote based on all the available information
- If an actual or potential conflict of interest is identified outside of a meeting, the Head of Pensions will consult with the Monitoring Officer to consider any necessary action

Monitoring a conflict of interest

- All interests declared in meetings of the Committee, the Derbyshire Pension Board and any other formal Pension Fund meetings, will be recorded in the minutes of the meeting and noted in the Pension Fund's Register of Interests
- All actual or potential conflicts of interest identified outside of meetings will also be recorded in the Fund's Register of Interests
- The Register will be kept under review by the Head of Pension Fund and the Monitoring Officer. All relevant individuals will be required to confirm in writing to the Head of Pension Fund that the information held in respect to them is correct
- The Fund's Register of Conflicts of Interest may be viewed by any interested party

Over the course of 2023, there were six notifications added to the Fund's Conflict of Interests Register. Each of the notifications has been reviewed and assessed by the Head of the Pension Fund, together with a member of the County Councils in-house legal team under delegation from the County Council's Monitoring Officer. If required, the notification is also escalated to the County Council's Monitoring Officer.

Potential Conflicts of Interest Identified During the Reporting Period

- During 2023, a new DCC Director of Finance was appointed to replace a departing staff member. The Director of Finance acts as the Chief Financial Officer for the Fund and for Derbyshire County Council, which is the Fund's administering authority and largest scheme employer
- The newly appointed Director of Finance emailed the Head of the Pension Fund to raise the potential conflict, as there could be occasions where the objectives of both bodies could conflict
- A meeting was held between the Head of Pension Fund and the Director of Finance to discuss the potential conflict of interest
- The matter was then considered by the Head of Pension Fund and a member of the County Council's in-house legal team under delegation from the County Council's Monitoring Officer, where it was agreed that a potential conflict existed and that the matter would require monitoring
- This is a conflict that had previously been identified and registered on the Fund's Conflict of Interests Register in 2021 with respect to a previous Director of Finance – and it is a conflict that is already monitored on an on-going basis
- During the reporting period, the Fund did not identify any potential conflicts of interest or actual conflicts of interest in relation to Fund stewardship activities

Purpose and Governance: Principle 4
Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

4.1 Our Approach to Risk

DPF recognises the importance of effective risk management, including the identification and management of key risks. Risk management is a process by which the Fund identifies, assesses and seeks, to the extent possible, to mitigate the risks associated with its activities.

Effective risk management is a clear indicator of good governance. The Fund's Risk Register is the primary document for identifying, assessing and monitoring risks. The Fund's Risk Register is reviewed by the Director of Finance, the Pensions & Investments Committee and Derbyshire Pension Board on a regular basis and identifies the nature of the risk, the probability of the risk occurring, the potential impact, a current risk score, risk mitigation controls and procedures, a target risk score and a risk owner.

An example of a current risk on the Fund's Risk Register, together with planned mitigation, is set out in the table below:

Key Risk	Comments and Mitigation
Failure to correctly assess the potential impact of climate change on the investment portfolio and on funding strategy	The outcome for global warming and the transition to net-zero is highly uncertain. Failure to correctly assess potential financially material climate change risks when setting the investment strategy and the funding strategy could impact on investment performance, the Fund's funding level and reputational damage **Current Risk Mitigation Controls and Procedures** ➢ The first Climate Risk Management Report was received from LGPSC in February 2020. The report included carbon metrics data and climate scenario analysis ➢ The Taskforce on Climate-related Financial Disclosures (TCFD) developed a framework for investors to more effectively disclose their approach to managing climate related risks and opportunities. The report is structured around: governance, strategy, risk management and metrics and targets. The Fund published its first TCFD report in March 2020 ➢ Both reports were presented to the Pensions and Investments Committee in March 2020 ➢ A dedicated Climate Strategy was published by the Fund and presented to and approved by the Pensions and Investments Committee in November 2020, following a public consultation with Fund stakeholders ➢ Climate Risk Management Reports have subsequently been received from LGPS Central on an annual basis, and TCFD reports are updated accordingly ➢ The 2023 Climate Risk Report from LGPSC showed that the Fund had reduced the carbon footprint of the listed equity portfolio by 47% relative to the weighted benchmark in 2020 (target reduction of 30% by end of 2025), 50% reduction on a restated basis and had invested 29% of the Fund portfolio in low carbon & sustainable investments (target 30% by end of 2025); 30% including commitments ➢ A measured approach has continued to be taken to the interpretation of climate related data and the setting of climate related targets recognising the relative immaturity of much of the data and the need to monitor the impact of significant transitions on portfolio performance and risk. ➢ Climate scenarios analysis is also carried out as part of contribution rate modelling by the Fund's actuary as part of the triennial valuation process, in addition to the scenario analysis conducted by LGPSC **Proposed Risk Mitigation Controls and Procedures** ➢ The Fund will continue to procure an annual Climate Risk Management Report from LGPSC ➢ The Fund will continue to update and publish its TCFD report on an annual basis ➢ The Fund will continue to work collaboratively with its investment managers and with fellow investors towards achieving the targets set out in the Fund's Climate Strategy with the ultimate aim of achieving a portfolio of assets with net zero carbon emissions by 2050

Investment Risk

The Committee aims to balance risk and reward by apportioning the Fund's assets over a range of asset classes to achieve the Fund's goals, to manage risk and to match the investment horizons. The Fund's Strategic Asset Allocation Benchmark (SAAB) takes into account the required level of return and an appropriate balance between generating long term investment returns and exposure to investment risk. The SAAB includes a wide variety of asset classes, in order to diversify sources of risk and return. It takes into account the future expected returns from the different asset classes, the historic levels of volatility of each asset class and the level of correlation between the asset classes.

The Fund's asset classes are allocated into three broad categories, which are set out in more detail in the table below.

Asset Class	Comprise	Asset Class Characteristics
Growth Assets	➢ Quoted Equities ➢ Private Equity	○ **Publicly Quoted Equities** are classed as growth assets with the potential to provide returns in excess of inflation from growth in both capital values and income ○ As equity returns are linked to company revenues and profits, investing in equities increases exposure to volatility. Investors expect to be compensated for that volatility by higher returns ○ **Private Equity** investment refers to investment in unquoted, privately owned companies ○ Investors expect to receive an illiquidity premium for investing in this asset class and target returns above those expected from publicly quoted equities
Income Assets	➢ Infrastructure ➢ Multi-Asset Credit ➢ Property	○ Income Assets are designed to deliver an excess return, but with more stable return patterns than Growth Assets because income represents a large proportion of the total return of these assets ○ **Infrastructure** offers access to long term predictable cash flows, which are often linked to inflation ○ A low correlation to the business cycle and the other major asset classes provides diversification benefits and long investment horizons ○ **Multi-Asset Credit** typically relates to sub-investment grade corporate bonds and includes private debt, high yield debt and asset-backed securities ○ Multi-Asset Credit offers a predictable income stream and a yield pick-up relative to sovereign bonds and investment grade corporate bonds reflecting the increased risk of default ○ **Property** returns come from rental income and change in market values, with rental income accounting for the largest proportion of total returns over the long term ○ Given the relative stability of rental income, which gives property bond like characteristics, the returns from property are generally expected to fall between the returns from equities and those from bonds
Protection Assets	➢ Government Bonds ➢ Index-Linked Bonds ➢ Non-Government Bonds ➢ Cash	○ **Bonds** (sovereign and corporate) offer predictable streams of income and predictable returns if held to maturity. They are held as stabilising assets to reduce volatility and to provide diversification ○ As pension funds mature, they can be used to provide liquidity and to match liabilities as they fall due ○ **Cash** is primarily held by the Fund to fulfil its daily liquidity and operational requirements ○ Depending on market conditions, cash can also act as a Protection Asset in falling markets

The asset allocation of the Fund is reviewed on a quarterly basis, and tactical positions around the SAAB are agreed by Committee following advice from the Fund's in-house investment managers and the Fund's Independent Adviser. The Fund's SAAB was formulated in consultation with the Independent Adviser following the completion of the 2022 triannual valuation conducted by Hymans Robertson, the Fund's actuary, and was approved by Committee in March 2024, after a consultation with Pension Fund stakeholders.

To implement the SAAB will require several significant asset class transitions relative to the previous SAAB, increasing the Fund's exposure to transition risk. To manage the transition risk, the implementation of the SAAB has been split into two parts, an Intermediate SAAB, which came into effect on 1 April 2024, and a Final SAAB, which will come into effect on 1 April 2025 – at the latest. The Intermediate SAAB is effectively set half-way towards the Final SAAB. For example, in the Final SAAB, the Fund would completely divest from its regional Japanese and Emerging Market Equity holdings, taking the exposure to 0%. The Intermediate SAAB reduced the Fund's neutral weight to those regions by 50% relative to the previous SAAB.

The Fund's Intermediate and Final SAABs are set out in the table below. The arrows indicate the direction of change from the previous SAAB.

SAAB	Previous SAAB	Intermediate SAAB	Final SAAB
Growth Assets	**55.0%**	**52.5% ↓**	**50.0% ↓**
Global Sustainable Equities	29.0%	31.5% ↑	36.0% ↑
UK Equities	12.0%	10.0% ↓	8.0% ↓
Japanese Equities	5.0%	2.5% ↓	0.0% ↓
Emerging Market Equities	5.0%	2.5% ↓	0.0% ↓
Private Equity	4.0%	6.0% ↑	6.0%
Income Assets	**25.0%**	**27.5%**	**30.0%**
Infrastructure	10.0%	11.5% ↑	13.0% ↑
Property	9.0%	9.5% ↑	10.0% ↑
Multi-Asset Credit	6.0%	6.5% ↑	7.0% ↑
Protection Assets	**20.0%**	**20.0%**	**20.0%**
Government Bonds	6.0%	6.0%	6.0%
Index Linked Bonds	6.0%	6.0%	6.0%
Non-Government Bonds	6.0%	6.0%	6.0%
Cash	2.0%	2.0%	2.0%

4.2 The Principal Risks Faced by the Fund

The overall risk for the Fund is that its assets will be insufficient to meet its liabilities. The FSS, which is developed as part of the triennial actuarial valuation of the Fund, sets out how any deficit in assets compared with liabilities is to be addressed.

Underlying the overall risk, DPF is exposed to demographic risks, regulatory risks, governance risks and financial risks (including investment risk). The measures taken by the Fund to control these risks are reviewed quarterly by the Committee through the Fund's Risk Register.

The primary investment risk is that the Fund fails to deliver the returns anticipated in the actuarial valuation over the long term. The assumed long-term investment return included in the actuarial valuation is a prudent estimate of expected future returns, reducing the risk of the Fund's investment assets underperforming expectations.

It is important to note that the Fund is exposed to external, market driven, fluctuations in asset prices which affect the liabilities (liabilities are partially estimated with reference to future expected investment returns) as well as the valuation of the Fund's assets. Measures taken to control/mitigate investment risks are set out in detail in the table below:

Risk Category	Risk Description
Concentration Risk	➢ The Fund manages the risk of exposure to a single asset class by holding different categories of investments (e.g. equities, bonds, property, alternatives and cash) and by holding a diversified equity portfolio, spread by both geography and market sectors ➢ Each asset class is managed within an agreed permitted range to ensure that the Fund does not deviate too far away from the SAAB, which has been designed to meet the required level of return with an appropriate level of exposure to risk, taking into consideration the level of correlation between the asset classes
Volatility Risk	➢ The SAAB contains a high proportion of equities with a commensurate high degree of volatility ➢ The strong covenant of the major employing bodies enables Committee to take a long-term perspective and to access the forecast inflation plus returns from equities
Performance Risk	➢ The Fund uses a mix of active and passive management ➢ Active investment managers are expected to outperform the individual asset class benchmarks detailed in the overall SAAB ➢ Manager performance is monitored on an on-going basis by the Fund's IIMT ➢ The Fund's performance is measured by an independent provider and reported to the Committee on a quarterly basis ➢ Committee takes a long-term approach to the evaluation of investment performance but will take steps to address persistent underperformance
Currency Risk	➢ The Fund's liabilities are denominated in sterling which means that investing in overseas assets exposes the Fund to a degree of currency risk ➢ Committee regards the currency exposure associated with investing in overseas equities as part of the return on the overseas equities; the currency exposure in respect of the Fund's Income Assets and Protection Assets is hedged back to sterling on a quarterly basis
Stock Lending Risk	➢ The Fund does not currently participate in any standalone stock-lending arrangements ➢ As part of the LGPS Central Pool, the funds managed by LGPSC participate in stock-lending arrangements. LGPSC is responsible for ensuring that appropriate controls are place to protect the security of the Fund's assets
Custody Risk	➢ The risk of losing economic rights to the Fund's assets is managed by the use of a global custodian for custody of the assets, regular scrutiny of the Fund's providers, and the maintenance of independent investment accounting records

4.3 Market Wide and Systemic Risks

1. Climate Risk

Climate change represents a major source of systemic risk in the financial system. Climate risk can be decomposed into physical risks (arising from the physical effects of climate change and climate related hazards) and transition risks (relating to the transition to a lower carbon economy including changing consumer preferences and the extent that industries and companies can adapt to a net-zero economy). Physical and transition climate risks pose a significant threat to well-functioning financial markets and they could destabilise financial markets and asset prices through widespread contagion.

As part of its risk monitoring efforts, the Fund has identified that financial markets will be impacted by climate change and by the response of policy makers, industries and companies. Risks and opportunities related to climate change are likely to be experienced across all asset classes and consequently the whole of the Fund's portfolio. Climate change therefore represents a long-term financial material risk for the Fund. It has the potential to affect the funding level through impacts on employer covenant, asset pricing, and longer-term inflation, interest rates and life expectancy.

The current understanding of the potential long-term risks posed by climate change, together with the development of climate- related measurements and disclosures, are still at an early stage, and there is considerable variability in the quality and comparability of carbon emission estimates. It is recognised that it will take time for companies to adapt to the changing regulatory and market positions.

Reflecting the potential material effect of climate change, the potential systemic risk it poses and the policy responses to climate change, on the assets and liabilities of the Fund, the Fund developed and published its first Climate Strategy in 2020. The Climate Strategy sets out the Fund's approach to addressing the risks and opportunities related to climate change. The Climate Strategy works in tandem with the Fund's Responsible Investment Framework, Investment Strategy Statement and Funding Strategy Statement.

As part of a wider investment strategy review in 2023-24, the Fund reviewed and updated its Climate Strategy because the Fund had made significant progress towards achieving the targets that were initially set in 2020 – some two years ahead of schedule. The updated Strategy has seen the Fund set higher targets in respect of decarbonisation and the level of investment into sustainable and low carbon investments. The scope of the targets has also increased to cover additional asset classes. The updated strategy is discussed in more detail below.

To support the Fund in addressing the risks and opportunities surrounding climate change, the Fund commissioned LGPSC to produce an annual Climate Risk Management Report in 2020. The first report was presented to Committee in early 2020, followed by a second report in December 2021, a third report in January 2023 and a fourth report in January 2024. The Fund also complies with disclosure requirements of the Task Force on Climate-Related Financial Disclosures (TCFD). The Fund's fourth TCFD report was presented to Committee in January 2024 and has been uploaded to the Fund's website.

Collaboration

The Fund recognises that it is a small participant in the global financial system and that as an individual investor the Fund has limited influence on matters of global significance. To address the systemic and global nature of climate risk, the Fund has chosen to collaborate with like-minded investors to positively influence policy makers and corporate behaviours as the Fund believes that collectively, groups of investors have stronger negotiating power.

The Fund collaborates with its pooling company (LGPSC) and its 8 partner funds representing over £60bn in assets under management and it has also joined industry initiatives such as the

Institutional Investor Group on Climate Change (IIGCC). The Fund's collaboration efforts are discussed in more detail in Section 4.4 Participation in Industry Initiatives.

Climate-Related Objectives

- DPF supports the ambitions of the Paris Agreement and aims to achieve a portfolio of assets with net zero carbon emissions by 2050. This will be achieved through its selection of investments and investment managers
- DPF aims to have access to the best possible information available on the risk and opportunities presented by climate change
- DPF aims to ensure that its investment portfolio will be as resilient as possible to climate related risks over the short, medium and long term. For an effective first line of defence, the Fund aims to integrate climate-related factors into the investment process, including the selection of investment managers

Climate-Related Strategic Actions: Measurement and Observation

The Fund makes regular measurements and observations on climate-related risks and opportunities relevant to the Fund, including:

- The identification of material climate-related risks
- An investment return assessment of the Fund's asset allocation against plausible climate-related scenarios
- A suite of carbon metrics to allow the Fund to assess progress in responding to climate-related risks and opportunities, including carbon intensity, weight in companies with fossil fuel reserves, weight in companies with thermal coal reserves, percentage of investee companies with a net-zero target and weight in companies with clean technology
- Assessment of progression against the Fund's carbon footprint and low carbon & sustainable investment targets
- Engagement with the Fund's external investment managers to understand how they are identifying and mitigating climate risks in their portfolios and to push for increased transparency and disclosures on investment level carbon risk metrics across all asset classes

Climate-Related Strategic Actions: Asset Allocation and Targets

The Fund believes that portfolio-wide 'top down' targets are an important means to set direction and appropriate ambition for an investment strategy towards net zero, and to monitor whether that strategy is achieving expected outcomes. However, a focus on just a single top-down portfolio emissions reduction target can incentivise a shift of assets within a portfolio from high to already lower carbon assets and sectors, rather than driving additional 'real world' emissions reductions from increasing investments in climate solutions that contribute to the achievement of the net zero goal. The Fund's first Climate Strategy, published in 2020, included the following aims:

- Target 1: Reduce the carbon footprint (Scope 1 & 2) of the Fund's listed equity portfolio by at least 30% relative to the weighted benchmark in 2020 by the end of 2025; and
- Target 2: Invest at least 30% of the Fund portfolio in low carbon & sustainable investments by the end of 2025.

