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PUBLIC

To: Members of the Pensions and Investments Committee

Friday, 27 May 2022

Dear Councillor,

Please attend a meeting of the **Pensions and Investments Committee** to be held at **10.30 am** on **Wednesday, 8 June 2022** in the Council Chamber, County Hall, Matlock, the agenda for which is set out below.

Yours faithfully,

Helen E. Barrington

Helen Barrington
Director of Legal and Democratic Services

A G E N D A

PART I - NON-EXEMPT ITEMS

1. Apologies for Absence

2. To receive declarations of interest (if any)

3. To confirm the non-exempt minutes of the meeting held on 4 May 2022 (Pages 1 - 6)

4. Investment Report (Pages 7 - 78)

5. Stewardship Report (Pages 79 - 178)

6. Pension Administration Strategy (Pages 179 - 246)

7. Exclusion of the Public

   To move “That under Regulation 21 (1)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph(s) 3 of Part 1 of Schedule 12A to the Local Government Act 1972”

PART II - EXEMPT ITEMS

8. To receive declarations of interest (if any)

9. Local Government Pension Scheme Investment Pooling (Pages 247 - 376)

10. Infrastructure Investment Case (Pages 377 - 382)

PUBLIC

MINUTES of a meeting of the **PENSIONS AND INVESTMENTS COMMITTEE** held on Wednesday, 4 May 2022 in the Members Room, County Hall, Matlock.

PRESENT

Councillor D Wilson (in the Chair)

Councillors P Smith, R Ashton, N Atkin, B Bingham, M Carr (Derby City Council) and M Yates.

S Ambler, R Graham and N Read (representing the Pension Board)

Officers in attendance – M Fairman, D Kinley, N Smith and S Webster

Apologies for absence were submitted for Councillor L Care (Derby City Council), M Foster and G Musson.

9/22 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

10/22 TO CONFIRM THE NON-EXEMPT MINUTES OF THE MEETING HELD ON 2 MARCH 2022

RESOLVED:

That the minutes of the meeting held on 2 March 2022 be confirmed as a correct record and signed by the Chairman.

11/22 STEWARDSHIP REPORT

The Committee was provided with an overview of the stewardship activity that had been carried out by Legal and General Investment Management (LGIM) in the quarter ended 31 December 2021.

The quarterly stewardship report from LGPS Central Limited would be available in April/May 2022 and presented to Committee in due course.

As reported to Committee in March 2022, the Fund had around £12m invested in Russian companies prior to the start of the conflict between Russia and Ukraine. These investments represented around 0.2% of the Fund’s total investment portfolio of over £6bn and were managed through pooled investment vehicles, with a proportion in passive investments which track stock market indices provided by MSCI and FTSE Russell.

The Fund had published a statement in respect of its Russian investments

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on the Fund's website on 9 March 2022, a copy of which was attached at Appendix 3 to the report.

As set out in the statement, the Fund, together with its fund managers, was continuing to monitor and assess developments in Russia and Ukraine. In March 2022, both MSCI and FTSE Russell had announced that they were deleting Russian classified securities from their indices, meaning that these would be removed from their passive funds. As a result, around £7m of the Fund's Russian investments had been written down to zero, albeit the passive funds still owned the securities because the Russian domestic stock market had remained closed and sanction restrictions limited the ability to sell these securities at present.

The remainder of the Fund's Russian investments largely related to securities held in the LGPS Central Limited Global Active Emerging Markets Equity Fund. LGPS Central Limited (LGPSC) had instructed the three underlying external investment managers not to increase any of the existing Russian positions and was engaging with the managers regarding the unwinding of these investments, subject to markets reopening and any sanction restrictions. Any Russian investments had been written down to zero.

RESOLVED:

(1) to note the stewardship activity of LGIM; and
(2) to note the update in respect of the Fund's investments in Russia.

12/22 **HALF-YEAR PENSION ADMINISTRATION PERFORMANCE REPORT - 1 OCTOBER 2021 TO 31 MARCH 2022**

A report was received by the Committee which notified them of the administration activity that had been undertaken by the Pension Administration Team and the performance levels that had been achieved.

The report related to the second half of 2021-22 covering the period from 1 October 2021 to 31 March 2022 and provided a summary of the Fund's performance in key areas of pension administration activity.

Although the number of academisations had slowed from previous levels during the pandemic, the Secretary of State for Education had presented a Schools White Paper to Parliament in March 2022 confirming that it aimed for all schools to be part of, or in the process of joining or forming a 'strong trust' by 2030. As there were currently over 300 schools still maintained by Derbyshire County Council and Derby City Council, the government's target of full academisation by 2030 would see the number of separate employers in the Fund almost double.

The previous half-yearly report had included information about the academies in Derbyshire operated by East Midlands Education Trust. The Trust operated academies located across Nottinghamshire, Derbyshire, and Leicestershire and had successfully applied to the Secretary of State at the former Ministry of Housing, Communities and Local Government (now Department of Levelling Up, Housing and Communities) to consolidate all of its academies into a single LGPS Fund. As a result, the administering authority for 6 academies in Derbyshire had changed to Nottinghamshire County Council from 1 September 2021.

The implementation of the member self-service website, 'My Pension Online' was launched in June 2021. By the end of March 2022, a total of 12,501 members had completed their registration. The Fund was continuing to engage with employers to seek their assistance with encouraging scheme members to register.

RESOLVED:

That the Committee notes the workloads and performance levels outlined in the report.

13/22 **DERBYSHIRE PENSION FUND RISK REGISTER**

The Risk Register had the following six high risk items:

1) Systems failure/Lack of disaster recovery plan/Cybercrime attack (Risk No.13)
2) Fund assets insufficient to meet liabilities (Risk No.20)
3) LGPS Central related underperformance of investment returns (Risk No.31)
4) Impact of McCloud judgement on funding (Risk No.38)
5) Insufficient cyber-liability insurance relating to the pensions administration system (Risk No.42)
6) Impact of McCloud judgement on administration (Risk No.46)

The National Cyber Security Centre had warned of a heightened cyber threat following Russia's attack on Ukraine and had advised organisations to bolster their online defences. Pension schemes hold large amounts of personal data and assets which could make them a target for cybercrime attacks. The trusted public profile of pension funds also made them vulnerable to reputational damage.

Robust procedures were in place for accessing the systems used by the Fund and the Pension Fund's Business Continuity Plan included the Business Continuity Policy and Business Continuity Incident Management Plan of Aquila Heywood (the provider of the Fund's pension administration system, Altair).

Given the current heightened cybercrime threat and the review of the

Council's cyber liability cover, the probability scores for both of the cyber related risks (No.13 and No.42) had been increased from 2 (unlikely) to 3 (possible). The impact scores for both risks remained at 4 (high), giving total risk scores for both risks of 12.

Two new risks had been added:

Electronic information delivered or made available in formats which fail to meet accessibility requirements (Risk No.19); and

Insufficient controls relating to the governance of pension administration system (Risk No.41).

Both these new risks had an overall risk score of 9 and details of each risk were provided.

RESOLVED:

That the Committee notes the risk items identified in the Risk Register.

14/22 **APPOINTMENT OF AN EXTERNAL ADVISOR TO DERBYSHIRE PENSION FUND**

RESOLVED:

That Committee approves the appointment MJ Hudson Investment Advisers Ltd (with Mr Fletcher as the named advisor) as the Fund's External Advisor for an initial term of three years, with an option for the Council to extend for a further two years on an annual basis. The approval was subject to the finalisation of the Council's internal procurement procedures.

15/22 **EXCLUSION OF THE PUBLIC**

To move that under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraphs 1, 2 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining exemption outweighs the public interest in disclosing the information.

16/22 **TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)**

There were no declarations of interest.

17/22 **SUMMARY OF APPEALS AND OMBUDSMAN ESCALATIONS DURING 2021-22**

A report was presented which summarised the appeals that had been adjudicated by the authority at Stages 1 and 2, and separately, those which had been submitted to and/or determined by the Pensions Ombudsman during the period 1 April 2021 to 31 March 2022.

The report demonstrated that all appeals had been analysed and improvement action had been taken where required, to reduce the risk of future appeals.

RESOLVED that the Committee notes:

a) the summary of adjudications by the administering authority;
b) cases escalated to, and determined by the Pensions Ombudsman during 2021-22;
c) cases escalated to the Pensions Ombudsman earlier than 2021-22 and where a determination was still outstanding; and
d) the actions taken towards the continuous improvement of Fund and employer procedures and understanding to reduce the likelihood of future cases being escalated to an application for adjudication.

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FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 8 JUNE 2022

Report of the Interim Director of Finance and ICT

Investment Report

1. Purpose

1.1 To review the Fund's asset allocation, investment activity since the last meeting, long term performance analysis and to seek approval for the investment strategy in the light of recommendations from the Interim Director of Finance & ICT and the Fund's independent external adviser.

2. Information and Analysis

2.1 Report of the External Adviser

A copy of Mr Fletcher's report, incorporating his view on the global economic position, factual information for global market returns, the performance of the Fund and his recommendations on investment strategy and asset allocation, is attached as Appendix 2.

2.2 Asset Allocation and Recommendations Table

The Fund's latest asset allocation as at 30 April 2022 and the recommendations of the Interim Director of Finance & ICT and Mr Fletcher, in relation to the Fund's final strategic asset allocation benchmark (SAAB), which came into effect on 1 January 2022, are set out on page 3.

The table also shows the recommendations of the Interim Director of Finance & ICT, adjusted to reflect the impact of future investment commitments. These commitments (existing plus any new commitments recommended in this report) relate to Private Equity, Multi-Asset Credit, Property and Infrastructure and currently total around £300m. Whilst the timing of drawdowns will be lumpy and difficult to predict, the In-house Investment Management Team (IIMT) believes that these are likely to occur over the next 18 to 36 months.

	Benchmark		Fund Allocation	Fund Allocation	Permitted Range	Benchmark Relative Recommendation		Recommendation (1)		Adjusted for Commitments (3)	Benchmark Sterling Return	Benchmark Sterling Return
	Intermediate (1)	**Final (1)**	**31/1/22 (2)**	**31/4/22**	**Final (1)**	**AF 8/6/22**	**DPF 8/6/22**	**AF 8/6/22**	**DPF 8/6/22**	**DPF 8/6/22**	**3 Months to 31/3/22**	**3 Months to 30/4/22**
Growth Assets	**56.0%**	**55.0%**	**55.9%**	**55.3%**	**+/- 8%**	**-**	**-**	**55.0%**	**55.0%**	**56.0%**	**n/a**	**n/a**
UK Equities	14.0%	12.0%	13.2%	13.5%	+/- 4%	-	+1.5%	12.0%	13.5%	13.5%	0.5%	1.1%
Overseas Equities:	38.0%	39.0%	38.0%	37.0%	+/- 8%	-	(2.3%)	39.0%	36.7%	36.7%	n/a	n/a
North America	6.0%	-	1.6%	1.6%	-	-	-	-	-	-	(2.0%)	(2.1%)
Europe	4.0%	-	0.5%	0.5%	-	-	-	-	-	-	(7.2%)	(6.2%)
Japan	5.0%	5.0%	5.3%	5.1%	+/- 2%	-	+0.5%	5.0%	5.5%	5.5%	(3.5%)	(3.8%)
Pacific ex-Japan	2.0%	-	0.9%	0.9%	-	-	-	-	-	-	(2.2%)	0.3%
Emerging Markets	5.0%	5.0%	5.1%	4.7%	+/- 2%	-	+0.6%	5.0%	5.6%	5.6%	(2.5%)	(3.6%)
Global Sustainable	16.0%	29.0%	24.6%	24.2%	+/- 8%	-	(3.4%)	29.0%	25.6%	25.6%	(2.7%)	(1.9%)
Private Equity	4.0%	4.0%	4.7%	4.8%	+/- 2%	-	+0.8%	4.0%	4.8%	5.8%	(2.5%)	(1.7%)
Income Assets	**24.0%**	**25.0%**	**22.2%**	**24.2%**	**+/- 6%**	**+2.0%**	**(0.8%)**	**27.0%**	**24.2%**	**28.2%**	**n/a**	**n/a**
Multi-Asset Credit	6.0%	6.0%	7.0%	6.9%	+/- 2%	+2.0%	+0.2%	8.0%	6.2%	8.4%	(0.2%)	0.1%
Infrastructure	9.0%	10.0%	7.5%	9.3%	+/- 3%	-	(0.6%)	10.0%	9.4%	11.2%	0.6%	0.6%
Direct Property (5)	5.0%	6.0%	4.6%	5.1%	+/- 2%	-	(0.3%)	6.0%	5.7%	5.7%	4.0%	4.0% (4)
Indirect Property (5)	4.0%	3.0%	3.1%	2.9%	+/- 2%	-	(0.1%)	3.0%	2.9%	2.9%	3.7%	3.7% (4)
Protection Assets	**18.0%**	**18.0%**	**16.8%**	**16.0%**	**+/- 5%**	**(2.0%)**	**(1.5%)**	**16.0%**	**16.5%**	**16.5%**	**n/a**	**n/a**
Conventional Bonds	6.0%	6.0%	4.8%	4.5%	+/- 2%	(1.0%)	(1.0%)	5.0%	5.0%	5.0%	(7.2%)	(6.2%)
Index-Linked Bonds	6.0%	6.0%	5.5%	5.5%	+/- 2%	-	(0.5%)	6.0%	5.5%	5.5%	(5.5%)	(9.1%)
Corporate Bonds	6.0%	6.0%	6.5%	6.0%	+/- 2%	(1.0%)	-	5.0%	6.0%	6.0%	(6.7%)	(7.6%)
Cash	**2.0%**	**2.0%**	**5.1%**	**4.5%**	**0 – 8%**	**-**	**+2.3%**	**2.0%**	**4.3%**	**(0.7%)**	**0.1%**	**0.1%**

Investment Assets totaled £6,030m at 30 April 2022.

