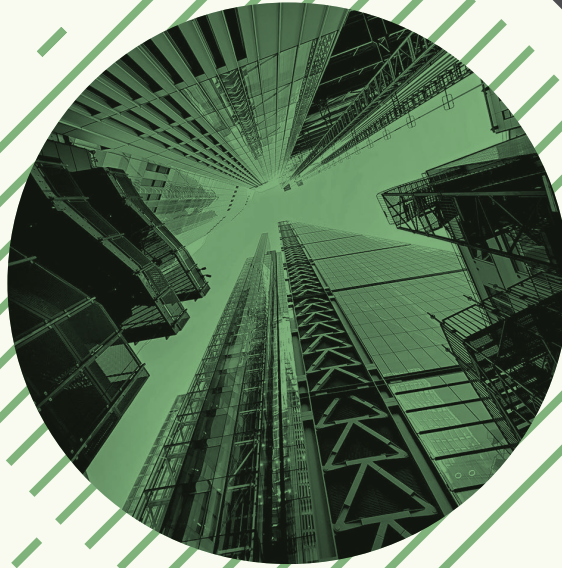
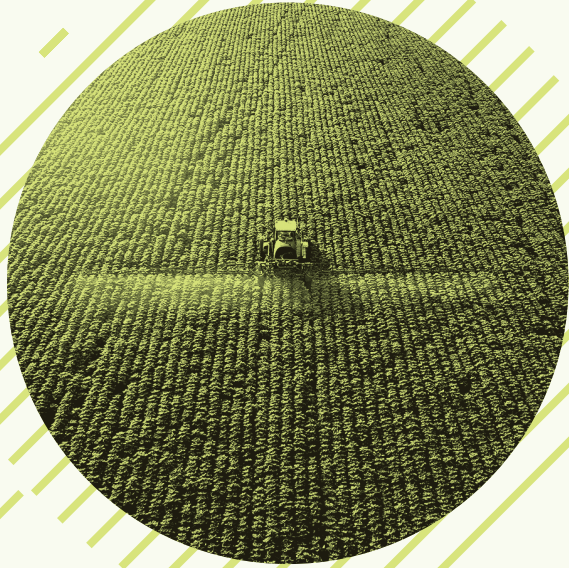




2025 | Report on Sustainable Investing

TfL
PENSIONFUND

MAYOR OF LONDON



1. INTRODUCTION

CHAIR'S LETTER

On behalf of the Trustees of the TfL Pension Fund, I am pleased to present our 8th Annual Sustainable Investing Report.

This year's report reflects on the Fund's sustainable investing progress amid growing political scrutiny of ESG, coming especially from the United States. The Fund remains committed to its ambitious net zero targets, guided by a pragmatic and balanced approach. We are staying on course while being cognisant of the less constructive political environment and collaborating closely with fund managers and stewardship partners to navigate the new landscape.



The Fund's investment portfolio has seen its carbon intensity reduce remarkably, already surpassing the interim 2030 decarbonisation target. This is very encouraging news, but it's important to interpret the results with caution, as several factors can influence these metrics, including external factors beyond the Fund's control. Nonetheless, we remain focused on our goals. A key example is our allocation to ESG-tilted assets, which now stands at 15.9% of the total portfolio, exceeding our 2025 target. A substantial proportion of the allocation is renewable energy and low carbon investments.

The regulatory pushback in the US has placed certain restrictions on how investors may conduct stewardship with companies. However, the Fund has maintained its engagement and voting policies, and continues to hold regular discussions with fund managers to ensure alignment with our expectations. Through our stewardship partner, Sustainalytics, the Fund participates in six thematic engagement programmes that address systemic ESG issues including human rights, labour rights, net zero transition, biodiversity, circular economy, and corporate governance.

The financial markets have been buoyed by the rise of AI technologies in recent years, which promise significant productivity gains. The Fund has embraced these tools to make this year's report more interactive and accessible, enhancing user experience. At the same time, the rapid growth of AI has placed considerable pressure on energy systems, leading to a regressive reliance on fossil fuels. Some corporates, such as Amazon, have scaled back commitments to science-based decarbonisation targets. In response, the Fund continues to engage with companies to keep climate action at the forefront, while also investing in renewable energy and low-carbon technologies, including energy-efficient data centres.

We welcome your feedback as we continue to refine our sustainable investment strategy.

M. Antoniou

Maria Antoniou, Chair

KEY HIGHLIGHTS

NET ZERO TARGET:

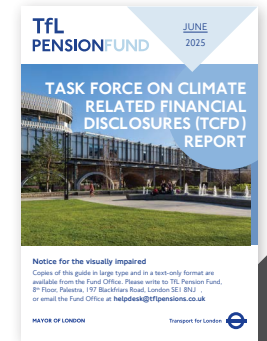
The Fund aims to reduce carbon emissions intensity by 55% by 2030 and 100% by 2045, relative to a 2016 baseline.

Progress to Date:

As of 31 March 2025, the Fund has achieved a 58% reduction. However, the reduction will not necessarily be linear year-over-year, as it is influenced by multiple factors (please refer to page 12).



The Fund published its sixth Taskforce for Climate-related Financial Disclosures (TCFD), which was made mandatory for UK pension schemes in 2021. The document, now renamed Climate Change Report, contains a Member Highlights section from page 1 and is available on the Fund's website, [here](#).



Scan QR code to view
our TCFD reports



ESG TILTED INVESTMENTS

ESG-tilted investments account for 15.9% of the portfolio, valued at £2.4 billion.

Majority held in private markets (86%), with 14% in public markets.

Key sectors: Healthcare, Renewable Energy, Low Carbon Technology (~£1.6 billion).



INVESTMENT CASE STUDIES

Four case studies on controlled environment agriculture, emerging market growth and sustainability, renewable energy platform and insurance-linked securities showcase the Fund's diversified and sophisticated investment portfolio with real world impact.

KEY HIGHLIGHTS (continued)

ON BEHALF OF THE FUND AND OTHER INVESTORS, SUSTAINALYTICS CONDUCTED:

796
engagements with
701
companies

Achieved
444
milestones
year to date

38%
of companies showed
above-average or
high performance
in response to
engagement.

The engagements cover 6 meta themes and address systemic E, S and G topics, with the Fund co-leading select cases to increase responsiveness from the engaged companies.

VOTING

Among the votes cast by the Fund, support for shareholder proposals rose from 56% in 2024 to 60% in 2025, reflecting the Fund's commitment to sustainable stewardship. The Fund also voted against any proposal that is explicitly anti-ESG in nature.

56%
2024

60%
2025

INVESTMENT BELIEFS

Before we 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 and 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 beliefs were updated in 2023 following a thorough review and include four specific ESG beliefs. They are published on the Fund's website, and can be found [here](#).



