Transport for London

TfL Pension Fund Sustainability Report

2022

"The Trustees continue to focus on all three building blocks of Sustainable Investing, namely Environmental, Social and Governance, and believe that proper integration of these building blocks can improve financial outcomes for the Fund's portfolio and the members."

M. Antoniou

Maria Antoniou
CHAIR, TfL PENSION FUND

Chair's Letter

On behalf of the Trustees of the TfL Pension Fund, I am delighted to present our fifth Annual Report on Sustainable Investing. This report summarises some of the actions taken since our last publication, reflects on some of the challenges the Fund has faced and acknowledges the importance of collaboration with our advisors and investment managers in helping the Fund address climate change challenges and other sustainability risks. The Trustees continue to focus on all three building blocks of Sustainable Investing, namely Environmental, Social and Governance, and believe that proper integration of these building blocks can improve financial outcomes for the Fund's portfolio and the members.

Over 2022, we have faced some of the greatest challenges of recent times. Geopolitical instability, most notably the Russian invasion of Ukraine, has threatened people's lives and livelihoods as well as food and energy security around the World. Increased macroeconomic uncertainty and the cost of living crisis in the UK and globally has left many people struggling to keep themselves warm and fed. From a climate perspective, extreme heat waves during the summer months across Europe, extreme cold temperatures in the US over the winter months, and extreme flooding in Pakistan, demonstrate the continuing battle we face against the climate crisis.

Following Russia's invasion of Ukraine in February 2022, the Trustee swiftly instructed the Fund's Investment Managers to freeze all existing direct holdings in Russian-domiciled investments. Since then, the Fund has made no additional investments in Russian assets and complied with all government sanctions. At the time this decision was taken, the Fund had a small exposure to Russian assets of approximately £28m (0.2% of the Fund's total assets), of which £25m were held in direct investments. Our managers will look to sell once liquidity and reasonable values can be achieved.

After a year of significant progress in reducing the carbon intensity of the Fund's assets over 2021, the last twelve months have been a period of consolidation where we have worked with our partners and Investment Managers to improve the assessment and reporting of the various sources of carbon emissions, with the aim of capturing both the direct and indirect emissions of the Fund's assets. This culminated with our third TCFD (Taskforce on Climate Financial Disclosures) report, which provides a detailed disclosure on climate-related risks and opportunities for the Fund. This was the first publication required by regulation.

This report acknowledges the role of our stakeholders in helping the Fund achieve its sustainability objectives, including the Fund's Carbon Neutral Journey Plan to reduce emissions by 55% by 2030 and to achieve net zero by 2045. These goals cannot be achieved without collaboration with the industry and its stakeholders. This year, we have included a section on how we collaborate with other groups in the investment industry, such as Sustainalytics, our engagement and voting partner, and with some of the Fund's Investment Managers. With the help of these groups, the Fund continues to integrate its sustainable investment principles further into the Fund's processes and to drive up the standards and expectations across the industry. Finally, we have included a section on our forward-looking priorities as we continue to develop our methodologies and drive for a more sustainable future and welcome your feedback.

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Executive Summary

Progress over the last year

Increased collaboration with our partners

- This year, we wanted to draw attention to how the Fund collaborates with other market participants to push forward ESG matters in the investment industry. The size and breadth of the ESG challenges faced means that the Fund acting alone would not be able to achieve its goals, including the Carbon Neutral Journey Plan targets of a 55% carbon intensity reduction by 2030 and net zero carbon emissions by 2045.
- Sustainalytics, a leading ESG research provider and the Fund's voting and engagement partner, conducts targeted engagements with companies invested in by the Fund. In this section we will look at how each of Sustainalytics' thematic engagements have progressed over the year. Whilst there have been some significant positive developments, disappointingly, there are still companies that remain unresponsive to any attempts of constructive dialogue despite continued efforts.
- The Trustees also utilise information and advice provided by the Fund's investment adviser, WTW. Amongst other support, they provide sustainable investment reviews of the Fund's investment managers every two years based on their views on what is considered best-in-class. Historically, only the Fund's equity managers were reviewed but as sustainability continues to pose more and more questions, we have expanded coverage to some of the Fund's non-equity managers. The Fund's investment managers have generally scored well, although there are a couple of examples of scores being downgraded. This reflects the pace at which considered best-in-class has progressed, rather than due to any negative changes in the investment managers' processes.
- Lastly, we have conducted interviews with two of the Fund's investment managers to better understand how they approach and integrate ESG into their thinking and processes. The investment managers interviewed were CBRE Investment Management, who invest in a global portfolio of real estate assets on behalf of the Fund, and Pzena Investment Management, an equity manager who focus on undervalued companies around the world. These two investment managers show how ESG is being approached in two areas with hugely varying mandates and facing vastly different challenges.

Immediate action taken on Russian assets

- In light of the Russian invasion of Ukraine on 24th February 2022, the Trustees felt it was necessary to act. The Fund's exposure to Russian assets at the time of the invasion was approximately £28m, roughly 0.2% of the Fund's assets, £25m of which was in direct investments in Russia.
- On 25th February, the Trustees received investment and legal advice on the appropriate action to take. The Trustees then instructed the Fund's investment managers to freeze all existing direct holdings in Russian-domiciled investments. The Fund will therefore make no further additional direct or indirect investments in Russian-domiciled equities or bonds until further notice. Managers were given the discretion to sell these assets if deemed in the best interest of the Fund and some have done so in the months following the Russian invasion. For the remaining assets, the lack of a market for selling the assets and the Trustee's fiduciary duty to act in the best interest of the Fund's members mean that the assets will be held until reasonable value can be found.
- The Fund has and will comply with all economic sanctions put in place by the UK Government and continues to review the situation on an ongoing basis.

Top marks from the UNPRI

- The Fund has been a signatory to PRI since 2016, which provides the Fund with an external and independent review of the Fund's sustainability work. The 2021 results were published in September 2022 and we share the results in this report, which can be found on page 10.
- In 2021, the PRI changed it's reporting and assessment framework to guarantee that the framework remains relevant, with areas ranked from 1 to 5 stars, compared with the previous method of A+ to E. **The Fund scored 5 stars on all except one of the 10 categories rated by the PRI**.
- Whilst this shows that the Fund has made significant progress over recent years, there is still much work to be done. As we move forward, PRI expectations and overall standards across the industry will improve so the Fund will need to keep pushing forward to maintain its current standing.

Continued reduction in carbon emissions

- The Fund's Carbon Emission Intensity (CO_2e tonnes / $m sales) in the active equity and bond portfolios has **reduced by 34% since 2016** and as of Q2 2022, the Fund was **40% ahead of its benchmark** (see page 10).
- To measure further climate metrics, the Fund continues to leverage LGT's Cockpit Tool, where the Fund **continues to outperform the benchmark on all 4 metrics measured**.
- The UN Sustainable Development Goals ('SDGs') are a blueprint for achieving a better and more sustainable future for all, addressing issues ranging from peace to climate change to equality. The Fund continues to monitor its active equity and bond portfolios against a custom benchmark. As at Q1 2022, the Fund performed **better than the benchmark on 16 of 17 of the SDGs** (see page 21).

Contents

Background

Investment Beliefs

As we begin to delve deeper into the Fund's framework and activities over the year, we set out the Trustees' Investment Beliefs. The belief statements are working assumptions agreed by the Trustee Board designed to create a framework for investing to help the Fund achieve its goals. As such, these beliefs are essential to discussions and decisions surrounding the investment strategy. Although all beliefs are equally as important as each other, given the theme of this year's report, specific attention is drawn to Belief numbers 3, 7, and 11.