(1) Intermediate benchmark effective from 1 January 2021 to 31 December 2021. Final benchmark effective from 1 January 2022. Recommendations are relative to the Final benchmark
(2) Adjusted for completed trades in early Feb-22 – North American Equities -1.0%; European Equities -0.7%; Global Sustainable Equities +1.1%; and Cash +0.5%.
(3) Adjusted for investment commitments at 30 April 2022, together with commitments placed post period-end. Presumes all commitments funded from cash.
(4) Benchmark Return for the three months to 31 March 2022.
(5) The maximum permitted range in respect of Property is +/- 3%.

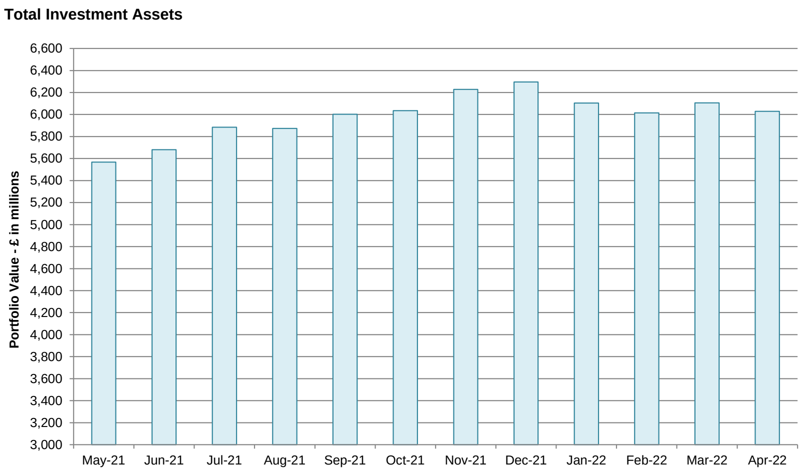
The table above shows the intermediate benchmark, together with the new final benchmark approved by Committee in November 2020. The final benchmark came into effect on 1 January 2022. The table above reflects the following three categorisations:

- **Growth Assets**: largely equities plus other volatile higher return assets such as private equity;
- **Income Assets**: assets which are designed to deliver an excess return, but with more stable return patterns than Growth Assets because income represents a large proportion of the total return of these assets; and
- **Protection Assets**: lower risk government or investment grade bonds.

Relative to the final benchmark, the Fund as at 30 April 2022, was overweight Cash and Growth Assets and underweight in Protection Assets and Income Assets. However, should all the IIMT recommendations set out in this report be implemented, together with the expected level of commitment draw-downs, the cash balance would reduce by 5.0% to -0.7%. In practice as these commitments are drawn-down, they will be partly offset by new net cash inflows from investment income, distributions from existing investments and changes in the wider asset allocation.

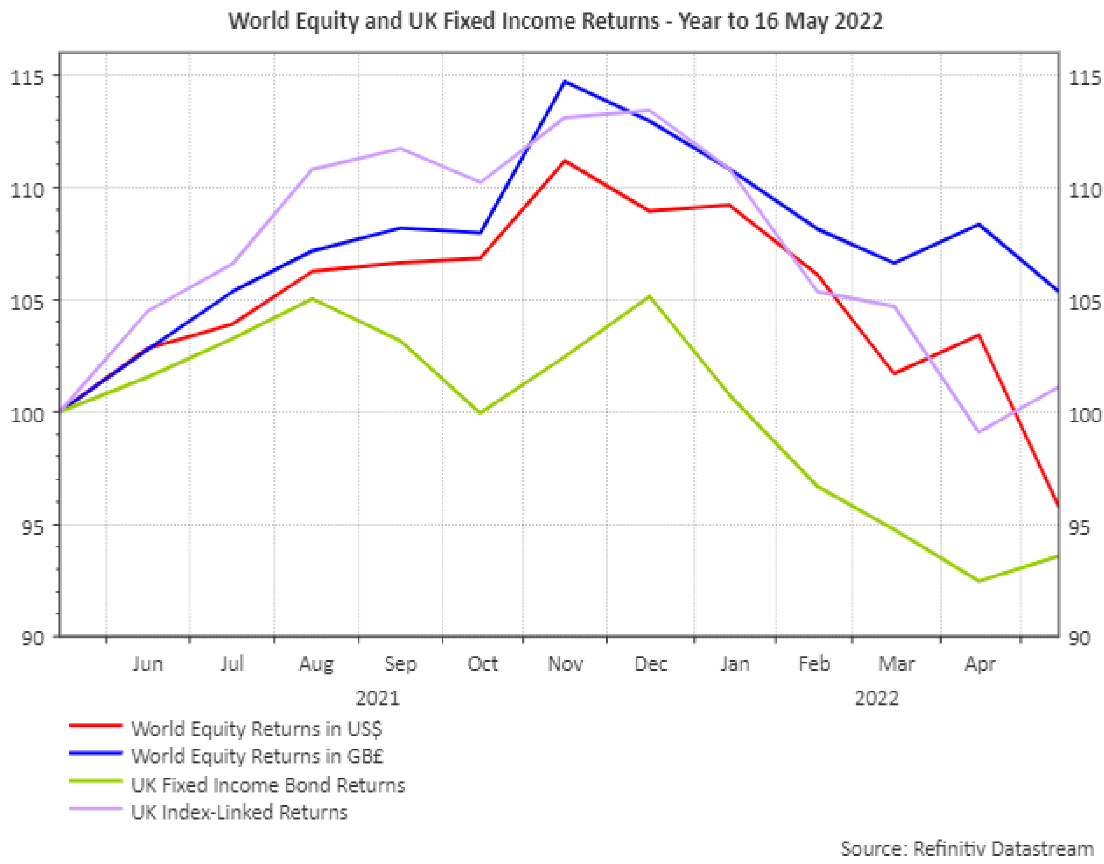
2.3 Total Investment Assets

The value of the Fund's investment assets reduced by £75m (-1.2%) between 31 January 2022 and 30 April 2022 to £6.030bn, comprising a non-cash market loss of around £90m, partly offset by cash inflows from dealing with members and investment income of around £15m. Over the twelve months to 30 April 2022, the value of the Fund's investment assets has increased by £461m (+8.3%), comprising a non-cash market gain of around £400m, and cash inflows from dealing with members & investment income of around £60m.



The Fund's valuation can fluctuate significantly in the short term, reflecting market conditions, and supports the Fund's strategy of focusing on the long term. A copy of the Fund's valuation as at 30 April 2022 is attached at Appendix 3.

2.4 Market returns over the last 12 months



The chart above shows market returns for Global Equities in Sterling and the US dollar, UK Fixed Income and UK Index Linked bonds for the twelve months to 16 May 2022. Although equity returns are positive in sterling terms over the 12-month period, they have declined since the beginning of the year. In US dollar terms the year-to-date decline has been even more pronounced, meaning that global equity markets lost approximately 4% over the 12-month period.

The FTSE All World peaked at an all-time high in early January 2022. However, equities soon came under pressure from shifting central bank policy. Throughout 2021, the major central banks had been actively maintaining very accommodative monetary policies to support economies through the Covid-19 pandemic. During the final quarter of 2021, there was a distinctive shift in messaging from the Bank of England (BoE) and the US Federal Reserve (US FED) as inflation proved to be more persistent than initially anticipated and action was required to dampen economic activity. In November, the UK Consumer Price Index (CPI), a widely tracked measure of inflation, had already risen to 5.1% year on year, its highest level since 2011. The BoE enacted its first rate-increase in mid-December 2021, and in its end of year meeting the US FED conceded that interest rates may need to be increased “sooner or at a faster pace” to tackle inflation, with three interest rate-increases expected in 2022. As Central Banks were now entering an interest rate increase cycle and inflation readings were continuing to rise, government bond yields rose (meaning that their prices fell).

Global equity markets weakened as a result, with the FTSE All World falling by 4.9% during January (US$ terms), the largest intra-month fall since March 2020 (at the onset of the Covid-19 pandemic). Growth stocks, which have valuations that are highly sensitive to rising interest rates, sold off sharply, falling by over 9.0% in January 2022 alone. In contrast, Value stocks, which trade at lower prices relative to company fundamentals, fell by only 1.2%.

During January 2022, the US CPI reading reached 7.0% for the first time since 1982. In its month end meeting, the Federal Reserve became even more hawkish (more likely to tighten monetary policy), refusing to rule out a more aggressive pace of interest rate rises than had been indicated in the December meeting. At the beginning of February 2022, the BoE approved its first back-to-back interest rate rise since 2004, with the Bank warning that inflation would rise to 7.25% in April, a level that was last reached in 1991. Bond yields continued to rise, widening the divergence in performance between Growth and Value stocks.

In late February 2022, after months of posturing, Russia invaded Ukraine, upending the geopolitical landscape and creating a humanitarian crisis in eastern Europe. The invasion drew widespread condemnation and globally coordinated financial sanctions were targeted at the Russian economy, Vladimir Putin and his political connections. Russia’s central bank assets were frozen, preventing it from accessing over $600 billion of foreign currency reserves. Major Russian Banks were removed from the SWIFT international payments system and the Russian economy became increasingly isolated from international trade. Many Western countries also announced plans to transition away from Russian oil and gas supplies.

The war in Ukraine and the sanctions applied to Russia have both directly contributed to a further increase in inflation. Russia is the world’s second largest natural gas producer and the third largest producer of oil. Russia and

Ukraine together also supply more than 25% of the world's wheat and are both key suppliers of other agricultural and industrial commodities. Energy and commodity prices, that had already risen globally as a result of Covid-19 pandemic related supply disruptions, have been squeezed higher. The Bloomberg Commodity Index has risen over 31% so far in 2022 and is trading at a 7-year high, having already climbed 28% in 2021.

In the UK, the year-on-year CPI came in at 7.0% in March and 9.0% in April. In the US, CPI peaked at 8.5% in March, moderating slightly to 8.3% in April. Both the BoE and US FED announced further interest rate increases in their March and May meetings. In recent days, the BoE's chief economist signalled that he was unsure how high interest rates will need to rise to curb inflation, and the Federal Reserve Chairman stated that he was prepared to keep tightening monetary policy until there was "clear and convincing" evidence that inflation is coming back down towards its 2% target.

In the year-to-date period to 16 May 2022, Global Equity markets, as measured by the FTSE All World, have returned -7.0% in sterling terms. In US dollar terms the return is -15.9%, as the dollar has strengthened 9% against sterling this year. Protection Assets have been unable to offset negative returns from equities due to the sharp rise in bond yields. The 10 Year Gilt yield has risen by approximately 75 basis points to 1.75% since the start of the year, with Gilts returning -8.6% during the period.

Asset class weightings and recommendations are based on values at the end of April 2022. As shown in the charts below, UK equity markets had largely recovered most of the March 2020 sell off prior to Russia's invasion of Ukraine. Equity markets have been volatile in 2022, but UK Equities have performed strongly relative to other markets, having fallen by only 0.7%. In contrast, the US market has been the worst performing region in 2022 in local currency terms, declining by 16.1%, reflecting its relatively heavy weighting in technology and other growth-related stocks.

2.5 Longer Term Performance

Figures provided by Portfolio Evaluation Limited show the Fund's performance over 1, 3, 5 and 10 years to 31 March 2022.

Per annum	DPF	Benchmark Index
1 year	7.6%	7.3%
3 years	7.4%	6.9%
5 years	6.3%	5.9%
10 years	8.4%	7.9%

The Fund outperformed the benchmark over all time periods.

2.6 Category Recommendations

	Intermediate Benchmark	Final Benchmark	Fund Allocation	Permitted Range	Recommendation (1)		Benchmark Relative Recommendation (1)	
			30 Apr-22		AF	DPF	AF	DPF
Growth Assets	56.0%	55.0%	55.3%	± 8%	55.0%	55.0%	-	-
Income Assets	24.0%	25.0%	24.2%	± 6%	27.0%	24.2%	+2.0%	(0.8%)
Protection Assets	18.0%	18.0%	16.0%	± 5%	16.0%	16.5%	(2.0%)	(1.5%)
Cash	2.0%	2.0%	4.5%	0 – 8%	2.0%	4.3%	-	+2.3%

(1) Recommendation relative to the Final benchmark effective 1 January 2022

At an overall level, the Fund was overweight Growth Assets and Cash at 30 April 2022, underweight Income Assets and Protection Assets, although if commitments waiting to be drawn down were taken into account, the Fund would move to an overweight position in Growth and Income Assets. The table on page 3 assumes that all new commitments will be funded out of the current cash weighting; in practice as private market commitments are drawn-down they are likely to be funded partially out of cash and partially by distributions (income and capital) from existing investments and sales of public market assets. The Fund has progressively reduced its benchmark exposure to Growth Assets into strength over the last three to five years, as equity valuations have become increasingly stretched, and increased the benchmark allocation to Income Assets.