**PLEASE CONSIDER THE ENVIRONMENT
BEFORE PRINTING THIS REPORT.
A PRINTER FRIENDLY VERSION
CAN BE FOUND [HERE](#) >**



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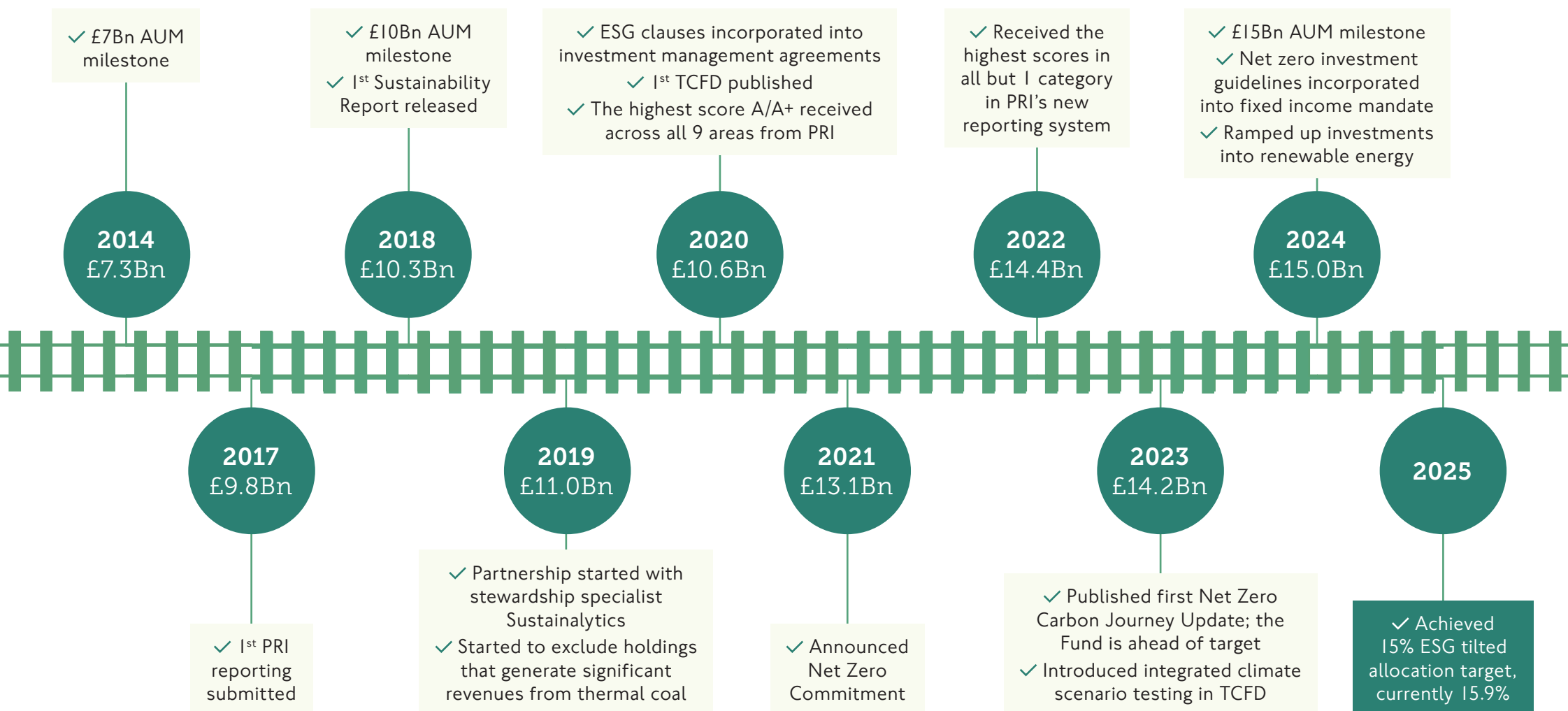


2. BACKGROUND



TIMELINE

The Fund's Sustainable Investing Milestones



SUSTAINABILITY PROGRESS CHECKLIST

The Fund has used an action plan for ESG and climate-change integration (developed by the legal adviser Sackers) as its Sustainability Progress Checklist since 2019. The action plan is broken down into 9 actions. On each action there are 4 stages— Behind the Curve, On the Back Foot, On the Front Foot and Getting Ahead. The Fund has progressed to Getting Ahead, the most advanced stage, on all but 2 actions (No. 4 and 6; **halfway to Getting Ahead on action 4**).

Action Plan

Getting Ahead

1. Setting Investment beliefs

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

Full consideration of each manager's ESG capabilities with specialist input from investment consultants. 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

For active mandates: considers diversification across sources of climate risk as well as traditional asset classes. 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

On the Front Foot (current):

Trustee develops a stand-alone responsible investment policy which supplements the Statement of Investment Principles (SIP). This may start with existing manager mandates but will progress to deeper integration of ESG factors over time. The policy is periodically reviewed.

MOVING
TO

Getting Ahead:

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).



SUSTAINABILITY PROGRESS CHECKLIST (continued)

Action Plan

Getting Ahead

5. Ongoing manager monitoring

Develops a robust monitoring process – reporting qualitatively and quantitatively on each manager. Managers are expected to demonstrate integration of ESG in investment processes. Measures alignment of listed equity and corporate bond portfolios across 2° transition sectors and technologies.



6. Appointing new managers

On the Front Foot (current):

ESG credentials key in tender process. Investment management agreements negotiated to include specific ESG requirements.

MOVING
TO

Getting Ahead:

Responsible investment requirements are incorporated across all asset classes including e.g. side letter terms in private equity funds.

7. Stewardship & Engagement

Managers are expected to report in detail on their engagement policies and how these have been implemented. Appoints proxy voting and engagement service reflecting trustee's ESG beliefs and position on climate risk.



8. Scenario Testing

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

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

Trustee board keeps abreast of industry discussions and attends events to improve knowledge and observe best-practice. It is a UN PRI Signatory. Joining investor groups such as IIGCC. Engage with policy makers to improve practice across the industry.