01. Risk and return are related, but not all risks are rewarded

02. Clear objectives are essential and should be liability related and funding driven

03. **An active corporate governance programme can add value**

04. Skilled investment managers do exist and it is possible to outperform the market

05. Timing is important: Asset valuation cannot be ignored when planning strategic change

06. Long-term focus is important in thinking about investment strategy and implementation

07. **Return and sustainability are not conflicting objectives and the main objective of the Fund is to deliver superior investment returns and Sustainability is a part of this, not some standalone objective**

08. Climate change is a significant long-term financial risk which has potential to impact all holdings in the portfolio over time if not properly managed

09. There is frequently a first mover advantage, but to exploit it requires a willingness to take unconventional risk

10. There is uncertainty associated with new opportunities and this can create pricing opportunities

11. **Diversification helps to control risks and improve efficiency**

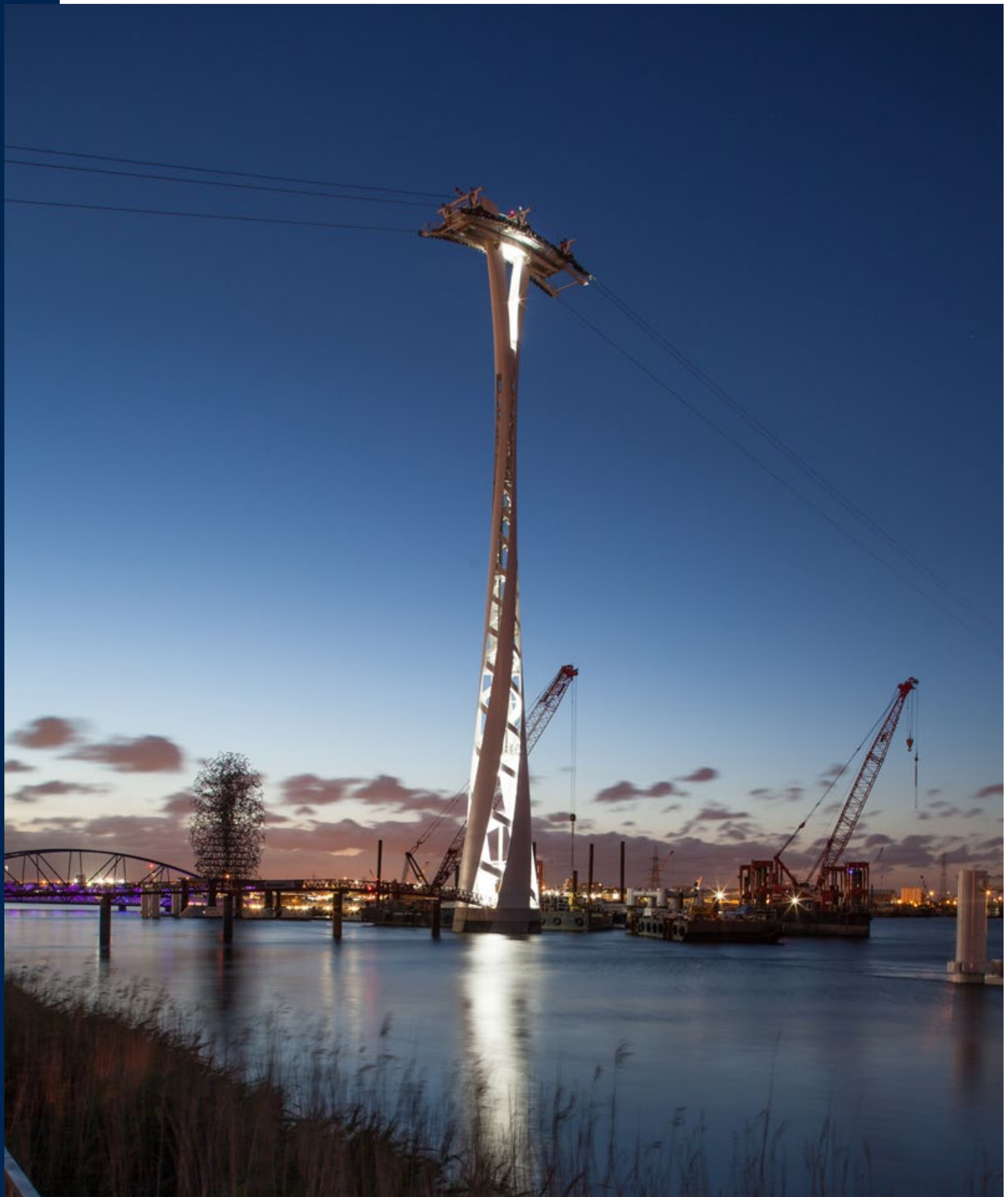
12. Illiquidity is frequently rewarded in the long-term

13. The equity market is generally rewarded in the long-term

14. Unrewarded risks should be mitigated where possible

15. The implementation of any investment or strategy should be cost effective and at an appropriate price relative to the opportunity

It is important for investment beliefs to be reviewed on a periodic basis to reflect changes in Trustee Board members, Fund circumstances and industry best practice. The Trustee will be undergoing a review of its investment beliefs over the next 12 months.



Investment Framework

As in previous iterations of the report, we will now take another look at the Trustees' framework used to guide them around ESG and sustainable investing, what we call the "RISEN" framework.

R — **Recognising** that companies which fail to recognise and handle their social and environmental impacts with care, or ones that do not adopt ethical and responsible governance practices are poor long-term investments because they will be prone to financial losses and loss of reputation

I — **Improving** its ESG approach and practices from ongoing learning and doing, recognising that this is a new area for the Trustees and clearly more can and will be done as the collective knowledge improves over time

S — **Seeing** ESG factors not in isolation but as part and parcel of the investment process with a view to making ESG integration less of a labelling exercise and more of a push towards real and positive long-term changes in the underlying companies the Fund has invested in

E — **Engaging** with investment managers both during the selection process and their ongoing monitoring to understand how ESG is taken into account from a long-term risk management and valuation perspective

N — **Nudging** investment managers across all asset classes to further improve the sustainability characteristics of their organisation and portfolio, considering in more detail the impact of the investment activities on all ESG factors, particularly when investments are made in countries with less sophisticated and demanding regulatory requirements. This is to ensure all stakeholders are being treated fairly (shareholders, customers and employees), conforming to standard business principles of transparency, integrity and fair and reasonable dealing, and managing the risks and opportunities presented by sustainability characteristics.

Update on sustainable investment activities over the year

UN Principles for Responsible Investment ('UN PRI')

- The Fund has been a signatory of the UN Principles for Responsible Investment ("PRI") since 2016 and continues to align its approach with their 6 principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes

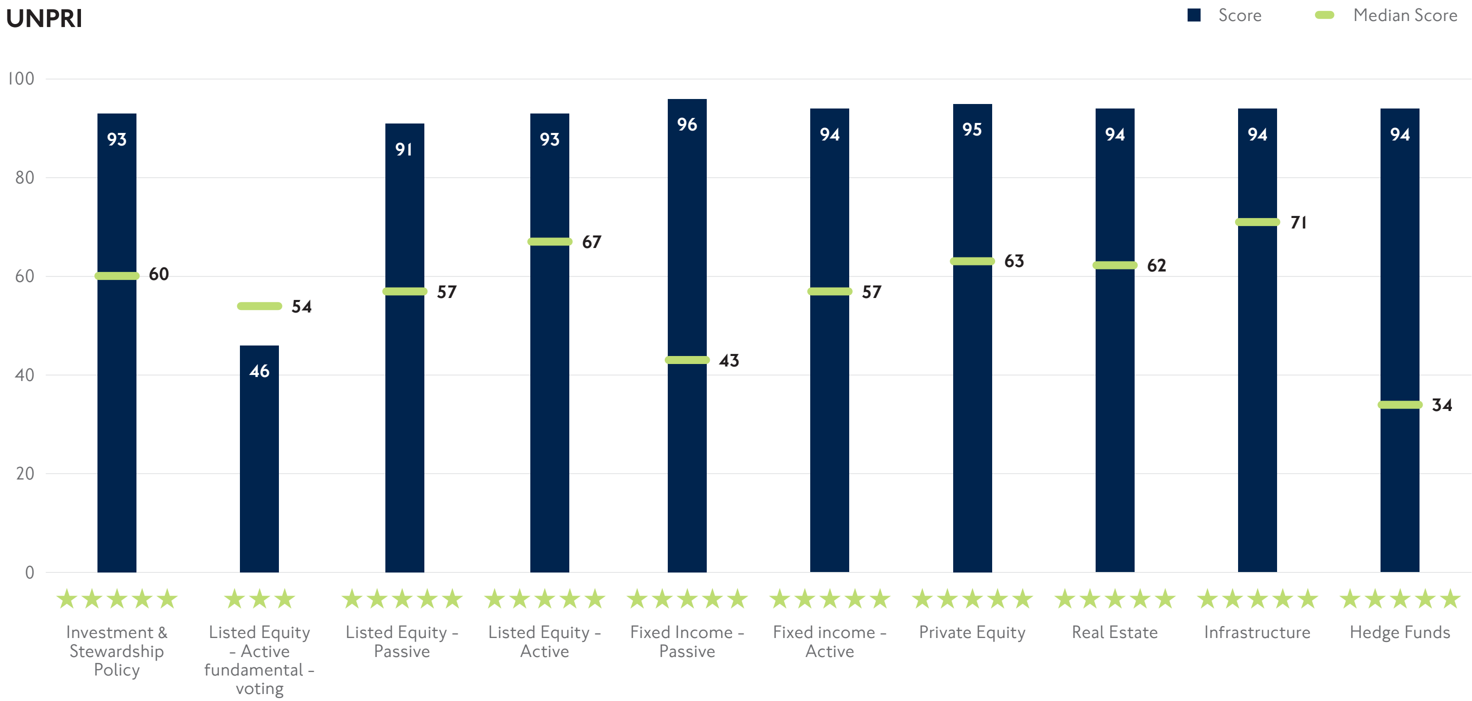
2. We will be active owners and incorporate ESG issues into our ownership policies and practices