On 31 March 2023, the following progress had been made:

Target	Target by end of 2025	Actual on 31 March 2023
1. Listed Equity Portfolio carbon footprint (Scope 1 & 2) reduction	(30%)	(47%)
2. Low carbon and sustainable investments	30%	Invested: 29% Committed: 30%

Given the significant level of progress the Fund has made against these targets, the Fund's Pensions & Investments Committee approved an updated Climate Strategy in March 2024**.** The updated Climate Strategy included a significant increase in the Fund's climate strategy targets relative to the November 2020 Climate Strategy, together with an increase in the assets covered by the targets. The updated targets are as follows:

- Target 1: Reduce the weighted average carbon footprint (Scope 1 & 2) of the Fund's listed equity and investment grade bond portfolios by at least 60% relative to the weighted benchmark in 2020 by the end of 2030.

- Target 2: Reduce the absolute financed emissions (Scope 1 & 2) of the Fund's listed equity and investment grade bond portfolios by at least 60% relative to the weighted benchmark in 2020 by end of 2030.

- Target 3: The Fund will aim to assess/estimate the carbon footprint (weighted average carbon intensity and/or absolute financed emissions) (Scope 1 & 2) of at least 70% of the Fund's other assets, excluding sovereign bonds and cash, by AUM by the end of 2030. The aim is to build-up the scope, accuracy and comparability of the Fund's other assets' carbon metrics, allowing the Fund to meaningfully engage and monitor investment managers, and track progression towards net zero by 2050.

- Target 4: The Fund will aim to invest at least 45% of the Fund's total investment portfolio in low carbon & sustainable investments by the end of 2030.

- Target 5: The Fund will track the reported Scope 3 financed emissions of the Fund's combined top 10 listed equity and investment grade bond portfolio companies by Scope 3 financed emissions as part of the Fund's TCFD report.

- Target 6: Listed Assets Engagement Target: engage with investee companies covering at least 90% of financed emissions in material sectors by the end of 2030. Investee company engagement classified as either net zero aligned or aligning (Transition Pathway Initiative Rating and/or other recognised measure used by the Fund's climate metric data provider) or subject to direct or indirect engagement.

- Target 7: Listed Asset Coverage Targets: at least 50% of financed emissions in material sectors classified as either net zero aligned or aligning (Transition Pathway Initiative Rating and/or other recognised measure used by the Fund's climate metric data provider) by the end of 2030.

- Target 8: Other Assets Engagement Target: engage with at least 70% of the Fund's other assets investment managers, excluding sovereign bonds and cash, either directly or indirectly, on carbon metrics and net zero by 2050 targets by the end of 2030.

The table below, shows to the extent possible, performance relative to the targets using the Fund's carbon metrics on 31 March 2024.

New Target	Target	DPF on 31 March 2024
(1) Reduce the Fund's Listed Equity & Investment Grade Bonds (IGB) WACI	60% relative to the 2020 weighted base benchmark by 2030	Listed Equities: 61% IGB: 32%
(2) Reduce the Fund's Listed Equity & IGB absolute financed emissions	60% relative to the 2020 weighted base benchmark by 2030	Listed Equities: 49% IGB: 14%
(3) Assess/measure the carbon footprint of the Fund's other assets	70% by 2030	Not yet measured
(4) Invest 45% of the Fund's total investment assets in low carbon and sustainable investments	45% by 2030	Invested: 33% Committed: 35%
(5) Track Scope 3 financed emissions of the Fund's top 10 Listed Equity & IGB holdings	Track in the Fund's TCFD report	Tracked in the Fund's TCFD report
(6) Listed Assets Engagement Target	90% financed emissions coverage in material sectors by 2030	LGPSC total engagement coverage by financed emissions: Listed Equities: 55.2% IGB: 60.6%
(7) Listed Asset Coverage Target (classified as net zero aligned/aligning)	50% of financed emissions in material sectors by 2030	LGPSC Paris Agreement Aligned: Listed Equities: 26.5% IGB: 31.1%
(8) Other Asset Engagement Target	70% by 2030	Not yet measured

The Fund believes that the Fund's updated Climate Strategy is in line with best practice and notes that the target to reduce the weighted average carbon intensity of the Fund's listed asset portfolio by 60% by the end of 2030, relative to the weighted benchmark in 2020, is higher than the mid-point carbon reduction forecast of 48% by 2030 reflected in the IPCC's Net Zero Emissions Pathway forecast. The IPCC's Net Zero Emissions Pathway forecasts the reduction in global greenhouses at set dates (e.g. 2030, 2035, 2040 & 2050) to limit global warming to 1.5°C with no or limited overshoot.

4.4 Participation in Industry initiatives

Organisation/Initiative	About the Organisation / Initiative
Local Authority Pension Fund Forum	➢ The Fund was a founding member of the Local Authority Pension Fund Forum (LAPFF) ➢ LAPFF conducts engagements with companies in the UK and abroad on behalf of over 80 local authority pension funds, with combined assets under management of £350 billion ➢ Officers of the Fund, together with the Chair of the Pensions & Investments Committee, attend the quarterly LAPFF business meetings, where LAPFF's on-going engagement work is discussed ➢ LAPFF engaged with multiple companies in 2023-24, through meetings across a spectrum of material ESG issues, including climate change, human-rights and fair tax practices **Impact and Effectiveness:** ➢ LAPFF promotes the highest standards of stewardship, corporate governance and corporate responsibility and it often engages on systemic risks and systemic issues with companies and policy makers. ➢ Membership of LAPFF enables the Fund to maximise its influence and enables the fund to play a more significant role in ensuring the stability and functioning of financial markets by lending its support to high profile engagements address risks that are systemic in nature
IIGCC The Institutional Investors Group on Climate Change	➢ The Fund became a member of the Institutional Investors Group on Climate Change (IIGCC) in January 2023, and renewed its membership in January 2024 ➢ The IIGCC is an influential asset owner and asset manager group, which has a mission to support and enable the investment community to drive significant and real progress by 2030 towards a net zero and resilient future **Impact and Effectiveness:** ➢ The IIGCC brings together a significant number of likeminded investors which collectively can maximise their influence in engaging companies and policy makers on climate change and net-zero solutions ➢ During 2023-24, the Fund's officers participated in the Index Investing Workstream, which explores implementing net zero solutions in passive index investments across fixed income and equities. The Fund recognises that for net-zero to be achieved in the global economy, net zero solutions also need to be offered in financial markets. The Fund hopes that this engagement work will support such a transition

LGPS: Next Steps on Investments – DLUHC Consultation	➢ The Department for Levelling Up, Housing and Communities (DLUHC) (subsequently renamed the Ministry for Housing, Communities and Local Government (MHCLG)) opened a consultation to seek views on policy proposals relating to the investments of the LPGS. It covered fives areas relating to asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definitions of investments ➢ The Fund's officers prepared a detailed response to each of the five consultation proposals. The consultation response was approved by the Director of Finance and the Chair of the Pensions & Investments Committee ➢ The Fund has also recently responded to a MHCLG Efficiencies Letter in July 2024 and responded to a MHCLG Call for Evidence in September 2024. **Impact and Effectiveness:** ➢ The Fund recognises that it has a fiduciary responsibility to engage on consultations that have the potential to have a significant impact on the way that the Fund is managed and invested, to ensure that it is continually serving the best interests of its clients ➢ For example, in response to DLUHC's proposal that Pools should be actively advising funds regarding investment decisions, including investment strategies, the Fund responded that: "*Administering authorities of LGPS funds owe a fiduciary duty to scheme employers, whose liabilities are largely backed by local taxpayers, and to scheme members, whose benefits are paid by the LGPS funds when they fall due, making it vital for administering authorities to retain the responsibility for setting investment strategies"* as the Fund believes that retaining sole and full responsibility for deciding investment strategy ensures that it can continue to deliver in the best interests of its members and stakeholders
Climate Action 100+	➢ On behalf of the LGPS Central Pool, LGPSC is a member of Climate Action 100+ (CA100+), an engagement collaboration of more than 700 investors with a combined $68 trillion assets under management ➢ CA100+ engages with over 160 companies in climate critical sectors that are responsible for 80% of global industrial GHG emissions ➢ LGPSC Head of Stewardship is a member of the CA100+ Mining and Metals Sector Group **Impact and Effectiveness:** ➢ Climate Action 100+ is a targeted and robust investor collaboration which the Fund views as being highly impactful ➢ The 2021 CA100+ Benchmark Framework, published in March 2020 and updated in October 2022, embeds structure and rigour to assessments of companies against a Paris trajectory, ensuring all engagements are assessed in a consistent manner ➢ The Fund believes that LGPSC's involvement with CA100+ maximises the Fund's influence and helps to promote progress in addressing the systemic risk of climate change

Purpose and Governance: Principle 5
Signatories review their policies, assure their processes and assess the effectiveness of their activities

5.1 Review and Assurance Processes

The Fund firmly believes that reviewing policies and processes is crucial to the effective governance of the Fund.

All policies, strategies and statements are logged on an internal register, together with a named responsible pension fund officer. The register is reviewed on a quarterly basis by the senior pension fund team. All policies, strategies and statements have a formal review date of at least every three years, though in practice they are kept under regular review to reflect wider market and regulatory developments and to ensure the Fund's policies remain fit for purpose.

The Fund continues to believe that it operates an effective, efficient, and robust governance structure in line with LGPS regulations and industry best practice. The Fund's governance arrangements are monitored closely on an ongoing basis by the Fund's Pensions & Investments Committee, together with the Derbyshire Pension Board. The Fund believes that its policies and processes can be deemed effective as no reportable governance issues were noted in 2023-24, and no issues were flagged by either the Fund's internal or external auditors in 2023-24. As demonstrated throughout the report, the Fund strives to continue to improve our processes and policies in order to secure safe delivery of the Fund's purpose.

The Fund's policies, strategies, statements and governance arrangements are available to view on the Fund's website at www.derbyshirepensionfund.gov.uk.

The Fund has a range of internal and external review processes which support good governance across the Fund. These include:

Sources of Assurance	Remit/Description
Pensions and Investment Committee	➢ Committee is responsible for either noting or approving the Fund's: Investment Strategy Statement; Responsible Investment Framework; Climate Strategy; TCFD Report; Funding Strategy Statement; Treasury Management Strategy; Quarterly Tactical Asset Allocation; Communications Policy; Pensions Administration Strategy; Governance Policy & Compliance Statement; and Annual Report
Derbyshire Pension Board	➢ The role of Derbyshire Pension Board is to assist the administering authority to ensure the effective and efficient governance and administration of the LGPS in Derbyshire, including securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the scheme; and securing compliance with any requirements imposed by the Pensions Regulator in relation to the scheme

External Audit	➢ The Fund's Annual Report and Financial Statements are externally audited by Mazars
Internal Audit	➢ The role of the County Council's internal audit function is to provide independent, objective assurance to enhance and protect organisational value by evaluating and improving the effectiveness of risk management, control and governance processes ➢ The Fund is routinely audited by the County Council's internal audit team, which provides assurance that overall best practice is being followed in governance matters, including those relating to responsible investment and stewardship activities
Consultations with Members and Scheme Employers	➢ The Fund seeks input and feedback from pension fund stakeholders when changes are made to key existing strategies and policies, or new key strategies or policies are being developed. Views of stakeholders are carefully considered and changes may be made if appropriate, before being presented to Pensions & Investment Committee for final approval ➢ Recent consultation examples include: a consultation with scheme employers on draft updates to the Fund's Funding Strategy Statement; a consultation with scheme employers on a revised version of the Fund's Pension Administration Strategy; and a consultation with Fund stakeholders, which includes scheme employers and scheme members, on the Fund's updated Investment Strategy Statement, and the creation of a standalone Responsible Investment Framework and Climate Strategy ➢ The consultation examples above are described in more detail in **Principle 6**

The Fund's key stewardship policies and documents comprise:

- Responsible Investment Framework
- Climate Strategy
- Annual TCFD Report, supported by an annual LGPSC Climate Risk Management Report
- Annual UK Stewardship Code Application
- Quarterly reporting of the stewardship and engagement activities of the Fund's largest investment managers to Pensions & Investments Committee

All of the Fund's strategy and policy statements relating to investment, stewardship and responsible investment are subject to a rigorous internal review process that involves the Director of Finance, Head of Pension Fund, Investments Manager, Assistant Fund Manager and an Assistant Director of the Legal services team. Internal challenge is a key step in the assurance process before strategies are presented to Committee for approval. Strategy documents relating to investment, stewardship and responsible investment are formally reviewed at least every 3 years, or as required reflecting changes to regulations and guidance, best practice, and wider developments in investment markets and responsible investing policy.

The Fund's reviews aim to capture developing initiatives and the Fund's response to emerging industry standards and best practice. Any new policies or framework will be developed with the Fund's relevant advisors prior to review and approval by the Fund's Pensions & Investments Committee.

5.2 LGPSC's RI Related Documents

LGPSC's Board annually approves three RI-related policy documents; RI&E Framework, RI&E Policy: and Voting Principles. Ahead of each annual review, LGPSC consults its Partner Funds to solicit their views. Revisions are then taken through Investment Committee and Executive Committee for discussion and approval before the Board finally assesses and approves them. The LGPSC Board takes an active interest in these policies and often recommends alterations and enhancements. The Board is familiar with the issues and its perspectives is welcomed and adds value. LGPSC also discuss voting trends with EOS and with peer investors ahead of any revision of its Voting Principles. For example, over the last two years LGPSC has heightened expectations on companies' governance of Board and Senior Management diversity (gender and ethnicity), sustainability reporting and climate risk management. LGPSC has done this in tandem and close alignment with similar changes to EOS' voting policies and best practices adopted by other investors. LGPSC updates its Risk Register on Sustainable Finance regulation on a quarterly basis which tracks regulatory initiatives (hard and soft law) that may impact LGPSC's RI approach and policies. It is updated on a regular basis and presented to LGPSC Executive Committee and the Board. The Board is informed and expects updates on the LGPSC's compliance with sustainable finance regulations that LGPSC is in scope for, such as the FCA's Anti-Greenwashing Rule. LGPSC has shared this document with cross-pool peers through the Cross-Pool RI Working Group. Discussion on upcoming regulation, consultations and other standard developments will be a regular item for discussion within this group.

In close collaboration with the Fund, LGPSC reviews its stewardship strategy every three years. This includes a review of the stewardship themes LGPSC will engage with companies on. In 2023, LGPSC's core Stewardship Themes were climate change, plastic pollution, responsible tax behaviour and human rights. Along with an assessment and a review of the material ESG risks associated with our investment portfolio, stewardship priorities are chosen based on the following parameters:

- Economic relevance
- Ability to leverage collaboration
- Stakeholder interest

As agreed with the Fund, and all other Partner Funds, from 2024-27, LGPSC stewardship priorities will be Climate Change, Natural Capital, Human Rights, and Portfolio-led engagements (i.e. sensitive/topical activities).

The Fund has direct influence and dialogue with LGPSC on the overall stewardship effort through a Responsible Investment Working Group (RIWG).

Investment Approach: 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 The Fund's Membership and Employer Profile

As discussed in **Principle 1**, DPF had 109,478 membership records on 31 March 2024, covering around 95,000 individual scheme members. The membership base is split approximately one-third each between active, deferred and pensioner members. The Fund is open to new members and in the 12 months to 31 March 2024, membership records increased by 1,836, a rise of 1.7%.

The liability weighted average age of the membership base, calculated at the previous actuarial valuation in 2020, is set out in the table below.

Membership Category	Average Age
Active Members	52.1
Deferred Members	51.5
Pensioners and Dependents	68.7
All members	**57.0***

*Source: Fund 2019 Actuarial Valuation. *Implied weighted average by membership numbers*

In the March 2022 Actuarial Valuation, Hymans Robertson LLP, the Fund's Actuary, used the following life expectancy assumptions for measuring the funding position: male pension 21.3 years, female pensioner 24.3 years.

Employer Profile

DPF had 357 Scheme Employers on 31 March 2024. Most scheme employers, by number, relate to Academies (maintained schools that have converted to Academy status). However, the 10 main councils accounted for over 65% of scheme member records on 31 March 2024. Future scheme employer growth is expected to be driven by schools transitioning from maintained status to Academy status. There are over 300 maintained schools within Derbyshire County Council and Derby City Council which are yet to academise.

Scheme Employers – 31 March 2024	Employers	Share
Main Councils	10	2.8%
Universities & FE Colleges	3	0.8%
Academies	225	63.0%
Maintained Schools	6	1.7%
Housing Associations	5	1.1%
Other Scheduled Bodies	4	1.1%
Admission Bodies	67	18.8%
Town & Parish Councils	38	10.7%
Total Scheme Employers	**357**	**100.0%**

6.2 Investment Time Horizon

The primary objective of the Fund is to ensure that over the long term the Fund will be able to meet all benefit payments as and when they fall due. As the Fund is still open to new employers and members, the timescale over which benefit payments will be made continues to extend well into the future. The long-term nature of the Fund's liabilities allows for a long-term investment horizon. This approach is further supported by the fact that the Fund is net cash flow positive, with member contributions, together with investment income, being in excess of member pension payments. The Fund believes that a long-term approach to investment will deliver better risk-adjusted returns.