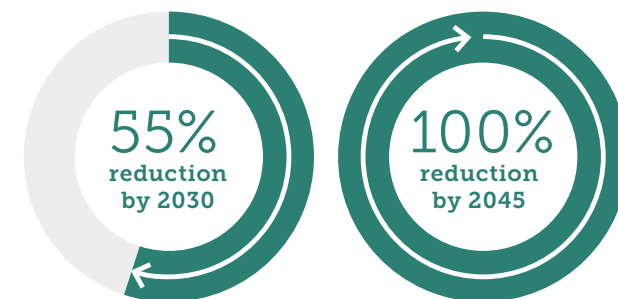


3. ACTION TO COMBAT CLIMATE CHANGE

FUND CARBON EMISSIONS

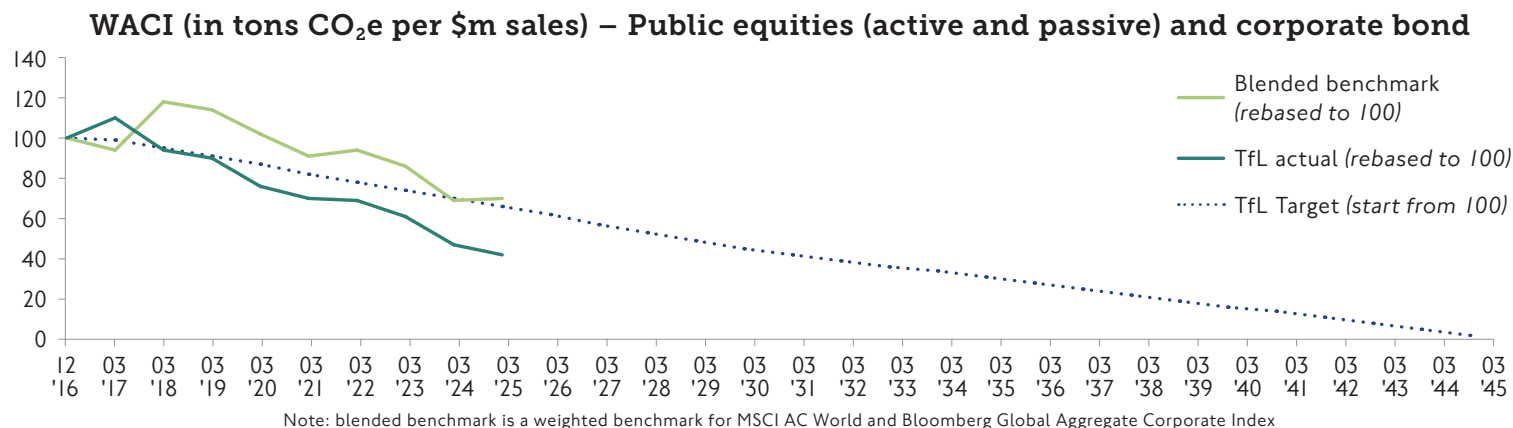
WHAT'S THE AMBITIOUS TARGET?

The Trustee has committed the Fund to an ambitious Net Zero Carbon Plan which will see the Fund achieve a 55% reduction in its carbon emissions intensity by 2030 at the latest and a 100% reduction no later than 2045 vs the 2016 baseline.



HOW HAS THE FUND BEEN DOING?

The Fund analyses the carbon intensity of companies in its active equity, passive equity and corporate bond portfolio using MSCI dataset since 2016. As of 31 March 2025, the portfolio's carbon emissions intensity has been reduced by 58% compared with the 2016 baseline. It also shows good progress against the blended benchmark, by achieving 27% more carbon emissions intensity reduction than the blended benchmark over the same period.



1. The Fund is ahead of target due to several reasons –
 - ♦ Real-world emission reduction by portfolio companies (due to combination of regulations, climate risk management, energy cost saving and investor pressure)
 - ♦ Shifts in portfolio composition (managers allocating to lower carbon intensity companies out of both financial and non financial (climate risk) considerations)
 - ♦ Valuation effects (lower carbon intensity sectors like technology and healthcare have outperformed oil & gas companies)
2. Going forward, the progress is not necessarily linear (the reduction will get harder)
 - ♦ “Easy wins” have been achieved (easier emissions abatement such as replacing fossil fuel power by renewable energy); what is left would be the harder-to-abate emissions (such as heavy industry, aviation and shipping)
 - ♦ There are new challenges – AI’s huge energy needs, energy security for countries and just transition
 - ♦ Economic growth in emerging markets would result in more emissions – however, exposure to emerging markets is crucial for long-term returns and diversification
3. Balance is key – the Fund has measures in place to guardrail medium and long term progress but will not be overly restricted in its investments
 - ♦ The Fund’s interim and 2045 decarbonisation goals, as well as additional 5-yearly targets, are explicitly set out in the investment guidelines of key equity and fixed income mandates
 - ♦ The Fund allocates substantial capital into renewable energy and low carbon assets/ technology within the private market portfolio
 - ♦ WACI can be backward looking – companies that are genuinely decarbonising may initially show higher carbon intensity (due to investments in low-carbon assets that are still emission-heavy today). Investing in these transition stories is crucial for real-world impact, but can increase portfolio WACI in the short term

ENVIRONMENTAL FOOTPRINT ANALYSIS

- ♦ The Fund continues to work with LGT Capital, using their LGT Cockpit tools that provides an alternative measurement of the Fund's environmental footprint extending to energy consumption, water, and waste.
- ♦ Similar to last year, the Fund's active equity portfolio delivered better performance in three categories relative to the benchmark. In particular, the Fund continued to significantly outperform the benchmark on greenhouse gas emissions, energy consumption, and waste generation. For water withdrawal, although the Fund's active equity portfolio water usage levels this year are slightly lower than the ones last year, the result shows that the levels are still above the benchmark, meaning that the industry on average has been progressing better than the Fund's portfolio. Similar to previous year, the primary performance driver is attributable to the materials sector, predominantly influenced by stock selection.

Environmental footprint

Measure
per USD 1m
of revenue

**Tfl Pension
equity portfolio**

**Custom
benchmark**


**Greenhouse gas
emissions**


**Energy
consumption**


**Water
withdrawal**


**Waste
generation**

47.8
metric tons
CO₂ p.a.¹

173.3
megawatt
hours p.a.

865.1
cubic meters
p.a.

41.9
metric tons
p.a.

117.5
metric tons
CO₂ p.a.¹

318.1
megawatt
hours p.a.

747.0
cubic meters
p.a.

100.1
metric tons
p.a.

**Difference
per USD 1m
of revenue**

59%
lower CO₂
emissions p.a.¹
corresponds to
CO₂ emissions
of 33 cars

46%
lower energy
usage p.a.¹
corresponds to
energy usage of
91 people

16%
higher water
usage p.a.¹
corresponds to water
usage of 3 people

58%
lower waste
generation p.a.¹
corresponds to
waste of 114 people

¹ CO₂ and other gases that are recalculated into CO₂ equivalent

Source: LGT Capital Partners, Refinitiv

Data as of 31 March 2025. The average emission of a new car in Europe equals CO₂ equivalent of 2.14 metric tons per year for driving distance of 20,000 kilometres per year and 106.8g/km CO₂ emission. The average electricity consumption in Europe is 1.584 megawatt hours per capita per year. The average water usage in Europe is 44.53 cubic meter per capita per year. The average amount of household waste in Europe is 0.511 metric tons per capita per year. Calculation basis of 2024 (greenhouse gas, water), 2023 (waste) and 2022 (energy).