3. We will seek appropriate disclosure on ESG issues by entities in which we invest

4. We will promote acceptance and implementation of the Principles within the investment industry

5. We will work together to enhance our effectiveness in implementing the Principles.

6. We will each report on our activities and progress towards implementing the Principles.



- As part of the PRI's 10-year blueprint, they changed their grading system this year in order to ensure that the framework remains relevant in a period of ever accelerating responsible investing practices across the industry. As a part of this, the scoring for each module has changed. They are now ranked from 1 to 5 stars, compared with the previous method of A+ to E.
- As with previous years, the Fund was formally assessed on its overall Strategy & Governance and on each individual asset class, which assesses manager selection, appointment, and monitoring. The Fund scored 5 stars on all bar one of the categories assessed. This shows continued substantial progress from the 2020 PRI report. The results are shown in the table to the left, and shows the Fund's scores versus all the other PRI signatories.
- As outlined in previous reports, the Trustees do not use the PRI assessment and median scores as an end goal. The scores show where the Fund should prioritise and improve, as well as areas where the Fund should engage further with the industry to promote better practice. It is clear from our scores this year that there is one area in particular that the Fund should be focusing on: voting, specifically more detailed reporting on votes, within the active equity portfolio. This is an area the Fund has proactively made progress through the partnership with Sustainalytics. Whilst there are still areas for improvement, work also needs to be better captured when providing evidence for future PRI surveys.

LGT Cockpit Tool

- The Fund continues to work with LGT Capital, using their LGT Cockpit tool which provides alternative measurement of the Fund's environmental footprint extending to consumption, water, and waste.
- The Fund's active equity portfolio delivered better performance on all categories relative to the benchmark. In particular, the Fund continues to significantly outperform the benchmark in GHG emissions, energy consumption and waste generation.
- Recent movements in energy prices provide a new challenge for the Fund to face in the coming years. The Trustee is conscious of the importance of promoting not only a transition towards a net zero emissions economy and portfolio, but also encouraging a just transition. This has become increasingly relevant light of the contribution to the current cost of living crisis in the UK from energy prices.

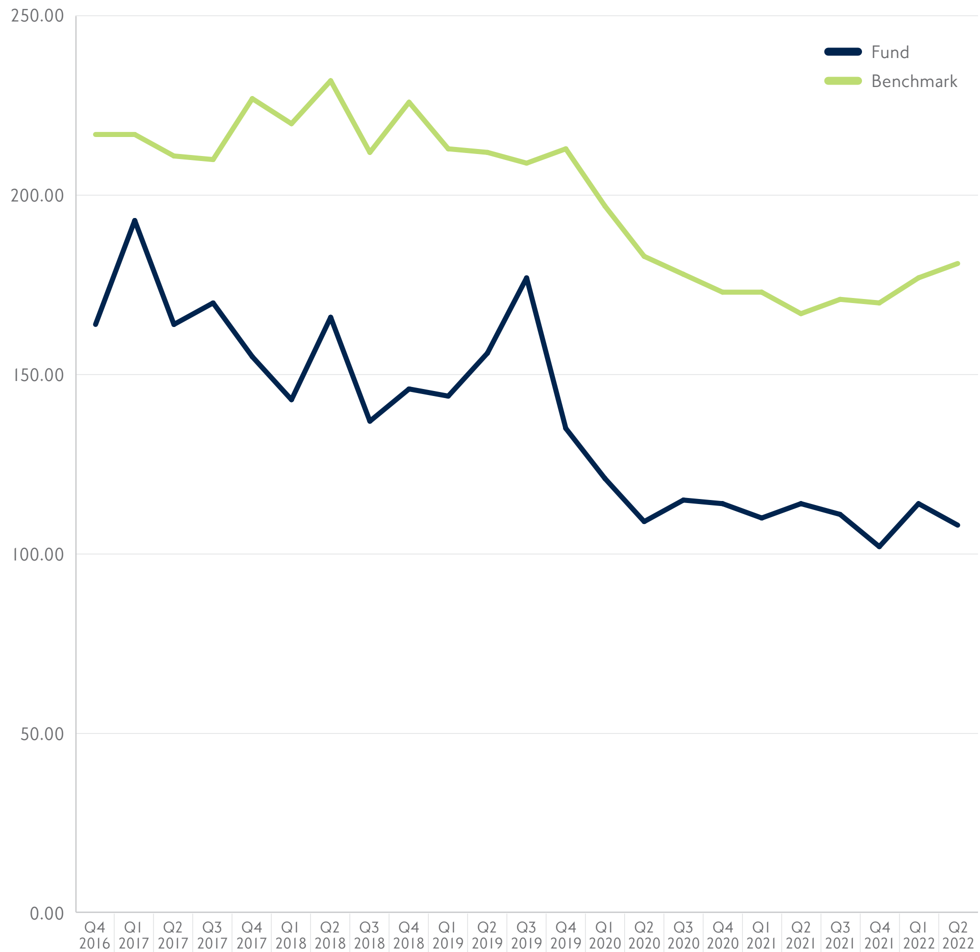
Environmental Footprint

Measure per USD 1m of revenue	TfL Pension Fund Equity	Custom Benchmark	**Positive Impact** per USD 1m of revenue
GREENHOUSE GAS EMISSIONS	111.6 METRIC TONS CO_2 p.a.*	185.4 METRIC TONS CO_2 p.a.*	40% LOWER CO_2 EMISSIONS p.a.* corresponds to CO_2 emissions of 34 cars
ENERGY CONSUMPTION	339.7 MEGAWATT HOURS p.a.	480.9 MEGAWATT HOURS p.a.	29% LOWER ENERGY USAGE p.a. corresponds to energy usage of 89 people
WATER WITHDRAWAL	1,529 CUBIC METRES p.a.	1,588 CUBIC METRES p.a.	4% LOWER WATER USAGE p.a. corresponds to water usage of 1 person
WASTE GENERATION	142.5 METRIC TONS p.a.	351.9 METRIC TONS p.a.	60% LOWER WASTE GENERATION p.a. corresponds to waste of 415 people

Source: LGT Capital Partners, Thomson Reuters. Data as of 21 March 2022.
*CO_2 and other gases that are recalculated into CO_2 equivalent
The average emission of a new car in Europe equals CO_2 equivalent of 2.16 metric tons per year for driving distance of 20,000 kilometres per year and 107.8 g/km CO_2 emission. The average electricity consumption in Europe is 1.581 megawatt hours per capita per year. The average water usage in Europe is 47.085 cubic meter per capita per year. The average amount of household waste in Europe is 0.505 metric tons per capita per year. Calculation basis of 2020 (greenhouse gas, water, waste) and 2019 (energy).

Climate change remains one of the largest issues facing the world today, both economically and politically. Following the adoption of the Fund's Carbon Neutral Journey Plan last year, we continue to monitor the Fund's impact on the environment to provide insights into the Fund's progress against the plan and to highlight areas for improvement. Carbon footprint reporting will inform our future actions, which may include how the Fund reports and engages, or how to push for decarbonisation.

