TfL PENSIONFUND

2023 REPORT ON SUSTAINABLE INVESTING

MAYOR OF LONDON

Transport for London

1. CHAIR'S LETTER

On behalf of the Trustee of the TfL Pension Fund, I am delighted to present our sixth Annual Report on Sustainable Investing. As before, this report summarises the actions and progress that have taken place since our last publication, showcasing some of our achievements, as well as setting out our thoughts for next steps in sustainable investing.

M. Antoniou

Maria Antoniou
Chair

Following the announcement of our Net Zero by 2045 Target in October 2021 (published online, link here), finding a path to decarbonise the Fund's investment portfolio has been one of the key topics on the Trustee's agenda. Helpful measures have been taken and notable progress has been made over the last year against the target. This will be illustrated by examples as well as figures in the report. The expanded climate scenario analysis, first published in our 2023 TCFD report, now covers not only the assets, but also examines the potential impacts of different climate scenarios on the Fund's liabilities as well as its corporate sponsor TfL's covenant. This integrated study provides useful insight which is covered in this report.

This year has seen another summer of extreme heatwaves across the world (and in the case of the UK, rather unstable weather in the month of July) which continues to remind us of the urgent need for actions. The Trustee recognises that while measuring portfolio carbon metrics provides useful evidence for our progress toward the Net Zero targets, the ultimate goal is to achieve real-world effects – decarbonisation at the business and industry levels, not just within the boundary of the Fund's portfolio.

To achieve this, the Trustee continues to believe that the Fund should engage with investee companies, including those currently involved in 'high emissions' activities, where there appears potential for change. Engagement (and use of voting as an escalation tool) has been conducted with companies in both the active and passive holdings. With consideration to the Fund's resources, systemic engagement, such as with key actors that are not currently in the Fund's portfolio, would be of merit too. In recognition of this, this year we are showcasing the stewardship activities that form a key element of the Fund's implementation of its net zero targets. Several case studies are included in the Stewardship section of this report. Another important lever for achieving real-world impacts is allocating new capital toward renewable energy and other 'climate change transitional' sectors. We have included interesting case studies on this.

In spite of climate change being in the spotlight, the Trustee continues 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. The report includes examples of stewardship activities that seek to address violations of international standards in portfolio companies, covering social (human rights and labour rights) as well as governance factors.

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.

Please consider the environment before printing this report.

A 'printer friendly' version can be found here.

NET ZERO BY 2045:

TFL PENSION FUND IS ON TRACK

The Trustee of the TfL Pension Fund have recently committed to an ambitious Net Zero Plan which would see the Fund achieve a 55% reduction in its carbon emissions by 2030 at the latest and a 100% reduction no later than 2045 vs the 2016 baseline.

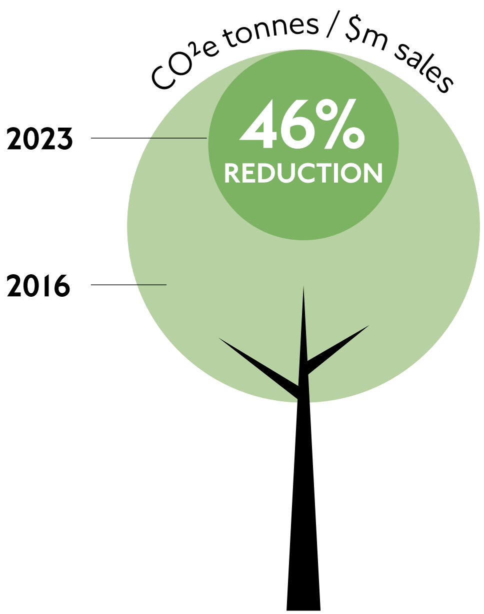
REDUCTION BY 2030

REDUCTION BY 2045

2. EXECUTIVE SUMMARY

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 46% since 2016** and as of Q1 2023, the Fund was **40% ahead of its benchmark** (see page 17).



- To measure further climate metrics, the Fund continues to leverage LGT's Cockpit Tool, where the Fund continues to outperform the benchmark on 3 out of 4 metrics measured.
- The UN Sustainable Development Goals ('SDGs') are a blueprint for achieving a more sustainable future for all, addressing issues 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 2023, the Fund's active equities performed **better than the benchmark on 15 of 17 of the SDGs** (see page 33).

STEPS TAKEN TO PROGRESS TOWARD THE NET ZERO TARGET

CLIMATE SCENARIO TESTING

- The Fund started to integrate assets, liabilities (pension benefits) and covenant (of the sponsoring employer) into climate scenario testing in TCFD. This allows a comprehensive understanding of potential climate risk impact on our funding position and hence informs our investment strategy.
- The analysis shows overall risk exposure to climate change is mitigated and managed by measures already taken or being taken. More details on the analysis results are provided in this report.

EMISSIONS REPORTING ENHANCEMENTS

- During the reporting year the Fund has pushed for improved carbon emissions reporting from managers as well as conveying the Fund's net zero goals and the Fund's requirement for its managers to contribute toward these goals. Specifically, newly appointed managers will now be required to formally commit to managing climate related risks and having a strategy for moving toward net zero in the portfolio. The contract will also incorporate requirements to measure carbon emissions of assets. When we make additional investments in existing mandates, we make a retrospective requirement that carbon reporting should cover all existing assets that the manager manages for the Fund. This was recently implemented with a North American private debt mandate for a $300m investment, particularly relevant for its challenging geography in terms of ESG.

EXTRACTIVES EXPOSURE EXAMINED

- The Trustee has recently examined the Fund's fossil fuel extractive holdings (£36m or 0.3% of total Fund assets), and reviewed the holdings that are assessed by The Transition Pathway (TPI) as not aligned to the Paris Agreement. We asked the fund managers to disclose their engagement strategy and activities with the non-aligned companies. The Investment Committee considered the pros and cons including, the potential financial returns from holding undervalued extractive companies, whether engagement can be effective in changing their business strategy and thereby reducing carbon emissions in a 'real world' setting, and to what extent holding extractives will affect the Fund's progress over time toward the Net Zero Targets. The Investment Committee decided it is prudent to take more time to consider this issue and will continue its dialogue with the fund managers before any decisions are made.

ESG AND CLIMATE TRANSITION INVESTMENTS

- With regard to the commitment of allocating 15% of Fund assets to ESG tilted investments, a significant part of which is in low carbon transition assets, the Fund now holds total investments of 12.9% or c. £1,837m in assets with an ESG tilt as of March 2023, an increase of £274m compared to last year. Several ESG tilted investment case studies have been included in the report (see pages 34).

- A recent example which delivers both environmental and social impacts is the Fund's £60m investment in Cory Riverside II, which will be a state-of-the-art, £700m energy-from-waste facility in southwest London, with a design to **divert 625m metric tons of waste from landfill and generate 500MWH of electricity to power 140,000 homes**. It will also **create 45 full time, well-paying operational jobs and 700 construction jobs in London**. The proposed facility will include opportunities for other renewable energy generation including solar and battery. Riverside II will operate within the most stringent of emissions standards and its design will make it capable of Net Zero status through Carbon Capture, as and when that technology reaches commercial readiness.

CLIMATE ENGAGEMENT AND VOTING

- With its stewardship partner Sustainalytics, the Fund participates in the Climate Change and Sustainable Forestry thematic programme which currently engages 22 companies in the forestry commodities, consumer products and financing value chain. Another programme with Sustainalytics, Material Risk Engagement, cover over 300 companies across the Fund's active and passive holdings, of which two-thirds have a focus on carbon emissions and decarbonisation/ net zero goals.
- Sustainalytics also provides voting recommendations to Glass Lewis (the proxy voting specialist appointed by the Fund through Sustainalytics) on ESG topics on behalf of the Fund. A recent example is the voting on a shareholder proposal relating to scope 3 emission reduction targets at BP's annual meeting, on which the Fund voted 'for' the shareholder proposal following Sustainalytics' input.

SOCIAL IMPACT OF THE FUND'S STEWARDSHIP AND INVESTMENT ACTIVITIES

While the Trustee has devoted a significant amount of time and Fund resources to progress the Fund's net zero ambitions, the social impact of the Fund's investment portfolio remains an important topic on the agenda.

ENGAGEMENT

- Our stewardship partner Sustainalytics conducts engagements on the Trustee's behalf to address any severe and systematic violations of international standards in portfolio companies. The aim is not only to resolve the incident (including taking remedial actions), but also to improve the company's future ESG performance and risk management to ensure incidents do not occur again.
- As of Q2 2023 there were 13 and 4 engaged cases addressing human rights and labour rights violations respectively, among the Fund's active holdings. Sustainalytics carries out a higher number of total engagements which involve the Fund's passive holdings too.
- The Fund's investment managers also conduct engagement with high-risk companies. The Stewardship section shows several cases, such as engagements with McDonald's.