The IIMT recommendations reflected in this report: reduce Growth Assets by 0.3% to 55.0% (neutral) (North American Equities -1.6%; European Equities -0.5%; Japanese Equities +0.4%; Asia Pacific Ex-Japan Equities -0.9%; Emerging Market Equities +0.9%; and Global Sustainable Equities +1.4%), maintain Income Assets at 24.2% (Multi-Asset Credit -0.7%; Infrastructure +0.1%; and Direct Property +0.6%); increase Protection Assets by 0.5% (Conventional Bonds +0.5%), and reduce cash by 0.2%.

The IIMT notes that the recommendations are subject to market conditions, liquidity, and product availability. The IIMT continues to recommend a defensive cash allocation, reflecting both the general market uncertainty and cash held to fund existing commitment drawdowns.

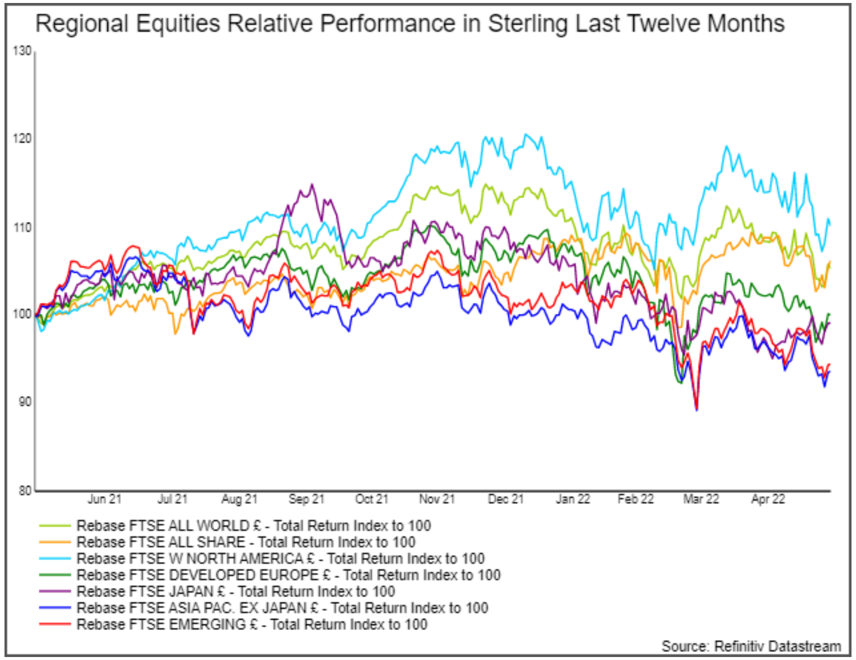
2.7 Growth Assets

At 30 April 2022, the overall Growth Asset weighting was 55.3%, down from 55.9% at 31 January 2022, principally reflecting net divestment of around £25m. During the three months to 30 April 2022, the Fund continued to make progress in the transition to the new final SAAB, with £70m invested into Global Sustainable Equities, funded from divestments in respect of North American Equities and European Equities.

The IIMT recommendations in this report reduce the weighting to a neutral weighting of 55.0%.

The near-term outlook for equities has deteriorated since the last Committee meeting. The primary risk factors have also changed. In Developed Markets, the threat from Covid-19 has reduced as the Omicron variant, although more transmissible, has proven to have less severe health implications and booster campaigns have demonstrated their effectiveness. However, the lack of access to effective vaccines has been felt in in Emerging Markets, particularly in China, where a new wave of cases has resulted in some cities being placed back into strict lockdowns as authorities attempt to achieve zero Covid-19 status.

Globally, inflationary pressures have intensified. Despite four rate rises by the BoE and two by the US FED, there is limited evidence to date that inflation has peaked. Supply constraints from the war in Ukraine, and the potential disruption from China's lockdowns are expected to continue to exert upward pressure on prices. Tighter monetary policy alone has a limited ability to control supply-side inflation.

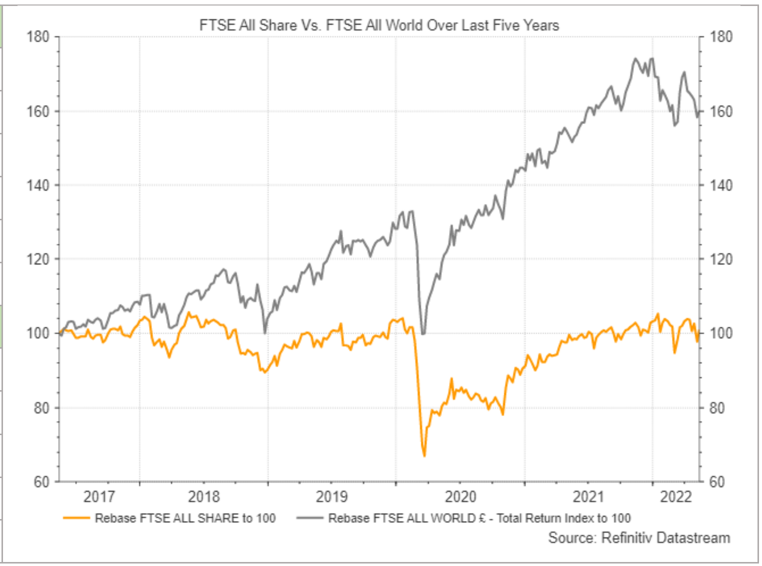


Benchmark Return	Currency	Q2-22(*)	Q1-22	CYTD (*)	1 Year (**)	3 Year (**)	5 Year (**)	Since Last Committee (*)	L3M 30-Apr-22
Sterling Returns									
FTSE All World	GB£	(4.7%)	(2.4%)	(7.0%)	12.8%	13.8%	11.0%	(1.1%)	(1.9%)
FTSE UK	GB£	(1.2%)	0.5%	(0.7%)	13.0%	5.3%	4.7%	0.7%	1.1%
FTSE North America	GB£	(5.3%)	(2.0%)	(7.3%)	19.7%	18.4%	14.6%	(1.2%)	(2.1%)
FTSE Europe	GB£	(4.3%)	(7.2%)	(13.4%)	6.2%	9.6%	7.1%	(1.0%)	(6.2%)
FTSE Japan	GB£	(3.1%)	(3.5%)	(6.5%)	(2.3%)	6.5%	5.2%	(0.9%)	(3.8%)
FTSE Asia Pacific Ex-Japan	GB£	(4.5%)	(2.2%)	(6.6%)	(4.3%)	7.1%	6.3%	(3.3%)	0.3%
FTSE Emerging Markets	GB£	(4.7%)	(2.5%)	(7.1%)	(3.5%)	5.7%	5.5%	(5.5%)	(3.6%)
Local Currency Returns									
FTSE All World	US$	(11.4%)	(5.1%)	(15.9%)	7.6%	14.2%	12.1%	(9.0%)	(8.2%)
FTSE UK	GB£	(1.2%)	0.5%	(0.7%)	13.0%	5.3%	4.7%	0.7%	1.1%
FTSE North America	US$	(11.9%)	(4.8%)	(16.1%)	14.2%	18.8%	15.8%	(9.0%)	(8.4%)
FTSE Europe	€	(4.8%)	(10.0%)	(14.4%)	4.7%	9.5%	7.0%	(3.0%)	(6.7%)
FTSE Japan	¥	(4.1%)	(1.2%)	(5.2%)	2.4%	10.2%	8.1%	1.8%	1.3%
FTSE Asia Pacific Ex-Japan	US$	(11.1%)	(4.9%)	(15.5%)	(8.7%)	7.5%	7.4%	(11.0%)	(6.2%)
FTSE Emerging Markets	US$	(11.3%)	(5.2%)	(15.9%)	(7.7%)	6.1%	6.7%	(13.0%)	(9.8%)

Source: Performance Evaluation Limited & DPF analysis
(*) To 16 May-22
(**) To 31 Mar-22
(***) 50% FTSE All World & 50% FTSE Developed
CYTD = Calendar Year To Date

2.8 United Kingdom Equities

DPF Weightings	
Intermediate Neutral	14.0%
Final Neutral	12.0%
Actual 30.4.22	13.5%
AF Recommendation	12.0%
IIMT Recommendation	13.5%
Benchmark Returns (GB£)	
Q1 22/23 to 1 May-22	(1.2%)
Q4 21/22	0.5%
1 Year to Mar-22	13.0%
3 Years to Mar-22 (pa)	5.3%
5 Years to Mar-22 (pa)	4.7%



The Fund's UK Equity allocation increased from 13.2% at 31 January 2022 to 13.5% at 30 April 2022 (1.5% overweight), reflecting relative market strength.

Mr Fletcher has recommended a neutral weighting of 12.0% to UK Equities.

For some time now, the IIMT have been recommending an overweight allocation to UK Equities because of their attractive valuations and sector diversification. Despite the significant correction in Global Equities, the FTSE All Share has retained much of its value. Although the FTSE All Share has fallen year to date (-0.7% to 16 May 2022), it has outperformed the FTSE All World by +6.3% (in sterling terms).

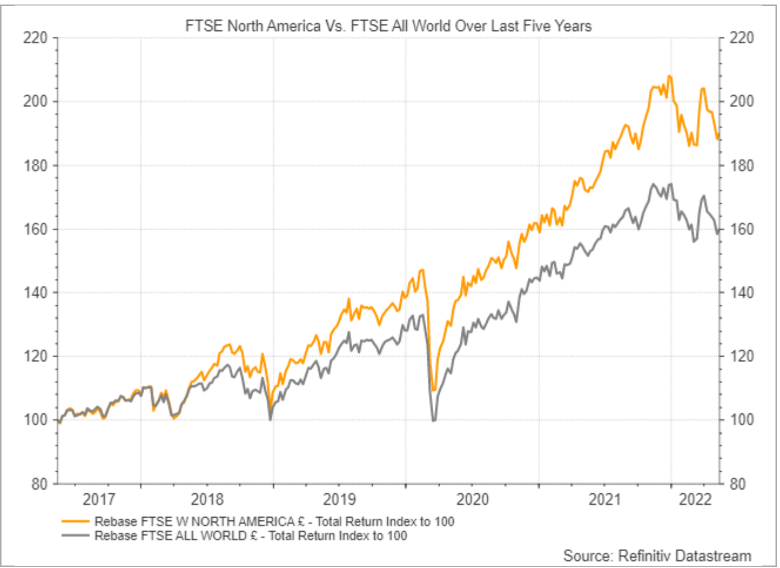
The UK FTSE All Share has benefitted from the style rotation from Growth stocks to Value stocks. The FTSE All Share is overweight the Energy sector and considerably underweight the Technology sector, relative to the FTSE All World, which have been the best and worst performing sectors in 2022. Lower valuations have also been a tailwind for UK companies, as they have been less susceptible to the compression of earnings multiples that has occurred across the more expensive areas of the market, particularly in US Growth stocks.

As there is still uncertainty around when inflation will start to fall, and how far interest rates may need to rise, the IIMT continue to believe that UK Equities have the potential to outperform, supported by attractive valuations and diversified sector exposure. The IIMT recommends that the current 1.5%

overweight allocation of 13.5% relative to the final benchmark is maintained, with a modest tilt towards small and mid-cap stocks.

2.9 North American Equities

DPF Weightings	
Intermediate Neutral	6.0%
Final Neutral	-
Actual 30.4.22	1.6%
AF Recommendation	-
IIMT Recommendation	-
Benchmark Returns (GB£)	
Q1 22/23 to 16 May-22	(5.3%)
Q4 21/22	(2.0%)
1 Year to Mar-22	19.7%
3 Years to Mar-22 (pa)	18.4%
5 Years to Mar-22 (pa)	14.6%

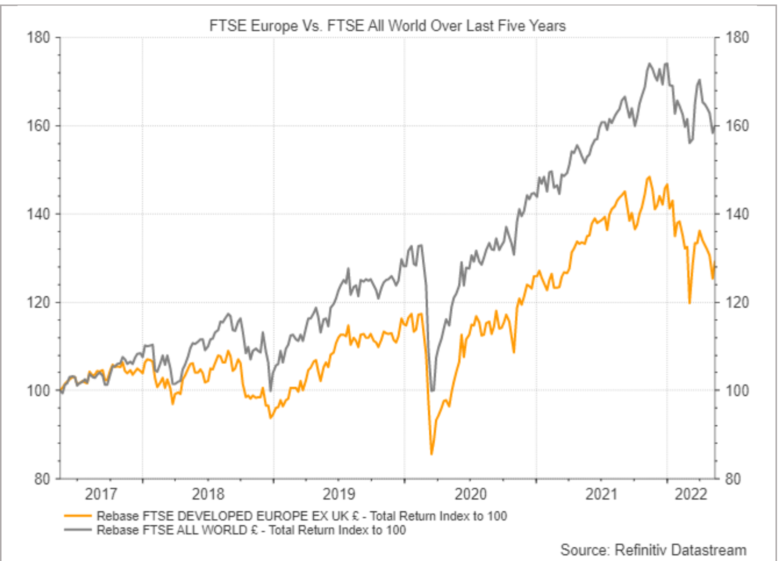


The Fund's North American Equity allocation remained flat between 31 January 2022 and 30 April 2022 at 1.6% (1.6% overweight).