However, although the Fund's overall investment time horizon is fundamentally long-term in nature, at an asset class level the Fund's investment time horizon can range from short term (e.g. cash), medium term to long term (e.g. growth assets) and long term to very long term (e.g. infrastructure and property) depending on the characteristics of the asset class.

6.3 Diversification

As shown in Table 1 below, DPF aims to diversify its investments across a mixture of asset classes with low correlations and differing risk characteristics and performance drivers, that are expected to perform at different times during an economic cycle. The IIMT strongly believe that diversification will improve the long term risk/return profile of the Fund, resulting in lower volatility and higher risk-adjusted returns.

Table 2 below shows the Fund's long term correlation expectations for the major asset classes that the Fund invests in. Although the Fund generally expects correlations to be higher within an asset class, as is the case within Equities and within Fixed income, there are additional steps the Fund can take which can help to reduce the level of correlation and improve diversification. For example, within the Growth Assets portfolio the Fund diversifies its holdings by investing across:

- Countries and regions, that will transition through the economic cycle at different rates and durations and be subject to different sector compositions
- Stages of economic development (e.g. Developed Markets vs Emerging Markets)
- Investment Styles (e.g. Growth and Value)
- Investment Factors (e.g. Value, Quality, Low Volatility, Momentum & Size)
- Company size (e.g. Large-Cap, Mid-Cap and Small-Cap)
- ESG and Climate Factors

Table 1 - Investment Horizon by Asset Class

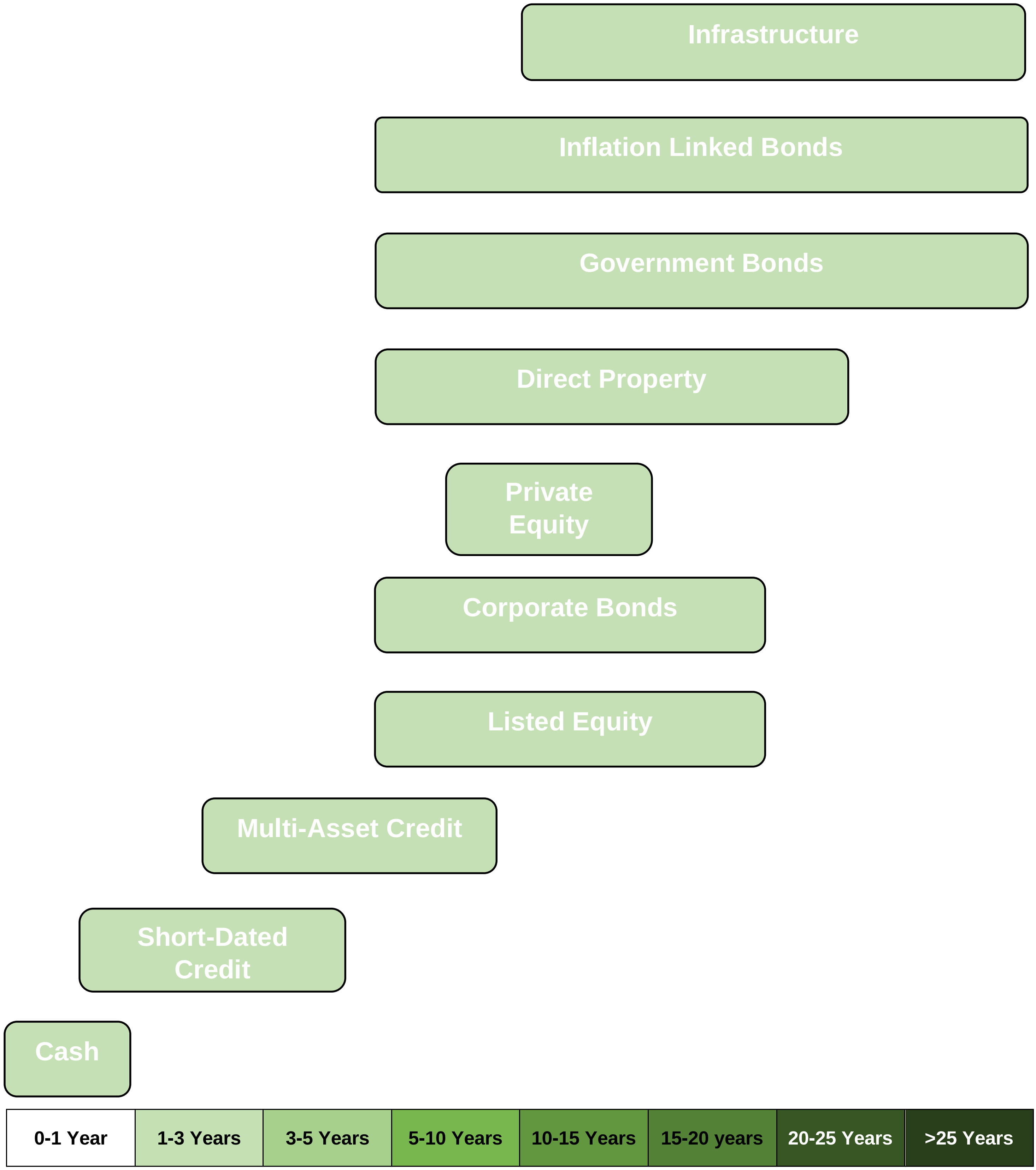


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Table 2 - Long Term Asset Class Correlation Expectations Matrix

Long Term Asset Class Correlation Expectations Matrix		Equities			Alternatives (Unquoted)				Fixed Income		
		Global Equity	Global Sustainable Equity	UK Equity	Private Equity	Infrastructure	Property	Private Debt	Government Bonds	Corporate Bonds	Multi-Asset Credit
Equities	Global Equity										
	Global Sustainable Equity	● Purple									
	UK Equity	● Purple	● Purple								
Alternatives (Unquoted)	Private Equity	● Yellow	● Yellow	● Yellow							
	Infrastructure	● Yellow	● Yellow	● Yellow	● Yellow						
	Property	● Yellow	● Red	● Red	● Yellow	● Yellow					
	Private Debt	● Red	● Red	● Red	● Red	● Red	● Red				
Fixed Income	Government Bonds	● Red	● Red	● Red	● Red	● Red	● Red	● Red			
	Corporate Bonds	● Red	● Red	● Red	● Red	● Red	● Red	● Red	● Purple		
	Multi-Asset Credit	● Red	● Red	● Red	● Red	● Red	● Red	● Yellow	● Purple	● Purple	

Low to Negative Correlation ● (Red) | Low to Medium Correlation ● (Yellow) | Medium to High Correlation ● (Purple)

6.4 Seeking the Views of Beneficiaries

Communications Policy

The Fund's Communications Policy sets out how the Fund communicates and engages with its stakeholders. The most recent version was approved by the Pensions & Investments Committee in December 2023, and the policy also incorporates the Fund's plan for developing its communications over the 3-year period to 2027.

The Fund's stakeholders and audience

The Fund's stakeholders and other organisations with which it regularly communicates include:

- Active, Deferred and Pensioner members
- Representatives of scheme members
- Prospective scheme members (employees who can join the LGPS within Derbyshire, but who are not currently paying in)
- Scheme employers
- The internal Pension Fund team
- Elected Councillors on the Pensions and Investments Committee
- Members of the Local Pension Board
- Other external bodies, including the Ministry for Housing, Communities and Local Government (MHCLG), The Scheme Advisory Board (SAB), The Local Government Association (LGA), The Pensions Regulator (TPR) and other LGPS pension funds

Communications Policy Objectives

The Fund's overriding communications objective is to ensure that it delivers clear, timely and accessible communications to its stakeholders. The Fund aims to achieve this by delivering communications to its stakeholders which are:

- **Targeted** - with the aim of delivering clear, accurate and effective communications to each different audience group, in terms of the style of content and the method of delivery
- **Easy to understand** – providing clear and easy to follow explanations of pension issues, particularly where pension related decisions are being made
- **Accessible** - ensuring that all scheme members and other stakeholders can access the Fund's services, online content, and communications equally

- **Cost effective** – providing value for money by utilising technology to its fullest potential

Communication Methods

Derbyshire Pension Fund Website: The Fund's website (www.derbyshirepensionfund.org.uk) is its primary source of general LGPS information and Fund specific material, with sections providing an extensive information resource for all existing and prospective members and Fund employers. The website has sections dedicated to the Fund's governance arrangements including its policies, strategies and other statements. Other resources also include easy to understand content, videos on specific LGPS matters, forms and guides on a range of topics, links to other official websites and an online pension calculator tool. The website has been designed to be easily browsed, accessible and user friendly from desktop, laptop, tablet and smartphone devices.

Pension & Investments Committee Reports: Copies of all public Committee reports and minutes can be found on the Derbyshire Democracy website. Members of the public can also attend the public parts of Committee meetings and are also able to submit questions to Committee in advance of a Committee meeting.

Policy and Strategy Documents: The Fund's policy and strategy documents are published on the Fund's website and printed copies are available on request. News items are posted on the Fund's landing page when new or updated policy/strategy documents are published.

Annual Report: In line with best practice and CIPFA guidance, the Fund prepares an Annual Report which sets out details of the Fund's investment and administration performance, together with a copy of the Fund's financial statements.

Communications to Scheme Members: Each year, the Fund provides Annual Benefit Statements (ABS) to active and deferred members. These statements summarise a member's pension account balance to the previous 31 March.

The Fund also produces an active member newsletter each year in collaboration with a regional Joint Communications Group, which is published on the Fund's website. Active members are directed to the newsletter by a link provided in their annual benefit statement. The content comprises current pension topics within the LGPS and the pensions industry in general, plus important Fund messages.

Face-to-face meetings with active members are arranged when it is appropriate to do so. These are delivered by the Fund's Regulations and Communications Team in the form of 'Understanding your LGPS pension' presentations and drop-in sessions at various venues around the County hosted by scheme employers. The presentations help to explain the significant changes in the LGPS regulations over time, and to assist where an employer is going through a restructuring or outsourcing exercise that will have pension-related implications. Drop-in sessions are targeted to coincide with events, such as the issue of the annual benefit statements. The nature of the drop-in sessions means that members can meet the team informally and ask questions they may have about their pension at a convenient time for them.

The Fund also produces a deferred member newsletter each year, which is also published on the Fund's website. Deferred members are directed to the newsletter by a link provided in their Annual Benefit Statement.

My Pension Online: In 2021, the Fund developed and rolled-out My Pension Online, a member self-service portal where scheme members can access their pension information. The online portal is a secure area allowing members to view and update some of their personal details held by the Fund. Active and deferred members are also able to view their latest, and previous, Annual Benefit Statements. Members continue to have the option to request a paper copy of their Annual Benefit Statement.

Scheme Employer Monthly Newsletters: The Fund sends a monthly Scheme Employer Newsletter to employers and publishes it on the Fund's website.

Pensions Help Desk: The Fund operates a pension helpline which is open weekdays Monday to Friday between 9am and 5pm to deal with scheme member and scheme employer queries.

TCFD Report: The Fund publishes an annual Taskforce for Climate-Related Financial Disclosures Report on its website, which sets out how the Fund is managing climate-related risks and opportunities, together with carbon metrics and progress relative to the Fund's Climate Strategy.

6.5 Member Engagement Forum

Following on from the publication of the Fund's first application to the updated 2020 Stewardship Code, the Fund has been reviewing how it communicates with its members and how effective those communications are. The review concluded that Fund would benefit from increased direct engagement with beneficiaries and stakeholders. As a result, the Fund has set up a Members Engagement Forum.

The Members Engagement Forum will provide an opportunity for members to share their experiences in being a member of the Fund. The forum will also promote better understanding of how the pension Fund works and operates and it will include discussions around key pension fund topics, including the governance arrangements of the Fund, the Fund's objectives, members contributions and investments, how member benefits are calculated and the Fund's website.

The Fund held its first Member Engagement Forum in July 2024, and was attended by nine scheme member representatives, together with senior officers from the Fund. Whilst the forum is designed to cover the overall activities of the Fund, the July 2024 meeting covered the Fund's approach to stewardship and responsible investment.

The creation of the Members Engagement Forum demonstrates the Fund's commitment to improving its engagement and communication with members and stakeholders. The opportunity for members to share their experiences of being a member of the Fund will help to contribute to the development of the Fund's practices and strategies moving forwards.

6.6 Stakeholder Consultations

The Fund regularly seeks the views of scheme members, scheme employers and other stakeholders when significant changes are made to its key policies and strategies through consultations. Consultations provide members, employers and other stakeholders the opportunity to share their views and opinions. The main aim of consultations is to invite a broad spectrum of opinions to gain key feedback on the various strategy proposals under consideration, and to gain insight into the potential impact of strategy changes on individual members, employers and stakeholders. All consultation responses are carefully considered by the Fund's officers and a summary of consultation feedback is provided to the Pensions and Investments Committee for consideration before proposed strategies are put forward for a formal vote of approval. The Fund believes that gathering direct feedback from pension fund stakeholders is the most effective way of ensuring that member and stakeholder needs are properly considered.

The Fund's most recent consultation exercise is included below.

Investment Strategy, Responsible Investment Framework and Climate Strategy Consultation – December 2023 Consultation

Following Committee approval in December 2023, the Fund launched a consultation in respect of the Fund's updated Investment Strategy Statement, together with the Fund's Responsible Investment Framework and Climate Strategy. Given the potentially sensitive nature of the consultation, particularly around its approach to responsible investment and climate change, the Fund made efforts to contact over 90,000 individual members (by sending letters or providing notifications via the My Pension Online system) and sent over 300 emails to scheme employers, to notify them of the consultation and encourage participation. A news update was also posted to the Pension Fund's website.

Consultation Results: The Fund received 67 responses to the consultation, which were presented to Committee in March 2024. Whilst the response rate was relatively low, the Fund fully considered the feedback provided. Members expressed a support to climate being a systemic risk for the Fund. Therefore, the Fund did not make any amendments to the policy. The Fund will continue to seek further participation from members by consulting with employers on future communication channels.

Consultation Effectiveness: Although the response was rate was low relative to the Fund's membership size, the Fund still believes that directly seeking the views of its members, employers and stakeholders is an important step in the decision-making process when significant strategy changes are being made. The Fund has consulted with other LGPS Funds about consultation methods and response rates and it is considering ways to increase stakeholder engagement with consultations. The Fund hopes that the Members Engagement Forum is one such avenue for increased consultation engagement.

6.7 Freedom of Information Requests and Enquiries from Pension Fund Members and Stakeholders

DPF regularly receives freedom of information (FOI) requests about the Fund and replies to such requests as and when they arise in line with the statutory deadlines. During the year to 31 March 2024, the Fund received 24 FOI requests and 2 subject matter requests. These covered matters including ESG topics such as the carbon transition.

Fund officers, together with the Fund's Pensions & Investments Committee, also regularly receive communications and enquiries from scheme members and stakeholders on a range of ESG and stewardship topics, to which the Fund responds to in a timely manner. These enquiries frequently relate to climate change, human rights and responsible investment themes. Responses to Pensions & Investment Committee questions are provided at Pensions & Investment Committee meetings and recorded in the minutes.

Investment Approach: Principle 7

Signatories systematically integrate stewardship and investment, including environmental, social, and governance issues, and climate change, to fulfil their responsibilities

7.1 Responsible Investment

The Fund's Approach to Responsible Investment

The Fund's RI Framework sets out the Fund's approach to responsible investment which includes the integration of ESG considerations into the investment process and Fund stewardship and governance activities.

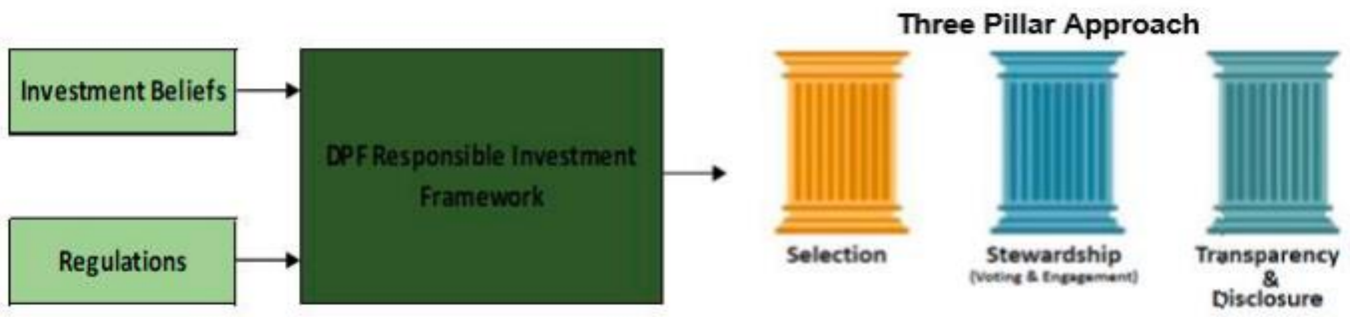
The RI Framework works in tandem with the Fund's Climate Strategy, Investment Strategy Statement and Funding Strategy Statement. This holistic approach helps to align the Fund's investment beliefs with its fiduciary duty. A fundamental belief underpinning the Fund's investment strategy is that RI can enhance long term investment performance and help to better manage risk.

The Pensions & Investments Committee is responsible for reviewing and approving the RI Framework. The RI Framework is kept under regular review by the Fund and is formally reviewed by Pensions & Investments Committee at least every three years. The RI Framework was last reviewed in 2023, and it was approved by the Fund's Pensions and Investments Committee in March 2024 following a public consultation with scheme members, employers and other stakeholders. Responsibility for the implementation of the Framework resides with the Head of Pension Fund and the Investments Manager.