Carbon Emissions Intensity (CO_2e tons / $m Sales)
Fund vs. Benchmark



- The Fund is monitoring its carbon footprint through Carbon Emissions Intensity, which is the tonnes of emissions produced by a company per million dollars of sales. When summed up for the total Fund, it measures how efficient the portfolio in terms of carbon emissions per unit of output. The lower volume of carbon emissions per million dollars of sales generated by portfolio companies over a specified time frame, the better the carbon efficiency.
- The Fund has been analysing its carbon footprint of companies invested in its active equity and active bond portfolio through MSCI Carbon Emissions Intensity tool since 2016. The chart to the left summarises the progress the Fund has made at an aggregate level since 2016. As of 30 June 2022, the Fund's carbon footprint has fallen by 34% compared to 31 December 2016. This places the Fund in a strong position to reach the 55% carbon emissions reduction target by 2030.
- The Fund has always outperformed the benchmark in terms of the carbon intensity measure. As of Q2 2022, the Fund's carbon intensity is 40% less than the equivalent benchmark.
- In the twelve months to 30 June 2022, the Fund's carbon emissions intensity across its active equity and bonds portfolio declined by a 5%, falling from 114 CO_2e tonnes per million dollars of sales to 108 CO_2e tonnes per million dollars of sales. Over the same period, the benchmark carbon intensity increased by 8%.

34%
reduction in carbon emissions intensity since 2016

40%
lower carbon emissions intensity than benchmark

Sustainability Progress Checklist

2022 ✓ 2021 ✓

Action Plan	Behind the Curve	On the back foot	On the front foot	Getting Ahead
1. Setting Investment beliefs	Trustee board relies on its investment consultants to tell them what to believe. Sets nothing out in writing.	Trustee board receives a brief training session before minuting that ESG and climate change are considered material financial factors.	Trustee board spends time on training before discussing and agreeing a responsible investment beliefs statement including a position on climate change risk.	Trustee board discusses ESG beliefs at least annually. Where applicable, trustee seeks to align beliefs with sponsor views. Considers alignment of strategy with UN SDGs.
2. Review Existing Managers	No engagement with existing managers.	Takes stock of existing managers and uses investment consultant scoring framework to rate current managers on their ESG credentials. However, scores are only used as a differentiator where there are other reasons to review a manager.	Full consideration of each manager's ESG capabilities (including qualifications) with specialist input from investment consultants – includes being alive to "green-washing". Managers which require most attention identified and engaged with. Where no improvement is forthcoming or possible within current mandates, these will be reviewed.	All managers expected to demonstrate deep ESG integration. Integrates corporate environmental data in manager investment processes.
3. Set a DB investment strategy	Existing strategy not reviewed.	Trustee keeps existing strategy under review as ESG experience develops.	For active mandates: considers diversification across sources of climate risk as well as traditional asset classes. Sustainability and low carbon indices considered for passive allocations.	Positive allocation to sustainable investment or investment in assets aligned with a below 2°C pathway. Consider tilting portfolio away from lower scoring ESG assets or sectors such as high carbon emitters.
4. Document a Policy	Adds generic wording to SIP at suggestion of the investment consultant. No further thought by trustee. Trustee does not consider wording or how it will be implemented in practice.	Trustee considers wording in the SIP reflecting the circumstances of the scheme and existing manager mandates. Trustee agrees how wording is implemented in practice with their investment consultants.	Trustee develops a stand-alone responsible investment policy which supplements the SIP. This may start with existing manager mandates but will progress to deeper integration of ESG factors over time. The policy is periodically reviewed.	Extensive responsible investment policy with detailed consideration of ESG in each asset class, detailed climate change policy and stewardship policies. Climate change risk embedded across other trustee governance and internal control frameworks and considered as part of an integrated risk management framework (including any climate change risks pertinent to the scheme sponsor covenant).
5. Ongoing manager monitoring	Reports on quarterly past performance figures only. No forward-looking consideration of manager ESG attributes or exposure of mandates to climate change risk in the longer term.	Active managers are expected to demonstrate how ESG criteria are being used in stock selection and de-selection.	Develops a robust monitoring process – reporting qualitatively and quantitatively against each manager. Managers expected to demonstrate integration of ESG in investment processes rather than the existence of separate "advisory" ESG analysts.	Measures alignment of listed equity and corporate bond portfolios across 2° transition sectors and technologies.

Source: Sackers and Partners LLP

Sustainability Progress Checklist

2022 | 2021

Action Plan	Behind the Curve	On the back foot	On the front foot	Getting Ahead
6. Appointing new managers	Mentions ESG only as an afterthought in tender invitations and gives it no weight in selection criteria.	ESG is identified in tenders as an important issue on which potential new managers will be expected to demonstrate competency.	ESG credentials key in tender process. Investment management agreements negotiated to include specific ESG requirements.	Responsible investment requirements included across all asset classes including e.g. side letter terms in private equity funds.
7. Stewardship & engagement	Not considered relevant. Justified based on an incorrect assumption that the scheme's investments are all pooled and therefore "stewardship is impossible".	Trustee expects managers to report on how they have exercised voting rights attached to shares (including across passive equity mandates). Managers are expected to be signatories to the FRC Stewardship Code.	Managers are expected to report in detail on their engagement policies and how these have been implemented. This should include examples of voting against the board on ESG related issues. Managers with a poor engagement record will be downgraded. Consider adoption of an off-the-shelf voting e.g. AMNT redlines.	Large schemes: takes an active and direct role engaging with investee companies across all asset classes. Considers joining other investors in filing climate-related shareholder resolutions where companies are underperforming on adaptation or disclosure. Small schemes: appoints proxy voting and engagement service reflecting trustee's ESG beliefs and position on climate risk.
8. Scenario testing*	None or a purely qualitative assessment only.	Quantitative scenario analysis on a small proportion of the asset portfolio only, focusing initially on listed equities and corporate bonds.	All-portfolio quantitative risk assessment (including all real asset holdings) to identify exposure to transition and physical risk under different climate scenarios. Liability and covenant risks also considered qualitatively.	Quantitative risk assessment, covering the full investment portfolio, liabilities, and covenant, to identify exposure to transition and physical risk under different climate scenarios.
9. Reporting**	Minimum compliant TCFD report published to meet regulatory requirements.	TCFD report published in line with typical industry practice. Little additional commentary provided through annual reports and member newsletters.	TCFD report published in line with typical industry practice. Material use of additional voluntary disclosures used to communicate progress with wider stakeholders.	TCFD report goes above and beyond requirements, including incorporating all optional disclosures. Material use of additional voluntary disclosures used to communicate progress with wider stakeholders.
10. Industry Involvement	None	Relies on advisers to provide updates on significant developments requiring action and training as required.	Trustee board keeps abreast of industry discussions and attends events to improve knowledge and observe best-practice. Considers becoming a UN PRI Signatory.	Joining investor groups such as IIGCC. Engage with policy makers to improve practice across the industry.

*2021 result reduced from 'On the Front Foot' to 'On the Back Foot' to align with 2022's standards on scenario testing
** 2021 result reduced from 'Getting Ahead' to 'On the Front Foot' to align with 2022's standards on Reporting

Source: Sackers and Partners LLP

Collaboration in Sustainable Investments

The Trustees believe that their actions alone are unlikely to be sufficient to fully integrate sustainability into the management of the Fund and the investment portfolio, including across engagement, monitoring, and meeting the objectives set within our Carbon Neutral Journey Plan. To help expand the capabilities of the Fund, we leverage Sustainalytics (our voting and engagement Partner), WTW (our investment adviser), and the individual investment managers. The following section reviews how the Trustees have collaborated with various parties to help us achieve our goals over the last year and on an ongoing basis.

Update on Sustainalytics activity

- Sustainalytics are a leading independent provider of ESG research. For the Fund, they provide an additional layer of engagements for the Fund's segregated equity holdings. This provides the Fund with more resources to better monitor and engage on material ESG issues of investee companies, and allows the Fund to use the full scale of Sustainalytics' client base to increase the power of any engagement activity. The Fund also use a 'voting overlay' which is used as a means to escalate engagements with a focus on non-responsive companies.
- The Fund participates in three engagement programmes with Sustainalytics. Each of these are designed to engage on specific, material issues over a long period to achieve a specified goal.

Sustainable Forests and Finance

- In September 2021, Sustainalytics produced their baseline report for their 'Sustainable Forests and Finance' theme. This theme aims to address the complex forest value chain involving a large number of companies across various industries including trading, processing, and consumption alongside upstream financiers. As at February 2022, only 3% of climate finance is directed towards the forest and land use.
- 22 companies are active in this engagement as at 31 August 2022. Over the first year of the theme, engagement calls have been held with 15 companies, with a total of 35 calls. The first round of calls were focused on developing an understanding of the companies and their public disclosure, with more recent calls delving deeper into more thematic issues.
- Dialogue has tended to be more effective with target companies that had better ESG characteristics prior to the engagements as they tend to be more receptive to challenges and forthcoming with issues. Not all companies are responsive to these sorts of engagement. As a result, 5 companies were removed from the engagement lists and replaced by companies that are willing to have meaningful interactions.