Both Mr Fletcher and the IIMT recommended a zero-weighting to North American Equites in line with the new final benchmark.

2.10 European Equities

DPF Weightings	
Intermediate Neutral	4.0%
Final Neutral	-
Actual 30.4.22	0.5%
AF Recommendation	-
IIMT Recommendation	-
Benchmark Returns (GB£)	
Q1 22/23 to 16 May-22	(4.3%)
Q4 21/22	(7.2%)
1 Year to Mar-22	6.2%
3 Years to Mar-22 (pa)	9.6%
5 Years to Mar-22 (pa)	7.1%

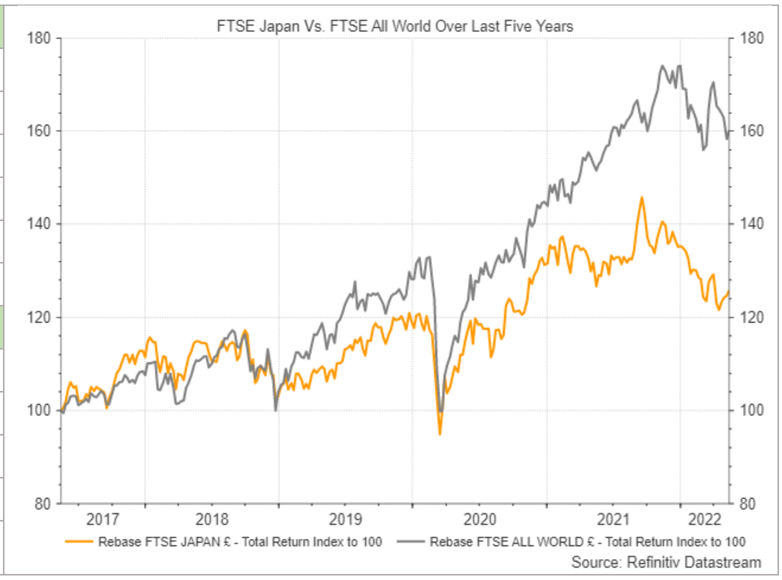


The Fund's European Equity allocation remained flat between 31 January 2022 and 30 April 2022 at 0.5% (0.5% overweight).

Both Mr Fletcher and the IIMT recommended a zero-weighting to European Equities in line with the new final benchmark.

2.11 Japanese Equities

DPF Weightings	
Intermediate Neutral	5.0%
Final Neutral	5.0%
Actual 30.4.22	5.1%
AF Recommendation	5.0%
IIMT Recommendation	5.5%
Benchmark Returns (GB£)	
Q1 22/23 to 16 May-22	(3.1%)
Q4 21/22	(3.5%)
1 Year to Mar-22	(2.3%)
3 Years to Mar-22 (pa)	6.5%
5 Years to Mar-22 (pa)	5.2%



Relative market weakness reduced the Fund's allocation to Japanese Equities from 5.3% at 31 January 2022 to 5.1% at 30 April 2022.

Mr Fletcher recommends a neutral weighting relative to the final benchmark.

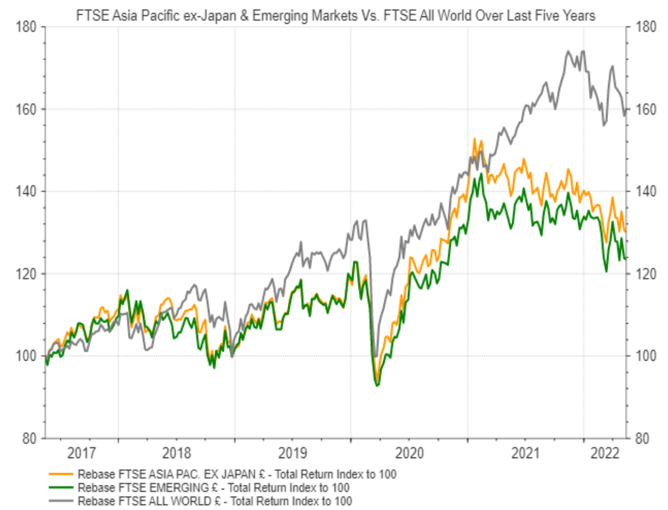
Japanese Equities continue to perform in line with the IIMT's expectations, offering meaningful diversification during period of increased uncertainty. In local currency terms, Japanese Equities have performed strongly against a backdrop of a sharp correction in Global Equities. The Japanese index has benefitted from lower valuations and sector diversification in comparison to the FTSE All World.

The Japanese Yen is traditionally viewed as a safe haven asset which rises in value during periods of market uncertainty, increasing returns for sterling investors. However, due to the divergence between US and Japanese bond yields since the turn of the year, the Yen has depreciated, which has lowered returns for sterling investors.

The IIMT believes that Japanese Equities remain attractively valued relative to their global peers and recommends that the Fund's overweight allocation is increased by 0.4% to 5.5% (0.5% overweight).

2.12 Asia Pacific Ex-Japan and Emerging Market Equities

DPF Weightings	Asia-Pac	EM
Intermediate Neutral	2.0%	5.0%
Final Neutral	-	5.0%
Actual 30.4.22	0.9%	4.7%
AF Recommendation	-	5.0%
IIMT Recommendation	-	5.6%
Benchmark Returns (GB£)	**Asia-Pac**	**EM**
Q1 22/23 to 16 May-22	(4.5%)	(4.7%)
Q4 21/22	(2.2%)	(2.5%)
1 Year to Mar-22	(4.3%)	(3.5%)
3 Years to Mar-22 (pa)	7.1%	5.7%
5 Years to Mar-22 (pa)	6.3%	5.5%



Source: Refinitiv Datastream

The Fund's allocation to Asia Pacific Ex-Japan Equities remained flat at 0.9% (0.9% overweight), whereas relative market weakness reduced the Fund's allocation to Emerging Market Equities by 0.4% to 4.7% (0.3% underweight).

Mr Fletcher recommends a zero-weighting relative to Asia Pacific Ex-Japan Equities in line with the final benchmark, and a neutral allocation of 5.0% to Emerging Market Equities.

Emerging Market Equities have been the worst performing region so far in 2022. However, returns between the Emerging Market regions have varied significantly. China is currently facing a new wave of Covid-19 cases (thought to be due to low vaccination rates and less effective vaccines) and the Chinese authorities have reintroduced lockdowns in several major cities. In Sterling terms, Chinese equities have lost almost 16% year to date. In contrast, Latin American Equities have retuned over 21% during the same period. The region is a net exporter of commodities and has been a major beneficiary from the sharp rise in commodity prices.

Russia was removed from the Emerging Markets index shortly after its invasion of Ukraine, with the country being viewed as uninvestable. Russian equities made up approximately 4% of the Emerging Markets index at the start of the year. There has also been a contagion effect from the conflict, with eastern European countries most heavily affected due to their close proximity and trading ties to Russia and Ukraine.

The IIMT continues to believe in the long-term growth potential of Emerging Markets, noting that these markets have accounted for well over half of global growth over the last ten years. The IIMT believes that Emerging Market Equities offer value relative to their global peers, a position that has been enhanced during the current market sell-off. The IIMT therefore recommends an overweight allocation of 5.6% (0.6% overweight).

2.13 Global Sustainable Equities

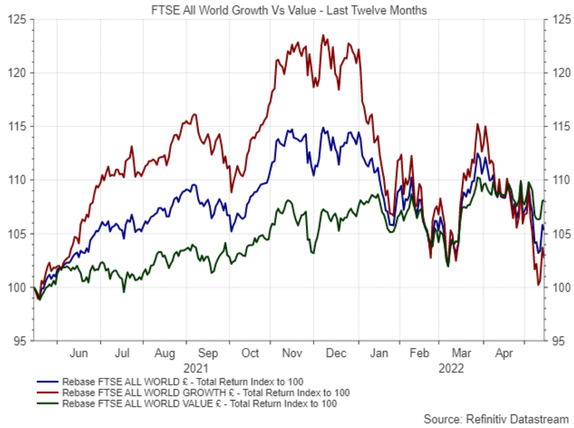
DPF Weightings	
Intermediate Neutral	16.0%
Final Neutral	29.0%
Actual 30.4.22	24.2%
AF Recommendation	29.0%
IIMT Recommendation	25.6%
Benchmark Returns (GB£)	
Q1 22/23 to 16 May-22	(1.9%)
Q4 21/22	(2.7%)
1 Year to Mar-22	13.4%
3 Years to Mar-22 (pa)	14.1%
5 Years to Mar-22 (pa)	11.0%

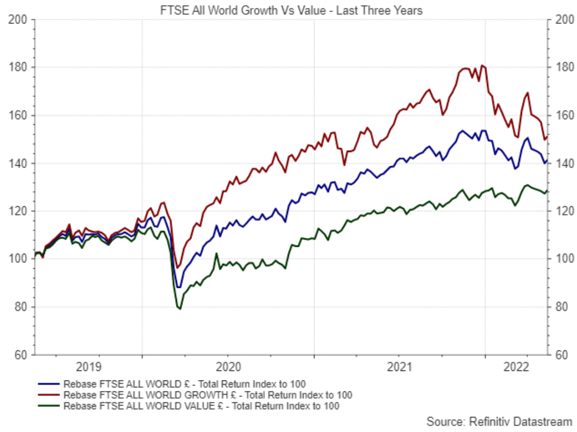
The Fund's allocation to Global Sustainable Equities fell from 24.6% at 31 January 2022 to 24.2% at 30 April 2022 reflecting relative market weakness.

Mr Fletcher recommends a neutral weighting of 29.0% relative to the final benchmark.

The IIMT remains confident about the long-term investment case for the Fund's allocation to Global Sustainable Equities, which typically favour growth stocks relative to value stocks.

The charts below shows that growth stocks have out-performed value stocks over the last three years, particularly since the start of the Covid-19 pandemic, as investors favoured quality growth stocks over pro-cyclical stocks, in part supported by low forward interest rate expectations.





However, value stocks have rallied over the last twelve months as both economic activity, and in particular, forward interest rate expectations have increased. This trend has continued into 2022, with investors favouring tangible (or ‘real’) assets over intangible assets. There has also been a shift from green energy (i.e. renewables) to brown energy (i.e. fossil fuels).

Whilst the IIMT believes that the current value rally may continue for several more months to come (driven by rising forward rate expectations and increased geopolitical tensions), the IIMT remains confident that the Fund’s allocation to Global Sustainable Equities will out-perform over the long-term.

To reduce the performance risk of increasing allocations within a highly correlated asset class, the calendar year-to-date increase in the Fund’s Global Sustainable Equity allocation from 16.9% at 31 December 2021 to 24.2% at 30 April 2022 (inward investment of around £500m) has been targeted at highly diversified index products which are designed to significantly reduce the carbon footprint of the portfolio but also to dampen-down performance volatility relative to the wider market.

The IIMT recommends that Fund’s allocation to Global Sustainable Equities is increased to 25.6%; 3.4% underweight. As noted earlier, the IIMT recommends an overall neutral weight to Growth Assets, with the underweight in respect of Global Sustainable Equities being used to fund overweight allocations in respect of UK Equities, Japanese Equities, Emerging Market Equities and Private Equity. The IIMT believes that these allocations offer greater relative value.

2.14 Private Equity

DPF Weighting					
Intermediate Netural	Final Neutral	Actual 30.4.22	Committed 30.4.22	AF Recommendation	IIMT Recommendation
4.0%	4.0%	4.8%	5.8%	4.0%	4.8%
Benchmark Returns (GB£)					
Q1 22/23 to 16 May-22	Q4 21/22	1 Year to May-22	3 Years to May-22 (pa)	5 Years to May-22 (pa)	
(1.7%)	(2.5%)	10.4%	5.2%	5.0%	

The Private Equity weighting increased from 4.7% at 31 January 2022 to 4.8% at 30 April 2022 (0.8% overweight relative to the final benchmark), reflecting relative market strength.

Mr Fletcher recommends a neutral weighting of 4.0% in Private Equity.

The IIMT notes that the Fund is overweight to Private Equity on a committed basis and is not reviewing further opportunities at this stage. The IIMT believes that the Fund's outstanding private equity commitments of around £60m are well positioned to benefit from any market opportunities resulting from the recovery from the coronavirus outbreak with a strong focus on small and mid-cap deals.

The IIMT recommends maintaining the current Private Equity allocation of 4.8% (0.8% overweight); 5.8% on a committed basis. The IIMT believes that recent relative market weakness should help the asset class to outperform over the longer term.

It is noted that the Fund changed its Private Equity benchmark from FTSE All Share +1% to Global Sustainable Equity +1% on 1 January 2022 to reflect the increasing global nature of the Fund's private equity investments and better evaluate performance relative to the Fund's Global Sustainable Equity allocation.

2.15 Income Assets

At 30 April 2022, the overall weighting in Income Assets was 24.2%, 2.0% higher than that reported at 31 January 2022, reflecting net investment of £96m, together with relative market strength. The IIMT recommendations below maintain the overall Income Asset weighting at 24.2%; 28.2% on a committed basis.