The Fund uses a three-pillar approach to responsible investment, which covers:

- **Investment Selection** - which ensures that ESG factors are taken into consideration when investments are chosen for the fund.
- **Stewardship Activities** - which involves voting on shareholder resolutions and engaging with companies that the fund invests in.
- **Transparency and Disclosure** - keeping stakeholders informed about the fund's responsible investment activities.

The Fund's Responsible Investment Three Pillar Approach



Engagement and Collaboration

The Fund supports a strategy of engagement with companies to influence behaviour and enhance shareholder value, rather than adopting a divestment approach, believing that this is more compatible with the Fund's fiduciary duties and supports responsible investment. Engagement allows the Fund to use its influence as an active owner, with other like-minded investors, to improve ESG practices in investee companies (an influence that would be lost through a divestment approach). It is recognised that change takes time, and therefore as a long-term investor the Fund takes a long-term approach to its stewardship activities.

DPF also aims to increase the effectiveness of engagement by working collaboratively with other investors and bodies.

Local Authority Pension Fund Forum

DPF was a founding member of the Local Authority Pension Fund Forum (LAPFF), a voluntary association of the majority of Local Authority pension funds based in the UK with combined assets of over £350bn. Membership of LAPFF provides the Fund with independent research and advice on RI risks of companies to inform further stakeholder engagement; advice on the governance practices of companies; and a forum to engage with companies to improve governance practices.

Collective pressure from investors via organisations such as the LAPFF helps to encourage listed companies to enhance their corporate governance and improve their environmental and social impacts.

DPF officers and the Chair of the Pensions & Investments Committee attend quarterly LAPFF business meetings, where LAPFF's on-going engagement work is discussed.

The Institutional Investors Group on Climate Change

The Fund became a member of the Institutional Investors Group on Climate Change (IIGCC) in January 2023. The IIGCC is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future.

IIGCC's mission is to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future. This will be achieved through capital allocation decisions, stewardship and successful engagement with companies, policy makers and fellow investors. IIGCC works to support and help define the public policies, investment practices and corporate behaviours that address the long-term risks and opportunities associated with climate change.

Legal & General Investment Managers (LGIM)

A significant proportion of the Fund's growth assets (listed equities) are managed by LGIM through passive index funds covering UK, Japanese and Emerging Markets Equities. Under the Fund's Global Sustainable Equity allocation, the Fund has also invested in a LGIM low carbon index fund.

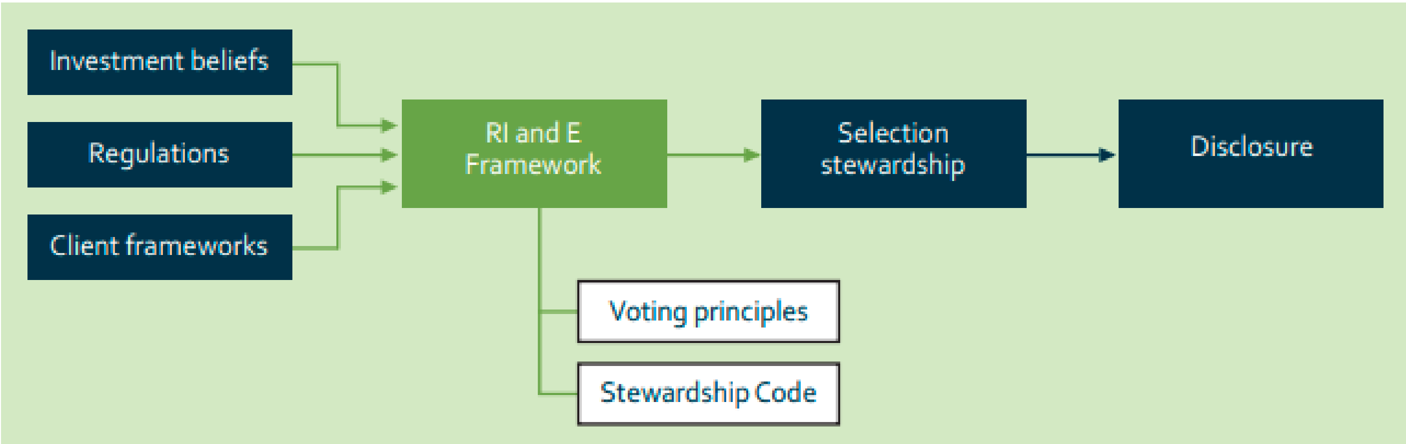
On a quarterly basis, LGIM produces an Engagement Report, which covers its engagement activity and significant votes. The LGIM ESG Impact Report is presented to, and considered by, the Pensions & Investments Committee on a quarterly basis.

LGIM's Voting Policy is discussed in more detail later.

LGPS Central Pool and LGPC

Following the launch of the LGPS Central Pool in April 2018, an increasing portion of the Fund's investments are expected to be transitioned into products managed by LGPSC, the LGPSC Central Pools investment pooling operating company. LGPSC has developed a Responsible Investment and Engagement Framework. It incorporates the responsible investment beliefs of the LGPS pension funds within the LGPS Central Pool, which is applied to both internally and externally managed investments. LGPSC has also appointed EOS at Federated Hermes to expand the scope of its engagement activities.

A high-level depiction of LGPSC's RI&E Framework is shown below:



LGPSC produces Stewardship Updates three times a year, alongside an Annual Stewardship Report, which covers its engagement activity and significant votes. These reports are presented to, and considered, by the Pensions & Investments Committee.

Examples of engagement pieces by LGPSC are included under **Principle 8.**

LGPSC's Voting Policy is discussed in more detail later.

7.2 Responsible Investment Implementation

The Fund aims to put its RI strategy into practice through actions both before (asset allocation & manager selection) and after the investment decision (stewardship). As a largely externally managed pension fund, the identification and assessment of RI factors is also the responsibility of individual investment managers appointed by the Fund. The Fund aims to be transparent to its stakeholders through regular, high-quality disclosure.

Asset Allocation: The Fund's SAAB reflects the Fund's RI Framework and Climate Strategy, in particular the Fund's allocation to Global Sustainable Equities (i.e. targeting long-term sustainable businesses, together with a meaningful reduction in the Fund's carbon footprint) and Infrastructure (which has been tilted towards renewable energy assets).

Selection: ESG factors are integrated into the Fund's investment decision making process where those factors are financially material within the context of the investment mandate. As part of the investment manager due diligence process, the Fund obtains a copy of the potential investment manager's RI or stewardship policies which sets out how RI factors are integrated into the investment manager's investment process. The Fund obtains (and discuss) real life examples of how investment managers integrate ESG factors into their investment process, and examples of engagement and any corresponding engagement outcomes. These findings are documented in the relevant investment case and form part of the Fund's overall investment 'yes/no' decision.

External Investment Manager Monitoring: The Fund's external investment managers are monitored on a regular basis to review the integration of ESG risks into portfolio management, and to understand their engagement activities. During the twelve months to March 2024, the IIMT held 56 external investment manager meetings across a range of the Fund's asset classes including: UK Equities, Global Sustainable Equities, Emerging Market Equities, Private Equity, Direct Property, Multi-Asset Credit and Private Debt, Infrastructure and Corporate Bonds. Key discussions focussed on investment performance and ESG integration including climate change risk. Most of the Fund's investment managers now produce quarterly or six-monthly ESG reports, and these are reviewed by the IIMT on an ongoing basis.

Company Engagement and Engagement through Partnership

As discussed in **Principle 7**, the Fund's strategy is to engage with its investee companies either on its own or through partnerships on a range of financially material ESG investment factors to protect and increase shareholder value. Engagement activities during the 2023-24 period are discussed in more detail under **Principle 9**.

Voting

A significant proportion of the Fund's assets are managed through pooled products, where the voting activity is carried out by external investment managers. These principally relate to funds managed by LGIM and LGPSC.

Examples of the approach to engagement and responsible investment by both LGIM and LGPSC are set out below. On a combined basis, LGIM and LGPSC, accounted for around 47% of the Fund's total assets under management on 31 March 2024.

Example of Engagement - LGIM

Active ownership forms a key part of how LGIM embeds ESG considerations into its business. LGIM is committed to using its scale and influence to encourage companies to improve its management of ESG issues and LGIM has dedicated significant resources to their stewardship obligations. LGIM has established a fully integrated framework for responsible investing, across both public and private assets, to strengthen long-term returns and raise market standards. This is based on stewardship with impact and collaborative, active research across asset classes.

Together, these activities enable LGIM to conduct engagement that helps drive positive change and to deliver integrated solutions for clients.

Ongoing dialogue with companies is a fundamental aspect of LGIM's commitment to responsible investment. Engagement will be triggered in a variety of ways, such as a regular catch-ups; analysis of responsible investment themes and voting issues; general knowledge of the company; or a media report.

Voting activity is carried out in accordance with LGIM's voting policy and is based on a set of corporate governance principles.

Previous engagement with an investee company also determines the manner in which voting decisions are made and cast. Voting activity is combined with direct engagement with the investee company to ensure that the investee company fully understands any issues and concerns that LGIM may have and to encourage improvement.

LGIM utilises the voting information services of ISS and Institutional Voting Information Services (IVIS) to conduct thorough analysis and research on investee companies. The voting principles of ISS cover the four key tenets of accountability, stewardship, independence, and transparency. IVIS does not provide voting recommendations but instead it highlights issues or concerns for its subscribers to consider prior to voting.

An example of LGIM's approach to engagement is shown below:

Social – People & Health

Income inequality: the living wage
Income inequality is one of the key human rights issues that LGIM is focused on and is captured within the 'People' theme of LGIM's engagement activities, and within LGIM's Human Rights Policy. LGIM believes the impact of income inequality and in-work poverty on workforce productivity, and the knock-on effect on demand for goods and services, is of significant concern. LGIM estimates that the negative impact of income inequality on the economy has been to potentially reduce GDP by US$4.6 trillion annually.

Co-filing 3 shareholder resolutions
Shareholder resolutions are part of LGIM's engagement strategy. LGIM has different 'levers' it can pull to escalate an issue and it uses different tools depending on the company, market and topic that needs addressing. Shareholder resolutions can also help to raise board awareness of an issue that is important to their shareholders.

LGIM saw an opportunity to raise awareness of living wages and filed/co-filed a shareholder resolution at three large US food retailers, where the concept of a living wage and its negative impact on workers, productivity and the economy could be described as less of a focus than, for example, in the UK. The resolution called on the companies to introduce a policy on living wages and highlighted the potential negative impact to asset owners with diversified portfolios. LGIM published a blog to highlight its concerns. Given the market in which the resolution was proposed, LGIM was pleased with 17% shareholder support achieved at one company.

Progress on LGIM's Income Inequality Engagement Campaign
In 2023, LGIM launched a campaign calling on 15 companies (across the UK, the US, Japan, Europe and Australia) to set out a policy and a time-bound plan to pay employees within operations a living wage, and to work with their supply chain partners to ensure workers can earn a living wage. LGIM has been engaging with many of these companies since the launch of this campaign. LGIM has highlighted two companies for their progress:

- LGIM congratulated Coles Group, an Australian food retailer that has just instituted a revised Human Rights Strategy in which the company acknowledges living wages as a material issue and plans to carry out an assessment on living wage gaps in their supply chain. Coles will then set a timebound plan to close those gaps; and
- LGIM also congratulated Sainsbury's plc, a UK food retailer, for being one of two food retailers whose work has been recognised as closing the living wage gap within the banana supply chain. This was announced at the recent IDH living wage conference in Amsterdam that LGIM attended.

Looking ahead
LGIM plans to expand its living wage campaign to include 12 companies in the apparel sector.

LGIM Climate Impact Pledge

LGIM's Climate Impact Pledge is a targeted engagement campaign which began in 2016 to address the systemic issue of climate change. Initially targeted at 84 companies, which LGIM deemed to have the most significant role in transitioning to a low carbon future, LGIM has since increased the ambition of the Pledge to now include almost 1,000 companies world-wide in 20 climate critical sectors. Companies are assessed against 70 metrics and scored under a 'traffic light system', drawing on independent data and research providers and proprietary climate modelling.

These metrics are used to inform LGIM's engagements. LGIM has pledged to take action against companies that fail to demonstrate adequate climate commitments, through its voting rights across its entire holdings and investment decisions within some of its funds.

In LGIM's 2024 Climate Impact Pledge Report, LGIM reported that it had assessed +5000 companies across 20 climate critical sectors; identified 492 companies as subject to sanctions for not meeting targets; and 86% of the total carbon emissions attributable to LGIM equity and corporate debt holdings were covered by the pledge.

Example of Engagement – LGPSC

As a Partner Fund of the LGPS Central Pool, LGPSC is an important partner to the Fund for RI and stewardship through collaboration, stewardship of assets managed by the pool and stewardship advice.

An assessment of RI&E is a core part of LGPSC's manager selection process. Typically, manager selection is undertaken in three stages: standard questionnaire, request for proposal, and manager meetings, an RI&E assessment features in all three. In stages one and two, the RI&E Team draft questions for insertion and then score the managers based on their responses. In both stages, a 10-15% weighting is attached to the RI&E questions to reflect the importance that LGPSC places on ESG integration and stewardship. A representative from the RI&S team then attends the manager meetings. A key objective in the assessment of a manager is whether the ultimate decision maker is engaged in the integration of ESG factors into his or her decision-making process. Managers will not be appointed unless they can demonstrate sufficient awareness of and ability to manage the risks posed by ESG factors. In 2023, LGPSC obtained access to MSCI's ESG tool, which allows the LGPSC team to scrutinise external managers during the due diligence process and during ongoing monitoring with greater rigour.

LGPSC integrates RI&E into all (relevant) asset classes[1]. LGPSC has established an overarching KPI that 100% of product launches must receive the Responsible Investment Integration Status (RIIS) standard. The RIIS is accorded to a product if RI will be integrated into the day-to-day management of the product in a manner that meets standards agreed by the LGPSC Investment Committee. The process is designed to give internal and external stakeholders comfort that RI is being integrated with the breadth and quality required. The criteria for products to receive RIIS is formalised via an asset class specific RIIS Policy, which is reviewed and approved by the Investment Committee. The policy establishes the due diligence process that must be followed and the RI standards that must be achieved when a product is launched in that asset class. Each asset class specific RIIS policy is co-sponsored by the LGPSC Director of RI&S and the relevant

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

Investment Director for the asset class. By requiring co-sponsorship of the RIIS proposal, RI&E is integrated into LGPSC investment processes and decision making.

Some examples of LGPSC engagement are as follows:

LGPSC Example - Tendering for Global Sustainable Equities Funds
In close dialogue with its Partner Funds, it was decided that LGPSC's Global Sustainable Equity Fund(s) would be structured as three-sleeves encompassing Broad, Thematic and Targeted sleeves.

LGPSC's Active Equities Team advertised for potential managers in June 2021. Each of the 77 applications were read and marked in a fair, transparent and consistent manner with support from the RI&S Director and the Investment Risk Team. Eight applications, comprising three for each sleeve (one application covered two sleeves), were taken through to the final Due Diligence Stage. This took place in September 2021 and consisted of 3-hour meetings for each manager. Meetings included a 1.5-2-hour presentation followed by breakout sessions in separate virtual meeting rooms which provided the Team with further insight on focused areas such as RI&E and Risk. The presentations and interviews were scored by the Team and resulted in three managers being selected to manage the £1bn fund(s).

The funds launched in Q2-22 and Derbyshire Pension Fund has invested in both the Broad and Targeted sleeves.

LGPSC Example - Due diligence for a new Emerging Market Active Equity manager
In 2023, LGPSC began the search for a new Active Equity manager for its Emerging Market Multi-Manager Fund. Derbyshire Pension Fund is an existing investor in the fund. RI related information was required at each stage of the selection process including records of engagement activity; 20% of the standard questionnaire scoring related to the managers' approach to RI&E and 10% of the tender scoring related to the manager's stewardship and engagement activities. The RI&S team was also involved in the final stage of due diligence of the three potential managers. During this process the RI&S team was given access to all the data provided by each manager, including example portfolios and company reports. A detailed review of these documents aided the team in formulating an agenda for an in-person meeting with the managers. These meetings lasted approximately three hours, with a dedicated to RI&E breakout session. During these meetings, the LGPSC Director of the RI&S team, supported by the Integration Manager and an Analyst asked detailed questions relating to People, Policy, Process, Performance, and Transparency & Disclosure. In these meetings, the RI&S team attended the entire meeting and adopted a 'show me' approach, whereby case studies are asked to showcase the implementation of the manager' RI policy and processes. Following the meeting, additional questions were sent to managers to ensure nothing was missed from the process. The findings were then summarised in a report and given a final score, which is given an equal weighting alongside eight other factors across LGPSC's overall process.

7.3 IIMT Responsible Investment

The Fund's IIMT continues to directly manage a small proportion of the Fund's investment assets and the IIMT embeds ESG considerations into its investment process and monitoring process as demonstrated below:

Case study: DPF Sovereign Bond investments are managed in-house by the IIMT and relate entirely to UK or US conventional or index-linked bonds. DPF made its first investment in respect of the recently launched UK Government 'Green Gilt' programme in 2022 and this continued in 2023 and 2024. UK Green Gilts are used by the UK Government to finance expenditure in clean transportation, energy efficiency, renewable energy, pollution prevention and control, living and natural resources, and climate change adaptions. Subject to performance, debt security, valuation and the ongoing investment pooling process, the Fund expects to make further investments in green bonds moving forward.