Material Risk Engagement ('MSE')

- Sustainalytics have also continued their Material Risk Engagement program. This program focuses on material ESG issues with the highest levels of unmanaged risks as measured by Sustainalytics' ESG Risk Rating system.
- As at 30 September 2022, Sustainalytics has engaged with over 280 companies and on a total of 349 issues. More than 80% of the MSE's engagements included discussions surrounding carbon risk management and the physical risks of climate change.
- When engaging on climate change, Sustainalytics have been focusing on getting companies to commit to TCFD reporting, track scope 1-3 emissions, set carbon reduction targets, dedicate resources to achieve those targets, and implement evidence-based initiatives to achieve decarbonisation now.

Global Standards Engagement ('GSE')

- The Global Standards Engagement program focuses on incidents and companies that systematically violate international standards. The aim is to confirm how the companies address the incidents and to influence company policy to ensure that these incidents do not recur in the future, and to improve ESG disclosures.
- Over 2022, Sustainalytics have resolved 7 engagements, opened 11, and disengaged with 7 following a lack of communication with the companies.

Addressing social risks: Endbridge Inc.

Issue

In September 2016, the UN Special Rapporteur on the rights of indigenous peoples stated that the US Dakota Access Pipeline (DAPL) project posed significant risks to the Standing Rock Sioux Tribe. The DAPL, part of the wider Bakken Oil Pipeline, transports crude oil from the Bakken fields of North Dakota to a distribution centre in Patoka, Illinois. The pipeline was developed by Energy Transfer LP, partnered with Phillips 66 Partners LP, a majority-owned subsidiary to Phillips 66, Enbridge Energy Partners LP, an affiliate of Enbridge, and Marathon Petroleum (who only hold a minor stake).

The pipeline passes close to the tribe's reservation and beneath the Missouri River, the reservation's main source of drinking water. The pipeline's risks include water pollution and the destruction of burial grounds and sacred sites. The UN, among others, has also alleged that the tribe was not effectively consulted and did not give its consent to the current routing of the pipeline. The project was approved by regulatory agencies in all four impacted states.

In February 2017, the US Army Corps of Engineers, the US authority which issues permits for the part of the pipeline crossing federal land, granted the final permit needed for its completion. In June 2017, the pipeline became operational. In March 2020, a federal judge ordered the US Army Corps of Engineers to conduct a full environmental review of the Dakota Access pipeline. According to the judge, the easement approval for the pipeline remains "highly controversial" under federal environmental law, and a more extensive review is necessary. In July 2020, the same judge ordered the Dakota Access Pipeline to shut down, within 30 days, while the Army Corps of Engineers worked to prepare an environmental impact statement for parts of the pipeline. The impact statement is expected to take 13 months to finish.

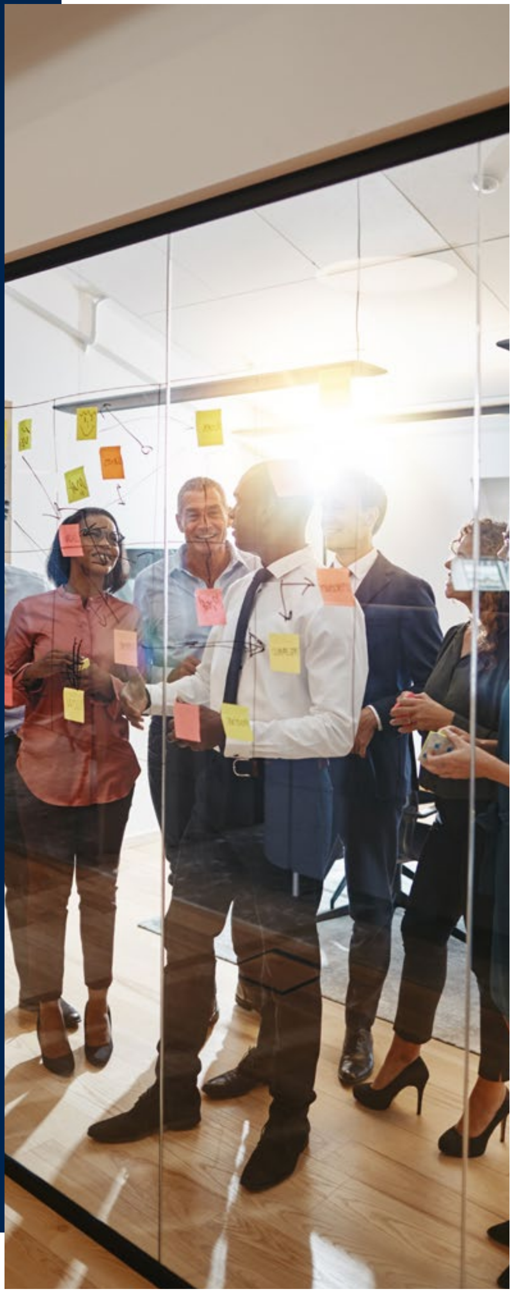
Outcome

The company has had an in-person meeting with Energy Transfer, the operator of DAPL, on indigenous rights issues and stakeholder engagement. More such meetings will be held.

Taking this into account, Sustainalytics concluded that Enbridge has done what can be reasonably be expected, given its leverage. With regard to aligning company policies and procedures with international norms on indigenous peoples' rights across its operations, as well as on security and human rights, Enbridge has made substantial progress. The company has a standalone indigenous rights policy in place with references to relevant international norms. Enbridge has also undertaken a comprehensive review of its procedures to respect indigenous peoples' rights and has shared with Sustainalytics key content of its new Joint Venture Guidelines, including provisions on indigenous peoples' rights. Finally, Enbridge has shared its new Security Principles with Sustainalytics. They are aligned with the Voluntary Principles on Security and Human Rights (the VPs).

The company has made substantial improvements by implementing a new policy and robust procedures with regard to indigenous peoples' rights, as well as on security and human rights.

In conclusion, although the DAPL remains a controversial operation, Sustainalytics regards Enbridge, given the company's leverage, to have taken sufficient measures to fulfil the change objective of the case.



Assessing our managers: Equity Sustainable Investment reports

Over the past year, the Trustees have reviewed their investment adviser's ESG review ratings for managers within the public equity portfolio, the results of which are shown in the table below, with comparisons against the 2019 ESG assessment. As with the Sustainability Checklist, the threshold for what is considered 'good' or 'best practice' continues to increase.

Manager	Product	ESG integration	Voting	Engagement
Manager A	Global Equity (Active)	STRENGTH	NEUTRAL	NEUTRAL
Manager B	Global Equity (Passive)	STRENGTH	NEUTRAL	NEUTRAL ∨
Manager C	Emerging Markets Equity (Active)	STRENGTH	STRENGTH	STRENGTH
Manager D	Asia ex Japan Equity (Active)	NEUTRAL ∨	NEUTRAL	NEUTRAL
Manager E	Global Small/Mid Cap Equity (Active)	NEUTRAL	NEUTRAL	NEUTRAL ∧
Manager F	Global Value Equity (Active)	STRENGTH	NEUTRAL	NEUTRAL
Manager G	Global Equity (Active)	STRENGTH	STRENGTH	STRENGTH

Key

- **Strength**: the asset manager largely adheres to and may exceed recognised best practice standards
- **Neutral**: the asset manager's approach is satisfactory but may not be wholly consistent with recognised best practice
- **Weakness**: the asset manager's approach is not satisfactory in our opinion and would benefit from improvement
- ∧ **Upgrade**: the asset manager's rating has improved since the 2020 report
- ∨ **Downgrade**: the asset manager's rating has fallen since the 2020 report

- Generally, the Fund's public equity managers consistently score well across the 3 areas, particularly in ESG integration where most of the managers have a strength rating (with the exception of Manager D who were downgraded to a neutral rating and Manager E who retained their neutral rating). The Fund's public equity managers continue to score well with none of the managers receiving a weakness score in any of the 3 assessment areas. Manager E, who scored a weakness in Engagement in the last review, have been upgraded to a neutral rating. Managers C and G maintained their 'Strength' ratings across the board.
- ESG integration continues to be the managers' best scoring area. Manager D's rating, however, fell from 'Strength' to 'Neutral' as the manager's ESG policy has been set by the Investment Director rather than senior leadership, which is what the Fund's investment adviser considers best practice.
- Manager D's Engagement rating fell from 'Strength' to 'Neutral' due to a lack of proactivity and collaboration with other investors when undertaking corporate and industry engagement. Given the manager's size, we would expect them to exert greater influence. The manager has taken some initial proactive steps since the review was undertaken.
- All Equity Fund Managers are UN PRI signatories.