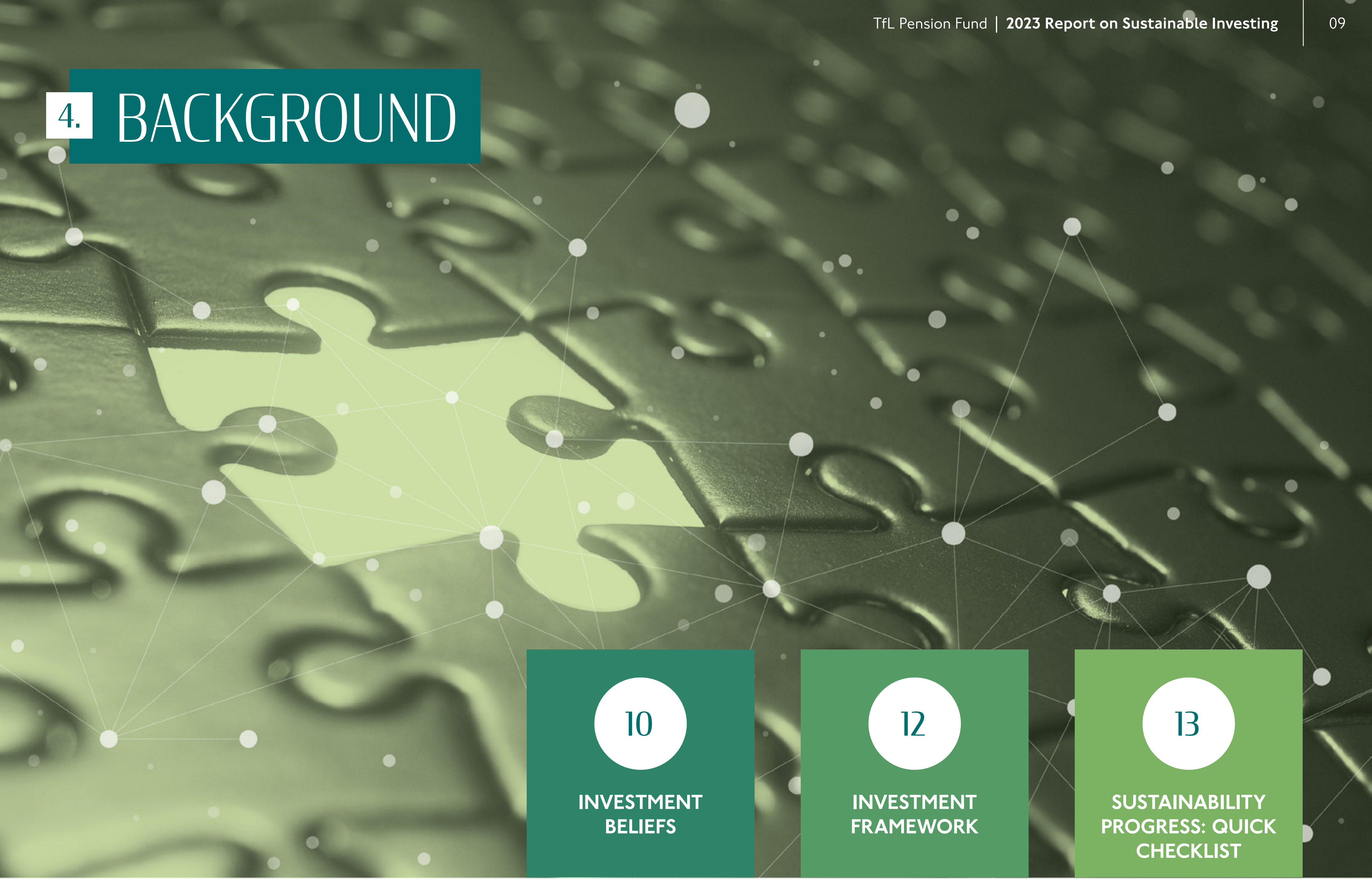
VOTING

- The Trustee also exercises its proxy voting rights with portfolio companies to promote social good and prevent severe harm, through the proxy voting specialist Glass Lewis. Examples of impact voting are reported in the Stewardship section.

ASSET ALLOCATION

- In addition to the stewardship activities outlined above, the Fund seeks to enhance positive social impact through its asset allocation. At the end of March 2023, the Fund holds a total of c. £750m investment in the healthcare, education, and other social infrastructure sectors. This is part of the Fund's target of allocating 15% of its investments to ESG tilted assets by 2025.

3. CONTENTS



4. BACKGROUND

a. INVESTMENT BELIEFS

As we begin to delve deeper into the Fund's framework and activities over the year, we set out the Trustee's 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.

The Trustee Board went through a thorough process of reviewing all its beliefs, including those around ESG and climate change over the year to reflect changing market conditions & Fund circumstances, and an evolution of understanding, ambition, and best practice around ESG integration. The new beliefs include four specific ESG beliefs (shown in bold letters below).

1. There is a risk/return benefit to embracing complexity and dynamism and our scale means that our governance resources should be flexed to manage this complexity.

2. Investment decisions should be made with reference to robust data and analysis whenever available. Given that risk management is multi-faceted, investment decisions do not necessarily have to comply with this data and analysis, and in some circumstances, decisions may need to be taken in the absence of reliable data.

3. Investment decisions should be made with an awareness and appreciation for all facets of risk. In such cases where the risk-mitigation provided by diversification are significantly eroded, risks such as sustainability or reputational risk, further consideration must be given to that investment.

4. Investing in illiquid assets is expected to be rewarded in the long-term and is attractive net of risks and costs. As the Fund is currently open with a very long time horizon, it has a competitive advantage over other investors and pension schemes when investing in illiquid assets.

5. Skilled investment managers do exist and it is possible to outperform the market. Identifying skilled managers requires significant investment in research.

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

7. Value for money, rather than absolute cost, should be prioritised when selecting investment managers and mandates.

8 **Long-term sustainability issues have a material impact on risk and outcomes, both financial and non-financial.**

9 **E, S and G deserve equal consideration when setting our long-term ambition level but we acknowledge that regulations or circumstances may require prioritising E, S or G over shorter time periods.**

10 **Engagement is most effective when undertaken by both portfolio managers and thirdparty specialists. Portfolio managers will have greater oversight of the assets and third-party specialists are better positioned to facilitate engagement at a fund-, industry- or system-level.**

11 **Sustainability is one of a number of factors taken into account when considering the suitability and attractiveness of an investment; as a result not all holdings are expected to have perfect ESG characteristics.**

12 Some short-term indicators, such as manager performance, short-term funding level volatility or carbon emissions, can be useful indicators of possible long-term trend or impairment of skill or asset quality, and may be used to prompt review by the Trustee. However short-term indicators in isolation have limited predictive power.

b. INVESTMENT FRAMEWORK

As in previous iterations of the report, we will now take another look at the Trustee's 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 Trustee 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 to consider the environmental impact of the activities of companies in which they invest, particularly when they operate in countries with less sophisticated and demanding regulatory requirements. This is to ensure companies are fairly treating all stakeholders (shareholders, customers and employees) and conforming to standard business principles of transparency, integrity and fair and reasonable dealing

c. SUSTAINABILITY PROGRESS CHECKLIST

2023 2022

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.

c. SUSTAINABILITY PROGRESS CHECKLIST

2023 2022

ACTION PLAN	BEHIND THE CURVE	ON THE BACK FOOT	ON THE FRONT FOOT	GETTING AHEAD
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.
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 are incorporated across all asset classes including e.g. side letter terms in private equity funds.

c. SUSTAINABILITY PROGRESS CHECKLIST

2023 2022

ACTION PLAN	BEHIND THE CURVE	ON THE BACK FOOT	ON THE FRONT FOOT	GETTING AHEAD
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.