4. STEWARDSHIP

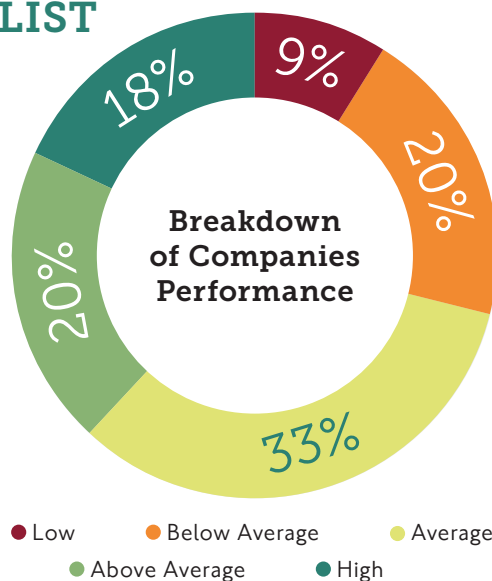
ENGAGEMENT

PARTNERSHIP WITH STEWARDSHIP SPECIALIST

The Fund continues to fulfil its engagement responsibilities through its partnership with Morningstar Sustainalytics (Sustainalytics) across the Fund's public asset investment universe, including both active and passive equity as well as public bond mandates.

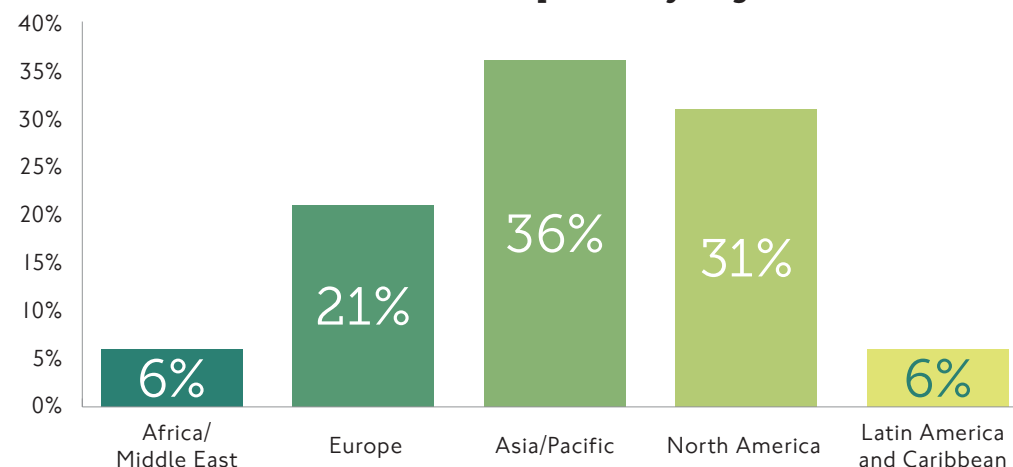
Year-to-date, Sustainalytics conducted **796** engagements with **701** companies and achieved **444** Milestones. Milestones are Sustainalytics' five-stage tracking of progress in achieving the engagement objective (a detailed explanation is provided in the appendix).

Among the companies that were engaged, 38% demonstrated above average or high levels of performance, meaning they demonstrated good or excellent response to, and progress on, the engagements.



Majority of the engagements was focused on Asia/Pacific (36%), North America (31%) and Europe (21%). Engagement in Latin America and the Caribbean (6%) and Africa/Middle East (6%) was more limited, in line with lower holdings in those regions.

Breakdown of Companies by Region



In addition to Sustainalytics-led engagement, the Fund's segregated mandate managers conduct their own targeted engagement programmes on priority issues within their portfolios.

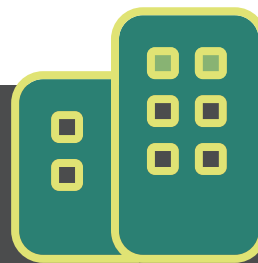
796

active
engagements



701

companies
engaged



444

milestones
reached



MANAGER-LED ENGAGEMENT: PZENA'S ENGAGEMENT WITH DOW INC. ON CLIMATE TRANSITION AND CIRCULARITY

Background: Dow Inc. a global chemicals company, has delayed the construction of its Net Zero ethylene cracker project in Alberta, originally scheduled for phased start-ups in 2027 and 2029. The project is designed to achieve net-zero Scope 1 and 2 emissions in ethylene production and aims to significantly reduce the carbon footprint of plastic production. The delay – potentially extending the timeline beyond 2030 – is attributed to market conditions and tariff uncertainties. While Dow's management has reiterated their long-term commitment to the project, the Fund queried the company's broader decarbonisation strategy, considering Climate Action 100+ (CA100+)'s assessment, which indicates gaps in emissions targets and lack of a defined trajectory beyond 2030.

Engagement Objectives

- ♦ Climate Transition Risk: To understand Dow's cost assumptions and technological pathway for full decarbonisation by 2050.
- ♦ Circularity: To monitor progress against the company's target to produce 3 million metric tons of circular and renewable plastics annually by 2030.

Engagement Progress

Dow emphasised that the Alberta project remains economically viable and strategically positioned on the cost curve, even with a delay. Pzena acknowledges the flexibility in Dow's timeline and continues to monitor developments. Regarding the CA100+ assessment, Pzena recognises the industry-wide challenge of defining a clear decarbonisation pathway, noting that Dow has been in dialogue with the Science Based Targets initiative (SBTi), although no definitive timelines have been provided.



Conclusion:

Pzena is not discouraged by Dow's current approach. Rather, they value the company's transparency in refraining from setting targets prematurely, but instead waiting until goals are supported by credible evidence and are both economically and operationally viable. Dow remains under active monitoring as part of the manager's broader engagement across chemical sector holdings.



VOTING

Over the past three years, anti-ESG shareholder proposals have increased, reflecting growing political scrutiny of corporate sustainability and diversity efforts – particularly in the US, the largest proxy voting market. However, these anti-ESG proposals consistently received lower average support compared with conventional ones.

ESG shareholder resolutions, volume and support

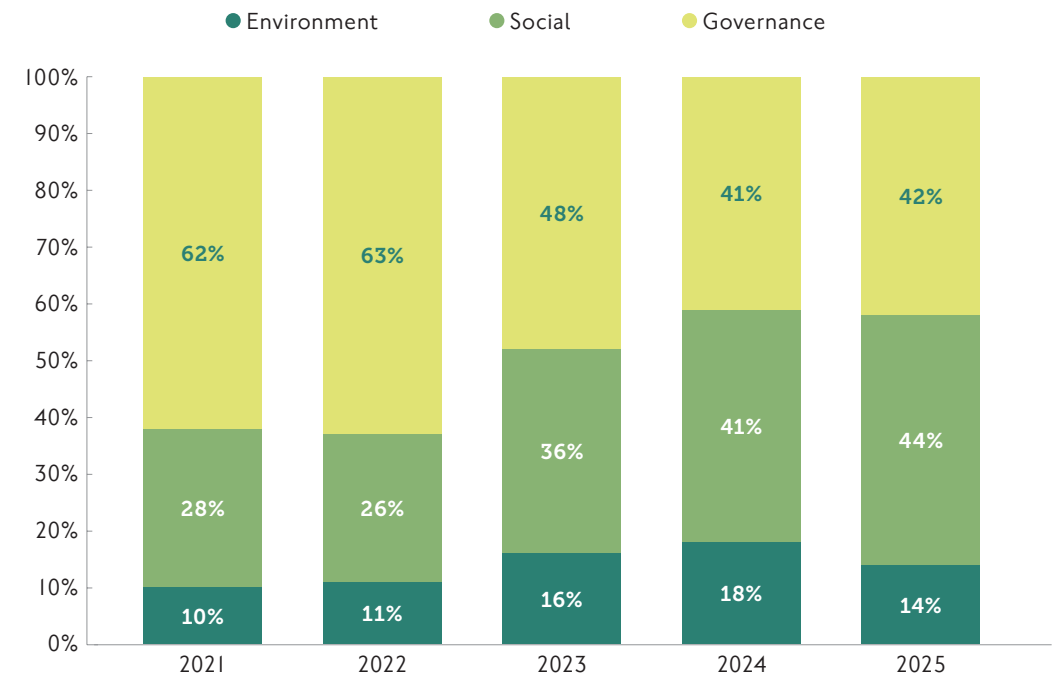
Voted resolutions in the US market, 2022 to 2025 proxy years