2.16 Multi Asset Credit

DPF Weighting				
Intermediate Neutral	Final Neutral	Actual 30.4.22	AF Recommendation	IIMT Recommendation
6.0%	6.0%	6.9%	8.0%	6.2%
Benchmark Returns (GB£)				
Q3 22/23 to 16 May-22	Q4 21/22	1 Year to May-22	3 Years to May-22 (pa)	5 Years to May-22 (pa)
0.1%	(0.2%)	2.2%	3.5%	3.5%

The Fund's allocation to Multi-Asset Credit reduced from 7.0% at 31 January 2022 to 6.9% at 30 April 2022, principally reflecting net distributions of £5m; 0.9% overweight relative to the final benchmark.

It is noted that subsequent to 30 April 2022, the Fund finalised a commitment of £56.25m to a European private debt fund managed by CVC Capital Partners (CVC Capital Partners European Direct Lending Fund III). The fund will provide senior secured private debt financing to private equity backed transactions and is targeting an annual net return of around 7%, with an average annual net cash yield of around 5%. As the commitment was time critical and in excess of £25m, the commitment was approved by the Interim Director of Finance & ICT in consultation with the Chair of the Pensions and Investments Committee.

Mr Fletcher recommends a 2.0% overweight allocation of 8.0% to Multi-Asset Credit, funded from a 1.0% underweight allocation to both conventional UK gilts and investment grade bonds (see Protection Assets). Mr Fletcher notes that whilst credit spreads are low, corporate fundamentals remain strong and default rates are likely to remain low. Furthermore, because many of the securities within a Multi-Asset Credit portfolio have floating rather than fixed interest rates, they are less interest rate sensitive, which is preferable in a rising rate environment.

The IIMT continues to be positive about the long-term attractions of the asset class and favours a strong bias towards defensive forms of credit (e.g., senior secured debt and asset backed securities). The noted new private debt commitment is part of a planned change in the portfolio mix away from diversified Multi-Asset Credit funds, which have lower levels of debt security, towards senior secured debt funds.

Notwithstanding the long-term attractions of the asset class, the IIMT recommends that the current allocation of 6.9% is reduced to 6.2% (0.2% overweight; 8.4% on a committed basis) to rebalance the Fund's Income Asset portfolio which has been impacted by recent investment into Direct Property (£22m) and Infrastructure (£94m).

2.17 Property

DPF Weighting				
Intermediate Neutral	Final Neutral	Actual 30.4.22	AF Recommendation	IIMT Recommendation
9.0%	9.0%	8.0%	9.0%	8.6%
Benchmark Returns (GB£)				
Q1 22/23 to 16 May-22	Q4 21/22	1 Year to May-22	3 Years to May-22 (pa)	5 Years to May-22 (pa)
Not Available	3.9%	19.5%	6.7%	6.8%

The Fund's allocation to Property increased by 0.3% to 8.0% at 30 April 2022, reflecting net investment of £8m (+£22m Direct Property / -£14m Indirect Property, reflecting redemptions from two funds in unwind) and relative market strength. Direct Property accounted for 5.1% (up 0.5%, 0.9% underweight relative to the final benchmark) and Indirect Property accounted for 2.9% (down 0.2%, 0.1% underweight relative to the final benchmark).

The Fund purchased two direct properties, and sold one direct property, in the period at a net cost of £22m. The Fund completed the purchase of a freehold multi-let industrial estate in Leighton Buzzard for £16.1m and a retail warehouse park on a long leasehold in Reading for £10.4m.

Mr Fletcher recommends a neutral overall allocation of 9.0% to property but notes that he would like to see the Direct Property allocation increased, funded from realisations out of the Indirect Property allocation. However, Mr Fletcher acknowledges that this should be done with caution as it is a very long-term investment decision, and property transactions tend to be quite expensive.

The total return of the Fund’s property portfolio for the year to 31 March 2022 was 18.8%. The Fund’s Discretionary Direct Property manager notes that the UK commercial property market had a strong end to both the calendar year 2021 and financial year 2021-22, but with economic headwinds increasing not least in the form of a rapidly rising inflation rate and further expected increases in interest rates, returns are likely to ease going forward. The industrial and retail warehousing sectors are forecast to provide the strongest total return performance over the medium term and the Fund has good exposure to these sectors. The standard shops and office sectors still require caution before considering additional investment, due to consumer confidence looking more fragile as energy and food costs increase (retail) and an evolving post-Covid working environment (offices).

The Fund’s manager is of the opinion that further investment in the alternatives sector (e.g., leisure and hotels) merits consideration. The Fund has a lower weighting in this sector relative to the benchmark and a rebound in values is anticipated as the sector recovers from a low base as a result of the Covid related challenges over the past two years.

The Direct Property Manager has recently agreed Heads of Terms to acquire two further properties for a total of £35m which are scheduled to complete in Q2-22.

The IIMT recommends that the Fund’s allocation to Direct Property is increased to 5.7% to reflect the net impact of the purchases noted above (0.3% underweight), whereas the allocation to Indirect Property is maintained at 2.9% (0.1% overweight). It is also recommended that further liquidity of up to £30m is made available to the Direct Property manager to make incremental investments at the right time should suitable investment opportunities be identified.

The IIMT continues to believe that Indirect Property increases the options available to the Fund to deploy capital into a relatively illiquid asset class and increases portfolio diversification, including exposure to overseas assets, private rented accommodation, student accommodation, development capital and medical centres.

2.18 Infrastructure

DPF Weighting					
Intermediate Neutral	Final Neutral	Actual 30.4.22	Committed 30.4.22	AF Recommendation	IIMT Recommendation
9.0%	10.0%	9.3%	11.2%	10.0%	9.4%
Benchmark Returns (GB£)					
Q1 22/23 to 16 May-22	Q4 21/22	1 Year to May-22	3 Years to May-22 (pa)	5 Years to May-22 (pa)	
0.3%	0.6%	2.2%	2.4%	2.5%	

The Fund's allocation to Infrastructure increased from 7.5% at 31 January 2022 to 9.3% at 30 April 2022 principally reflecting net investment of around £94m, of which £74m related to renewable energy assets.

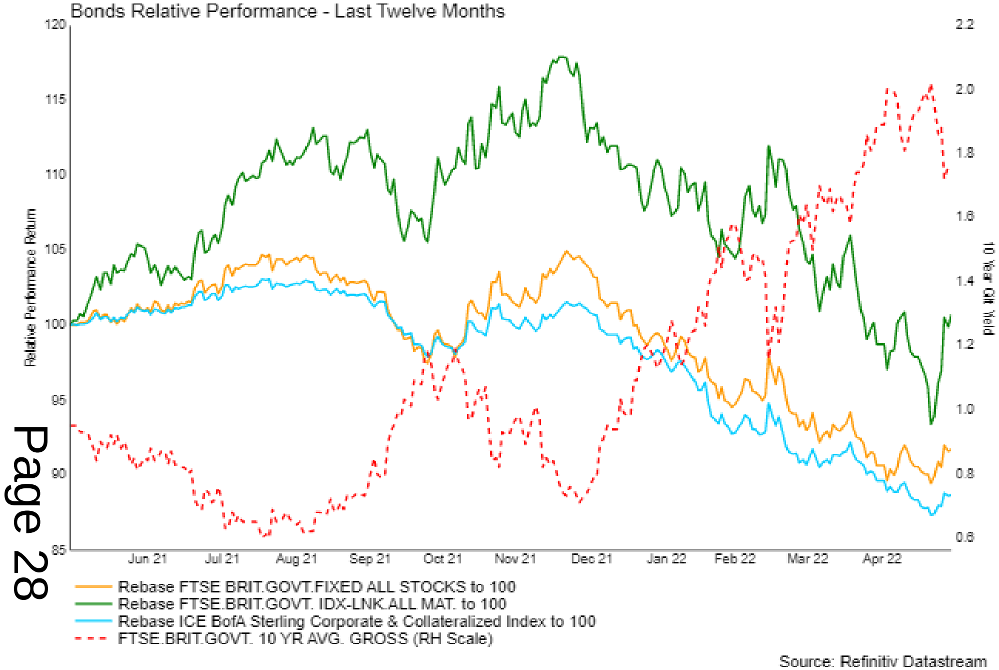
Mr Fletcher recommends a neutral weighting relative to the final benchmark of 10.0% allocation, although Mr Fletcher acknowledges that because of the nature of the infrastructure investment process, it takes time to deploy capital to the asset class.

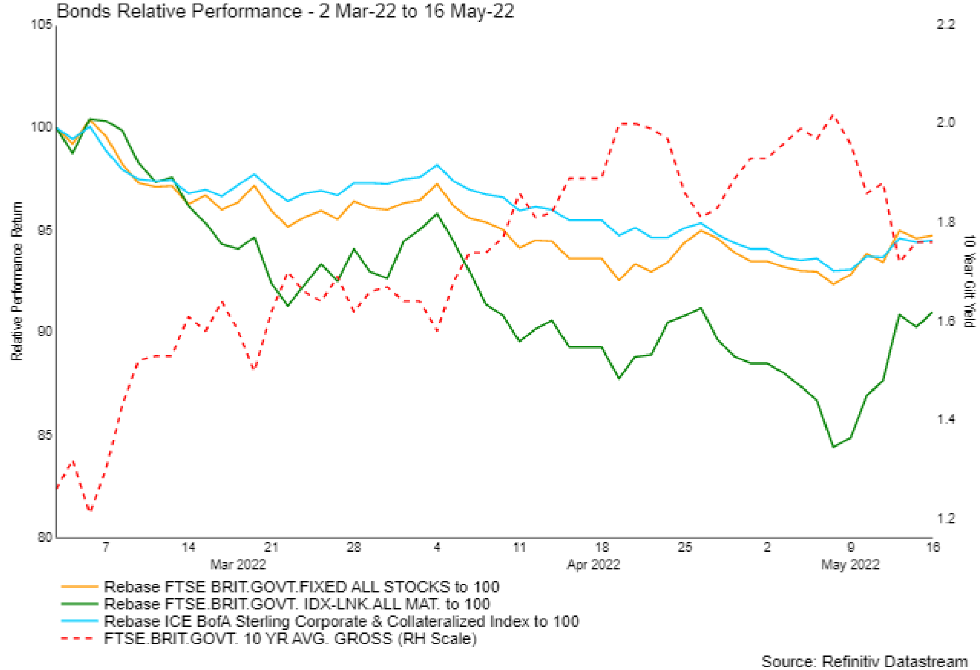
The IIMT continues to view Infrastructure as an attractive long-term asset class and favours a bias towards core infrastructure assets or renewable energy assets. These assets can offer low volatility; low correlation to equity and fixed income markets; and reliable long-term cash flows.

Notwithstanding the noted favourable long-term characteristics of the asset class, the IIMT continues to believe that infrastructure assets are exposed to increased political and regulatory risk, and this risk is best mitigated through asset type and geographical diversification. It should also be noted that the current market valuation of some infrastructure assets, particularly renewable infrastructure assets, are becoming increasingly stretched driven by strong investor demand.

The IIMT recommends that the invested weighting is increased by 0.1% to 9.4% in the next quarter, reflecting anticipated closed-ended fund drawdowns; 11.2% on a committed basis.

2.19 Protection Assets





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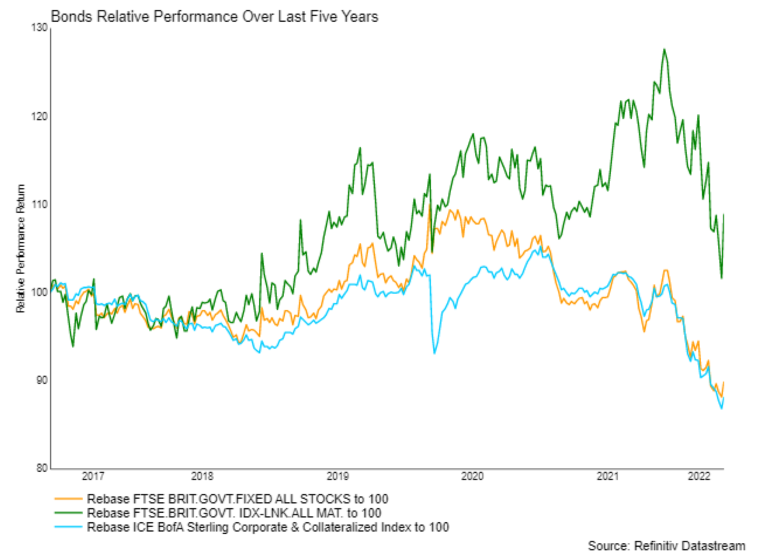
The weighting in Protection Assets at 30 April 2022 was 16.0%, 0.8% lower than 31 January 2022 reflecting relative market weakness, partly offset by net investment of £9m. The IIMT recommendations below increase the weighting by 0.5% to 16.5%.