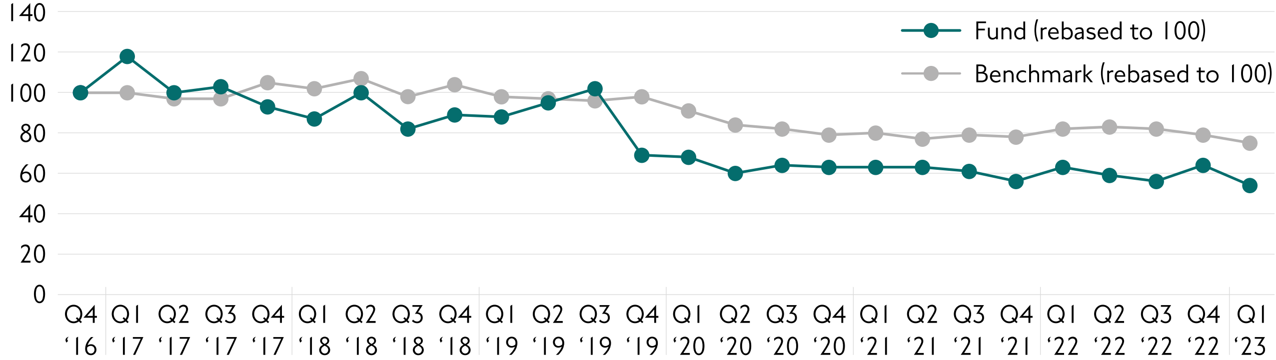
Source: Sackers and Partners LLP

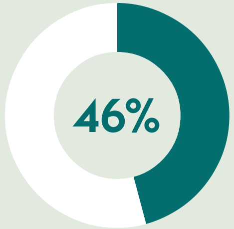
5. CLIMATE CHANGE ACTION

Noteworthy progress made since our last publication

a. FUND CARBON EMISSIONS

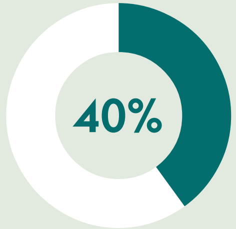
Carbon Emissions Intensity (CO_2e tons/ $m Sales) – Fund vs. Benchmark





REDUCTION IN CARBON EMISSIONS INTENSITY SINCE 2016

LOWER CARBON EMISSIONS INTENSITY THAN BENCHMARK



- Climate change remains one of the largest issues facing the world today, both economically and politically. Following the adoption of the Fund's net-zero carbon journey plan, 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.
- 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 above summarises the progress the Fund has made at an aggregate level since 2016. As of 31 March 2023, the Fund's carbon footprint has fallen by 46% 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 Q1 2023, the Fund's carbon intensity is 40% less than the equivalent benchmark.
- In the twelve months to 31 March 2023, the Fund's carbon emissions intensity across its active equity and bonds portfolio declined by 14%, falling from 114 CO_2e tonnes per million dollars of sales to 99 CO_2e tonnes per million dollars of sales. Over the same period, the benchmark carbon intensity decreased by 8%.

b. CLIMATE SCENARIO ANALYSIS

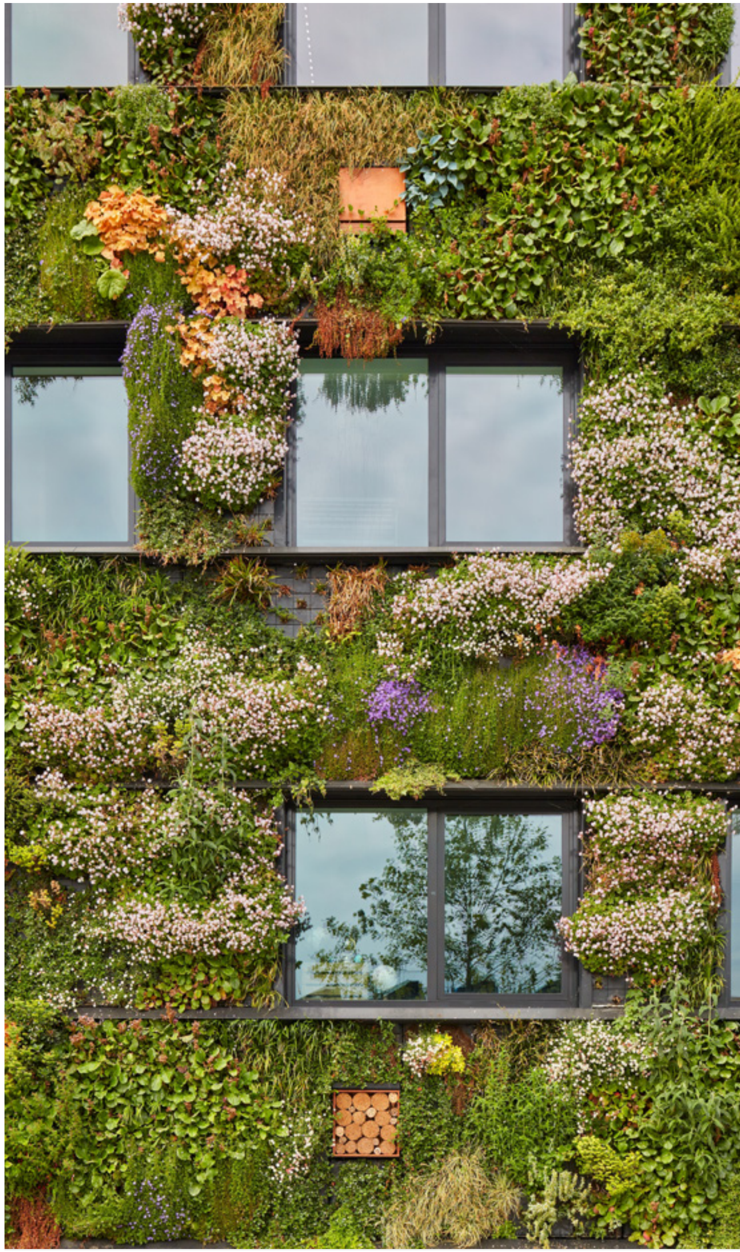
The Trustee has undertaken an integrated assessment of the impact of climate change risk on the funding of the Fund. This assessment covered both the asset and liability risks of the Fund as well as a consideration of the climate change risks on the strength of the Sponsor's covenant.

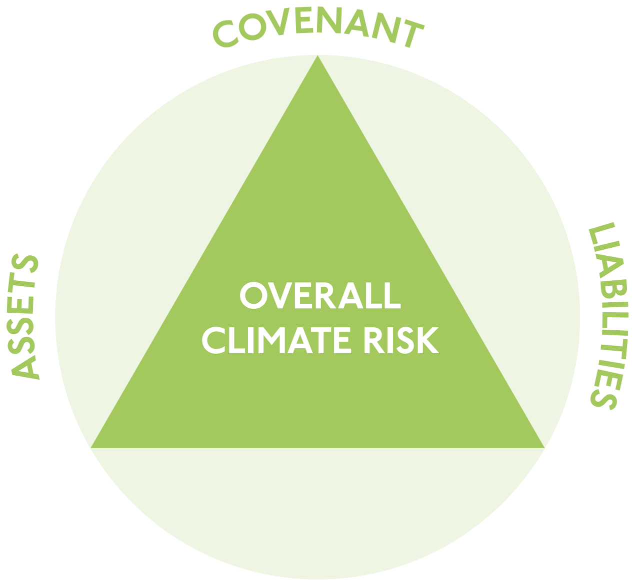
The approach adopted for the assessment represented a step change this year in quantifying climate risks on our funding position over a medium to long-term by subjecting the Fund's assets and liabilities to a range of scenarios. It then took the analysis to its next logical step of trying to understand how TfL covenant itself might fare and how its adaptation and net zero plans could help mitigate some of the risks. However, unlike the more quantified nature of asset and liability stress testing, covenant climate review was more qualitative in nature.

INTEGRATED CLIMATE SCENARIO TESTING SHOWS MITIGATED RISK EXPOSURE

Quantitative and qualitative assessments have their advantages and disadvantages, but undertaken together, they should provide a better understanding of the risks. Precise modelled figures are based on a range of assumptions that would undoubtedly change over time, giving a sense of imprecise certainty. This is a helpful caveat to bear in mind when reading the scenario analysis.

Liability climate risk assessment was undertaken for the first time and it recognised the key risks being through changes in the Fund's longevity assumptions. In line with the regulatory guidelines, the impact assessment of physical risks on the strength of the Employer covenant was also undertaken for the first time. Finally, climate scenario analysis was carried out on the Fund's assets. The results are summarised overleaf (full details can be found in the Fund's TCFD report published online, https://content.tfl.gov.uk/task-force-on-climate-related-disclosures-june-2023.pdf)





Assets: The results show that the portfolio's exposure to climate risks is mitigated overall. In two 'negative' scenarios, the Fund's portfolio of diversified assets were expected to experience a **one-off loss of 3.8% to 5.9%**; and in two 'positive' scenarios, the portfolio would benefit from climate related opportunities and experience a **one-off gain of 4.1% to 5.1%**.