Assessing our managers: non-equity Sustainable Investment reports

The Trustees made an additional significant update to their manager monitoring process through widening the range of managers reviewed to include a selection of the credit and alternatives managers. Growing awareness of sustainability issues has meant that ESG considerations have become increasingly relevant in asset classes outside of public equity. As managers are finding more ways to integrate these considerations into their policies and processes, the Trustee can now monitor these managers under the RISEN framework.

The non-equity mandates do not hold proxy voting rights for their investments and therefore the ratings only cover ESG integration and Engagement.

Credit

Manager	Product	ESG integration	Engagement
Manager H	Global Sovereign Bonds	NEUTRAL	NEUTRAL
Manager I	Emerging Markets Bonds	NEUTRAL	NEUTRAL
Manager J	Multi-Strategy credit	STRENGTH	NEUTRAL
Manager K	Global Credit	STRENGTH	STRENGTH

Liquid Alternatives

Manager	Product	ESG integration	Engagement
Manager L	Property	STRENGTH	N/A
Manager M	Hedge Fund	NEUTRAL	NEUTRAL
Manager N	Hedge Fund	STRENGTH	NEUTRAL
Manager O	Reinsurance	STRENGTH	NEUTRAL

- The managers assessed received good ratings, with none receiving a 'Weakness' rating in any area. Nevertheless, there is still room for improvement, particularly for managers H, I, and M, and across engagement as a whole. Whilst there is evidence of engagement amongst these managers, they fall short of what the investment adviser considers to be best practice in the industry.
- Over the last year, the Fund has met with Manager I and Manager N to get a better understanding of their policies and processes.

Manager Interview

CBRE Investment Management

CBRE IM are a leading global real assets investment management firm, who invest in a global portfolio of property assets for the Fund. Chief Investment Officer **Achal Gandhi** explains how CBRE IM consider sustainability in managing the Fund's property assets.

CBRE Investment Management

How do you integrate ESG considerations into your investment and decision-making framework?

We utilise ESG data supplied by GRESB and PRI as part of our proprietary ESG Assessment Framework. We use the Framework when assessing potential new investments and for our annual monitoring of existing investments and operating partners. The Framework includes a review of each underlying fund's GRESB report and the PRI reports of each manager. We combine this with other information collected directly from each manager through an annual ESG questionnaire. The overall results provide a comprehensive assessment of a manager's ESG strategy, performance, and improvement ambitions. We compare the results with the Firm's ESG scorecard to identify future ESG risks and opportunities for developing a targeted engagement strategy.

We also make use of Moody's ESG Solutions' physical risk tool to assess the physical risks associated with climate change. This tool assesses exposure to critical physical risks including floods, heat, stress, hurricanes/typhoons, and storm surges. The investment team will then engage with managers in relation to any assets flagged as being at high or critical risk.

How has the importance of ESG evolved over the past 10 years in managing investment portfolios?

The importance of ESG considerations has expanded significantly during the past ten years, particularly over the past three to four years. 10 years ago, we had made some early steps regarding ESG integration, including becoming a signatory to the UN PRI in 2009. Now, as a manager of real assets around the world, we have a team of eight sustainability professionals across the firm, with ESG accountability spread throughout the organisation. We launched our Sustainability Vision last year setting out our long-term ambitions on ESG and climate change. In 2022, we commenced our ESG Ambassador programme, with individuals from portfolio, sector and local teams championing and implementing sustainability initiatives around the business. We have also launched new training and education initiatives with our teams, to increase ESG fluency amongst our people.

The growth in the importance of ESG is also reflected in the interest shown by our clients. The volume of queries CBRE IM receives from clients has increased rapidly. As recently as 2019, we were in receipt of approximately 50 ESG related queries and questionnaires across all our global assets. In 2022, we are on track to respond to more than 1,000 such queries.

How do you see ESG integration developing further over the next 5 years?

We are seeing growing interest from regulators around the world in the reporting of ESG and sustainability by all participants in the financial services industry. In many respects, we have only just begun on the journey to integrate ESG into the day-to-day workings of the real estate industry. A major focus to date has been on the environmental impact of the buildings we invest in. This has been advanced further by consideration of the role of real estate in the drive to a net-zero economy, as well as better understanding the risks and opportunities that are presented by climate change. However, there remain aspects of ESG which need to be explored further. For example, capturing data on the social impacts of real estate investment, and fully capturing and understanding the embodied carbon associated with existing buildings – this is where we see the potential for further integration of ESG.

What is the greatest ESG challenge you are currently facing, and how are you tackling it?

Accessing detailed, timely and accurate data remains a key challenge. We are reliant on the data that each underlying manager is prepared to share. There have been major improvements in our access to data over recent years, and we no longer make new investments into funds that are not prepared to undergo assessment by GRESB This benchmark provides us with a consistent, globally recognised standard by which we can compare all our investment positions, whilst also opening a door to a wealth of data on the ESG performance of each underlying fund. We also supplement this data with our own annual ESG due diligence questionnaire. Both data sources provide us with insights to help focus our engagement activity with each manager, which itself can be centred around other ESG data and information. We still face challenges on access to tenant-controlled data for example and this situation can vary significantly by geography, property type, lease type and the corporate views of each individual tenant.

How do you collaborate with other organisations to maximise the benefit of engagement for the Fund?

Our primary approach is through the membership industry bodies, who engage with legislators and policy makers on issues that are of interest to the whole sector. Our employees often sit on committees, working groups and boards of these organisations. We often also work alongside other investors on Advisory Boards to influence underlying managers and participate in events and consultations alongside our industry counterparts.

Manager Interview

Investment
PZENA Management

Pzena are a global equity investment firm, who invest in a portfolio of UK and overseas equities for the Fund. **Phil Hoffman**, Head of UK and Middle East, explains how Pzena consider sustainability in managing global equities for the Fund.

Pzena Investment Management

How do you integrate ESG considerations into your investment and decision-making framework?

As we do with all key investment issues, financially material ESG considerations are analysed within the investment team, discussed with company management and industry experts, and monitored on an ongoing basis. Each step of this process contributes to the team's decision whether to invest and, if we do, how much. We believe that true ESG integration is industry-analyst led; just as industry analysts bear primary responsibility for issue identification and investment due diligence, they also judge the materiality of ESG-related issues and their potential ramifications.

What is the greatest ESG challenge you are currently facing, and how are you tackling it?

As bottom-up investors, we determine what ESG issues to address at the stock level. Through our fundamental research we identify company-specific engagement priorities and discuss any issue (ESG or otherwise) with management that we believe may influence a company's long-term earnings potential.

Modern slavery is one of the more challenging investment issues to analyse for a given company. Partly because it is illegal and therefore 'hidden' and partly because it is very hard to get to the bottom of the allegations. In some cases, the allegations are more by association (e.g. simply operating in Xinjiang can be enough to raise suspicion of use of forced Uighur labour). In other cases, it can be the word of company management against the word of an NGO or news report. While there is no clear-cut way to determine company culpability, we do not necessarily think this is the most important or relevant metric. Instead, we focus on how the company responds to an allegation, the transparency of reporting and evidence of robust policies and procedures for mitigating the risk.

What is your process for acting as stewards of the Fund's assets, including voting and engagement?

We engage with company management throughout our research process, and extensively after an investment is made on all material or potentially material investment issues. We view stock ownership as an opportunity to help steer companies towards creating long-term value for investors and therefore favour engagement over divestment. Proxy voting is a critical component of our engagement efforts and ability to drive change.

Broadly speaking, our discussions with company management have one or more of the following purposes in mind: testing assumptions, maintaining an informed dialogue and advocacy. We may escalate our engagement efforts if our concerns are not adequately addressed through our ongoing dialogue, for example through voting against board members.