Source: Morningstar proxy voting database. Proxy years are 12-month periods ending June 30

The US President's Executive Order 14173, issued in early 2025, led many companies to scale back diversity initiatives and prompted some investors and proxy advisers to change voting guidelines for ESG-related proposals, especially on-board diversity and social issues. Shareholder proposals have become a key point of contention in the wider debate on ESG and corporate sustainability. Since 2021, the mix of these proposals has shifted, with a notable rise in those focused on social issues such as board diversity, workforce equity, and political lobbying. From 2021 to 2025, the Fund's segregated equity portfolio saw social-themed proposals increase from 28% to 44%, overtaking governance-theme proposals.

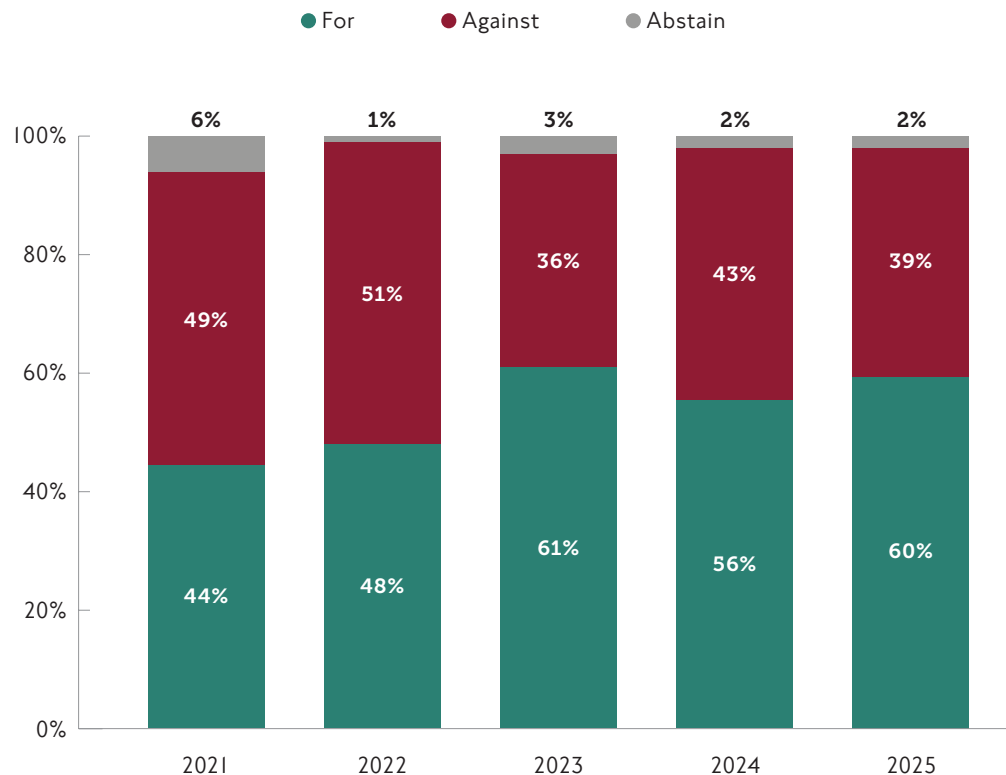
Shareholder Proposals by Theme



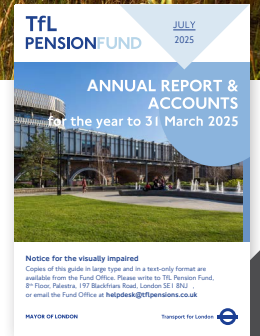
VOTING (continued)

The Fund's voting approach, which is based on Glass Lewis's benchmark policy, remains unchanged despite US regulatory shifts. Among the votes cast by Glass Lewis on behalf of the Fund, support for shareholder proposals rose from 56% in 2024 to 60% in 2025, reflecting the Fund's commitment to sustainable stewardship. The Fund would vote against any proposal that is explicitly anti-ESG in nature.

Voting Decisions on Shareholder Proposals



More voting statistics for the Fund's equity mandates including votes against management and the most significant votes with their outcomes are detailed in the Implementation Statement to the Statement of Investment Principles, available on page 33 of the Fund's Annual Report and Accounts for the year ending 31 March 2025.