Liabilities: The Fund is exposed to climate risk through the impact of climate on future improvements in life expectancy and the impact of both transition risk (the economic impact of a transition to a low carbon economy) and physical risk (the impact of changes in weather and climate on UK mortality rates). Three of the four climate scenarios in the modelling process **demonstrate a reduction in future expected improvements in life expectancy** relative to the Fund's central mortality assumptions and therefore a **relative reduction in the Fund's liabilities**. Such scenarios do not demonstrate a positive outcome for members and reflect the adverse societal effect of climate change.

In any scenario, the impact on the Fund's assets and liabilities should be manageable relative to the sponsor's covenant and less significant than the ongoing risks related to the covenant.

Covenant: In terms of the climate covenant risk, TfL, as the integrated transport authority for London, faces a number of risks related to the ongoing climate change crisis and has developed goals and strategies for managing the risks and opportunities borne from climate change. TfL's own risk assessment of the physical impact of climate change has identified 14 current physical climate risks as severe or major, with this number expected to increase to 57 by 2080 as there is a risk of the impact of climate change intensifying over time. However, **TfL seeks to mitigate the impact of these climate risks through achievement of its environmental sustainability targets and implementation of its Adaptation Plan**. (It should be noted that the achievement of TfL's climate targets and Adaptation Plan appears dependent on future external funding from both the Government and private sources, while also taking account of the critical nature of TfL to the London economy, the provision of government financial support to date and TfL's position as a statutory corporation under the Greater London Authority Act 1999.)

c. ENVIRONMENTAL FOOTPRINT ANALYSIS

- 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 3 categories relative to the benchmark. In particular, the Fund continues to significantly outperform the benchmark in GHG emissions, energy consumption and waste generation. For water withdrawal, the Fund's active equity portfolio had water usage levels slightly above the benchmark.
- 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	91.4 METRIC TONS CO_2 p.a.[1]	166.7 metric tons CO_2 p.a.[1]	45% LOWER CO_2 EMISSIONS p.a.[1] corresponds to CO_2 emissions of 33 cars
ENERGY CONSUMPTION	288.1 MEGAWATT HOURS p.a.	397.9 MEGAWATT HOURS p.a.	28% LOWER ENERGY USAGE p.a. corresponds to energy usage of 68 people
WATER WITHDRAWAL	1,404.1 CUBIC METRES p.a.	1,395.8 CUBIC METRES p.a.	1% HIGHER WATER USAGE p.a. corresponds to water usage of 0 people
WASTE GENERATION	70.7 METRIC TONS p.a.	222 METRIC TONS p.a.	68% LOWER WASTE GENERATION p.a. corresponds to waste of 285 people

Source: LGT Capital Partners, Refinitiv. Data as of 31 March 2023. 1 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 2.29 metric tons per year for driving distance of 20,000 kilometres per year and 114.7 g/km CO_2 emission. The average electricity consumption in Europe is 1.596 megawatt hours per capita per year. The average water usage in Europe is 46.355 cubic meter per capita per year. The average amount of household waste in Europe is 0.53 metric tons per capita per year. Calculation basis of 2021 (greenhouse gas, water, waste) and 2020 (energy).

6. STEWARDSHIP

Environmental and Social Impacts

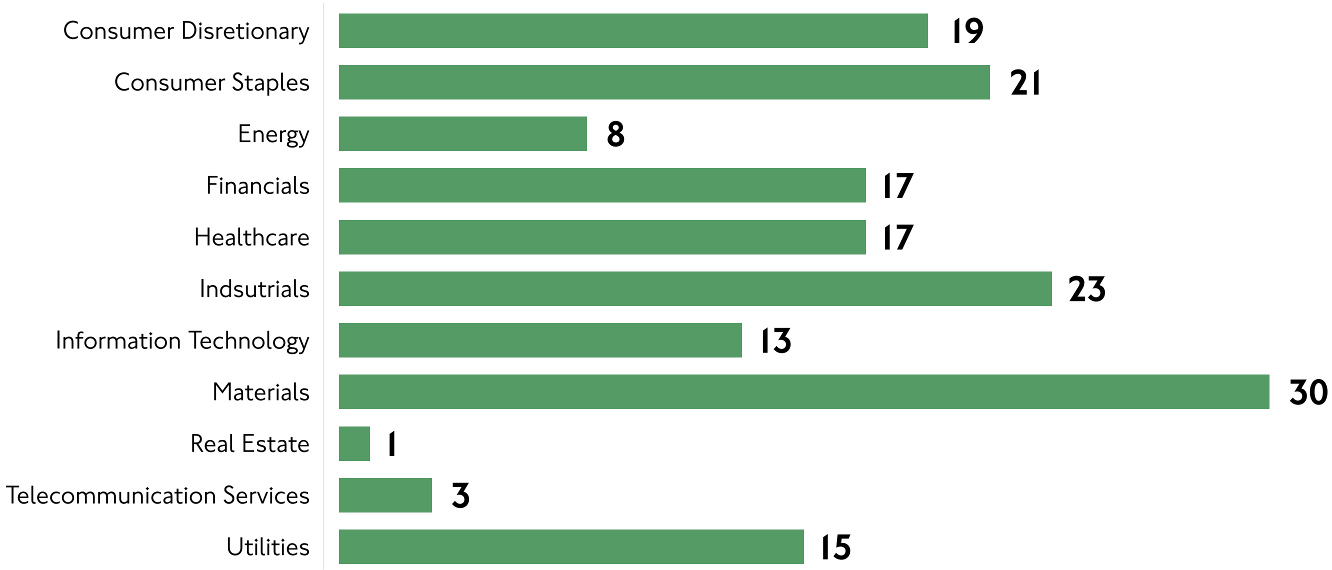
a. PARTNERSHIP WITH STEWARDSHIP SPECIALIST: SUSTAINALYTICS

Ownership presents pivotal opportunity to influence companies on ESG practices and seek positive change for wider society either through constructive dialogues or exercising voting rights. The Trustee has partnered with Sustainalytics, a leading independent ESG research provider and stewardship specialist to carry out focused engagements with companies from the Fund's public equity and corporate fixed income holdings. The dialogues take place through three engagement streams.

GLOBAL STANDARDS ENGAGEMENT:

Sustainalytics engages with companies that severely and systematically violate international standards, thus aim to resolve the incident, and to improve the company's future ESG performance and risk management to ensure no recurrence of such incidents. A breakdown of Global Standards Engagement by sector and theme is shown to the right.

Cases by Sector



Cases by Theme

Sustainalytics has continued its dialogue to track specified engagement goals and to seek measurable results of business conduct changes in relation to 153 cases as of June 2023. Sustainalytics continued to help companies improve, reflected in the progress made by various companies achieving engagement milestones.

THE CASE OF MCDONALD'S CORP

McDonald's and its franchisees have faced numerous allegations of race discrimination and sexual harassment, as well as lawsuits for violating wage and hour regulations. Considering that McDonald's is one of the largest employers worldwide, its alleged failure to enforce proper labour standards and protect the rights of its employees and franchisees could have significant negative implications on a global scale.

Sustainalytics sets the change objective to be: actively promote the company's Standard of Business Conduct among its franchisees, and ensure franchisees live up to this especially with regards to labour rights. Efforts taken by the company to ensure compliance in this area should be transparently reported to relevant stakeholders.

McDonald's has established a strategy to address the issue. The company has indicated on its website that it is committed to supporting implementation of the Global Brand Standards with Franchisees through a suite of policies, tools, trainings and reporting mechanisms. All 39,000 McDonald's restaurants across the globe, both Company-owned and franchised locations, will be required to adhere to these standards. McDonald's has committed to regularly assessing its approach, and engaging with relevant stakeholders to improve our monitoring, analysis and remediation of human rights impacts in order to be more transparent and effective in supporting people. All restaurants will be assessed and held accountable in accordance with the applicable McDonald's market's business evaluation processes starting in 2022. However, as of May 2023, McDonald's franchises continue to enter settlements, and be fined and sued concerning similar allegations.

Sustainalytics is actively pushing McDonald's to promote the company's Standard of Business Conduct among its franchisees, and ensure franchisees live up to this. The case status remains engaged and more meetings are being set up to continue the dialogue.

MATERIAL RISK ENGAGEMENT:

Sustainalytics helps high-risk portfolio companies to better identify, understand and manage their ESG risks. Sustainalytics engages with companies that are assessed as severe or high risk by the ESG Risk Rating (Risk Rating score of 30 or higher). Engagement dialogues are closed once a company is assessed to have an ESG Risk Rating score of 28 or lower.