As set out in this report, the Fund's IIMT is also responsible for monitoring the responsible investment practices of the Fund's external managers.

7.4 Climate Stewardship Plan

The Fund maintains a Climate Stewardship Plan (CSP) which monitors the stewardship activities with those companies which account for a significant proportion of the Fund's carbon footprint. Progress against the Fund's CSP forms part of the annual LGPSC Climate Risk Report. For 2024-25, the Fund's CSP includes seven companies (Shell, BP, Glencore, Rio Tinto, Cemex and Taiwan Semi-conductor Manufacturing company).

Each of the companies on the 2024-25 CSP will be tracked using the Transition Pathway Initiative (TPI). The TPI is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. The assessments provide a rating for each company that can be used to target engagements to specific issues relating to climate change.

All the companies on the forward CSP have committed to net zero by 2050.

7.5 Updating Stakeholders on the Fund's Responsible Investment Activities

The Fund aims to keep its stakeholders aware of RI activities through:

- Making its Responsible Investment Framework, together with the supporting Climate Strategy, public documents, available on the Fund's website
- Reporting to the Pensions & Investments Committee on the stewardship activities (including voting decisions) of the Fund's principal investment managers on a quarterly basis
- Providing a summary of the Fund's Responsible Investment activities in the Annual Report
- Reporting annually using the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), as well as publishing the annual public Climate Risk Management Report commissioned from LGPSC

7.6 Future Developments & Continuous Improvement

The Partner Funds across the LGPS Central Pool are working in collaboration with LGPSC to develop an annual ESG report which will be prepared by LGPSC for each Partner Fund. The report will set out the Fund's exposure to a range of ESG risks and opportunities within its listed equity and fixed income portfolios. The report will compare and contrast the Fund's ESG metrics to benchmark data provided by a leading third party ESG metric provider, and should allow the Fund to better analyse ESG risks and opportunities, and respond to these risks and opportunities, within the Fund's fiduciary duty to maximise long-term returns from investments within acceptable levels of risk, and contribute to the Fund having sufficient assets to cover the accrued benefits, and enables employer contributions to be kept as stable as possible.

Investment Approach: Principle 8

Signatories monitor and hold to account managers and/or service providers

8.1 Monitoring Investment Performance and Responsible Investment of External Managers

While underlying investment decisions have largely been delegated to external investment managers, the Fund remains ultimately responsible for the RI and stewardship of the Fund's assets. As a result, the Fund sets clear RI expectations for its external investment managers to consider ESG factors when selecting investments and ensuring good stewardship practices are followed. Monitoring external investment managers is a fundamental aspect of the Fund's approach to good stewardship.

Manager monitoring enables the Fund to assess, on an on-going basis, whether its needs are being met in terms of performance objectives and RI integration. As set out in **Principle 7**, RI is fully integrated into the Fund's investment decision making and investment manager selection processes.

Investment manager performance is reviewed by the IIMT on a quarterly basis against benchmark and target returns, in addition to annual and longer-term performance. The Fund receives, and reviews, external investment manager factsheets and reports, together with holding regular review meetings with its external investment managers to discuss investment performance and to review the integration of ESG risks into portfolio management, and to understand engagement activities.

The frequency of review meetings depends on the investment horizon for the asset class, the management style (active or passive) and the liquidity of the underlying investments. Meetings with investment managers that cover active equities and active fixed income, which tend to be more liquid, are typically held on a quarterly or semi-annual basis, whereas meetings with managers who cover illiquid asset classes such as infrastructure, property and private debt are generally held on a semi-annual to annual basis. For illiquid asset classes, meetings are often arranged on an ad-hoc basis when significant new investments are made or when existing investments are exited, which means in practice the Fund is in regular contact with its private market managers.

As noted in **Principle 7**, the IIMT held 56 meetings with its investment managers over the course of the year to 31 March 2024, averaging around 6 meetings a month. Meetings were held with managers covering UK Equities, Global Sustainable Equities, Emerging Market Equities, Private Equity, Infrastructure, Direct Property, Indirect Property, Diversified Multi-Asset Credit and Private Debt, Investment Grade Bonds and Short-Dated Credit. ESG is a standard agenda item, including the following:

- How the manager integrates the consideration of RI issues into its investment and stewardship activities.
- How investment and stewardship functions are combined to protect and/or enhance value.
- New and emerging issues.
- Key voting and engagement updates.
- Any outcomes arising from the manager's engagement with companies and their effectiveness, including benchmarking.
- Carbon metrics and progression.

Investment manager performance, ESG risks and developments and engagement and voting activity are formally discussed in detail by the IIMT at the quarterly investment strategy meeting, which feeds into the Fund's tactical asset allocation changes.

Internal control reports are also received on an annual basis from investment managers and the Fund's custodian. These are reviewed by the IIMT and the in-house administration team to identify potential areas of concern.

8.2 Monitoring of LGPSC

PAF Investment Working Group (IWG)

IWG is a monthly Partner Fund led forum which includes representatives from each of the eight LGPS pension funds forming the LGPS Central Pool.

The IWG is the principal mechanism through which administering authorities engage with, and hold, LGPSC to account on investment performance, product development and the evolution of the LGPS Central Pool, to ensure each Fund's investment needs are being met.

Updates are presented by the LGPSC Chief Investment Officer, the LGPSC Investment Directors responsible for each LGPSC investment product and the LGPSC Director of RI&S.

The IIMT uses the IWG meetings to reiterate expectations around investment performance, to gain a better understanding of the drivers of performance and how LGPSC act to hold the underlying investment managers to account. When necessary, the IIMT escalates issues directly with LGPSC on a one-to-one basis.

For example, in the 2023-24 reporting period, the IIMT engaged with LGPSC in respect of an active equity product manged by LGPSC by: submitting written questions in respect of the product to the LGPSC Active Equities Director, and requesting additional analysis and supporting evidence, together with further meetings with the LGPSC Active Equities Team to discuss the fund.

The IIMT also provided direct input into a rolling programme of product three-year reviews.

PAF Responsible Investment Working Group (RIWG)

RIWG is a Partner-Fund led forum which includes representatives of the eight LGPS pension funds forming the LGPS Central Pool, together with representatives from the LGPSC RI&S team.

RIWG meets quarterly to discuss Responsible Investment matters.

LGPSC provides updates and works with the group on topics such as climate change, the use of plastics, voting issues and climate risk reporting. EOS at Federated Hermes, LGPSC's Stewardship partner, also provides updates on the progress and outcomes of its engagements with companies, and discussions on emerging responsible investment and ESG trends.

The RIWG is the principal mechanism through which Partner Funds engage with, and hold, LGPSC to account on stewardship, voting and the integration of RI, to ensure client needs are being met.

8.3 LGPSC External Manager Monitoring Process

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

LGPSC believes that the engagement undertaken by its external managers in 2023 was comprehensive and robust. These managers are all long-term investors with sizeable positions in their highest conviction portfolio holdings, giving them excellent access to company management which they used effectively to drive company change. On any occasions where the level of engagement disclosure was unsatisfactory, or where the link between an engagement and subsequent investment decision-making was not clear, fund managers were marked down during the RAYG rating review and LGPSC discussed its concerns in the quarterly meetings.

In 2023, LGPSC's external managers conducted 5,984 direct engagements with companies held in the All-World Equity Climate Multi Factor Fund, Emerging Markets Equity Active Multi Manager Fund, Global Sustainable Equity Active Broad Fund, and Global Sustainable Equity Active Targeted Fund. Below are two case studies of engagements undertaken by LGPSC's managers.

Meituan, UBS, LGPSC Emerging Markets Equities, Active Multi Manager Fund

Objective: To address labour rights concerns, lack of diversity at Board level and data privacy & cybersecurity risks identified within the company.
Sector: Diversified Consumer Services.
ESG topics addressed: Labour rights, data privacy & cyber security, and diversity.
Issue / reason for engagement: Labour rights concerns, lack of diversity at Board level and data privacy & cybersecurity risks identified.
Scope and process / action taken: UBS engaged in discussions with the company to address improvements in labour management and other ESG matters. The company confirmed the implementation of new pilot programs and benefits that are applicable to all delivery riders. UBS recommended that the company provides further disclosure on its delivery rider workforce, including turnover rate and accident rate distribution by age and gender. Regarding data privacy and cybersecurity risks, while there have been advancements in data privacy, the company's cybersecurity disclosures are lacking. UBS encouraged the company to enhance its disclosures in this area. The company mentioned its search for an independent female board director following the suggestion to diversify its Board. Additionally, UBS proposed that the company consider linking executive remuneration to accident rates and ESG metrics in the future, to which they expressed openness to consider.

EnBW, Fidelity, LGPSC Corporate Bond Fund
Objective: EnBW is a German utility company, and one of the most significant emitters of carbon among European utilities. It is considered a key player in Germany's transition to a cleaner energy system. The objective is to support EnBW on its plan for carbon emission reduction and its overall ESG strategy. This will be done through encouraging the setting of these targets and SBTi validation of them.
Sector: Electric utilities
ESG topics addressed: Climate risk.
Issue / reason for engagement: EnBW does not have ambitious Scope 3 targets in place and was unable to align existing targets to the 1.5 degree aligned pathway, due to uncertainty around its timeline for coal exit.
Scope and process / action taken: Fidelity has engaged with EnBW over the past few years concerning ESG-related and fundamental credit topics. In April 2023, a meeting was conducted with EnBW, concentrating on fundamental credit matters and the company's SBTi aligned targets. The primary focus of the engagement is on how EnBW plans to achieve its Scope 3 target. The company intends to decarbonize its gas plants by transitioning them into hydrogen plants. A follow-up meeting in July 2023 helped Fidelity to gain insight into the company's overall ESG strategy, including its carbon emission reduction initiatives. Additionally, discussions were held regarding the utilisation of carbon offsets within existing SBTi-aligned targets.
Outcomes and next steps: EnBW pulled forward its coal exit by 7 years to 2028. The company subsequently set Scope 3 targets and accelerated its scope 1 and 2 targets to be aligned with the 1.5-degree pathway, in accordance with market best practice. These targets were validated by SBTi. EnBW is re-training its workforce and reallocating employees to other parts of the business to minimize and manage job losses. Overall, Fidelity's engagements with EnBW over the last few years have significantly and positively impacted its internal view on the company. Fidelity will continue to engage with EnBW regularly on their ESG strategy and commitment to reduce carbon emissions.

LGPSC holds, at a minimum, one client service review meeting per year with EOS to discuss the overall satisfaction with their services, any issues over the previous period: alongside engagement and voting trends and voting policy reviews. However, LGPSC meet more frequently during the year to discuss specific votes and engagements and this ongoing dialogue is extremely helpful particularly during proxy voting season. The EOS team also attends quarterly PAF and RIWG meetings, which gives DPF, and the other LGPS Central Pool Partner Funds, the opportunity to ask specific questions about engagements and prioritisation. Further to this, there are multiple touchpoints for clients to review EOS' activities, by way of regular reporting (client portal, quarterly and annual reporting) and opportunities to provide feedback, for instance through EOS' semi-annual client conference which includes a client-only discussion forum. The LGPSC RI&S team undertakes an annual review of EOS' services to provide assurance to the IC that the stewardship partner, EOS at Federated Hermes, is delivering sufficiently against the terms of the contract. This document is issued to and approved by the LGPSC Investment Committee on an annual basis.

Summary for 2023 review:

- EOS has given generally strong and value-adding services to LGPSC, including close dialogue during voting season related to LGPSC's Voting Watch List.
- EOS has given direct support to Partner Funds through participation at all PAF RIWG meetings during the year.

The table below provides an example of LGPSC's KPI reviews on EOS held during 2023:

KPI Area	KPI Review
Global engagement	Engaged 775 companies, with a regional and thematic breakdown
Engagement quality	At least one milestone was moved forward for 53% of current engagement objectives
Voting coverage	Made voting recommendations at 3,443 meetings, with a regional breakdown
Client service	Majority of queries to EOS were dealt with in less than 48 hours
Complaint handling	No formal complaints escalated during 2023
Client service meeting	Several meetings held pre, during and post voting season 2023 relating to planning of voting season and overall feedback on EOS' services
Reporting punctuality	Reporting has generally been on schedule. Several instances of incomplete reports, however these were duly ratified once raised by LGPSC
Reporting quality	Overall good quality
Team stability	Staff turnover during 2022 was just below 23%. Following a peak of 32% in 2021, it appears that turnover is beginning to normalise, returning to previous years' figures (10% in 2020 and 19% in 2019)

8.4 Other Service Providers

The Fund utilises the expertise of external providers to assist in the delivery of the Fund's services, including:

- Independent Advisor: independent investment advice and ad-hoc other advise as required (e.g. to support reviews of the Fund's Investment Strategy Statement, RI Framework and Climate Strategy)
- Hymans Robertson: actuarial advice and services
- Northern Trust: custody services and investment performance measurement services
- ISS: voting services and engagement
- Savills: direct property valuation services
- Refinitiv & Bloomberg: market information services

External provider appointments follow a formal procurement and review process supported by relevant DCC teams (e.g. procurement, legal, information technology).

Each contract is logged in the Fund's internal contract management register with a designated senior officer responsible for the overall management of the contract. Service levels are monitored on an ongoing review, supported by service level reviews to the extent required. In some circumstances formal objectives are set, with performance monitored against these objectives on an annual basis with the output shared with the service provider.

Engagement: Principle 9

Signatories engage with issuers to maintain or enhance the value of assets

9.1 Engagement Examples

DPF largely accesses investment markets indirectly through pooled products managed by external investment managers, including LGPSC, and as such, voting and engagement activity has largely been delegated to the external investment managers selected. However, as set out in **Principle 8**, the Fund remains ultimately responsible for the RI and stewardship of the Fund's assets, and therefore the Fund sets clear RI expectations for its external investment managers to consider ESG factors when selecting investments and ensuring good stewardship practices are followed. Some examples of external investment manager engagement are set out below.

Some examples of LGIM's engagement activities are set out below:

Case study: McDonald's: AMR shareholder resolution **Identify:** Antimicrobial resistance ('AMR') is the damaging effect of disease-causing microorganisms (e.g. bacteria, viruses, fungi and parasites) increasing their resistance to antibiotics. AMR is one of LGIM's global systemic engagement themes. The World Health Organization (WHO) describes AMR as one of the top 10 global public health threats facing humanity today. The World Bank estimated in 2016 that AMR could result in a 3.8% loss in global GDP, an impact comparable to that of the 2008 financial crisis. McDonald's is one of the largest beef purchasers and a major buyer of pork; LGIM believes that animal husbandry standards across McDonald's supply chain have the potential not only to mitigate AMR directly across large sections of the value chain, but also to have a 'knock-on' impact upon the food sector more broadly, on account of the company's scale and influence. **Engage:** LGIM has been calling on the company since 2021 to adopt stricter policies on the use of antibiotics across their supply chain. LGIM co-filed a shareholder resolution at the company in 2023, under the umbrella of the Shareholder Commons, asking McDonald's to comply with WHO guidelines on the use of medically important antimicrobials in food-producing animals throughout its supply chain. The resolution sought adherence to the WHO guidelines throughout the full supply chain, including beef, chicken and pork. The resolution gained 18% support from shareholders. Following a lack of action by McDonald's, LGIM co-filed the same resolution at McDonald's 2024 AGM, together with LGIM's industry peer Amundi and The Shareholder Commons. However, the 2024 resolution was subject to a 'no-action' ruling by the SEC, a mechanism by which the company is allowed to unilaterally remove proposals from its proxy statement if they are judged to have already substantially implemented the resolution demand. LGIM notes that it was disappointed by both the step taken and the decision announced, as LGIM believes that McDonald's should be adhering to the WHO Guidelines on use of antibiotics across all the meat that they produce, not just certain types of meat. **Escalate:** The Benedictine Sisters of Boerne, Texas, successfully filed an AMR-related resolution calling upon the company to adopt an enterprise-wise policy to phase out the use of medically important antibiotics for disease prevention purposes in its beef and pork supply chains. LGIM voted in favour of the resolution, which received 15% votes in favour. LGIM has broadened its collaborative engagement by joining FAIRR's collaborative investor engagement on Antibiotic Use in the Quick-Service Restaurant Sector in North America. This engagement stream covers fast-food restaurant companies, including McDonald's, Yum! Brands (owner of KFC and Pizza Hut), and Restaurant Brands International (owner of Burger King). By working with like-minded peers and stakeholders, LGIM aims to broaden its engagement on the issue of antimicrobial resistance with companies that, and LGIM believes, could have a substantial effect in mitigating AMR by changing their supply chain practices. LGIM will continue to exercise its votes on AMR-related shareholder resolutions in line with LGIM's Health Policy.

Case study: Disney: 2024 proxy fight
LGIM notes that this was one of the more high-profile activist situations in 2023-24 and related to the attempt by both Trian Partners and Blackwells Capital to gain board seats at Walt Disney Co.

Identify: This was the second time in as many years that Trian Partners, headed by Nelson Peltz, sought seats on the board of Disney. An additional element of interest in the battle that changed the dynamics was the new proxy voting rules of the universal proxy card. This meant that shareholders could vote for a mix of nominees, rather than having to decide between two or more opposing full slates, a management slate and the slates proposed by the dissidents. This also meant that Blackwells Capital, another activist investor in Disney stock, could campaign against Peltz, which had the potential to divide the opposition.

Engage: LGIM had discussions with Disney, as well as with both activist investors, in order that LGIM could make an informed voting decision. LGIM met with the new CFO of the company and explained its concerns that centred around poor CEO succession planning and an unclear strategy. LGIM also met with Nelson Peltz and the three nominees from Blackwells Capital, Jessica Schell, Craig Hatkoff, and Leah Solivan. LGIM did not have the opportunity to meet Jay Rasulo, Trian Partners' second nominee.