Scan QR code to view annual voting statistics in the Implementation Statement





5. SUSTAINABLE DEVELOPMENT GOALS AND CASE STUDIES

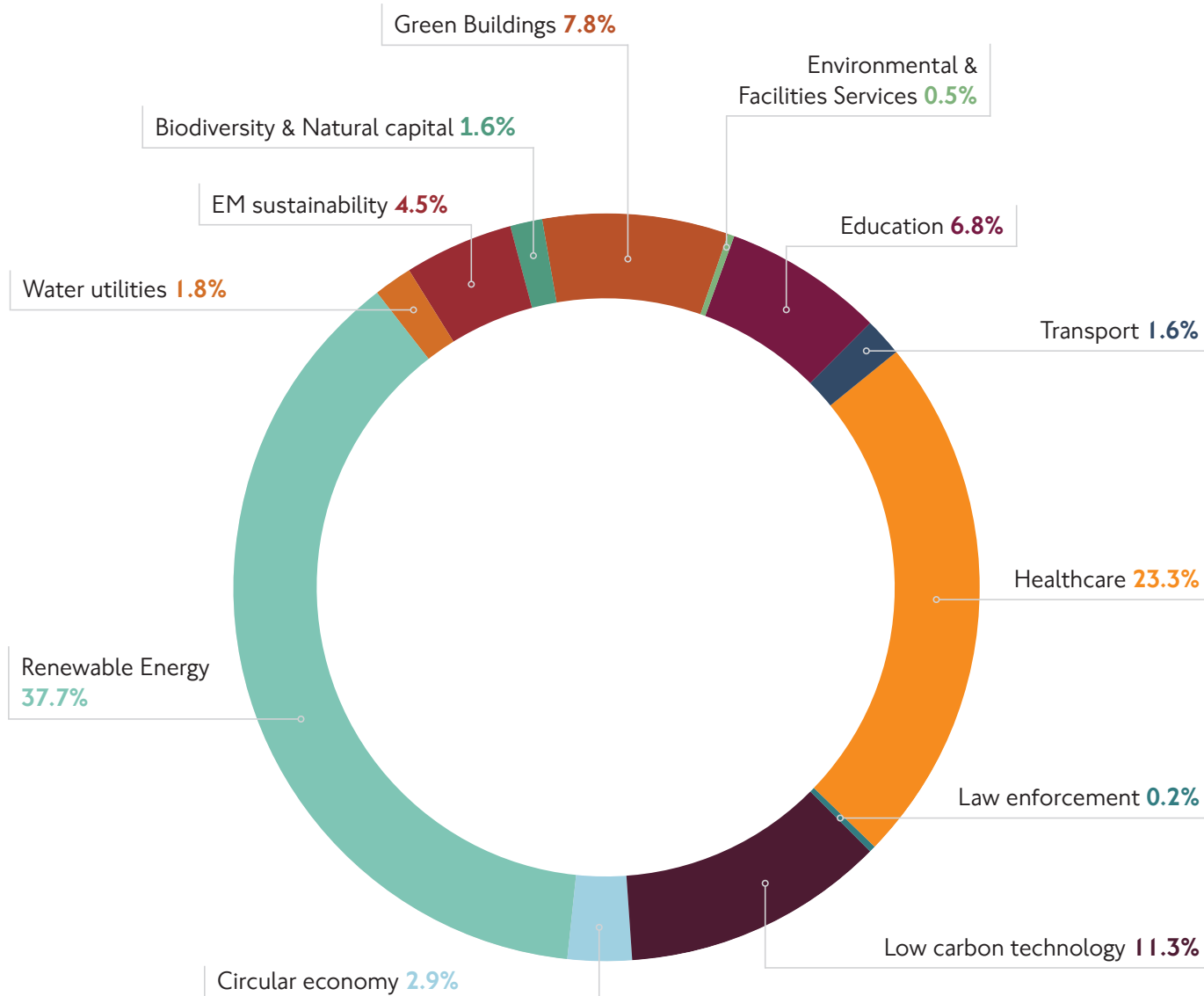
LEADING THE WAY IN SUSTAINABLE INVESTMENTS:

As of March 2025, ESG-tilted investments make up 15.9% of the portfolio, with a total value of £2.4 billion. The allocation remains well diversified, split between private markets (86%) and public markets (14%). Within this, Renewable Energy, Social Infrastructure, and Low Carbon Technology stand out, representing approximately £1.6 billion.

The chart below shows how capital is distributed across different ESG-tilted sectors. These sectors are closely aligned to the UN's 17 Sustainable Development Goals. In practice, this means targeting themes that address global priorities such as climate action, social inclusion, and sustainable economic development. This alignment not only reinforces the Fund's sustainability objectives, but also positions the Fund to capture returns in markets that are benefiting from structural shifts towards a low-carbon and more equitable economy.

**ESG tilted
investments
= £2.4
billion**

ESG Tilted investments – breakdown



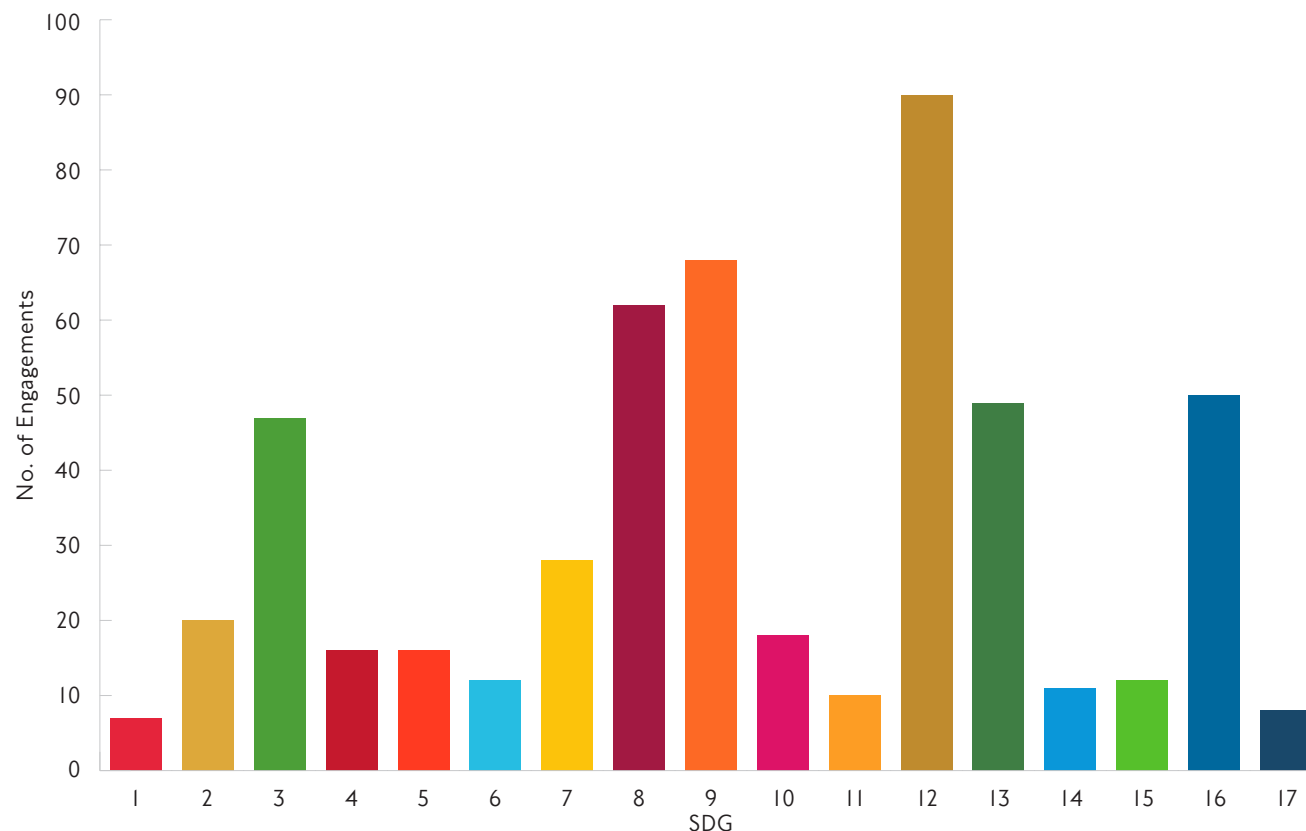
FOCUSED ENGAGEMENTS DRIVE PROGRESS ON SDGs:

Sustainalytics continues to lead engagement efforts that target key systemic ESG challenges, on behalf of the Fund. These engagements help ensure the Fund's investments are actively influencing positive change. The chart illustrates how engagements are linked to the 17 UN Sustainable Development Goals (SDGs).