- The past one year to June 2023, a total of 268 meetings were conducted with 359 positive developments and 19 resolved engagements.
- Improvements in each company's unmanaged ESG risks are driven by gradual enhancements in ESG risk management practices and disclosures. Most of these positive developments are related to climate change risk mitigation and ESG governance.
- Within climate change engagements, companies are encouraged to execute the following steps that are key to achieving net-zero: -

- Commit to TCFD reporting
- Track scope 1-3 carbon emissions
- Set (science-based) targets for carbon reductions in the short-, medium- and long-term
- Dedicate proper resources to achieve targets
- Implement specific initiatives to achieve real carbon emission reductions as opposed to carbon offsetting and future potential for carbon capture

359

POSITIVE DEVELOPMENTS

19

RESOLVED ENGAGEMENTS

THEMATIC ENGAGEMENT (CLIMATE CHANGE-SUSTAINABLE FOREST AND FINANCE):

Launched in July 2021, this Engagement is intended to address climate risk and advocate for reductions in direct and indirect emissions in the context of global forest systems which targets companies throughout forestry-linked value chains to promote science-based emissions reduction strategies, transparent climate-related disclosure, and sustainable practices to mitigate impacts from climate change.

There are 11 out of 22 companies in this engagement, in which the Fund has active holdings as at end-March 2023, while the Fund also holds most of the companies in this engagement through passive equities portfolio.

THE CASE OF A BRAZIL-BASED COMPANY ENGAGED IN THE PRODUCTION AND SALE OF BEEF

Sustainalytics had two engagement calls with the company during the reporting period. The first call in September 2022 focused on its climate mitigation strategies and forest commodities management. The second call in November 2022 focused on its approaches to biodiversity and natural capital issues.

The company is willing to engage and has put efforts into its climate strategy, but there is still room to improve. It has conducted decarbonization studies. SBTi (Science Based Targets initiative) methodology was taken into account but not yet committed to execution.

The company has also developed mechanisms to monitor both direct and indirect suppliers. It acknowledges that monitoring the indirect suppliers is the greatest challenge in this sector.

Sustainalytics highlighted the importance of science-based targets and will follow up on its initiatives on low carbon transition.

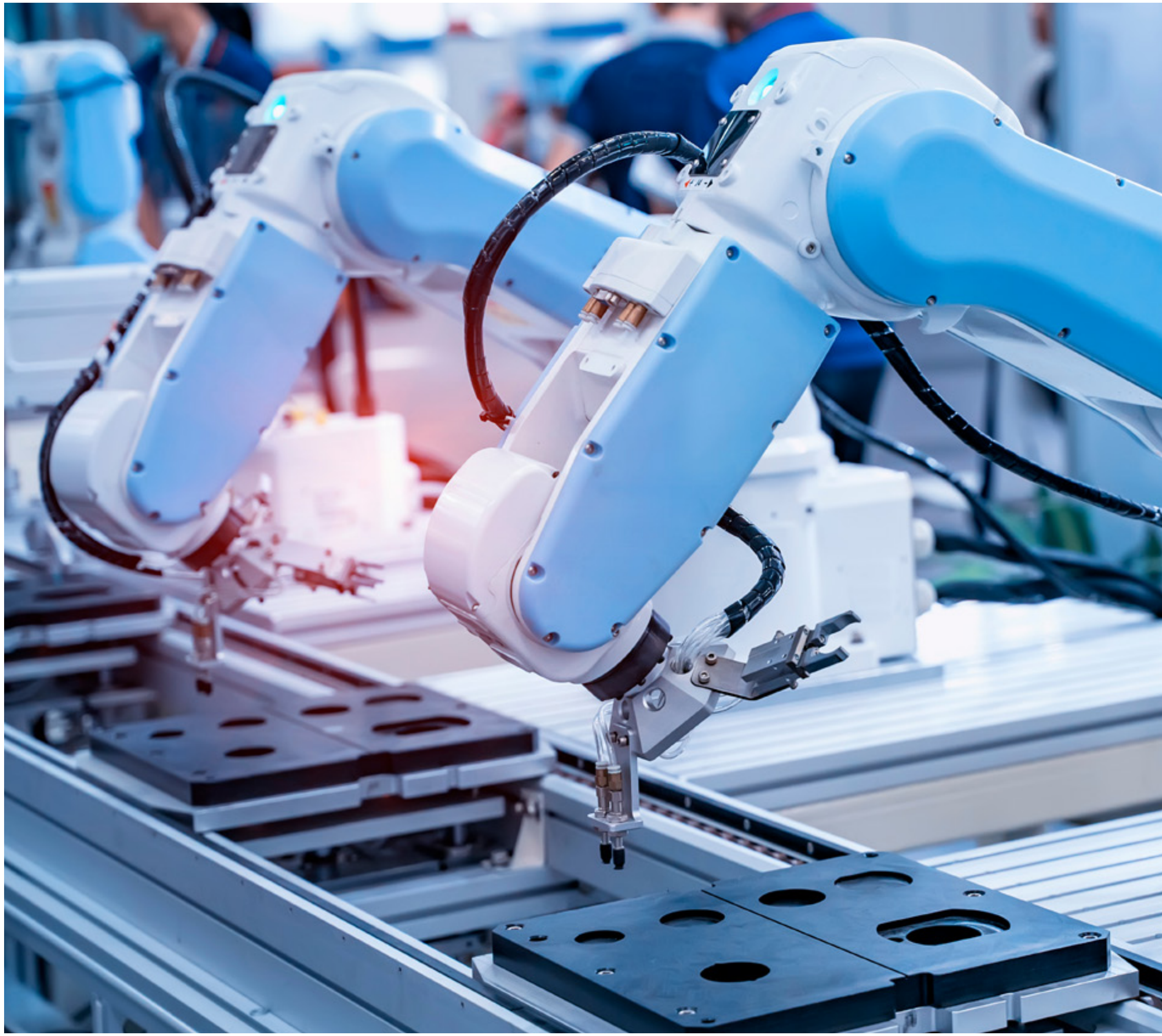
b. STEWARDSHIP THROUGH INVESTMENT MANAGERS

PARADICE INVESTMENT MANAGEMENT (PUBLIC EQUITY)

Orthofix Medical Inc. is a medical device company delivering orthopaedic and spine solutions to healthcare providers. Most of the company's sales come from the global spine segment in the United States. Orthofix distributes its products throughout North America, Europe, and several countries globally.

Paradice has been one of the company's shareholders since 2017 and had seen little progress from the company to integrate ESG principles in their strategy. With Orthofix, environmental and social risks were of particular interest for the manager. Paradice expects Orthofix to incorporate a certain degree of ESG reporting in their disclosures. Engagement has commenced following the arrival of new management circa late 2019 to early 2020. Throughout periodic meetings with Orthofix management in 2021, Paradice pushed the company to create an ESG framework to build policies and publish ESG targets.

In March 2021, Orthofix announced a free recycling program so patients can properly dispose of their medical devices after use (specifically in their Bone Growth Therapy products). Engagement efforts has seen fruition as Orthofix published their first sustainability report in 2022. The 22-page report included an overview of their ESG efforts and a full SASB disclosure table.



VERITAS ASSET MANAGEMENT (PUBLIC EQUITY)

Thermo Fisher Scientific Inc sells scientific instruments and laboratory equipment, diagnostics consumables, and life science reagents. According to several sources, including Human Rights Watch (HRW), China's Ministry of Public Security is building a large police-run DNA database, which started by taking biometric samples from nearly the entire population of Tibet and Xinjiang and, since 2017, has expanded to the entire country. HRW reported that Thermo Fisher had been providing biomedical and bioinformatics technology to the Chinese government for DNA collection and surveillance. In 2019, after the New York Times (NYT) reported on these allegations, the company stated that it would stop selling its equipment in Xinjiang. However, the Australian Strategic Policy Institute (ASPI) reported in 2020 that Thermo Fisher was allegedly still involved in China's national DNA database programme. Additionally, in June 2021, the NYT reported that it had reviewed Chinese procurement documents that showed that Thermo Fisher's DNA kits had allegedly continued to reach Xinjiang via Chinese firms that resold them to the police in Xinjiang.

Veritas had then engaged the company on the potential human rights abuse in the region. Conference call has taken place and it was asserted that the DNA kits in question did not have the implied utility – that they alone would not be able to identify the ethnic origin of an individual. The company representatives also reminded us of the societal good of such DNA technology in forensics and solving crimes.

STONEPEAK (INFRASTRUCTURE EQUITY)

West Texas Gas Midstream is a privately held midstream company, it specialized in gas gathering, compression, treating and processing solutions. The manager Stonepeak identified the company as requiring an ESG overhaul across its environmental and plant management, health & safety, and reporting practices. The manager has catalyzed significant improvements in many areas.