Outcome: Following internal discussions, LGIM placed a vote in favour of the election of Nelson Peltz at the proxy contest on 3 April 2024, as LGIM believed that the board would benefit from constructive challenge. Given the seniority and calibre of the current Disney board, LGIM acknowledged that it would take an individual with a certain degree of gravitas to be able to deliver this challenge whilst still working constructively with the board. After consideration, LGIM did not believe that the Blackwells Capital nominees would be able to bring this challenge and as LGIM had not met Jay Rasulo, LGIM were unable to opine specifically on his strengths and make a full assessment. LGIM also acknowledged the potential for Disney to benefit from Trian Partners' resources with regards to strategy assessment and board succession planning. As in previous years, LGIM voted against the Chair of the Remuneration Committee due to various concerns with the company's compensation programme. The results of the AGM indicated that only about 31% of shareholders voted to add Peltz to the Disney board. However, about 37% of shareholders voted to remove the Chair of the Remuneration Committee. There was also some stronger opposition to Michael Froman, Mark Parker and Derica Rice; the Blackwells Capital nominees were each supported by around 2% of shareholders voting. LGIM has since engaged further with the company to provide additional feedback and LGIM will continue to engage to follow the progression of their board succession planning and strategic refresh.

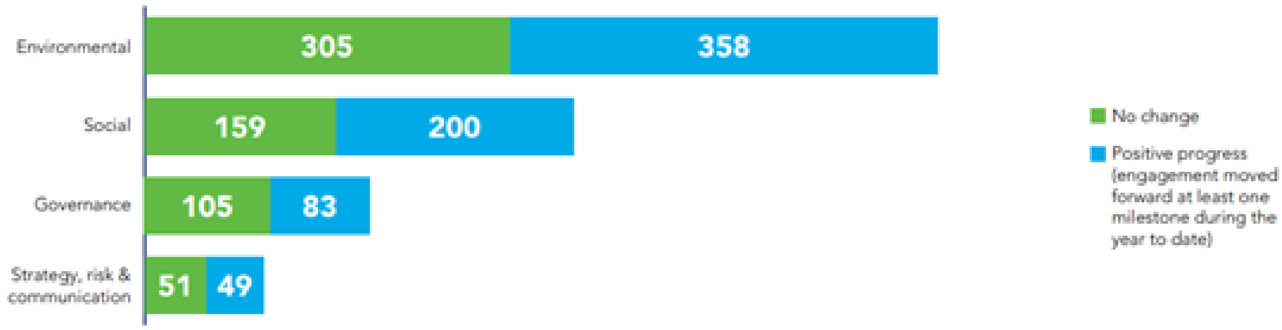
9.2 LGPSC Engagement

In 2023-24, LGPSC continued to focus on four core engagement themes: climate risk, plastic pollution, responsible tax behaviour and human rights. LGPSC's engagement themes are reviewed on a three-year basis, and following collaboration with Partner Fund's, the themes for 2024-27 have been refreshed to cover: climate change; natural capital; human rights risks; and sensitive/topical activities. The change in themes was discussed by, and noted by, the Fund's Pensions and Investments Committee. LGPSC engaged directly with companies and partners with other organisations which engage with companies on LGPSC's behalf, including EOS at Federated Hermes (Stewardship provider to LGPSC) and LAPFF. In 2023, LGPSC, conducted 873 engagements. 4% of the engagements were directly led and 96% were conducted collaboratively. Most of these engagements were composed of letters sent to companies. Appendix 1 provides details of the stewardship strategy, measures of success, engagement highlights and case studies for each of the 4 stewardship themes.

9.3 Engagement by Stewardship Partner

A significant proportion of LGPSC's engagement is carried out by EOS. In 2023, EOS engaged with 775 companies on 3,542 environmental, social, governance, strategy, risk and communications issues and objectives. EOS takes a holistic approach to engagement and typically engages with companies on more than one topic simultaneously. Over 25% of engagements centred around governance issues, and close to 35% involved discussions on environmental issues. 2,428 of the issues and objectives engaged in 2023 were linked to one or more of the UN Sustainability Development Goals (see chart below). At least one milestone was moved forward for half of EOS' engagement objectives during the year.

Progress against engagement objectives in 2023



Engagement supporting the UN Sustainable Development Goals

9.4 DPF Monitoring

Details about how the Fund monitors the responsible investment activities of its external investment managers are set out under Principle 7 and Principle 8. As noted in Principle 7, the Fund receives quarterly stewardship reports, including voting activity, from both LGIM and LGPSC (the Fund's two largest asset managers) and these reports are reviewed by the Fund's IIMT. These stewardship reports are also presented to, and considered by, the Pensions & Investments Committee on a quarterly basis. For the Fund's other investment managers, the Fund carries out review meetings to discuss market conditions, investment philosophy and approach, current positioning, investment performance and investment stewardship activities, together with the regular receipt of manager reports and/or factsheets. These are reviewed on an ongoing basis by the IIMT. The Fund requests its key managers to provide relevant internal control reports (e.g. Audit & Assurance Faculty (AAF) reports – these provide a written report of the effectiveness of a managers control procedures for a reported period).

Engagement: Principle 10

Signatories, where appropriate, participate in collaborative engagement to influence issuers

10.1 Collaborative Engagements

LAPFF Engagement Work

- LAPFF engages with companies on behalf of over 80 local authority LGPS pension fund members and 6 LGPS Investment Pools
- LAPFF's mission is to protect local authority pensions by promoting the highest standards of corporate governance and corporate responsibility
- With members' assets exceeding £350bn, the Forum engages directly with company chairs and boards to affect change at investee companies
- Through collaboration and collective action, the Forum can realise significant and tangible improvements in the practices of some of the world's biggest corporations

In 2023, LAPFF engaged with 563 companies on a range of topics including climate change, human rights, board composition and governance, audit practices and employment standards. The LAPFF sent over 609 correspondences, attended 84 meetings and 7 AGMs across a spectrum of material ESG issues. In these engagements, LAPFF reported 51 instances of improvements or change in progress.

Company: Various

Engagement theme: Diversity – 30% Club Investor Group

Engagement objective: The 30% Club Investor Group runs multiple initiatives. Initially, the focus was on enhancing gender diversity within UK boards, advocating for a minimum representation of 30 percent of women on FTSE 350 boards and in senior roles within FTSE100 firms. More recently, the group has expanded its objectives to encompass promoting a range of diversity considerations through every level of a business.

Action taken: Alongside other investors, LAPFF joined a series of engagements with various companies: Sanwa Holdings, Bridgestone Corp, Kamigumi Co, and Marubeni Corporation. Japanese companies tend to lag behind EU, UK and some US companies when looking at the promotion of diversity and inclusion. None of the companies LAPFF engaged were members of the Japanese Charter of the 30% Club. Nonetheless, all companies provided positive dialogue on diversity and inclusion more widely than just the boardroom. LAPFF is also leading on engagements with KKR & Co Inc, and Shinhan Financial Group as the 30% Club Investor Group's Global Workstream continues to seek increased diversity levels at board and senior level outside of the UK and EU. LAPFF wrote to these companies in September 2023.

In progress: LAPFF hopes to secure meetings with both KKR and Shinhan Financial in the fourth quarter of 2023. The 30% Club Investor Group offers valuable opportunities to engage alongside other investors as part of a core group.

The Institutional Investors Group on Climate Change – IIGCC

DPF is a member of the Institutional Investors Group on Climate Change (IIGCC).

IIGCC Mission Statement: *'Our mission is to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future. This will be achieved through capital allocation decisions, stewardship and successful engagement with companies, policy makers and fellow investors.'*

The IIGCC is a European membership body for investor collaboration on climate change and investor action towards a low-carbon future. The IIGCC works to support and help define the public policies, investment practices and corporate behaviours that address the long-term risks and opportunities associated with climate change. The IIGCC's work is split into 4 sections:

- Policy programme helps shape sustainable finance and climate policy, and regulation for key sectors of the economy
- Corporate programme is focused on listed equity and corporate bonds. It supports members in effective stewardship and active ownership of investments
- Investor practices programme helps members and the broader investment sector better integrate climate risks and opportunities into their investment processes and decision-making
- Paris Aligned Investment Initiative looks at how investors can align their portfolios to the goals of the Paris Agreement

The Fund looks forward to working with IIGCC members to plan for a sustainable transition to net zero. An example of the work carried out by the IIGCC, in which the Fund participates, is shown below.

IIGCC – Index Investing Working Group

The Fund is a participant on the IIGCC's Index Investing Working Group. The working group comprises around 25 global asset managers and asset owners and is designed to support index investors in transitioning to net zero. The working groups scope includes:

1) Identifying the specific challenges faced by index investors in aligning portfolios with net zero;

2) Determine the levers of influence that may be available for investors with index-based strategies to scale the climate transition;

3) Provide recommendations on target setting, capital allocation and engagement practices for index investors, including external manager guidance, policymakers, and other stakeholders such as index providers and proxy advisors; and

4) Provide supplementary guidance to IIGCC's Net Zero Framework in H1-25.

As a significant investor in index-tracking products (both low carbon tracking and general index tracking), the Fund believes that its active participation in the working group from the perspective of an asset owner is an important role for the Fund, particularly given the use of index-tracking funds to increase diversification and deliver market returns.

Climate Action 100+

Through LGPSC and IIGCC, DPF is a member of Climate Action 100+ (CA100+). CA100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Over 600 investors are engaging companies on improving climate change governance, cutting emissions and strengthening climate-related financial disclosures.

The work of the initiative is coordinated by five regional investor networks: the Asia Investor Group on Climate Change (AIGCC), Ceres, Investor Group on Climate Change (IGCC), IIGCC, and Principles for Responsible Investment (PRI). It is supported by a global Steering Committee.

10.2 LGPSC Collaborative Engagements

LGPSC has, and continues, to participate in several investor collaborations that pursue better corporate standards across ESG issues, including for several Stewardship Themes. LGPSC has also supported theme-relevant industry standards and benchmarks, which clarify investor expectations of companies and provide a mechanism for measurement of progress. Examples of collaborative initiatives that form part of LGPSC's stewardship activities are set out below:

Company: Kellanova

Engagement theme: Deforestation risk

Engagement objective: LGPSC is concerned about the financial impact that deforestation may have on its portfolio and investee companies as a result of potentially increasing reputational, operational, and regulatory risks. LGPSC is active participants in the collaborative engagement that specifically focuses on commodity-driven deforestation, Finance Sector Deforestation Action Group.

Action taken: LGPSC co-signed a letter asking to eliminate commodity-driven deforestation by 2025. To make progress against this target LGPSC participated in a collaborative engagement call with Senior Management including the Chief Sustainability Officer and Global Sustainability Business Partner for Human Rights to engage in constructive dialogue and to discuss Kellanova's approach to managing deforestation risk within its supply chain, with a specific focus on the company's Deforestation Policy.

Outcome: LGPSC were pleased to learn that Kellanova is supporting deforestation-related regulation, however they did not discuss their deforestation-related lobbying activities. The company outlined that current efforts are focused on making sure that all plantations are RSPO certified and have partnered with an NGO to assess their small and medium size suppliers in an effort to improve business practices. Company representatives also outlined the implementation of a grievance mechanism and disclosed that most thirdparty grievances are related to palm oil. Kellogg's disclosed that the company will spin off into two entities, Kellanova and WK Kellogg Co. A follow up call will be held to better understand how these entities will approach the management of deforestation within their respective supply chains.

Company: Meta Platforms Inc

Engagement theme: Human Rights

Engagement objective: LGPSC believes that institutional investors have a responsibility to respect human rights which is reflected in LGPSC's commitment to the UNGPs and the OECD Guidelines for Multinational Enterprises.

Action taken: LGPSC engaged with Meta along with the Swedish Council on Ethics. The call focused on understanding how the company considers human rights' saliency, undertakes human rights due diligence, and addresses mental health risks for young users.

Outcome: The company confirmed that it relies on independent auditors for assessing saliency and human rights due diligence in high-risk countries. In addition, extensive algorithms have been implemented for ensuring teenagers have access to age-appropriate content (full profiles are disabled for minors). The company also runs content moderation programs and there are procedures for informing carers about critical internet activities from supervised minors.

Company: Barrick Gold

Engagement theme: Responsible Tax Behaviour

Engagement objective: Improvements in transparent tax reporting.

Action taken: Ongoing engagement regarding Barrick Gold's approach to transparent tax reporting. The company published its inaugural tax report in April 2022. The report was a positive step in the right direction towards tax transparency. However, areas of improvement were identified to further improve transparency. LGPSC liaised with peer investors to provide feedback on the report and set expectations on Barrick Gold's 2023 tax transparency report. The report prompted another round of investor feedback and collaboration.

Outcome: Members of the International Council on Mining and Metals, including Barrick Gold, will be required to undertake country-by-country reporting by 2025. This will likely be a focus area for future engagements.

Company: Various

Engagement theme: Marine Pollution

Engagement objective: Encourage technological solutions to prevent synthetic microfibers from entering the marine environment.

Action taken: Australian Asset Management firm First Sentier, led the engagement initiative, working alongside the Marine Conservation Society and 30 institutional investors, to address the microfiber pollution problem. The engagement targeted 13 washing machine manufacturers and policy makers to encourage technological solutions to prevent synthetic microfibers from entering the marine environment.

Outcome: As a result of investor influence Grundig and Electrolux have developed microfibre filters for its machines and Samsung has announced plans to develop machines with filters in partnership with Patagonia. In addition, a law will come into force in France banning the sale of machines without a filter from January 2025.

Engagement: Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers

Escalation is a key component of stewardship. The Fund expects managers to be ready to escalate any engagement where there is lack of progress relative to engagement objectives, on any material ESG topic. If an engagement with a company is unsuccessful, the Fund expects managers and/or stewardship providers to:

- Escalate engagement through a different person of authority in the company.
- Consider filing or supporting a shareholder resolution.
- Voting against unresponsive directors of company boards.
- Participate in certain individual and class action securities litigations.

Each year LGIM, LGPSC and the LAPFF engage with numerous companies, often directly with company chairs, on the Fund's behalf. When engagement is not progressing in line with expectations, the Fund expects these parties to escalate engagement through issuing voting alerts for company's Annual General Meeting (AGM) or filing shareholder resolutions with companies to progress action on a given issue. To leverage engagement outcomes, these parties often works with other asset owners and managers.

During 2023 the Fund asked managers to pay particular attention to companies' climate transitions, or lack thereof, in line with the Paris Accord. This is part of a broader discussion with external managers around the implementation of our net zero targets.

Some examples of engagement escalation by LGIM and LGPSC are set out below, together with escalation through LAPFF.

11.1 LGIM Escalation of Engagement

Company: Nestle
Identify: As the largest food company in the world, Nestlé sets an example for the rest of the industry in terms of driving positive change and raising market standards. There is a clear link between poor diets and chronic health conditions such as obesity, heart disease and diabetes. These in turn may lead to increased healthcare costs and decreased productivity, both of which will have negative impacts on the economy and, ultimately, on LGIM's clients' assets.

Engage: In Q4-22 LGIM co-signed, with its peers, letters to 12 food and beverage manufacturers, under the leadership of ShareAction's Healthy Markets Initiative. Nestlé was among the companies LGIM wrote to. In the individually tailored letters, LGIM encouraged the companies to do more in several areas. These included, for example, transparency around their nutrition strategy, demonstrating progress on their nutrition strategy, committing to disclosures around the proportion of the company's portfolio and sales associated with healthy food and drinks products (using government endorsed nutrient-profiling models), and setting targets to increase the proportion of these sales. LGIM also praised companies for the positive steps taken so far.

Following the letter, together with the Healthy Markets Initiative, LGIM met with Nestlé several times. In late 2022, Nestlé announced that it would report on their global portfolio using the nutrient profiling system Health Star Rating (HSR) – LGIM were pleased to see this development. LGIM continued to meet with Nestlé as part of this collaboration during 2023 to discuss its ongoing concerns, particularly regarding its plans not just to monitor but also actively to increase its sales of healthier products.

In September 2023, Nestlé announced a new nutrition target which LGIM believes is not ambitious enough. LGIM's views, as part of ShareAction's response at the time, are detailed below. LGIM's main concerns are:

• Nestlé's new target is broadly in line with the company's current overall growth guidance, meaning if sales of unhealthier products increase in line with this guidance, there would be no improvement linked to consumer health and diets
• Some of the products counted as 'nutritious' by Nestlé are outside the scope of government-endorsed nutrient profile models (including commercial baby foods and coffee). By increasing sales of out-of-scope products classified by Nestlé as nutritious, the company could meet its target without having any positive impact on public health

Escalate: Reflecting LGIM's shared concerns with ShareAction, LGIM agreed in early 2024 to co-file a shareholder resolution at Nestlé's AGM, calling on the company to:

• Set key performance indicators (KPIs) regarding the absolute and proportional sales figures for food and beverage products according to their healthfulness, as defined by a government-endorsed Nutrient Profiling Model
• Provide a timebound target to increase the proportion of sales derived from these healthier products

These requests are intended to address LGIM's main concerns and strengthen the link between Nestlé's targets and real-world impact by increasing the proportion of healthier food available in consumer markets.

LGIM will monitor the company's response and actions and continue its engagement with them on this important issue.