This year, the top three areas of focus were:

- ♦ **Consumption & Production (90 engagements):**
These engagements, linked to SDG #12, target improved sustainability in corporate operations. The focus includes driving efficient resource use, minimising waste, and encouraging responsible consumption practices. By addressing these issues directly with companies, it reinforces sustainable business models that can deliver both long-term resilience and value.
- ♦ **Industry & Infrastructure (68 engagements):**
Linked to SDG #9, these engagements show the companies on initiatives to modernise infrastructure, advance innovation, and support more sustainable industrial practices. These conversations reflect the view that resilient, forward-looking infrastructure and technology are critical for enabling future economic growth and environmental progress.
- ♦ **Employment & Economic Growth (62 engagements):**
Aligned with SDG #8, these engagements focused on promoting fair employment standards, decent working conditions, and inclusive economic development. This reflects the belief that sustainable growth depends on strong human capital and equitable participation in the economy.

Number of Engagements per Sustainable Development Goal



INVESTMENT CASE STUDIES

INVESTMENTS WHICH MEET THE FUND'S RETURN PROFILE AND STRONGLY CONTRIBUTE TO THE TRUSTEE'S SUSTAINABILITY OBJECTIVES

Sustainability Conversations with Our Managers

An interview with **Mengistu Alemayehu**, Director, **International Finance Cooperation (IFC)** Equity Mobilization Department



Watch the
Interview



Sustainability Conversations with Our Managers

An interview with **Niklaus Hilti**, Founder and CIO of **Euler ILS Partners** on climate change, catastrophe insurance and our Fund's investment in insurance-linked strategies ("ILS")



Watch the
Interview





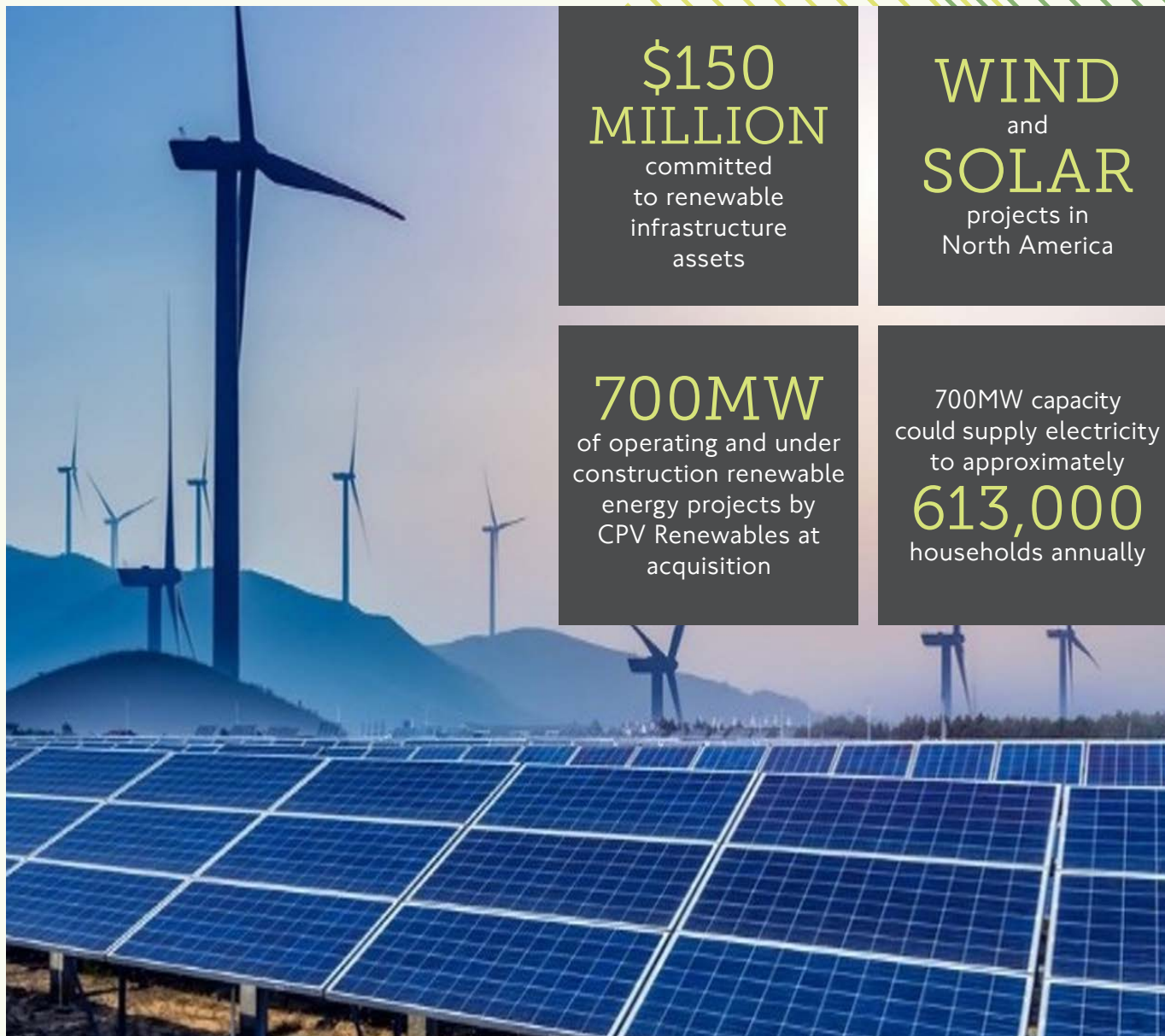
CASE STUDY – RENEWABLE INFRASTRUCTURE

In 2024, the Fund committed \$150 million to renewable infrastructure assets that align with its investment strategy and ESG objectives. This standalone investment, made through investment manager Harrison Street, represents a strategic initiative to accelerate and scale the development of wind, solar, and battery storage projects across the United States.

In 4Q 2024, Harrison Street acquired a 33% stake in CPV Renewables (“the Company”) – a leading US renewable energy development and operating platform with a full suite of project development and management capabilities. CPV Group, the Company’s parent has a strong track record in power development and more than 25 years of experience across energy markets.

At acquisition, the Company’s portfolio totalled more than 700MW-ac through nine wind and solar assets across Georgia, Maryland, Maine, Oklahoma, and Pennsylvania. The Company also maintains a near-term development pipeline that totals approximately 4,000MW-ac of wind and solar projects in addition to an extensive growth pipeline of future development and acquisition opportunities. To put this into perspective, a 1,000 MW power plant operating continuously for a full year could supply enough electricity to power approximately 876,000 households, assuming each household consumes 10,000 kWh annually.

All current and future projects owned by the Company generate 100% renewable energy. The transaction was also structured to ensure strong governance alignment, with Harrison Street having meaningful involvement in key decisions and oversight of the Company.



CASE STUDY – REVOL GREENS: SCALING CLIMATE-RESILIENT AGRICULTURE

Revol Greens is a leading Controlled Environment Agriculture (CEA) company producing greenhouse-grown leafy greens. Revol's business model and greenhouse infrastructures are a resilient supply chain solution to climate volatility, water scarcity, and labour disruptions.