Investment Overview

Date	September 2021
Location	Midland, Texas
Ownership	51.5% (North American Infrastructure Fund IV)
Status	Active, Operating
Sector	Energy Transition
Business Description	Natural gas pipeline

Stonepeak Impact

19,200 Total pipeline miles inspected in 2022[1]	**50** Fugitive emissions events resolved[1]	**100 MMcf/d** Midstream Methane Leaks Identified and Repaired[2]
500,000 Cars off the road per year equivalent[3]	**0.26** LTIR, a 45% reduction from prior year[2]	**0.78** TRIR, a 25% reduction from the prior year[2]

Key Sustainability Considerations

E	Due to insufficient capital and lack of institutionalization – faced historical issues pertaining to environmental infractions, excess fugitive leaks, and suboptimal plant reliability and efficiency.
S	Health and Safety needed to be improved with over reliance on third parties with historical issues increasing scrutiny from regulators
G	Long term transitional risk with potential of asset obsolescence and intense historical capex.

Key Initiatives Delivered

Carbon reduction Initiative	◆ Fugitive methane leak detection was prioritized with initiation of quarterly methane detection flyovers of midstream assets. ◆ Building out a comprehensive methane leak tracking system and alignment of WTG field staff bonuses to flaring, leak and methane reduction metrics to reinforce cultural overhaul.
Enhancement of Governance	◆ Stonepeak comprehensively rebuilt WTG's Health, Safety & Environmental ("HSE") function (>15 Midstream HSE positions added since Stonepeak's investment) – building WTG capability and performance, while reducing reliance on third parties. ◆ C-suite discretionary compensation now directly tied to ESG KPIs.
Long-term Transition Planning	◆ WTG's Downstream segment sourced RNG (renewable natural gas) from four dairy sites, reducing systemwide carbon intensity, and capturing dairy methane. ◆ These dairy sites are expected to produce over 10 million cubic feet of RNG per day in peak months, exceeding WTG's 2022 monthly peak of ~8 million cubic feet per day.

Source: WTG Company Information (2022). 1) As at 2021 compared to 2020. 2) MMcf/d, Million cubic feet per day. LTIR, lost time incident rate; TRIR, total recordable incident rate. As of 2022 compared to 2021. 3) Calculated using the EPA's Greenhouse Gas Equivalencies Calculator.

c. IMPACT VOTING

Committed to influence sustainable behaviours amongst investee companies, the Trustee has and will continue to leverage on Sustainalytics expertise through engagement-based ‘voting overlay’ to supplement voting recommendations from Glass Lewis, the Fund’s proxy voting service provider. The “voting overlay” also serves as part of the engagement escalation with focus on non-responsive companies. Sustainalytics would use “vote against” companies when engagement progress has stalled due to poor responses from companies.

THE CASE OF BYD CO

BYD is a leading Chinese manufacturer in the design, development, and production of new energy vehicles (NEV). Despite several attempts, BYD has thus far refused to engage in a meaningful dialogue with Sustainalytics and showed no clear preparedness to engage in the future with investors on issues pertaining to an environmentally and socially responsible production of battery electric vehicles. In view of the company’s inadequate response and involvement, through Sustainalytics recommendation, the Fund voted against the approval of the audited Financial Statements for the year ended 31 December 2021.

THE CASE OF WELLS FARGO

Violation of the rights of Indigenous Peoples presents risks for the Company that can adversely affect shareholder value, including reputational damage, disruptions, litigation, and criminal charges.

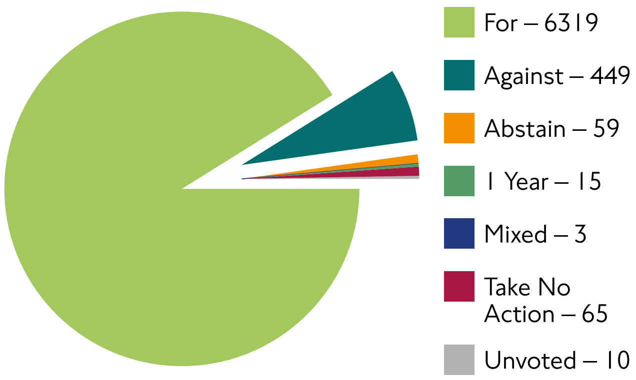
Shareholders has put forth a request that the Board of Directors provide a report outlining how effective Wells Fargo’s policies, practices, and performance indicators are in respecting internationally recognized human rights standards for Indigenous Peoples’ rights in its existing and proposed general corporate and project financing. In line with Sustainalytics recommendation, the Fund has voted for this resolution, as it is in shareholder’s best interest to have a clear understanding of the risks the company is exposed to surrounding human rights abuses through its financing of corporate projects.

SPOTLIGHT ON VOTING

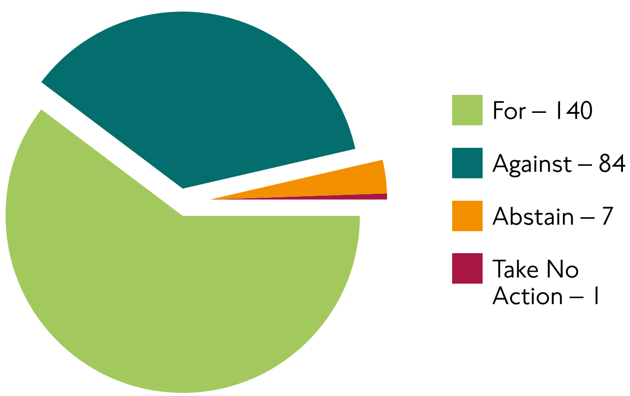
Sustainalytics has strategic partnership with Glass Lewis, a proxy voting specialist, which the Fund has subscribed to its proxy voting service as part of the full suite of engagement and voting package. The voting service commenced on 1st April 2020. One year to end-March 2023, Glass Lewis has voted a total of 7152 proposals. The tables and charts below illustrate the number of management (Mgmt) vs shareholder (SHP) proposals and different types of votes cast.

The chart opposite shows the Proposal Categories for all votes, as well as details on the votes versus management. Majority of votes against management are related to board related and compensation proposals as they are sometimes used to express shareholder dissatisfaction toward overall ESG governance. Targeting directors for ESG matters is still a relatively new concept, but growing in popularity.