Fixed income returns have come under increasing pressure in 2022 as bond yields have risen (reflecting how prices have fallen). Expectations for the path of monetary policy have seen a major shift this year, with markets now pricing in interest rates of well over 2% in both the US and the UK by year-end, as rates are normalised from historic lows to tackle rising inflation

2.20 Conventional Bonds

DPF Weightings	
Intermediate Neutral	6.0%
Final Neutral	6.0%
Actual 30.4.22	4.5%
AF Recommendation	5.0%
IIMT Recommendation	5.0%
Benchmark Returns (GB£)	
Q1 22/23 to 16 May-22	(1.6%)
Q4 21/22	(7.2%)
1 Year to Mar-22	(5.1%)
3 Years to Mar-22 (pa)	(0.5%)
5 Years to Mar-22 (pa)	0.5%



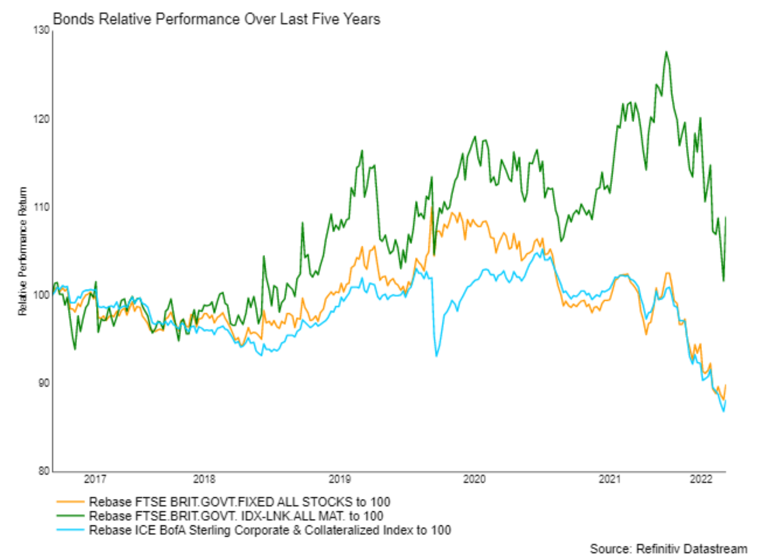
The Fund’s allocation to Conventional Bonds reduced by 0.3% to 4.5% between 31 January 2022 and 30 April 2022, reflecting net divestment of £11m and relative market weakness; 1.5% underweight relative to the final benchmark.

Mr Fletcher has reduced his recommended underweight allocation to Conventional Bonds from 2.0% to 1.0%. Mr Fletcher notes that higher inflation and interest rates will continue to exert negative pressure on bond markets, but on balance, yields for government bonds are now sufficiently attractive to reduce the previous underweight allocation of 2.0% to 1.0%.

The IIMT agrees that conventional sovereign bonds offer better value now than they have for some time following the sharp rise in yields from recent historic lows. Sovereign bonds are also diversifying assets which should afford greater protection than other asset classes in periods of market uncertainty, as evidenced during the Covid-19 pandemic. The IIMT recommends increasing the weighting by 0.5% to 5.0%; 1.0% underweight relative to the final benchmark.

2.21 Index-Linked Bonds

DPF Weightings	
Intermediate Neutral	6.0%
Final Neutral	6.0%
Actual 30.4.22	5.5%
AF Recommendation	6.0%
IIMT Recommendation	5.5%
Benchmark Returns (GB£)	
Q1 22/23 to 16 May-22	(3.5%)
Q4 21/22	(5.5%)
1 Year to Mar-22	5.1%
3 Years to Mar-22 (pa)	3.2%
5 Years to Mar-22 (pa)	3.1%



The Fund's allocation to Index-Linked Bonds remained flat at 5.5% (0.5% underweight relative to the final benchmark) with net investment of £20m being offset by market weakness. The Fund's allocation at 30 April 2022 comprised 80% UK Index-Linked Bonds (UK Linkers) and 20% US Treasury Inflation Protected Bonds (US TIPS).

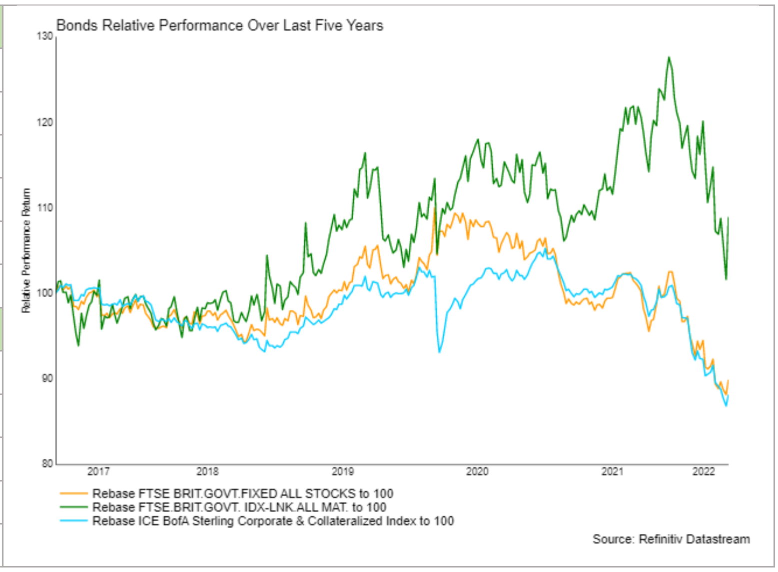
Mr Fletcher has maintained his 6.0% (neutral) allocation to Index-Linked Bonds. Mr Fletcher notes that he remains uncomfortable with the extremely high duration, negative yield and over-valuation of index-linked gilts, and has consistently recommended an underweight allocation in the past. However, in the current market environment of rising inflation, Mr Fletcher now recommends a neutral position.

The IIMT notes that markets and the major central banks have become increasingly concerned about higher inflation, which has been driven by the 'post Covid-19' economic recovery; supply constraints; high-savings rates (which could reverse and lead to a spending surge); previous central bank policy stimulus; higher energy costs; and the conflict between Russia and Ukraine. However, it is unclear whether this will be a relatively short-term issue or whether inflationary pressures will become more entrenched.

The IIMT believes that the potential for a longer-term period of elevated inflation supports the Fund's current Index-Linked bonds allocation, and therefore recommends that the weighting is maintained at 5.5%. The IIMT recommends maintaining the Fund’s current exposure to US TIPS, noting that these offer diversification and protection against rising US inflation expectations.

2.22 Corporate Bonds

DPF Weightings	
Intermediate Neutral	6.0%
Final Neutral	6.0%
Actual 30.4.22	6.0%
AF Recommendation	5.0%
IIMT Recommendation	6.0%
Benchmark Returns (GB£)	
Q1 22/23 to 16 Mar-22	(3.9%)
Q4 21/22	(6.7%)
1 Year to Mar-22	(4.9%)
3 Years to Mar-22 (pa) (1)	n/a
5 Years to Mar-22 (pa) (1)	n/a



(1) Benchmark returns for the LGPS Central Limited Investment Grade Bonds Sub-Fund only available since the launch of the product in February 2020

There were no transactions in the period and relative market weakness reduced the Fund’s weighting in Global Investment Grade Bonds from 6.5% at 31 January 2022 to 6.0% at 30 April 2022.

Mr Fletcher has increased his recommended weighting in Global Investment Grade Bonds from 4.0% (2.0% underweight) to 5.0% (1.0% underweight) on the basis that the recent sell off of investment grade bonds has increased the relative attractiveness of the asset class.

The IIMT notes that investment grade bond spreads have now increased to the level of long-term averages, albeit it remains unclear whether these fully compensate for the increased level of credit risk. However, the IIMT believes that investment grade bonds are likely to be more defensively positioned relative to risk-on assets (e.g., equities, high yield bonds, etc), should markets experience a prolonged period of weakness. As a result, the IIMT recommends maintaining the current neutral allocation of 6.0% to the asset class.

2.23 Cash

The Cash weighting at 30 April 2022 was 4.5% (2.5% overweight relative to the final benchmark), down from 5.1% at 31 January 2022.

Mr Fletcher has reduced his recommended weighting in Cash from 4.0% (2% overweight) to 2% (neutral), with the reduction used to fund a 1.0% increase in the Fund’s allocations to both Conventional Bonds and Corporate Bonds

The IIMT notes that global markets are extremely volatile; investor confidence is low with multiple factors weighing on investor sentiment, including a slowdown in global activity, inflationary pressures, rising interest rates, energy security concerns, tight global supply chains, the conflict between Russia and Ukraine and China’s zero Covid-19 policy.

The IIMT recommends a defensive cash allocation of 4.3% (2.3% overweight relative to the final benchmark) due to the uncertain economic outlook. This will also ensure that the Fund has sufficient operational headroom after adjusting for term-loan maturities (i.e., short-term loans provided by the Fund to other public sector bodies) to cover upcoming investment commitment drawdowns (expected to be in excess of £180m over the course of 2022-23).

3. Implications

3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

4. Background Papers

4.1 Papers held in the Investment Section.

5. Appendices

5.1 Appendix 1 – Implications
5.2 Appendix 2 – Report of independent external adviser.
5.3 Appendix 3 – Portfolio Valuation Report at 30 April 2022.

6. Recommendation(s)

That Committee:

a) notes the report of the independent external advisor, Mr Fletcher.
b) notes the asset allocations, total assets and long-term performance analysis set out in the report.
c) notes the change to the Fund's Private Equity benchmark from FTSE All Share +1% to Global Sustainable Equities +1%.
d) notes the commitment of £56.25m to CVC Credit Partners European Direct Lending Fund III.
e) approves the IIMT recommendations outlined in the report.

7. Reasons for Recommendation(s)

7.1 Both Mr Fletcher's report and the analysis set out in this report in respect of asset allocation, total assets and long-term performance provide an overview of the Fund's investment strategy and performance track-record on which to assess the asset allocation recommendations for the Fund for the upcoming quarter.

7.2 The rationale for each of the IIMT asset allocation recommendations included in this report is set out in Section 2.

Report Author:	**Neil Smith**	**Contact details:**	**neil.smith2@derbyshire.gov.uk**

Appendix 1

<u>Implications</u>

Financial

1.1 None

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 None

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

Derbyshire Pension Fund

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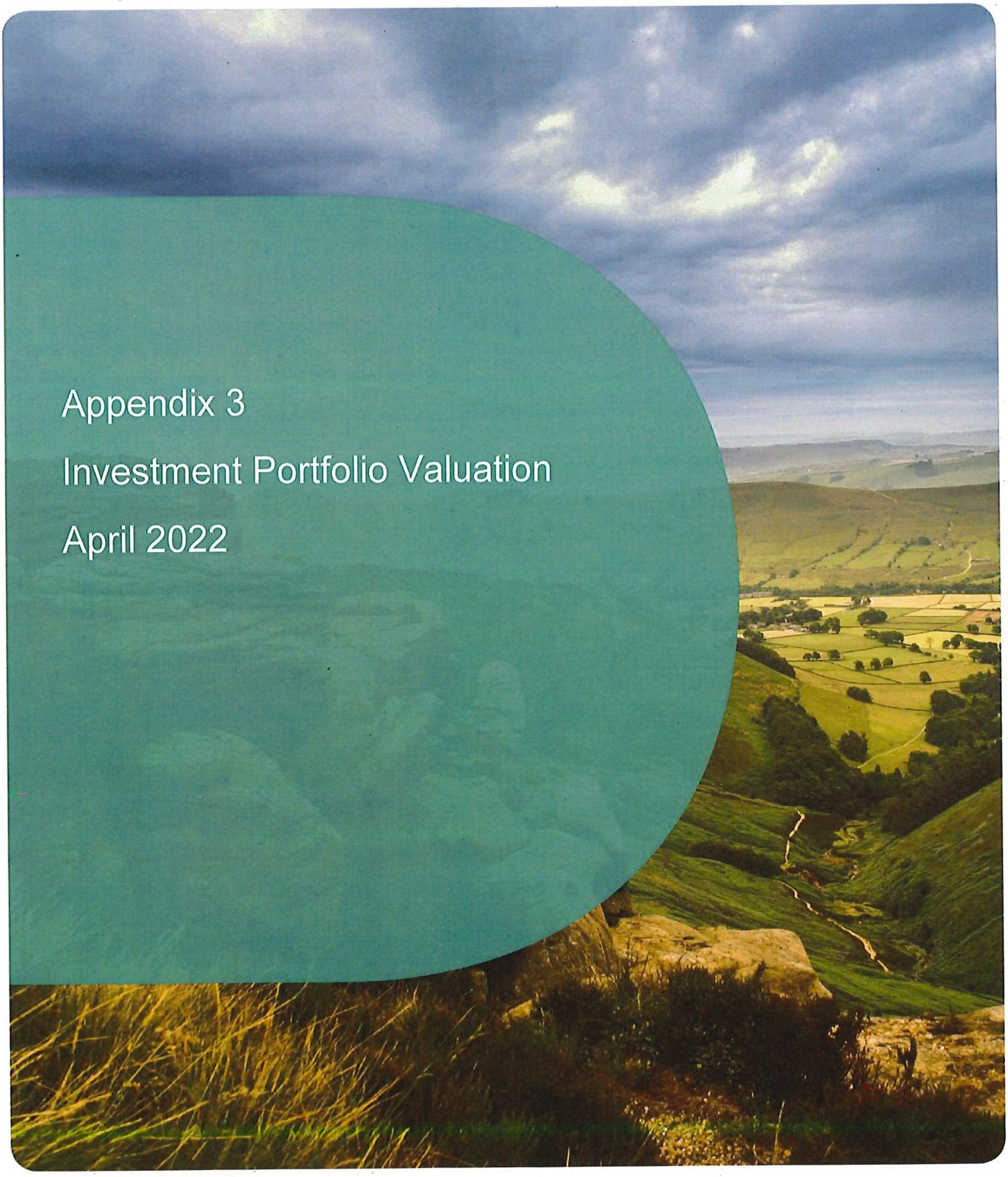
Appendix 3
Investment Portfolio Valuation
April 2022