Distributed CEA Production Assets Create "Network Resiliency" in the Food System

Revol operates a network of 4 distributed greenhouses in Minnesota, California, Texas, and Georgia:

- ♦ Enhances supply reliability through multi-site production
- ♦ Dramatically shortens delivery miles travelled, reducing transport costs and spoilage while extending shelf life.

CEA delivers predictable crop volumes and yields for an increasingly unpredictable world

- ♦ Offers a scalable solution for enhanced food security in a world where climate change is projected to reduce global outdoor crop yields by 8% by 2050.

CEA's "Closed System" Enables Efficient Resource Utilization and is a Platform for Continuous Improvement of our Food Production

20L/Kg
of water required
versus **250L/Kg** for
field grown

30x
More Yield
than field-grown
– Revol's 17HA
of greenhouses
equivalent to nearly
500 fields HA

5.3M Kg
of sustainability
farmed lettuces
produced in 2024

292
full-time
equivalent
positions
created

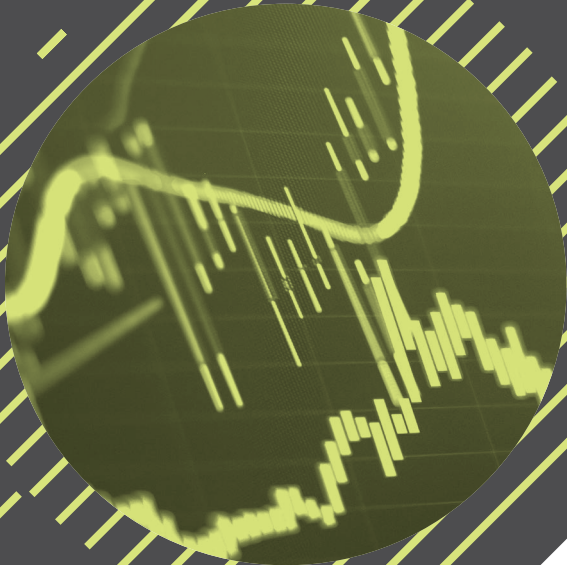


CEA is Navigating the Cost Curve and the Learning Curve, as It Competes with Entrenched Field-based Agriculture

- ♦ Retailers are investing in supply chains that are climate and resource resilient
- ♦ However, CEA is still competing against current lower-cost field prices
- ♦ Revol amongst small group of "emerging" industry leaders with the opportunity to capitalize on the market trend but must first overcome the financial pressure of scaling-up and market development and adoption.
- ♦ Market has been in a two-year period when weaker CEA players are failing and exiting the market.
- ♦ Entering a period of consolidation when the scaled operators in the sector are emerging to meet this demand for quality and resilience

Backing the Future of CEA

- ♦ The Fund first invested in Revol Greens in 2020 through its Controlled Environment Foods Fund II and recently co-led the company's July financing round as a co-investor.
- ♦ The Fund's continued support highlights the growing significance of CEA and reinforces Revol's trajectory toward scalable growth and enhanced sustainability impact.



6. WHAT'S NEXT



What's next – in this session we revisit the key development areas included in last year's report, summarise the progress and set out new areas of key developments for the coming year.

Prioritised areas for furthering the Fund's sustainability goals

2024	Progress	2025
Investment mandates: conduct a review with equity managers to assess the feasibility and potential impact of integrating net zero guidelines on returns and risk profiles	Net zero guidelines have been included for key equity and fixed income mandates.	Investment mandates: Monitor and assess the engagement activities and net zero progress among the public equity and corporate bond mandates to ensure alignment with the Fund's expectations
Carbon data disclosures: continue the project with managers in the alternative asset classes to improve data coverage and quality, including the reporting of avoided emissions for green assets	The project is ongoing, and several of the managers are gathering avoided emissions data for green assets.	As the project is ongoing and dependent on broad market participants, it will not be repeated in the list. Instead, a new priority is shown below: Voting oversight Monitor voting activities conducted by Glass Lewis and within the passive equity portfolio, ensuring consistency with the Fund's ESG stance and stewardship principles
Asset allocation: further deploy capital into ESG tilted sectors to reach the 15% target in 2025	The Fund has reached the 15% target	Asset allocation Deploy capital into ESG tilted sectors to consolidate the current 15.9% allocation
Stewardship partnership: deepen the partnership with Sustainalytics to optimise the new stewardship solution and improve the Fund's voting and engagement outcomes, incorporating biodiversity and social sustainability lenses in addition to climate change	The Fund started co-leading a small number of engagements with Sustainalytics	Stewardship partnership Continue to deepen the partnership with Sustainalytics, through co-leading select engagements in the net zero and biodiversity thematic programmes, while maintaining oversight of social and governance-related engagements.





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 ₂ e 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.
CO₂e	"Carbon dioxide equivalent" or "CO ₂ e" is a term for describing different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO ₂ e signifies the amount of CO ₂ 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 Benefits, a type of pension schemes in the UK
ESG	Environmental, Social and Governance
ESG tilted investment definition	Investments in sectors that have real-world environmental and/or social impacts, with clear linkage to one or more of the UN Sustainable Development Goals, including but not limited to renewable energy, low carbon technology, circular economy, sustainable agriculture, social infrastructure including healthcare and education, and green buildings.
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
GHG	Greenhouse Gases
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.
IIGCC	The Institutional Investors Group on Climate Change (IIGCC) is a global membership organization for investors that focuses on climate change. The IIGCC's mission is to help the investment community make progress toward a net zero and resilient future by 2030.





Material Risk Engagement	Sustainalytics helps high-risk portfolio companies to better identify, understand and manage their material ESG issues. 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.
Milestones (Sustainalytics engagements)	Milestone 5 Change objective is considered fulfilled. Milestone 4 Implementation of strategy has advanced meaningfully, and related issuer disclosure maturing. Milestone 3 Strategy is well formed and has moved into early stages of implementation. Milestone 2 Issuer establishes a strategy to address the issue. Milestone 1 Acknowledge of issue(s) and commitment to mitigation.
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.
UN Sustainable Development Goals (SDGs)	The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice.
Statement of Investment Principles (SIP)	Statement of Investment Principles sets out a pension scheme's governing body's investment strategy, including the investment objectives and investment policies they adopt.
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	TCFD stands for Task Force on Climate-related Financial Disclosures. The Financial Stability Board (FSB) created the TCFD in 2015 to develop recommendations for how companies should report information about climate change risks and opportunities.



**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.

TPI

Transition Pathway Initiative. A global initiative that was created in 2017. The TPI's goal is to help investors make more informed decisions about companies' readiness to transition to a low-carbon economy. The TPI focuses on high-impact sectors and provides open access to analytical tools and downloadable reports.

PRI

The Principles for Responsible Investment (PRI) is a global network of financial institutions that work together to promote responsible investing. The PRI's goal is to help investors understand the implications of sustainability and incorporate environmental, social, and governance (ESG) factors into their investment decisions.

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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