What is your approach to assessing the relative importance of different areas of sustainability – climate change vs. biodiversity loss vs. treatment of staff?

The relative importance of different ESG issues is determined on a company-by-company basis, primarily through the lens of financial materiality. Climate change poses risks and opportunities to various companies/industries and is increasingly possible to financialise. Biodiversity is an emerging issue that we have thus far found more challenging to financialise for a given company. Social issues have always been harder to financialise, particularly more subjective issues such as 'treatment of staff'. We think about these issues more in terms of a range of outcomes for a given investment since they often cannot be directly quantified.

How do you see environmental, social, and governance integration developing further over the next 5 years?

Since ESG is not a static set of issues, we expect to continually develop and enhance our ESG approach. With that said, a few areas of current focus include:

1) Continuing to develop/contribute to the field of ESG investing thinking/intellectual content through the unique lens of value investors

2) Better documentation of our ESG efforts, including proactive write-ups for stocks with material ESG issues

3) Continuing education on ESG matters. The research team convenes quarterly to discuss ESG issues and share insights across the team. This is an opportunity both for the ESG analysts to bring new insights to the entire investment team at once and for the investment analysts to share their own ESG research and frameworks.

4) Understanding and as needed complying with emerging and evolving ESG regulation

5) Determining if we need any new ESG data subscriptions and/or organizational memberships

Sustainable Development Goals & Case Studies

Sustainable Development Goals (“SDG’s”) – Listed Assets

LGT Cockpit Tool

- The Fund also partners with LGT Capital Partners to analyse the Fund’s active equity portfolio’s SDG impact. This process assesses the impact of different categories of products and services on the SDGs, and then summarises companies’ revenue share in these categories. Whilst these scores show a slight positive impact, the scores are limited by the fact that the portfolio is highly diversified and not tilted towards one particular sector.
- The SDGs are a blueprint for global sustainability and prosperity. Each of the 17 goals represent an urgent call to action to address global issues that affect people and the planet now and into the future. They include challenges such as poverty, inequality, climate change, economic growth, peace, and hunger.
- The spider graph to the right shows how the Fund scores relative to the custom benchmark on each of the 17 SDGs. The Fund continues to outperform the benchmark in all categories with the exception of Goal 5 (Gender Equality), which is primarily driven by the Fund’s exposure to Emerging Market companies that continue to have less gender diversification at both a board and workforce level.
- **This analysis still does not capture the impact of the Fund’s private market investments**, which typically have a particular ESG focus and form the majority of the Fund’s ESG-tilted investments. As a result, we expect that when disclosures across private market investments become available, the SDG impact scores will materially improve. The Fund continues to encourage better disclosure in these areas and the Case Studies section of this report will provide an insight into the impact the Fund is having in its private markets investments. The Trustee uses this analysis to identify any areas of particular concern or poor scoring relative to the benchmark to identify areas of priority for ongoing engagement activities with investment managers and Trustee consideration.

Case Studies

Investments and actions which meet the Fund's return profile and strongly contribute to the Trustee's sustainability objectives.

Over the last twelve months, the Trustees have held numerous meetings with its investment managers to discuss identifying investment opportunities that offer not only good returns, but also contribute to the Trustee's sustainability objectives, as well as actions taken by the Trustees and its partners to address sustainability challenges within the portfolio.

Company Engagement – Addressing workers rights (Li Ning)

Issue	Modern slavery is widely understood to refer to human trafficking and slavery-like practices such as servitude, forced labour, the worst kinds of child labour, deceptive recruiting, forced marriage and debt bondage. The manager engaged with Li Ning, a leading apparel brand, wanting to understand any risks of links to modern slavery, including operations in China's Xinjiang province, which has been the subject of allegations of serious human rights abuses, resulting in import bans in a number of markets. Two of the manager's portfolio managers engaged on this issue, working in collaboration to share insights and best practice. The manager has developed their expertise through in-house research while drawing on contacts with human rights experts, academics, NGOs and peer group organisations.
Focus of engagement	The company had been a long-term holding in the strategy. In their engagement, the manager sought to identify evidence on a number of points: • The company had published lists of factories to show that supply chains have been mapped and can be effectively monitored. This information assists in the manager's own assessment of modern slavery risk and provides an additional avenue by which concerns can be identified and raised by a range of actors, including NGOs, to support enhanced detection and prompt action. • Adequate controls to monitor ESG risks, including modern slavery, within supply chains – both from manufacturers and growers. • Participation in collaborative initiatives within the sector.
Outcome	The engagement with the company enabled the manager to bring to the attention of management the key concerns outlined above and offer suggestions that could provide investors with a greater ability to monitor exposure to this issue, for instance via the publication of factory lists.
Action	In the end, the manager was not able to get sufficient evidence that their concerns were being addressed and that the likelihood of success from continued engagement was low. Therefore, the manager made the decision to disinvest.

Proactive decision making – Immediate action taken on Russian assets

Overview	Following the Russian invasion of Ukraine, the Trustee of the TfL Pension Fund assessed the Fund's exposure to bond and equity holdings domiciled in Russia. As at 25 February 2022, the Fund's exposure was a small proportion, totalling approximately £28m (0.2% of total Fund assets), of which £25m was held in direct investments.
Actions	Having taken investment and legal advice, the Trustee instructed the Fund's investment managers to freeze all existing holdings in Russian-domiciled investments. The Fund will therefore make no additional direct investments in Russian-domiciled bonds or equities until further notice. Managers were given discretion to sell these assets if deemed in the best interests of the Fund. Whilst some managers have done so, they were not required to. The Trustee made this decision due to the lack of market for selling Russian-domiciled assets and the Trustee's fiduciary duty to act in the best interest of the Fund's members.

Renewables – Residential solar panels

Overview	The manager bought tax equity interests in Solar House I, LLC ("SC I") and Solar House II, LLC ("SC II"), each an operating portfolio of residential solar photovoltaic assets with a capacity of 31.5 MW-dc and 78.3 MW-dc respectively. SCI and SCII both benefit from power purchase and lease contracts with creditworthy customers, and the underlying prospects consists of components from nine different panel manufacturers and four inverter manufacturers, which mitigates technology risk. SCI and SCII are expected to server 5,507 and 11,688 customers respectively and has investments across 12 states in the US. The portfolio is sponsored by Tesla, a top tier residential solar developer and installer. Three portfolios were originally developed by SolarCity, which was acquired by Tesla in 2016.
SDGs	This investment aligns with 4 key SDGs: 7. Affordable and Clean Energy; 9. Industry, Innovation and Infrastructure; 13. Climate Action; 17. Partnerships for the Goals.

Real Assets Engagement – Aliro Australian Industrial Programmatic Venture

Opportunity	The Aliro Australian Industrial Programmatic Venture was established to secure a combination of stabilised income producing assets, enhanced (short weighted average lease expiry and vacancy risk) and develop-to-hold assets in established logistics sub-markets (specifically in Sydney, Melbourne with a smaller allocation to Brisbane).
Solution	Through the manager's engagement, Aliro has developed a roadmap to improve its systems and processes to help them deliver higher ESG ratings and looks to set a net zero carbon target for scope 1 and 2 emissions. Multiple ESG incentives are being implemented to ensure resilient assets Aliro have now engaged an external consultant to undertake a climate change risk assessment in alignment with the Australian Standard and to set up climate adaptation strategies. Regular engagement with Aliro to discuss the outcome of the climate change assessment and progress made in setting up mitigation plans Mitigation plans include rainwater harvesting, drip resistant irrigation, drought resistant landscaping, rainwater reticulation, frequent heating, ventilation, and air conditioning maintenance and commissioning, and automatic roller doors.
Outcome	In response to the climate change risk assessment, all assets within the portfolio with a high risk of potential exposure to climate hazards have mitigation strategies in place through short, medium, and long-term capex initiatives. The manager incorporated climate change assessments in the investment process and mitigations into asset life cycle plans/ business plans. Successfully installed 99kw solar panels and rainwater tank and implemented drip-resistant irrigation and native landscaping in Melbourne. Additionally, 99kw solar panels were installed in another Melbourne site with 500kw solar panels to be installed in 2022/23.

Renewables – Biogas

Overview

The AMP Americas Dairy Biogas RNG Portfolio is a debt financing project for 7 dairy renewable natural gas ("RNG") projects located in Minnesota, Idaho and Indiana, USA. At the time of investment, the portfolio represented approximately 25% of the US dairy RNG market.