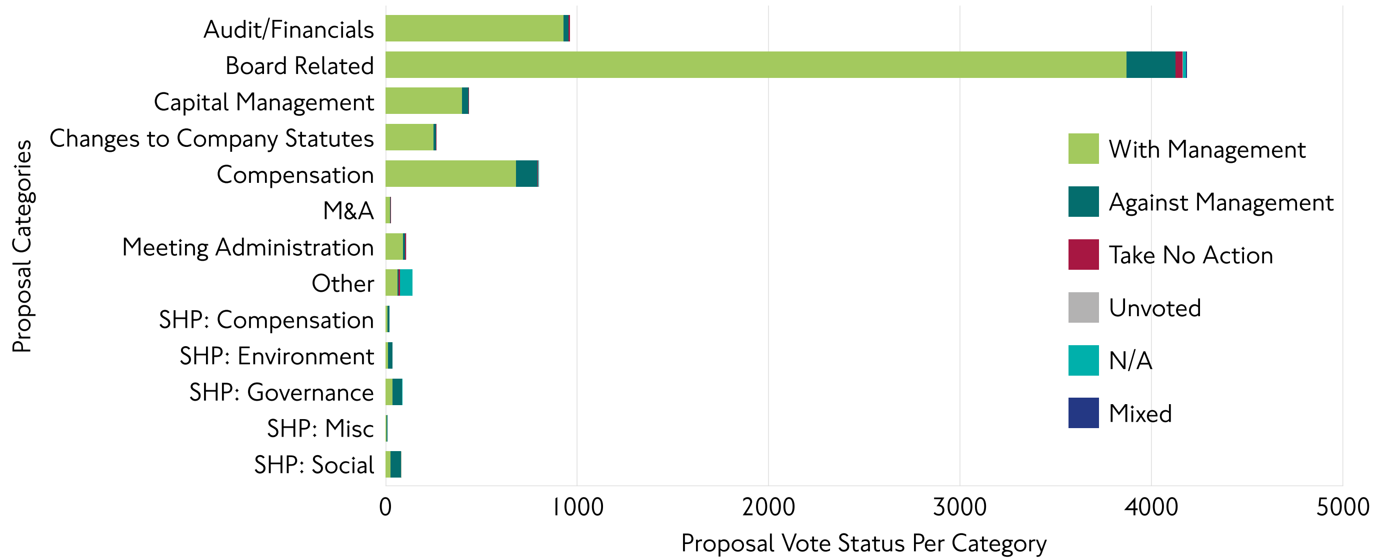
Management Proposals – Votes Cast



Shareholder Proposals – Votes Cast

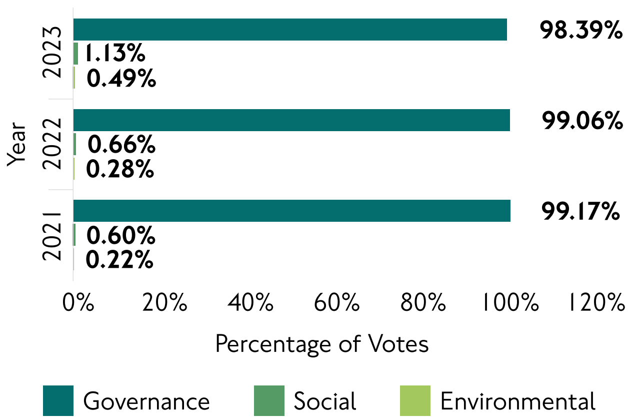


Proposal Categories –Votes versus Management



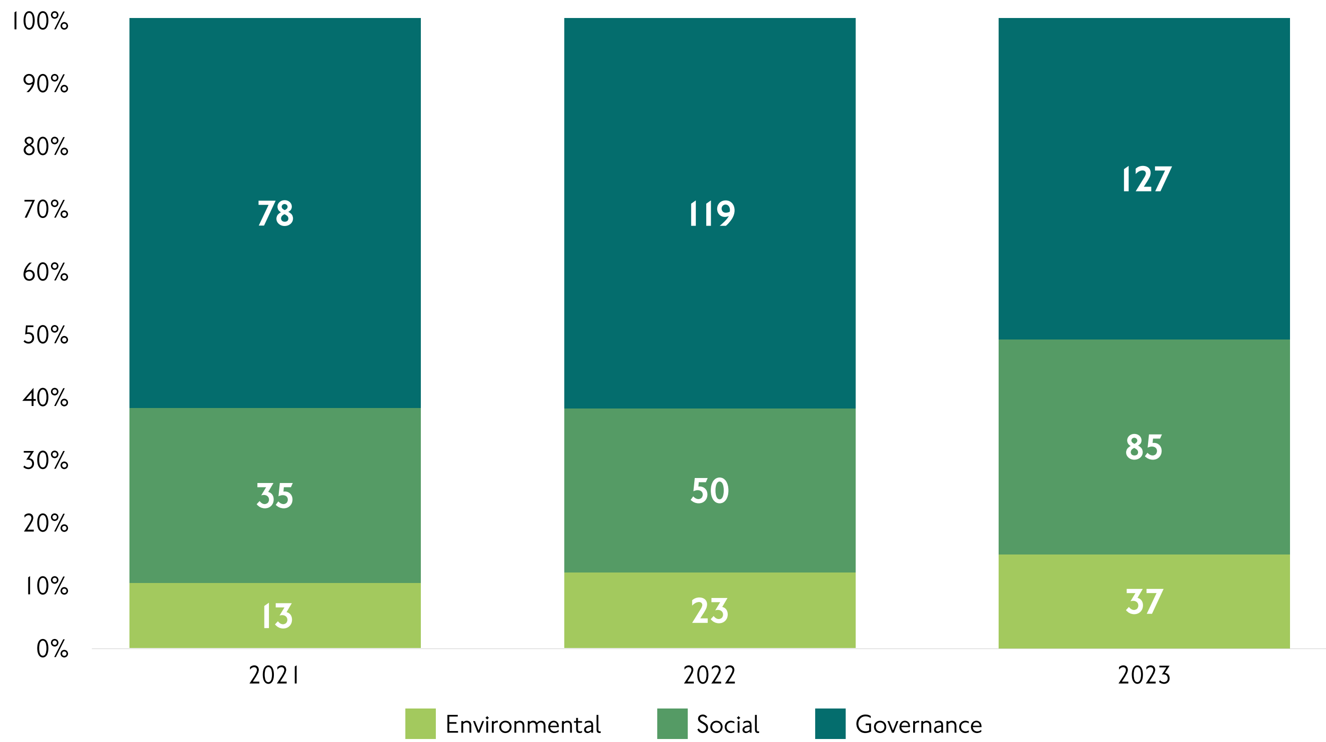
Below are the 3-year voting statistics which paint a clearer story in the Fund's voting space. Despite worldwide push on environmentally and socially focused discussion at company level, governance-based proposals continue to constitute the majority of proposals at Annual General Meetings (AGMs) due to its foundational role in shaping the overall business environment and fostering ethical and sustainable corporate practices. Nonetheless, it is becoming more apparent for shareholders to strategically use governance proposals to push for environmental and social changes. For instance, shareholders requesting linking executives' pay to sustainability goals as an incentive for management to prioritize these initiatives.

Votes based on E, S, and G Proposals



Although governance has traditionally been the main concern for investors, there has been a noticeable increase in the proportion of proposals centred around environmental and social aspects. In addition to the intensified investor attention on E&S issues, this surge is also partially driven by changes introduced at the Securities Exchange Commission (SEC) which has raised the difficulty level for companies aiming to exclude specific shareholder proposals, resulting in a greater number of such proposals being brought to a shareholder vote.

Categories of Shareholders Proposals



Interestingly, the portion of shareholders proposals are showing growing trends in the social and environmental themes which demonstrate investors' heightened focus on transparency and accountability through detailed reporting on E&S matters.

7. SUSTAINABLE DEVELOPMENT GOALS AND CASE STUDIES

a. SUSTAINABLE DEVELOPMENT GOALS ("SDG'S")

Portfolio Impact Analysis

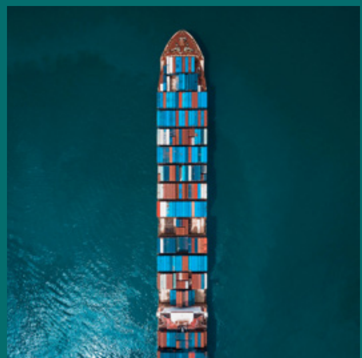
- The Fund also partners with LGT Capital Partners to analyse the Fund's active equity portfolio's SDG impact. This process assesses the impact of different categories of products and services on the SDGs, and then summarises companies' revenue share in these categories to create a score ranging from -10 (worst) to +10 (best).
- 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 on 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. The other exception is Goal 11 (Sustainable Cities and Communities), which is about making cities and human settlements inclusive, safe, resilient and sustainable. The Fund marginally underperforms the benchmark which could be driven by the emerging market exposure.

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.

b. 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 Trustee has 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 Trustee and its partners to address sustainability challenges within the portfolio.



EV RAPID CHARGING NETWORK – InstaVolt

The UK needs reliable public charging infrastructure to realize the EV transition, and the required rapid chargers needed to support the ban of internal combustion engine vehicles by 2030 is in excess of 10x today

Overview

InstaVolt is a leading independent rapid charge point network owner and operator for electric vehicles (EVs) in the U.K. InstaVolt has an estimated enterprise value of £600 million. The Company develops and operates critical infrastructure to support the necessary mass adoption of EVs to enable decarbonisation of the U.K.'s transportation sector. The Company has installed a nationwide network of over 1,000 charge points that are powered by 100% renewable energy. The Company's charge points are often situated at retail, food, beverage, and forecourt sites to offer convenient service for end-users to combine their charge with other day-to-day activities.

Investment Rationale

Thematic investment in a high-growth market supported by strong tailwinds. As an EV charging owner and operator, InstaVolt represents an investment into the decarbonization of the transportation sector and facilitating the energy transition. They are a first mover in a land- and grid-grabbing race, with existing exclusivity contracts with landlords which partly de-risks roll-out of future sites. There is a significant optionality beyond base case from adjacent revenue streams, M&A, and European partnerships.

Impact Thesis

The Company develops and operates critical infrastructure to support the necessary mass adoption of EVs to enable decarbonisation of the U.K.'s transportation sector. As of February 28, 2023, the Company has installed a nationwide network of over 1,000 charge points that are powered by 100% renewable energy. The Company's charge points are often situated at retail, food, beverage, and forecourt sites to offer convenient service for end-users to combine their charge with other day-to-day activities.

InstaVolt's is keen to accelerate the roll-out of charge points to reach a nationwide network of 10,000 rapid EV chargers by 2032 and build the network necessary to support the ban on internal combustion engine vehicles by 2030.

SDGs

This investment complies directly with SDG 9.1: 'Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all'.

ENERGY EFFICIENT DATA CENTRE – Digital Edge

Background

Digital Edge is a data center platform established to transform digital infrastructure in Asia. The investment manager started investing in the company in August 2020. It is currently operating actively by the investment manager.