11.2 LGPSC Escalation of Engagement

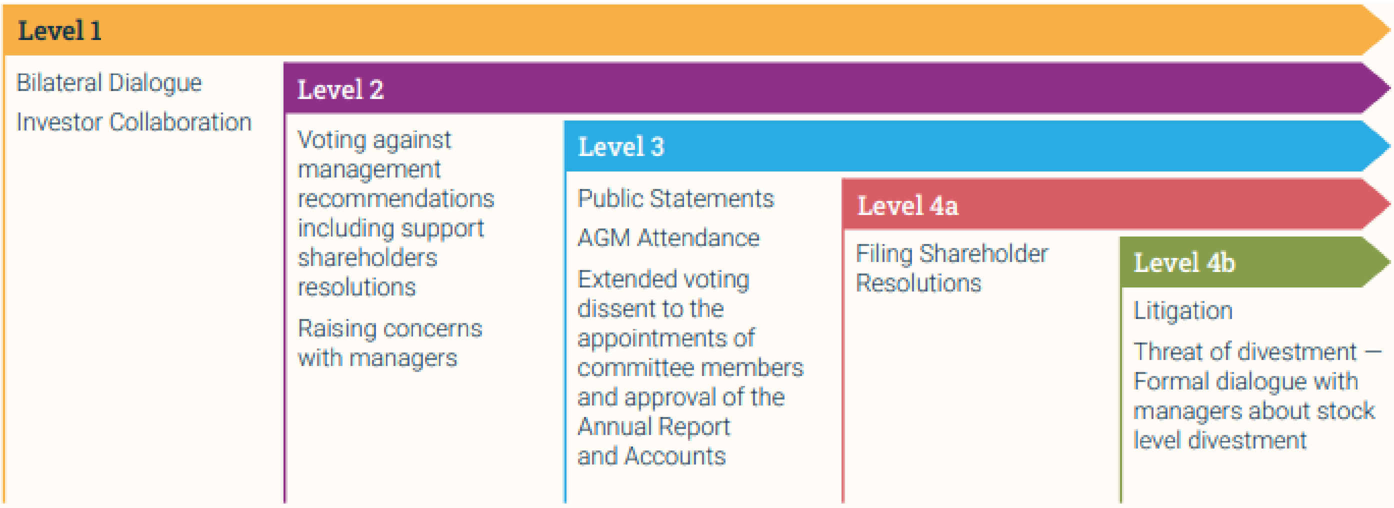
The Stewardship Themes that LGPSC has identified as priority areas for engagement are all long-term and systemic in nature. Against that backdrop, LGPSC will often use escalation tactics to enhance the chances of achieving long-term engagement outcomes. Examples of how LGPSC might escalate include, but are not limited to:

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

LGPSC has refreshed its escalation strategy in 2023 and this was presented to LGPSC's Investment Committee in early 2024. The key changes related to providing increased granularity about the process, specifically to make explicit:

- Level 2: raising concerns with investment managers
- Level 3: escalating voting concerns
- Level 4b: the threat of divestment

Updated LGPSC Escalation Strategy



Through LGPSC's involvement in collaborative engagement projects, like CA100+, LGPSC is continuously assessing the need for escalation depending on individual companies' response to expectations from investors. Going into 2021, CA100+ had established a Benchmark Framework which allows evaluation of company progress against Paris alignment on key parameters, such as, short/medium/long-term targets, decarbonisation strategy, capital expenditure plans, remuneration and disclosures.

Some examples of LGPSC engagement and escalation are set out below:

Company: Barclays

Theme: Climate Change

Objective: The impacts of climate change pose a material risk to LGPSC's portfolio and the wider economy. LGPSC engages with companies to manage climate-related risks and opportunities. LGPSC has a long-standing history of engagement with Barclays. In 2023, through a collaborative engagement organised by ShareAction, LGPSC engaged with the company on its approach to fossil fuel financing.

Engagement: In February 2023, LGPSC sent a letter to 5 European banks, including Barclays, requesting they cease financing new oil and gas fields. LGPSC escalated concerns regarding the management of the company's climate-related risks by co-filing a shareholder resolution at Barclays in Q4-23. This resolution requested the company to disclose the risks associated with stranded assets due associated with financing oil and gas infrastructure.

Outcome: Following extensive engagement with Barclay's senior leadership, the shareholder resolution was withdrawn as a result of the positive outcome regarding the climate strategy and commitment to continuing engagement, including an annual meeting between the co-filing group and Barclays CEO. In Q1-24, Barclays announced that it will stop financing new oil and gas fields and restrict lending more broadly to energy companies expanding fossil fuel production. LGPSC remains committed to ensuring that Barclays follows through with its newly established commitments.

Company: Telecommunications Company

Theme: Human Rights

Objective: The company operates in countries with disputed territories and concerns around human rights. The company, unlike its peers, does not adopt the UNGPs in its business practices.

Engagement: Since 2023 LGPSC has been engaging with the company on the adoption of the UNGPs across its business operations. Unlike its competitors, the company does not undertake human rights due diligence and its approach to human rights is not integrated into the terms of reference of any of its governance committees. LGPSC initially sent a letter to the company asking for further disclosure on its human rights approach. LGPSC secured a meeting with the company after sending a second letter to the company. LGPSC met with the company's investor relations team and two members of the compliance team. The company and LGPSC agreed to continue a positive dialogue following LGPSC's provision of a detailed review of the company's human rights approach compared with the practices adopted by its competitors.

Outcome: LGPSC was not able to secure a follow-up meeting with the company. The company deems its own human rights approach as satisfactory (although not compliant with the UNGPs). LGPSC has escalated its concerns by informing the company that it is likely that a dissent vote will be cast against the chair of the company at the next AGM due to inadequate engagement progress. LGPSC will also raise this matter with LGPSC external managers holding the stock on behalf of LGPSC.

LGSC expects its managers to escalate an engagement (on any material ESG topic) where there is a lack of progress relative to the engagement's objectives. During 2023, LGPSC has asked managers to give particular attention to companies' climate transition, or lack thereof, in line with the Paris Accord. This is part of a broader discussion with external managers around the implementation of LGPSC's net zero targets.

Electronic Equipment, Instruments & Components Manufacturer, UBS, LGPSC Emerging Markets Equity Active Multi Manager Fund

Objective: To address various corporate governance concerns.

Sector: Steel

ESG topics addressed: Corporate Governance

Issue / reason for engagement: In April 2022, UBS' proprietary ESG Risk Dashboard started flagging a misalignment with minority shareholder interests, questions surrounding board independence, board effectiveness in oversight, board skillset, share pledging, CEO remuneration, CEO focus and controversies.

Scope and process / action taken: The internal research UBS undertook to review the ESG Risk Flag sparked an insightful debate between the equities and sustainable investment teams. The respective equities analyst covering the company and the sustainable investment analyst initially disagreed on the materiality of the concerns mentioned above. UBS escalated this debate to their internal review forum where the sustainable investment analyst and equities investment team combined to review the materiality of these governance factors. The conclusion was reached that further due diligence on these factors was necessary and an engagement meeting with the chair of the board was requested.

Escalation Strategy: Engagement attempts with the company.

Outcomes and next steps: UBS' efforts to arrange a meeting with the company were unsuccessful as the company did not respond. Subsequent news flow and share price pressure resulted in a growing convergence of views over the reputational impact of the CEO’s actions and the lack of board oversight, resulting in an agreement to designate the issue as a ‘Severe ESG Risk’, removing the company from the investable universe for some sustainable portfolios. This engagement case demonstrates the strength of combining independent sustainable analyst research with traditional equity analyst investment research. While illustrating the limits of engagement, this case does highlight some of the potential benefits of stewardship and a focus on ESG risks. UBS will continue to monitor the status of the company on various corporate governance issues.

11.3 LAPFF Escalation of Engagement

Each year the LAPFF engages with many companies, often directly with company chairs.

When company dialogue is deemed to be too slow, LAPFF escalates its engagement. This escalation may include voting recommendations to LAPFF members in respect of a company’s AGM to directly promote change or filing shareholder resolutions with companies to progress action on a given topic. To leverage engagement outcomes, the LAPFF often works with other asset owners and managers. An example, of LAPFF engagement was set out under **Principle 10** in respect of Diversity – 30% Club Investor Group.

Exercising Rights and Responsibilities: Principle 12

Signatories actively exercise their rights and responsibilities

12.1 Exercising Voting Rights

As discussed in **Principle 7,** the Fund believes that voting is an integral part of the responsible investment and stewardship process. The responsibility for exercising voting rights has largely been delegated to Fund's external investment managers, principally LGIM and LGPSC.

The level of direct voting by the Fund has reduced significantly over the last few years as the Fund has increasingly transitioned into pooled investment products, largely managed by either LGIM or LGPSC. However, DPF continues to exercise its voting rights where it retains a direct voting responsibility. These largely relate to some small allocations in respect of listed private equity investment trusts, listed infrastructure investment trusts and real estate investment trusts. The Fund's approach to voting is set out in the Fund's Responsible Investment Framework, a copy of which is published on the Fund's website. The Fund uses ISS, a specialist third party specialist voting provider, to provide voting research and recommendations.

12.2 LGIM Exercising Voting Rights

The Fund's single largest investment manager is LGIM, which manage assets for the Fund on a passive index basis. Votes for these products are therefore cast in accordance with LGIM's voting policies. As one of the largest asset managers in the world, with over £1.4 trillion of assets under management, LGIM has the scale and influence to enact tangible positive change in corporate behaviour, improving environmental, social and governance outcomes and promoting sustainable investment returns. LGIM's voting policy is discussed in greater detail under **Principle 7**, and examples of some its voting, engagement and escalation activities are discussed under **Principle 9** and **Principle 11**. The voting principles, and LGIM's broader voting activity during 2023-24, is summarised below.

LGIM Voting Principles

- Active ownership forms a key part of how LGIM embeds ESG considerations into its business
- LGIM's voting principles are based on a set of corporate governance principles
- Previous engagement with an investee company also determines the way voting decisions are made and cast
- Voting activity is combined with direct engagement with the investee company to ensure that the investee company fully understands any issues and concerns that LGIM may have and to encourage improvement

The Fund also receives a quarterly Engagement Report from LGIM which contains a summary of key engagements and significant voting activity.

Some of LGIM's voting and engagement activity in 2023 is noted below:

- In 2023, almost 149,000 votes were cast by LGIM at more than 15,580 meetings
- In the UK, LGIM voted on 11,461 resolutions on 674 individual companies
- In the UK, LGIM voted against/abstained on at least one resolution at 306 companies in 2023
- 45% of UK companies received at least one vote against management in 2023, compared to 98% for North America, 92% for Europe, 79% for Japan and 90% for Rest of World

12.3 LGPSC Exercising Voting Rights

The Fund's second largest investment manager is LGPSC. Voting is a core part of LGPSC's overall Stewardship effort as a shareholder in investee companies.

LGPSC Voting Objectives

High-level objectives

LGPSC views voting as a core component of its stewardship activities. In a long-term perspective, all voting activities they undertake aim to:

- support the long-term economic interests of our stakeholders
- ensure boards of directors are accountable to shareholders
- encourage sustainable market behaviour across companies and sectors

Principles-based approach

LGPSC take a principles-based approach to voting is guided by LGPSC's established Voting Principles. At high level, it expects companies to:

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

Voting Watch List

LGPSC has established a voting 'watch list' that consists of around 50 companies which cover larger holdings and/or core engagements in and outside of Stewardship Themes. Votes at these companies are scrutinised ahead of the AGM. The Voting Watch List serves a further purpose, in allowing LGPSC to test whether its votes are generally cast in alignment with their Voting Principles.

Interaction with EOS at Federated Hermes

Ahead of each voting season, LGPSC shares its Voting Watch List with EOS to ensure that it receives a more detailed analysis to substantiate the voting recommendations for companies on this list ahead of relevant AGMs. LGPSC also seeks ad-hoc interactions/meetings with EOS regarding core engagements, where either LGPSC or the Partner Funds would like further input from the other ahead of a vote.

In 2023, LGPSC:

- Voted on 42,802 resolutions at 3,353 meetings
- Voted against management recommendation on one or more resolution 65.8% of meetings, with a dissent level of 14.1% (i.e. number of times LGPSC voted against management recommendations)
- Supported 316 shareholder proposals. LGPSC co-filled a shareholder resolution at Barclays and later withdrew in Q1-24
- In 2023 EOS attended 3 AGMs; Siemens Energy AG, BMW AG and The Bank of Nova Scotia. One shareholder proposal was filed at Daewon Sanup. The proposal requested the company

to pay out a higher cash dividend which, would raise the return on equity of the company and allow shareholders to participate more fully in the success of the company

Some examples of LGPSC's voting activities are set out below:

LGPSC Case Study - Diversity and inclusion

LGPSC voted against 586 proposals on diversity and inclusion matters. Along with this, LGPSC encouraged greater representation of women and ethnic minorities on boards and leadership positions.

LGPSC withdrew support from 709 director appointment resolutions due to concerns on gender diversity. Although LGPSC believes these votes sent a signal to companies about its expectations on diversity, LGPSC notes that those resolutions passed. Diversity is a key consideration in LGPSC's Voting Guidelines and a vote against the Nomination Committee's members will be put in place in 2024 when female board representation is below standard practices and there is no recognised plan for improving the board's female representation (FTSE 100).

In Europe, LGPSC opposed the nomination committee chair for poor board gender diversity at mining companies like Antofagasta and Fresnillo.

LGPSC was pleased to see significant progress by FTSE 100 companies in meeting minimum standards of ethnic representation on UK boards.

In Japan, there was progress on gender diversity in companies like Chubu Electric Power and Seven & i. However, other companies like Toyota Industries, and Canon are lagging, and LGPSC voted against the responsible directors and EOS are engaging with them on the same issue on LGPSC's behalf.

LGPSC Case Study - Remuneration

LGPSC continues to voice concerns over executive pay. LGPSC voted against 45% of Say on Pay proposals, of which 74% were composed by resolutions directed at approving of annual executive remuneration reports and 26% of resolutions directed at approving remuneration policy.

As shown by LGPSC's dissent level, globally LGPSC notes that almost half of the say on pay proposals are misaligned with its principles. In the UK, LGPSC opposed 35% of executive pay proposals. In the USA, LGPSC opposed 52% of executive pay proposals.

At retailer The Foschini Group, LGPSC voted against the remuneration policy, alongside 71% of shareholders who rejected this pay proposal.

At AstraZeneca LGPSC was not supportive of their remuneration report. Although LGPSC was cognisant of the strong performance of the company, LGPSC was concerned about the lack of disclosure of the peer group for the long-term Incentive (LTI) performance targets and LTI award being paid at the maximum level for consecutive years.

LGPSC opposed pay at ASML Holding, BNP Paribas, Mondi, JPMorgan Chase, and others where LGPSC viewed the quantum of pay to be too high, without adequate disclosure of additional value for long-term shareholders when paying the CEO significantly above the labour-market median.

LGPSC Case Study

PLASTIC POLLUTION/SIGNIFICANT VOTE) - Amazon.com, Inc

Theme: Plastic Pollution

Vote Decision & Rationale: LGPSC supported a shareholder proposal requesting Amazon issue a report, at reasonable expense and excluding proprietary information, describing how the company could reduce its plastics use in alignment with the one-third reduction findings of the Pew Report, or other authoritative sources, designed to significantly reduce ocean plastic pollution. The proponent argues that the plastic pollution crisis poses financial, operational, and reputational risks to the company.

The proponent argued that corporations around the world could face a cost of $100 billion if governments were to require that they pay the waste management costs of the packaging they produce. It cites a Pew Charitable Trusts study called Breaking the Plastic Wave, which concluded that if all current industry and government commitments were met, ocean plastic deposition would be reduced by only 7%. The proponent contended that, despite likely being one of the largest corporate users of non-recyclable plastic packaging, Amazon does not disclose the amount it uses.

While the company discusses the impact in terms of plastic waste reduction, it does not provide an overall baseline amount of plastic used throughout its supply chain and does not provide competing data that allows investors to assess its progress. Several of the company's peers have announced goals specifically around single-use plastic reduction. Concern over the environmental damage caused by plastics is rising and regulations are likely to go into force in several jurisdictions that would limit the amount of single-use plastic packaging that can be used. Additional disclosure would help gauge whether the company is appropriately managing risks related to the creation of plastic waste.

Outcome: Whilst the resolution did not pass it encouragingly received 31.8% support. Following the AGM, LGPSC sent a letter to Amazon explaining its rationale for supporting the shareholder resolution. LGPSC did not receive a response from the company. However, considering the strong support for the shareholder resolution LGPSC expects the company to provide disclosure about how it can reduce its plastic use.

LGPSC Case Study

EXERCISE OF RIGHTS AND RESPONSIBILITIES CASE STUDY (FIXED INCOME) - NextEra Energy Inc, Neuberger Berman, LGPSC Global Active Investment Grade Corporate Bond Multi Manager Fund

Objective: To improve disclosure of political donations and lobbying practices.

Sector: Utilities

ESG Topics Addressed: Social; conduct, culture and ethics.

Issue / Reason for Engagement: To lower lobbying risk and encourage NextEra to increase lobbying disclosure.

Scope of Process / Action Taken: The Neuberger Berman (NB) Fixed Income team collaborated with the Equity and ESG investing teams to engage with the issuer on increasing lobbying disclosures. This has been an area of focus NB have prioritised with the company over several years given the materiality for the Utilities sector. The issuer had historically been a laggard on political spending disclosure compared to peers in the sector and one of its subsidiaries faced an investigation over potentially violating the Federal Election Campaign Act after allegedly providing financial support for political campaigns. Quarterly discussions were held with the issuer's management team, a special meeting with the issuer's ESG team to discuss political activity took place, and periodic discussions with the issuer's Treasury team were held. These engagements were led by the credit analyst covering NextEra.