The portfolio's 7 facilities convert animal manure from 14 dairy farms into biogas. Amp's estimated dispensed RNG output for 2022 is expected to be 1,623,171 Million British Thermal Units (MMBtu). The California Air Resource Board estimates that dairy RNG has a large negative carbon intensity. This is due to the capture and destruction of methane produced by cow manure.

The Portfolio generates revenue from its RNG production reaching end market users, which produces environmental credits (Low Carbon Fuel Standard ("LCFS") and D3 RIN credits).

LCFS is a market based-incentive program intended to reduce greenhouse gas emissions (GHG) and pays producers (credits) of low carbon intensity transportation fuels for its production. Currently the most established LCFS market is in California.

D3 RIN Credits are generated as RNG qualifies as cellulosic biofuel, which is purchased by refiners and importers of gasoline to fulfil their fuel blending requirements into the fuel supply.

ESG Benefits

AMP is focused on owning and operating a portfolio of assets that produce 100% renewable, ultra-low carbon negative fuels from farm waste feedstocks, industrial facilities and municipal waste facilities.

The presence of AMP alongside the cattle farms creates a positive climate impact through combatting two sources of GHG emissions: by capturing methane emissions and by displacing diesel. Methane emissions approximately 25 times more powerful than CO_2. Additionally, RNG is most commonly used as fuel for vehicles, displacing trucks that use diesel. RNG is 10 times less polluting than diesel.

The portfolio will produce 100% renewable, ultra-low carbon negative fuels – all renewable natural gas produced will be carbon negative.

The facilities do not produce any significant waste products on their own, any by-products that are generated during the digestion process are used by dairy farmers for various sustainable farming activities.

There are minimal additional materials that are required to go into the digesters. At all but one operating site, the supply of utility water and process water is provided by the respective farm.

Second-hand fashion – Vinted

Overview	Vinted is a leading consumer-to-consumer (C2C) vertical player in Europe within the highly thematic and fast-growing second-hand fashion market. Vinted has an estimated enterprise value of €3.5 billion. The company operates in 10+ markets including Spain, France, Germany, Italy, and the UK with more than 37 million members as of August 2021. Unlike most marketplaces, Vinted's business model monetises through buyer fees; the seller has no listing or subscription fees, with options to pay for additional features on the spot.
Investment rationale	Vinted is the clear C2C vertical market leader in Germany, France, and Netherlands (which account for ~45% of the GMV for online second-hand fashion in Europe) and shows strong traction in newer markets like the UK, despite strong competition. European online second-hand market for fashion & family expected to grow by ~36%-38% p.a. through 2025. Strong positioning in mobile and younger generations, the latter being the fastest growing segment of the market. An investment of $3.6m was committed.
Impact	Modern textiles rely heavily on fossil fuel-based textiles like polyester, as well as significant volumes of water and other raw inputs, and it is estimated the fashion industry is responsible for ~10% of annual global carbon emissions, more than all international flights and maritime shipping combined. It also generates ~40 mm tons of textile waste a year, most of which is either sent to landfill or incinerated. Less than 10% of the global textile market is composed of recycled material. Under the current trajectory, the fashion industry misses the 1.5°C pathway by 50% and abates only emissions from incremental growth. Vinted contributes to the circular economy by helping extend lifespan of existing goods through reselling of garments and accessories on its second-hand market platform. The primary beneficiary is the planet, given the environmental impact of extending useful life of clothing that would otherwise be disposed via landfills and incineration in the meantime. The manager may prioritize "green" initiatives during ownership, such as partnerships with eco-friendly shippers or packaging.
SDGs	This investment complies directly with SDG 12: 'By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.'

Way Ahead

Way Ahead

In this final section the Trustees set out their plans for taking the Fund's sustainability work further over the coming year.

- Over recent years, particular attention has been paid to climate risks and opportunities. The Fund will continue to look for ways to assess its' progress against 'S' and 'G' to create a more balanced ESG approach.
- It is important for investment beliefs to be reviewed on a periodic basis to reflect changes in Trustee Board members, Fund circumstances and industry best practice. The Trustee will be undergoing a review of its investment beliefs over the next 12 months.
- The Fund will continue its work on ESG integration with the fund managers. With the equity and fixed income mandates, a good monitoring framework has been put in place and ongoing conversations will be held through regular catchups.
- The Fund will continue its work to expand the ESG integration into the Fund's alternative assets, particularly real estate, infrastructure, and private equity. In particular we will continue to push for managers to enhance their data availability and disclosures.
- The Fund will develop a formalised stewardship policy that will direct the Fund's engagements. The strong relationship with Sustainalytics has developed further and continued feedback has helped the Fund achieve its goals for engagement. This will continue over next year.
- Continue to monitor and enhance the Fund's Carbon Neutral Journey Plan, including widening the range of asset classes against which greenhouse gas emission are monitored and reported on, and developing an action plan to put in place the necessary portfolio changes to achieve our ambitions in this area,
- Carbon neutrality is a global effort and cannot be achieved by one entity alone. Therefore, the Fund will continue to engage with portfolio companies, managers, and fellow investors to enact change at individual businesses and across the market. Additionally, following recent experience in the UK in particular, the Fund will need to not only consider the transition to a low-carbon economy, but also how to encourage a just transition.
- The Fund will continue to assess additional actions that could be taken to enhance the annual TCFD report. Particular focus will be placed on widening the scenario analysis undertaken to capture the risks associated with a greater proportion of the investment portfolio.

Glossary

AMNT
Association of Member Nominated Trustees

Climate Action 100+
An investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change

Carbon Intensity (Weighted Average Carbon Intensity)
Carbon intensity (or emission intensity) measures the carbon emissions per unit of output (expressed as CO_2e tonnes / $m Sales). Weighted average means each company's carbon intensity is adjusted by its weight in the Fund's total portfolio (as a percentage of the total market value.

CDP
formerly the Carbon Disclosure Project. The CDP is an international non-profit organisation that helps companies and cities disclose their environmental impact.

CO_2e
"Carbon dioxide equivalent" or "CO_2e" is a term for describing different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO_2e signifies the amount of CO2 which would have the equivalent global warming impact.

COP
The United Nations Climate Change Conference. COP stands for Conference of the Parties, and is attended by countries that signed the United Nations Framework Convention on Climate Change (UNFCCC) – a treaty agreed in 1994

DB
Defined Benefit

ESG
Environmental, Social and Governance

Fiduciary Duty
The legal duty of one party (the fiduciary) to act in the best interests of another (the principle). In the investment chain there are a number of these relationships including the duty that boards have to shareholders, the duty between trustees and beneficiaries and the duty between asset managers and their clients

FRC Stewardship Code
Financial Reporting Council Stewardship Code

GHG
Greenhouse Gases

GRESB
Global Real Estate Sustainability Benchmark

IIGCC
Institutional Investors Group on Climate Change

MSCI
Morgan Stanley Capital International, a global provider of equity, fixed income, hedge fund stock market indexes, and multi-asset portfolio analysis

Paris Pledges
By joining the pledge, businesses, cities, civil society groups, investors, regions, trade unions and other signatories promised to ensure that the ambition set out by the Paris Agreement is met or exceeded to limit global temperature rise to less than 2 degrees Celsius

Scope 1 Emissions
Direct emissions from owned or controlled sources

Scope 2 Emissions
Indirect emissions from the generation of purchased energy

Scope 3 Emissions
Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organisation (in this case, the Fund's investee companies), but that the organisation indirectly impacts in its value chain. Scope 3 emission sources include emissions both upstream and downstream of the organisation's activities, such as business travel, procurement, waste and water.

SDGs
Sustainable Development Goals

SIP
Statement of Investment Principles

Stewardship
A purposeful dialogue between shareholders and boards with the aim of ensuring a company's long-term strategy and day-to-day management is effective and aligned with shareholders' interest. Good stewardship should help protect and increase the value of investments

TCFD
Task Force on Climate-related Financial Disclosures

TPI
Transition Pathway Initiative

UN PRI
United Nations Principles of Responsible Investments

Voting rights
Equity investors typically enjoy rights to vote at annual and extraordinary general meetings (AGMs and EGMs). The resolutions on which shareholders vote will vary according to individual countries' legal frameworks. They may include voting on an individual director's appointment, remuneration or mergers and acquisition


Transport for London

TfL Pension Fund Sustainability Report

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