ESG highlight

- Targeting carbon neutrality by 2030
- 50% energy transition to renewables by 2025
- 20% of female employees at Director level and above
- 1.3 or less peak Power Usage Effectiveness for all new data centers

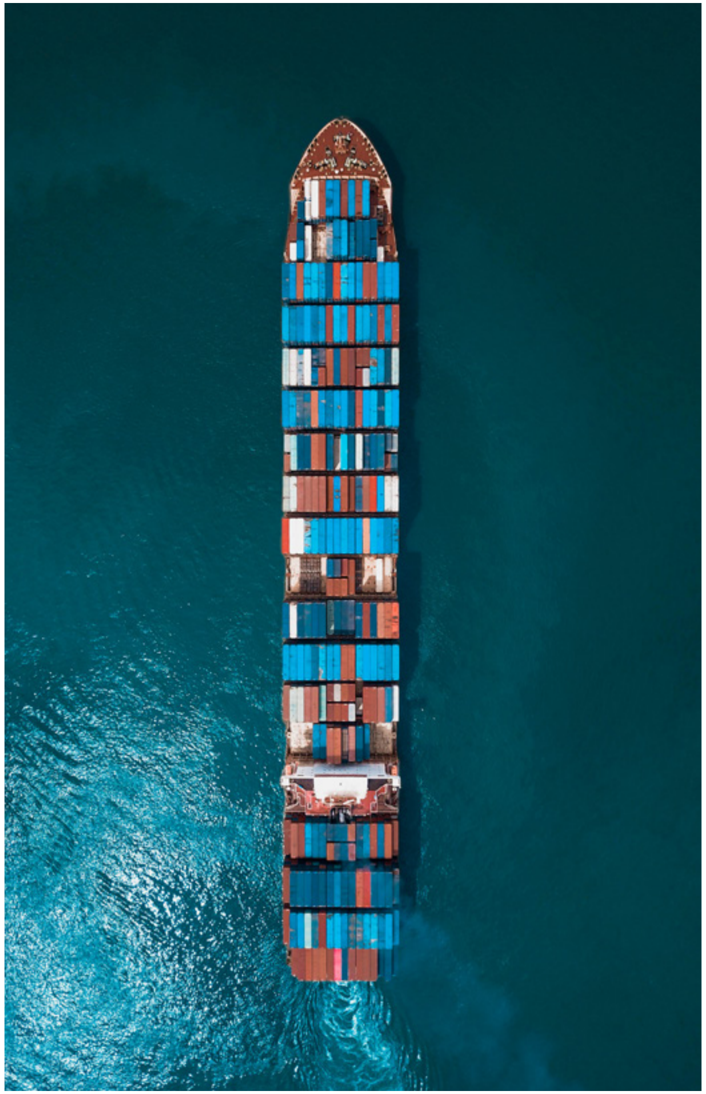
Key Sustainability Considerations

- Legacy data centers typically have high carbon usage
- Further acquisition of existing facilities are also carbon intensive and need to be transitioned to become carbon neutral
- Business operations are concentrated within jurisdictions prone to laxer labor, health and safety, and environmental standards

Key Initiatives Delivered

- Committing to achieve carbon neutrality by 2030 (and ongoingly seeking to minimize the footprint of its data center portfolio including transition legacy data centers to renewable and carbon-free energy)
- Prioritizing the health & safety of its workforce and contractors
- Partnering with local communities to create jobs and generate economic growth
- Partnering with suppliers who share Digital Edge's commitments to ESG principles
- Structured and built out a Sustainability Committee to oversee the decarbonization efforts and provide guidance and execution of the Paris-Aligned Business Plan
- Senior management ESG alignment embedded, with portion of discretionary annual compensation tied to ESG outcomes
- Engaged with the Environmental Resources Management Group ("ERM") to conduct a Human Rights Assessment on the portfolio company. ERM did not identify any red flags

SUSTAINABLE MARINE TRANSPORTATION – Frontmarine



Investment Overview

- In October 2013, the investment manager invested into the Company's equity to fund the construction of eight 58k dwt eco-design newbuild Supramax dry bulk vessels
- The vessels were delivered between September 2015 and February 2017
- The vessels have outperformed expectations to date with lower fuel consumption than expected at underwriting
- The investment manager has held 2 board seats and has chaired the Risk Committee (including emissions and employment standards)

Investment Rationale

- Attractive outlook for eco-design vessels to overtake older tonnage would lead to lower operating costs and higher earnings
- Estimated daily fuel savings of ~20% vs. older tonnage at underwriting
- Attractive purchase price of the vessels at levels below long-term averages
- Experienced management team to operate the vessels; team designed these vessels and completed initial model testing of models and onboard equipment, verifying the reduced fuel design and modern equipment to generate cost-savings comparing to similar vessels

Sustainable Development Impact

- Since the initial investment, several new international regulations have come into effect regarding sustainability and emissions reductions (IMO2020, ballast water treatment systems, the Energy Efficiency Existing Ship Index, the Carbon Intensity Indicator, etc.)
- The manager has been intimately involved in addressing all of these regulations well ahead of their implementation
- Decreased annual CO_2 emissions by 15% in 2022 compared to 2019 levels. Sulphur emissions reduced by 82.6% in 2022 compared to 2019 levels
- Ballast Water Treatment System, water filtration systems, and improved waste management processes have reduced contamination of local water sources and reduced single use plastics by the annual equivalent of ~5.5 thousand single-use plastic bottles per ship

CAMPUS UTILITY SYSTEM (DISTRICT ENERGY) – Worcester Polytechnic Institute, USA

Sustainable Development Opportunity

- In December 2022, Harrison Street partnered with Worcester Polytechnic Institute ("WPI") in Massachusetts, USA through a 40-year Public Private Partnership to aid WPI in its sustainability commitment with a target to reduce its carbon footprint by 20% over the 5-year period from 2020-2025
- The agreement solidifies a clear commitment between the university, students, administration, and Harrison Street to implement renewable technologies. The agreement includes financial incentives to Harrison Street to reduce carbon emissions
- To date, Harrison Street has identified several ESG projects including solar, combined heat and power, and geothermal wells, which are designed to significantly reduce WPI's electricity demand and carbon footprint by up to 60%
- Additionally, Harrison Street will provide academic support in the form of cash contributions and in-kind services including site visits, internships, student projects, and workshops

8. WHAT NEXT

In this final section the Trustee sets out its plans for taking the Fund's sustainability work further over the coming year.

Take further steps to move the investment portfolio toward the interim target of 55% carbon emissions reduction by 2030. Adopt new investment guidelines in the investment manager mandates that incorporate specific ESG and net zero criteria. For example, the Fund is undertaking a restructuring of the £2bn passive equity portfolio to incorporate ESG tilts.

Continue to strengthen stewardship with investee companies (through collaboration with fund managers and partnership with Sustainalytics, and collaborative programmes like Climate Action 100). This will remain a key tool for pushing companies that are ESG laggards into improving their performance, thereby achieving 'real world' impact.

Continue to deploy capital in areas that will achieve additionality of impact, such as in the private markets. Sectors will include renewable energy, low carbon technology and associated infrastructure such as electric vehicle charging network and battery storage, among others, as well as areas that create social impact such as healthcare and education.

The Trustee is minded to ensure Social and Governance issues remain an important topic on the agenda, alongside the Fund's net zero ambitions, to create a more balanced ESG approach in line with the 9th statement of the Investment Beliefs. The actions mentioned above (manager mandates, engagement and voting, and asset allocation) are not limited to achieving environmental impact and will help deliver social impact and improve corporate governance in the investment portfolio too.

Fossil fuel extractives – the Trustee will continue the dialogue with the fund managers and consider a framework that will assess these companies on their net zero readiness and divestment would be an option for companies that are resistant to change.

Continue to enhance carbon emissions reporting. The 2023 TCFD report (published online, link here) disclosed the Fund's detailed plan in this area, such as working with fund managers to improve private market data quality (increase the percentage of actual data versus estimates). Other initiatives that the Trustee is exploring include the recently published TNFD (Taskforce for Nature-related Financial Disclosures) framework and its impact on reporting.

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 CO_2 which would have the equivalent global warming impact.

COP26
The 2021 United Nations Climate Change Conference, also known as COP26, is the 26th United Nations Climate Change conference. COP stands for Conference of the Parties, and will be 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

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.

Sustainable Development Goals
The Sustainable Development Goals (SDGs) were 17 integrated global goals adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.

SIP
Statement of Investor 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. The recommendations of TCFD were transposed into UK pension regulation in 2021. The aim is to improve and increase reporting of climate-related financial risks and opportunities.

TPI
Transition Pathway Initiative

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

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