Outcomes & Next Steps: The issuer's subsidiary was cleared of wrongdoing by third-party investigations and the local utility commission. Through NB's engagement NB learned that the CEO and the Board determine and have oversight of political spending activities, which NB view as a positive governance practice. NextEra's political spending and lobbying disclosures have improved, along with its third-party CPA Zicklin political disclosure score. NB will continue to engage with the issuer on increasing transparency of political spending, along with ensuring proper governance of spending and lobbying policies.

LGPSC Case Study

Wells Fargo

Theme: Human Rights

Vote Decision & Rationale: LGPSC expects companies to manage human rights risks, within their own operations but also across the wider supply chain. LGPSC expects companies to disclose how they manage their human rights risks as it allows investors to better evaluate ESG risks and opportunities. LGPSC supported a shareholder proposal requesting that the company prepares an annual public report describing and quantifying the effectiveness and outcomes of company efforts to prevent harassment and discrimination against protected classes of employees.

The proponents suggested including the following disclosures in an annual report:

- the total number and aggregate dollar amount of disputes settled by the company related to abuse, harassment, or discrimination in the previous three years- the total number of pending harassment or discrimination complaints the company is seeking to resolve through internal processes, arbitration or litigation.
- the number of enforceable contracts which include concealment clauses that restrict discussions of harassment or discrimination.
- the aggregate dollar amount associated with the enforcement of arbitration clauses.
- the aggregate dollar amount associated with agreements which contain concealment clauses.

Wells Fargo has policies in place that prohibit harassment and discrimination and prohibit retaliation against employees who raise concerns. The company has diversity training for all managers to increase inclusion skills and behaviours and discloses board and workforce diversity statistics. However, the company has faced multiple allegations of discrimination in its hiring and human capital management practices. Investors could benefit from a report on the effectiveness and outcomes of the company's efforts to prevent discrimination against protected classes of employees.

Outcome: The proposal passed and received 52.3% support. Although the proposal was non-binding, it is expected that Wells Fargo will produce the requested report.

LGPSC Case Study

EXERCISE OF RIGHTS AND RESPONSIBILITIES CASE STUDY (PRIVATE MARKETS) - Paraguay Government, Barings, Private Credit Fund

Objective: To understand the country's approach to issuing sustainable debt.

Issue / Reason for Engagement: Barings have identified Paraguay as a strong contender for a Sustainability-Linked Bond (SLB) issuance.

Scope of Process / Action Taken: In November 2023, Barings' analysts continued engagement with the Paraguay authorities that started in Q2 2023, when ESG-oriented analysis led analysts to find Paraguay as a strong contender for a Sustainability-Linked Bond (SLB) issuance. After discussions with the Inter-American Development Bank and the IMF, the Barings team met with the Debt Management Office (DMO) of Paraguay to discuss its strategy around issuing sustainable debt. After hearing their perspective and understanding capacity limitations, Barings continued to encourage them to consider the benefits of issuing SLBs, rather than the use of thematic proceeds bonds. Barings also advised the Office on potential relevant indicators for Paraguay, including fiscal revenue/GDP, reforestation, and reducing informality in the economy.

Outcomes & Next Steps: Further conversations included enhancing government capacity and communications between agencies. The Emerging Markets Sovereign team then connected the DMO with a working group on Sovereign SLB for further capacity development.

12.4 Other External Public Market Managers Exercising Voting Rights

DPF expects all its other external public market investment managers (i.e. excluding LGIM & LGPSC) to fully exercise their voting rights and responsibilities.

12.5 Private Market Managers Exercising Voting Rights

DPF has a large portfolio of private markets investments spanning Private Equity, Infrastructure, Diversified Multi-Asset Credit, Private Debt and Property, with commitments to these asset classes totalling over £1 billion. Most of the Fund's private market investments are through closed-ended Limited Partnership arrangements which do not have automatic voting rights, except where the Fund is a member of Limited Partnership Advisory Committee (LPAC), albeit the matters considered by an LPAC largely relate to potential conflict of interests and changing partnership terms (see examples below). To the extent that DPF is an LPAC member, it actively attends meetings to discharge its responsibilities in the best interests of DPF.

Examples of LPAC matters considered by DPF include:

- Extension to a property fund's re-investment period
- Extension to an infrastructure fund's geographical investment parameters
- Approval of changes to an infrastructure fund's Key Person provisions
- Approval of an infrastructure fund's fees payable to an associated undertaking of the investment manager
- Extension of a private equity fund's termination date

The Fund expects all its private markets managers to fully exercise their rights and responsibilities at the companies in which they invest. We provide below an example of how one of the Fund's external infrastructure managers, JP Mogan, approached this:

Case Study: External Private Markets Manager - El Paso Electric, JP Morgan Infrastructure Investments Fund

Objective: To set emissions reduction goals supported by an action plan.

Sector: Utilities

Issue / Reason for Engagement: El Paso Electric (EPE) face transition risks in the form of climate-related regulatory and policy changes, technological evolution, and customer demands.

Scope of Process / Action Taken: Through IIF's ownership (100%), asset management and governance structure, the team worked together with management to set specific carbon reduction goals with action plans in place. As a result, goals have been set and published:

• 80% carbon-free energy by 2035
• 100% pursuit of decarbonization of generation portfolio by 2045

EPE is working directly with its regulators on approval for energy transition and climate adaption projects. In 2023, EPE received regulatory approval to expand its Texas Community Solar Program with an additional 10 MW solar facility. This new solar facility will add to EPE's existing, fully subscribed, Texas Community Solar Program and offer a discounted rate for income-qualified customers. The expansion will bring the program's total capacity to 15 MW of community solar energy. This project will be the second expansion of its community solar program since its initial launch, giving even more customers the option of receiving their energy from a local, renewable energy resource without having to install their own distributed generation system.

Outcomes & Next Steps: EPE plans to meet the 2035 goal through: 1) the continued deployment of renewable energy resources; 2) storage solutions; 3) the use of new fuels and technologies; 4) increased efficiency; and 5) EPE plans to continuously evaluate alternative energy technologies, fuels, and efficiency strategies as those solutions develop over the next decade.

EPE recognises that climate risks are best addressed through long term resource and portfolio transitions but also identifies and implements nearer term projects and strategies to help mitigate these impacts, including dedicated renewable energy, battery storage and microgrid resources to government and large commercial customers; voluntary renewable energy subscriptions for residential and small commercial customers; transportation electrification plans; and demand response programs. EPE also has a similar community solar program in New Mexico that has been submitted for regulatory approval.

Appendix 1

LGPSC stewardship themes, stewardship strategy, measures of success, engagement highlights and case studies.

Climate risk stewardship theme

Stewardship strategy

Engagement is done through key collaborative initiatives including CA100+, IIGCC and the Transition Pathway Initiative (TPI).

Measures of success

LGPSC assesses progress against the underlying objectives of the CA100+ engagement project, and against improvements on TPI score for management quality and carbon performance. LGPSC's aims are:

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

At the end of 2023 LGPSC rolled out a Net Zero Strategy. The stewardship related activities will be finalised during 2024.

Engagement highlights during 2023

During 2023 the following engagement highlights were achieved:

- 1879 companies engaged on 2656 climate-related issues and objectives with progress on 266 specific objectives.
- The number of say-on-climate votes fell in comparison to the previous proxy season due to companies opting for triennial votes in addition to a loss of momentum for climate-related initiatives in the uncertain operating environment. Nonetheless, shareholder dissent on say on climate resolutions continued in to increase in 2023. During the 2023 proxy season there was increased opposition to directors who investors view as climate laggards. LGPSC voted against climate-related resolutions at the AGMs for Shell, Total Energies, and Glencore. LGPSC followed up the votes at Shell and Total Energies AGM with letters to the respective Chairs' of the Board detailing the rationale for the vote.
- LGPSC directly engaged with Shell to discuss the company's approach to the setting Scope 3 absolute emissions targets and its refreshed Energy Transition Strategy. In addition, EOS engaged with Shell's CEO to discuss how Shell could demonstrate that capex is consistent with a 1.5C future by using low cost of oil consistent with Shell's own accounting sensitivity analysis.
- LGPSC participated in a collaborative engagement with BP to discuss Capex alignment with net zero and low carbon solutions. EOS is also continuing to engage with BP on developing a comprehensive plan to assess, manage and adapt to physical risks.

- LGPSC has provided input into Investment Association (IA)'s consultation on the draft response to the Department for Energy Security and Net Zero (DESNZ). The consultation focused on Scope 3 Emissions in the UK Reporting Landscape. LGPSC will participate and contribute to future IA climate working group meetings.
- LGPSC joined the CDP Science-Based Targets Campaign. The programme focuses on engaging with companies on science-based targets. Setting up targets enable companies to assess their climate-related risks and opportunities as well as better understand how fast they can decarbonise when aligned with climate science. This initiative aligns with LGPSC's net zero strategy especially regarding engagement targets and our expectations on companies in setting up climate targets and systematically reporting on their emissions.
- At advocacy level, LGPSC endorsed the UKSIF letter to the Prime Minister expressing strong concern at government's public statements (e.g. 2030 phase-out of new petrol and diesel cars and 2035 phase-out of gas boilers) and policy signals, which risks undermining the UK's leadership in clarity, certainty, and confidence of policymaking toward meeting net zero.

Climate Change Case Study

Enel SpA

Theme: Climate change

Objective: The objective is for the company to achieve its 2025 75GW of renewable energy capacity target and maintain its targets to exit coal generation by 2027 and gas generation by 2040. It is expected that the company demonstrate it is on track to deliver its 2030 targets for renewable energy capacity and Scope 1, 2 and 3 emissions reductions.

Engagement: During Q3 2023, EOS, LGPSC's engagement partner, conducted a meeting with the company to gain insights into the perspectives of the new management regarding the current climate change strategy and any potential adjustments. The company reiterated its dedication to the climate change strategy and expressed its willingness to consider feedback. Although there is a possibility of not achieving a short-term (2023) target embedded in a sustainability-linked bond, the company provided reassurance regarding its enhanced confidence in achieving longer-term targets.

Outcome: In Q4 2023, EOS held a meeting with the company subsequent to its strategy update presented at the capital markets day. The company affirmed that the majority of the key elements of its climate change strategy will be retained. However, there has been a slight reduction in the ambition of its renewable energy capacity target, from 75GW by 2025 to 73GW by 2026, with a heightened emphasis on investment in grid infrastructure. EOS intends to seek clarification regarding this adjustment and plans to maintain engagement with the company to support the achievement of its climate change targets.

Plastic pollution stewardship theme

Stewardship strategy

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

Measures of success:

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

Engagement highlights during 2023 were:

- 63 companies engaged on 69 plastics and circular economy related issues and objectives, with progress on 6 specific objectives.
- LPGSC participated in an award-winning collaborative engagement on microfibre. The engagement targeted washing machine manufacturers and policy makers to encourage technological solutions to prevent synthetic microfibers from entering the marine environment. As a result of investor influence several manufacturers have implemented or are planning to implement microfibre filters for its machines.
- LGPSC signed a joint statement from the Dutch Association of Investors for Sustainable Development, requesting intensive users of plastic packaging to act more rapidly to address the plastics crisis.
- EOS engaged with 3M CO on becoming a signatory to the global commitment on plastics and commit to eliminate problematic and unnecessary plastics. The company made significant progress to eliminate dependence on virgin fossil fuel plastics and committed to the Global Plastics Treaty.

Plastic Pollution Case Study

Ansell Ltd

Theme: Plastic pollution

Objective: LGPSC seek to engage with companies that are directly or indirectly involved in plastic pollution or with companies that could contribute to the path of a circular economy. The objective is for the company to develop and publish a circular economy strategy with goals that include sourcing, demand, use and disposal.

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

Outcome: The engagement will continue until the company has developed and published a robust circular economy strategy as outlined in the engagement objective. effort should be focused on another part of the plastics value chain.

Responsible tax behaviour stewardship theme

Stewardship Strategy

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

Measures of success:

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

Engagement highlights during 2023 were:

- 27 companies engaged on 32 tax related issues and objectives, with progress on 12 specific objectives.
- EOS engaged with Marathon Oil Corp requesting the company to publish a responsible taxation policy In line with the Global Reporting Initiative.
- LGPSC supported a shareholder resolution at Brookfield requesting the company issue a tax transparency report in line with the Global Reporting Initiative. companies engaged on 13 tax related issues and objectives, with progress on two specific objectives.

Exxon Mobil Corp

Theme: Responsible Tax Policy

Objective: Recognise the importance of companies being accountable for and transparent about their tax practices. LGPSC expects the company to publish a responsible taxation policy in line with the Global Reporting Initiative Tax Fairness Standard, and disclose itemised payments to governments at the national, state, and local levels. Through LGPSC's engagement with companies on tax, LGPSC aims to support investor expectations – e.g. as expressed by the GRI Tax Standard and the UK Fair Tax Mark – in dialogue with companies.

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

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

Human Rights stewardship theme

Stewardship strategy

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

Measures of success were:

- LGPSC aims for positive interactions at senior levels of target companies and acknowledgement of relevant risk factors.
- LGPS seeks Board oversight of human rights risk; company policy to respect human rights; relevant measures to manage human rights risks integrated into corporate business strategy, risk management and reporting; engagement with stakeholders and grievance mechanisms.
- LGPSC expects strategies for responsible business conduct should follow the UN Guiding Principles for Business and Human Rights, where applicable.
- LGPSC encourages improvements in benchmarks such as Ranking Digital Rights and the Workforce Disclosure Initiative (WDI).
- Engagement highlights during 2023 were:
    - 617 companies engaged on a range of 1063 broader human rights risks. Progress was seen in 123 cases against specific objectives.
    - LGPSC engaged with an Information Technology company on their approach to conducting human rights due diligence within high conflict regions such as the Occupied Palestinian Territories
    - LGPSC signed up to the Investor Alliance for Human Rights, which focuses on investor responsibility to respect human rights, corporate engagements that drive responsible business conduct, and standard setting activities that push for robust business and human rights policies. A selection of companies highlighted as laggard in Benchmarking Human Rights Performance were selected as engagement priority company for 2024-2027 engagement plans.
    - EOS engaged with Duke Energy Corp to set out a timebound plan on how human rights issues will be assessed in operations and supply chain mapping / due diligence processes, along with the provision of remedy.
    - Through the collaborative engagement initiative, PRI Advance, LGPSC engaged with BHP about modern slavery and ongoing compensation in the aftermath Samarco dam disaster.

Human Rights Case Study

Duke Energy Corp

Theme: Human Rights

Objective: LGPSC believes institutional investor have a responsibility to respect human rights which is reflected in our commitment to The UN Guiding Principles on Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises. LGPSC's Stewardship Provider, EOS, had set an objective to for the company to set out a timebound plan on how to human rights issues will be assessed in operations and supply chain mapping / due diligence processes, along with the provision of remedy.

Engagement: The company acknowledged the request to set out a timebound plan and the need to disclose its process for enforcing its supply chain worker rights policy. During the PRI Advance collaborative engagement that EOS at Federated Hermes attended, the Company clarified that its due diligence of suppliers involves a desktop audit, sustainability assessments, scoring survey results and providing continuous improvement training. The company said it is in the early stages of supply chain mapping. It has good oversight of its tier one suppliers but not its tier two or three suppliers. LGPSC were pleased to hear that in response to forced labour risks in the Xinjiang region, the company had conducted supplier due diligence and took action to reduce its solar supply chain to only two suppliers to more easily monitor for supplier human rights risks. LGPSC expectations for addressing human rights issues include disclosures on types of grievances raised, how companies addressed them, measurement of the effectiveness of remedies, and inclusion of participants concerns and how companies worked with those who are affected to arrive at an effective remedy.

Outcome: Engagement with Duke Energy Corp to set out a timebound plan on how human rights issues will be assessed in operations and supply chain mapping / due diligence processes, along with the provision of remedy. Future engagement will also focus on the disclosure of its process for enforcing its supply chain workers' rights policy including information about the audit process.

Engagement on Human Rights – Modern Slavery

FTSE350 and AIM-listed companies

Objective: FTSE 350 and AIM-listed companies whose modern slavery reporting failed to meet the requirements of Section 54 of the Modern Slavery Act 2015.

Engagement: LGPSC is a member of Votes Against Slavery initiative led by Rathbones Group. Companies are informed about investors' concerns regarding their lack of disclosure on modern slavery via letter and a request for engagement. Companies are also notified that failure to comply could result in a lack of support for their annual report and accounts. As part of the initiative, in Q1 2024 the list of companies whose reporting is behind investors' expectations on modern slavery was updated. Ahead of the AGM season, those companies were notified about investors' expectations. LGPSC co-signed 19 letters notifying companies that their disclosure falls short of the reporting requirements in Section 54 of the Modern Slavery Act 2015 and subsequent reporting guidelines issued by the Home Office.

Outcome: In 2023, the initiative targeted 32 FTSE 350 companies and 126 AIM companies. 81% of FTSE 350 companies (which were part of target list) are now either fully compliant with Section 54 or committed to make changes to their reporting; 61% of AIM listed are now either fully compliant with Section 54 or committed to make changes to their reporting.

How to get in touch with us

Pension Helpline:

01629 538 900

Email:

pensions@derbyshire.gov.uk

Website:

derbyshirepensionfund.org.uk

Administered by:

Derbyshire County Council
County Hall
Matlock
Derbyshire
DE4 3AG