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

lgps

DERBYSHIRE PENSION FUND

At 30 April 2022	Neutral Weight	Permitted Range	DCC 29/04/2022 £m	DCC 29/04/2022 %
Growth Assets	**55.0%**	**+/- 8%**	**3332.1**	**55.3%**
UK	12.0%	**+/- 6%**	813.3	13.5%
US	0.0%	**+/- 6%**	94.1	1.6%
Europe	0.0%	**+/- 4%**	29.9	0.5%
Japan	5.0%	**+/- 2%**	308.8	5.1%
Pacific (ex Japan)	0.0%	**+/- 2%**	52.8	0.9%
Emerging Markets	5.0%	**+/- 2%**	284.2	4.7%
Global Sustainable	29.0%	**+/- 16%**	1461.9	24.2%
Private Equity	4.0%	**+/- 2%**	287.1	4.8%
Income Assets	**25.0%**	**+/- 6%**	**1460.9**	**24.2%**
Infrastructure	10.0%	**+/- 3%**	560.0	9.3%
Property	9.0%	**+/- 3%**	485.8	8.1%
Direct	6.0%		309.1	5.1%
Indirect	3.0%		176.7	2.9%
Multi-Asset Credit	6.0%	**+/- 2%**	415.1	6.9%
Protection Assets	**18.0%**	**+/- 5%**	**961.9**	**16.0%**
Government	6.0%	**+/- 2%**	267.4	***4.4%***
Index Linked	6.0%	**+/- 2%**	332.1	***5.5%***
Non Government	6.0%	**+/- 2%**	362.4	***6.0%***
Cash	**2.0%**	**+/- 8%**	**272.8**	**4.5%**
LGPSC Regulatory Capital	**0.0%**		**2.0**	**0.0%**
Total	**100.0%**		**6029.7**	**100.0%**

DERBYSHIRE PENSION FUND
APRIL 2022 PORTFOLIO VALUATION - BID

UK EQUITIES Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
UK EQUITIES FUND				
LGIM UK EQUITY INDEX FUND				
UK EQUITIE: LGIM UK EQUITY INDEX FUND	48,466,921.83	**15.56**	**15.56**	753,946,589
UK EQUITIES FUND TOTAL				**753,946,589**

DERBYSHIRE PENSION FUND
APRIL 2022 PORTFOLIO VALUATION - BID
NEW SECTORS
UK EQUITIES

Sector	Company Name	Number held	Mkt Price Pence	Total £
HOUSEHOLD GOODS				
UK Hous Gds Txtil	PETER GEESON 2nd PREFERRED OF	16,487	0.00	-
UK Household Goods Total				-
EQUITY INVESTMENT COMPANIES				
UK Investment Co's	ABERFORTH SML 1P	789,000	1350.00	10,651,500
UK Investment Co's	LOW CARBON ACCELERATOR LTD	3,868,000	0.00	-
UK Investment Co's	MONTANARO UK SMALLER CO'S 10P	11,996,285	119.00	14,275,579
UK Investment Co's	STRATHDON INVESTMENTS PLC	20	1000.00	20,000
UK Equity Investment Companies Total				**24,947,079**
UNIT TRUSTS & OEICs				
UK Unit Trusts	LIONTRUST UK SMALLER COMPANIE	1,713,693.58	2007.32	34,399,314
UK Unit Trusts & OEICs Total				**34,399,314**
TOTAL UNITED KINGDOM				**59,346,393**

DERBYSHIRE PENSION FUND					
APRIL 2022 PORTFOLIO VALUATION - BID					
US EQUITIES					
Sector	Company Name	Number held	Mkt price USD/ CAN$	Mkt Price GBP	Value in Sterling £
OIL & GAS PRODUCERS					
US Oil & Gas	CONOCOPHILLIPS	11540	95.48	75.94	876,293
US Oil & Gas	MARATHON PETROLEUM CORP	6093	87.28	69.41	422,938
US Oil & Gas	PIONEER NATURAL RESOURCES CO	1971	232.32	184.76	364,170
US Oil & Gas	SHELL PLC-ADR	59595	53.44	42.50	2,532,837
US Oil & Gas Producers Total					**4,196,238**
OIL & GAS SERVICES					
US Oil & Gas Services	SCHLUMBERGER LTD	12040	38.99	31.01	373,345
US Forestry & Paper Total					**373,345**
CHEMICALS					
US Chemicals	CABOT CORP	7472	65.82	52.35	391,134
US Chemicals	CELANESE CORP	3488	146.98	116.89	407,723
US Chemicals	FMC CORP	5117	132.56	105.42	539,460
US Chemicals	INGEVITY CORP	2803	59.92	47.65	133,575
US Chemicals	LINDE PLC	2878	311.74	247.93	713,533
US Chemicals	PPG INDUSTRIES INC	4147	127.95	101.76	421,993
US Chemicals Total					**2,607,419**
INDUSTRIAL METALS					
US Industrial Metals	LIVENT CORP	6779	21.39	17.01	115,321
US Industrial Metals Total					**115,321**
AEROSPACE					
US Aero defence	BOEING CO/THE	2206	148.86	118.39	261,165
US Aero defence	GENERAL DYNAMICS	2770	236.51	188.10	521,027
US Aero defence	L3HARRIS TECHNOLOGIES INC	1635	232.03	184.53	301,712
US Aero defence	RAYTHEON TECHNOLOGIES CORP	10990	94.95	75.51	829,896
US Aerospace Total					**1,913,800**
GENERAL INDUSTRIAL					
US Div Ind	BALL CORP	2646	81.15	64.54	170,769
US Div Ind	BUILDERS FIRSTSOURCE INC	3600	61.57	48.97	176,280
US Div Ind	CATERPILLAR INC	900	210.51	167.42	150,677
US Div Ind	DANAHER CORP	4657	251.18	199.76	930,298
US Div Ind	EMERSON ELECTRIC CO	1721	90.21	71.74	123,471
US Div Ind	FORTUNE BRANDS HOME & SECURITY	2000	71.24	56.66	113,314
US Div Ind	FLOWSERVE CORP	1200	32.72	26.02	31,227
US Div Ind	FLUOR CORP	2345	24.73	19.67	46,121
US Div Ind	HONEYWELL INTERNATIONAL INC	4256	193.58	153.95	655,229
US Div Ind	INGERSOLL-RAND PLC	7033	43.94	34.95	245,772
US Div Ind	JOHNSON CONTROLS INTERNATIONAL	8321	60.00	47.72	397,061
US Div Ind	KENNAMETAL INC	5860	25.72	20.46	119,867
US Div Ind	MIDDLEBY CORP	400	153.87	122.37	48,949
US Div Ind	PACCAR INC	3771	83.05	66.05	249,073
US Div Ind	PARKER HANNIFIN CORP	547	270.62	215.22	117,728
US Div Ind	TRANE TECHNOLOGIES PLC	616	139.85	111.22	68,513
US Div Ind	WABTEC CORP	6740	89.84	71.45	481,571
US Div Ind	WESCO INTERNATIONAL INC	300	123.19	97.97	29,392
US Div Ind	ZURN WATER SOLUTIONS CORP	4628	31.23	24.84	114,947
US General Industrial Total					**4,270,260**
ELECTRONIC EQUIPMENT					

US Electricity	FORTIVE CORP	5422	57.51	45.74	247,990
US Electronic Equipment Total					**247,990**
INDUSTRIAL TRANSPORT					
US Transportation	CANADIAN PACIFIC RAILWAY LTD	2391	73.23	58.24	139,251
US Transportation	FEDEX CORP	1300	198.76	158.07	205,496
US Transportation	SOUTHWEST AIRLINES CO	1893	46.69	37.13	70,292
US Transportation	UBER TECHNOLOGIES INC	15283	31.47	25.03	382,504
US Industrial Transport Total					**797,544**
SUPPORT SERVICES					
US Support Services	AURORA INNOVATION INC	8858	4.25	3.38	29,940
US Support Services	CERIDIAN HCM HOLDING INC	3083	56.14	44.65	137,650
US Support Services	GENPACT LTD	5822	40.30	32.05	186,599
US Support Services	SCIENCE APPLICATIONS INTL CORP	2901	83.26	66.22	192,095
US Support Services	TRINET GROUP INC	3884	88.70	70.54	273,989
US Support Services	WASTE CONNECTIONS INC	1879	138.00	109.75	206,223
US Support Services Total					**1,026,496**
AUTOMOBILES & PARTS					
US Automobiles & Par	FORD MOTOR CO	16688	14.15	11.25	187,798
US Automobiles & Par	TESLA INC	1236	870.18	692.05	855,379
US Automobiles & Parts Total					**1,043,177**
BEVERAGES					
US Beverages	CONSTELLATION BRANDS INC-A	6135	246.10	195.72	1,200,763
US Beverages	MONSTER BEVERAGE	6450	85.68	68.14	439,511
US Beverages Total					**1,640,274**
FOOD PRODUCTION/PROCESS					
US Food Prod & Proce	HERSHEY CO/THE	3359	225.79	179.57	603,178
US Food Prod & Proce	MONDELEZ INTERNATIONAL INC-A	24638	64.47	51.27	1,263,264
US Food Production & Processing Total					**1,866,442**
TOBACCO					
US Food Prod & Proce	PHILIP MORRIS INTERNATIONAL	13563	100.02	79.55	1,078,881
US Tobacco Total					**1,078,881**
HEALTHCARE EQUIPMENT & SERVICES					
US Healthcare Equipm	AGILON HEALTH INC	17594	17.77	14.13	248,647
US Healthcare Equipm	ALIGN TECHNOLOGY INC	1028	289.64	230.35	236,801
US Healthcare Equipm	ANTHEM INC	1527	501.77	399.06	609,361
US Healthcare Equipm	BOSTON SCIENTIFIC CORP	14692	42.08	33.47	491,686
US Healthcare Equipm	CENTENE CORP	7235	80.55	64.06	463,484
US Healthcare Equipm	DEXCOM INC	483	408.59	324.95	156,952
US Healthcare Equipm	EDWARDS LIFESCIENCES CORP	5101	105.75	84.10	429,009
US Healthcare Equipm	ELANCO ANIMAL HEALTH INC	10548	25.30	20.12	212,237
US Healthcare Equipm	HCA HOLDINGS INC	2591	214.56	170.64	442,127
US Healthcare Equipm	HUMANA INC	2637	444.41	353.44	932,019
US Healthcare Equipm	INARI MEDICAL INC	2256	80.64	64.13	144,684
US Healthcare Equipm	INSULET CORP	1207	239.04	190.11	229,461
US Healthcare Equipm	LABORATORY CRP OF AMER HLDGS	718	240.21	191.04	137,166
US Healthcare Equipm	MCKESSON CORP	1163	309.31	245.99	286,091
US Healthcare Equipm	STRYKER CORP	2727	241.17	191.80	523,045
US Healthcare Equipm	TELEFLEX INC	1242	285.34	226.93	281,848
US Healthcare Equipment & ServicesTotal					**5,824,619**
PHARMACEUTICAL, BIOTECH					
US Healthcare	ACLARIS THERAPEUTICS INC	1541	12.32	9.80	15,099
US Healthcare	AGILIENT TECHNOLOGIES INC	4928	119.28	94.86	467,487
US Healthcare	ALNYLAM PHARMACEUTICALS INC	354	133.42	106.11	37,563
US Healthcare	APELLIS PHARMACEUTICALS INC	810	43.50	34.60	28,022
US Healthcare	ASCENDIS PHARMA A/S - ADR	677	91.31	72.62	49,163
US Pharm, Biotech	ASTRAZENECA PLC-SPONS ADR	8295	66.37	52.78	437,844

US Healthcare	BAXTER INTERNATIONAL INC	6027	71.06	56.51	340,610
US Healthcare	BIOGEN INC	771	207.44	164.98	127,197
US Healthcare	BLUEPRINT MEDICINES CORP	443	58.34	46.40	20,554
US Healthcare	BRISTOL-MYERS SQUIBB CO	14000	75.27	59.86	838,071
US Healthcare	CELLDEX THERAPEUTICS INC	809	30.55	24.30	19,656
US Pharm, Biotech	ELI LILLY & CO	5934	292.14	232.34	1,378,699
US Pharm, Biotech	EXACT SCIENCES CORP	3066	55.05	43.78	134,233
US Pharm, Biotech	GENMAB A/S-SP ADR	1993	35.17	27.97	55,746
US Pharm, Biotech	HORIZON THERAPEUTICS PLC COM	756	98.55	78.38	59,253
US Pharm, Biotech	ICON PLC	675	226.20	179.90	121,430
US Pharm, Biotech	INCYTE CORP	1103	74.96	59.62	65,756
US Pharm, Biotech	INTRA-CELLULAR THERAPIES INC	1765	50.57	40.22	70,985
US Pharm, Biotech	KYMERA THERAPEUTICS INC	656	31.37	24.95	16,366
US Healthcare	MIRATI THERAPEUTICS INC	308	61.82	49.17	15,143
US Healthcare	MODERNA INC	293	134.37	106.86	31,311
US Healthcare	MYOVANT SCIENCES LTD	10910	9.31	7.40	80,780
US Healthcare	NEUROCRINE BIOSCIENCES INC	421	90.02	71.59	30,141
US Healthcare	NANOSTRING TECHNOLOGIES INC	8559	18.79	14.94	127,903
US Healthcare	NOVARTIS AG-SPONSORED ADR	6046	88.04	70.02	423,330
US Pharm, Biotech	PFIZER INC	34406	49.08	39.03	1,342,981
US Pharm, Biotech	REGENERON PHARMACEUTICALS	495	659.12	524.20	259,478
US Pharm, Biotech	REVOLUTION MEDICINES INC	2184	19.98	15.89	34,704
US Pharm, Biotech	SAREPTA THERAPEUTICS INC	434	72.34	57.53	24,969
US Pharm, Biotech	SEATTLE GENETICS INC	764	131.00	104.18	79,597
US Pharm, Biotech	SYNEOS HEALTH INC	4497	73.09	58.13	261,404
US Healthcare	VERACYTE INC	2899	20.49	16.30	47,241
US Healthcare	VERTEX PHARMACEUTICALS INC	1591	273.21	217.28	345,699
US Healthcare	WATERS CORP	981	303.21	241.14	236,561
US Healthcare	UNITEDHEALTH GROUP INC	1277	508.04	404.04	515,964
US Healthcare	UNITED THERAPEUTICS CORP	248	177.61	141.25	35,031
US Healthcare	ZOETIS INC	3750	177.18	140.91	528,417
US Pharmaceutical, Biotech Total					**8,704,389**
FOOD RETAIL					
US Retail Food & Druc	AIRBNB INC-CLASS A	7542	153.20	121.84	918,917
US Retail Food & Druc	HYATT HOTELS CORP-CL A	3650	94.96	75.52	275,654
US Retail Food & Druc	PERFORMANCE FOOD GROUP CORP	49992	49.25	39.17	1,958,113
US Retail Food & Druc	STARBUCKS CORP	8698	74.63	59.35	516,254
US Retail Food & Druc	SYSCO CORP	12482	85.54	68.03	849,150
US Food Retail Total					**4,518,088**
RETAILERS - GENERAL					
US Retailers Gen	AMAZON.COM INC	2103	2,485.62	1,976.81	4,157,239
US Retailers Gen	ETSY INC	7430	93.19	74.11	550,667
US Retailers Gen	TJX COMPANIES INC	18480	61.25	48.71	900,200
US Retailers Gen	ULTA BEAUTY INC	3042	396.62	315.43	959,544
US Retailers - General Total					**6,567,650**
MEDIA					
US Media & Photo	BUMBLE INC	14745	23.99	19.08	281,323
US Media & Photo	CARGURUS INC	12260	32.69	26.00	318,740
US Media & Photo	CHARTER COMMUNICATIONS INC-A	2222	427.75	340.19	755,901
US Media & Photo	DISH NETWORK CORP-A	12868	28.51	22.67	291,769
US Media & Photo	ELECTRONIC ARTS INC	3807	118.05	93.89	357,421
US Media & Photo	META PLATFORMS INC-CLASS A	8347	200.49	159.45	1,330,927
US Media & Photo	MATCH GROUP INC	3930	79.14	62.94	247,354
US Media & Photo	NEW YORK TIMES CO-A	9522	38.31	30.47	290,116
US Media & Photo	OMNICOM GROUP	18261	76.17	60.58	1,106,215
US Media & Photo	ROKU INC	5391	92.81	73.81	397,919
US Media & Photo	SNAP INC-A	16581	28.46	22.63	375,298
US Media Total					**5,752,984**
TRAVEL & LEISURE					

US Hotels Leisure	JETBLUE AIRWAYS CORP	38101	11.01	8.76	333,622
US Travel & Leisure Total					**333,622**
TELECOMS					
Telecoms	T-MOBILE US INC	9829	123.14	97.93	962,586
US Telecoms Total					**962,586**
ELECTRICITY					
US Electricity	CONSTELLATION ENERGY	6160	59.21	47.09	290,073
US Electricity	DUKE ENERGY CORP	10544	110.18	87.63	923,930
US Electricity	EDISON INTERNATIONAL	11830	68.84	54.75	647,674
US Electricity	EXELON CORP	17272	46.78	37.20	642,590
US Electricity	FIRSTENERGY CORP	21836	43.33	34.46	752,476
US Electricity Total					**3,256,743**
BANKS, RETAIL					
US Banks Retail	PNC FINANCIAL SERVICES GROUP	3534	166.15	132.14	466,980
US Banks - Retail Total					**466,980**
NON-LIFE INSURANCE					
US Insurance	AMERICAN INTERNATIONAL GROUP	12154	58.48	46.51	565,272
US Insurance	ASSURANT INC	1514	181.87	144.64	218,987
US Insurance	ASSURED GUARANTY LTD	6546	55.15	43.86	287,113
US Insurance	CHUBB LTD	4193	206.38	164.13	688,214
US Insurance	HARTFORD FINANCIAL SVCS GRP	6060	69.93	55.62	337,029
US Insurance	MARSH & MCLENNAN COS INC COM	3727	161.70	128.60	479,292
US Insurance	OSCAR HEALTH-CLASS-A	9706	7.35	5.85	56,736
US Insurance	TRUPANION INC	5154	63.74	50.69	261,269
US Non-Life Insurance Total					**2,893,911**
LIFE INSURANCE					
US Insurance	METLIFE INC	5241	65.67	52.23	273,724
US Life Insurance Total					**273,724**
REAL ESTATE					
US Real Estate	AMERICAN TOWER CORP	1870	241.03	191.69	358,462
US Real Estate	AVALONBAY COMMUNITIES INC	2092	227.34	180.80	378,241
US Real Estate	REXFORD INDUSTRIAL REALTY IN	9235	78.05	62.07	573,246
US Real Estate	RYMAN HOSPITALITY PROPERTIES	4985	93.48	74.34	370,608
US Real Estate	WELLTOWER INC	7779	90.81	72.22	561,809
US Real Estate Total					**2,242,366**
GENERAL FINANCIAL					
US Special Finance	AMERICAN EXPRESS CO	7787	174.73	138.96	1,082,103
US Special Finance	ARES MANAGEMENT CORP - A	15665	66.25	52.69	825,367
US Special Finance	CHARLES SCHWAB CORP	35096	66.35	52.77	1,851,951
US Special Finance	EQUITABLE HOLDINGS INC	23797	28.84	22.94	545,819
US Special Finance	FLEETCOR TECHNOLOGIES INC	1625	249.54	198.46	322,496
US Special Finance	GLOBAL PAYMENTS INC	8731	136.97	108.93	951,087
US Special Finance	HAMILTON LANE INC-CLASS A	4623	68.49	54.47	251,815
US Special Finance	MORGAN STANLEY	14592	80.55	64.06	934,784
US Special Finance	ONEMAIN HOLDINGS INC	4095	45.92	36.52	149,550
US Special Finance	PAYPAL HOLDINGS INC	980	87.88	69.89	68,493
US Special Finance	S&P GLOBAL INC	4570	376.60	299.51	1,368,761
US Special Finance	VISA INC CL A SHS	3697	212.94	169.35	626,091
US Special Finance	VOYA FINANCIAL INC	2635	63.19	50.26	132,422
US Special Finance	WEX INC	2048	166.24	132.21	270,767
US General Financial Total					**9,381,508**
SOFTWARE					
US Software & Comp	ADOBE SYSTEMS INC	738	395.96	314.91	232,401
US Software & Comp	ALPHABET INC - CL A SHARES	2249	2,281.65	1,814.60	4,081,027

US Software & Comp S	AVALARA INC	597	76.07	60.50	36,118
US Software & Comp S	BLOCK INC	2567	99.65	79.25	203,439
US Software & Comp S	GODADDY INC - CLASS A	5969	80.81	64.27	383,617
US Software & Comp S	GUIDEWIRE SOFTWARE INC	1568	86.94	69.14	108,417
US Software & Comp S	HASHICORP INC-CL A	4341	47.08	37.44	162,539
US Software & Comp S	MICROSOFT CORP	28423	277.57	220.75	6,274,418
US Software & Comp S	NUVEI CORP-SUBORDINATE VTG	4209	55.85	44.42	186,953
US Software & Comp S	OKTA INC	478	119.30	94.88	45,352
US Software & Comp S	PALO ALTO NETWORKS INC	213	560.94	446.12	95,023
US Software & Comp S	QUALTRICS INTERNATIONAL-CL A	4148	18.54	14.74	61,162
US Software & Comp S	RAPID7 INC	618	95.52	75.97	46,948
US Software & Comp S	SALESFORCE.COM INC	4660	176.00	139.97	652,273
US Software & Comp S	SENTINELONE INC-CLASS A	1920	33.25	26.44	50,772
US Software & Comp S	SERVICENOW INC	1009	478.21	380.32	383,743
US Software & Comp S	SNOWFLAKE INC-CLASS A	243	171.48	136.38	33,140
US Software & Comp S	UIPATH INC-CLASS A	3306	17.83	14.18	46,880
US Software & Comp S	VARONIS SYSTEMS INC	2415	43.19	34.35	82,953
US Software & Comp S	WORKDAY INC-CLASS A	1643	206.64	164.34	270,012
US Software Total					**13,437,185**
TECHNOLOGY HARDWARE					
US IT Hardware	ADVANCED MICRO DEVICES	11415	85.52	68.01	776,380
US IT Hardware	APPLE INC	29496	157.66	125.39	3,698,415
US IT Hardware	ARISTA NETWORKS INC	5152	115.58	91.92	473,576
US IT Hardware	KLA-TENCOR CORP	1617	318.96	253.67	410,183
US IT Hardware	MARVELL TECHNOLOGY GROUP LTD	9583	58.05	46.17	442,420
US IT Hardware	MICRON TECHNOLOGY INC	10856	68.18	54.22	588,651
US IT Hardware	NVIDIA CORP	2302	185.46	147.50	339,537
US IT Hardware	TAIWAN SEMICONDUCTOR-SP ADR	1306	93.02	73.98	96,616
US IT Hardware	TERADYNE INC	5139	105.45	83.86	430,979
US IT Hardware	TEXAS INSTRUMENTS INC	7869	170.25	135.40	1,065,461
US Technology Hardware Total					**8,322,218**
TOTAL UNITED STATES					**94,115,759**

DERBYSHIRE PENSION FUND
APRIL 2022 PORTFOLIO VALUATION - BID

EUROPEAN EQUITIES Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
EUROPEAN				
PASSIVE TRACKER FUND				
EUROPEAN UBS LIFE EUROPE EX-UK EQUITY T	7,357,086	**4.07**	**4.07**	29,932,305
EUROPEAN EQUITIES TOTAL				**29,932,305**

DERBYSHIRE PENSION FUND
APRIL 2022 PORTFOLIO VALUATION - BID

OTHER EQUITIES	Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
JAPAN					
Investment Companies					
Japan	CC Japan Income & Growth Trust-RIGHTS	1,000,000	**1.00**	**1.00**	10,000
Japan	JPMF japs smoc	718,000	**346.00**	**346.00**	2,484,280
J Investment Companies Total					**2,494,280**
Unit Trusts & OEICs					
Japan	Baillie Gifford OGF - Japanese B Acc Shares	4,533,642.78	**1,831.00**	**1,831.00**	83,010,999
Japan	JPMorgan Jap Fd A Acc	3,000,000.00	**513.00**	**513.00**	15,390,000
J Unit Trusts Total					**98,400,999**
Life Policies					
Internatioı	LGIM Japan Equity Index Fund	96,576,276.970	**2.15**	**2.15**	207,935,485
International Life Policies					**207,935,485**
JAPAN TOTAL					**308,830,764**
OTHER ASIA					
Unit Trusts & OEICs					
Asian	JPMorgan Asia Fund A Ac	20,000,000	**264.00**	**264.00**	52,800,000
OA Unit Trusts Total					**52,800,000**
OTHER ASIA TOTAL					**52,800,000**
EMERGING MARKETS					
Listed Pooled Vehicles					
Internatioı	LGPS Central Emerging Mkt Equity Active Multi M	1,745,534.150	**10,162.00**	**101.62**	177,381,180
Listed Pooled Vehicles					**177,381,180**
Life Policies					
Internatioı	LGIM World Emerging Markets Index Fund	26,673,649.710	**4.00**	**4.00**	106,775,953
International Life Policies					**106,775,953**
EMERGING MARKETS TOTAL					**284,157,134**
OTHER EQUITIES TOTAL					**645,787,898**

DERBYSHIRE PENSION FUND
APRIL 2022 PORTFOLIO VALUATION - BID

GLOBAL SUSTAINABLE FUNDS Company name	Number held	Mkt price in local currency	Mkt Price GBP	Value in Sterling £
GLOBAL SUSTAINABLE FUNDS				
Global Sustanable Unit Trusts-Quoted				
GLOBAL SU: Baillie Gifford positive Change Fund B	34,659,418.46	**308.90**	**3.09**	107,062,944
GLOBAL SU: RBC Global Equity Focus Fund	2,505,988.21	**155.01**	**155.01**	388,453,232
GLOBAL SU: LGPS Central All World Equity Climate	2,334,592.41	**13145.00**	**131.45**	306,882,172
Global Sustanable Unit Trusts				**802,398,348**
Life Policies				
GLOBAL SU: LGIM MSCI World Low Carbon Target	287,644,196.68	**2.29**	**2.29**	659,478,973
International Life Policies				**659,478,973**
GLOBAL SUSTAINABLE FUNDS TOTAL				**1,461,877,321**

DERBYSHIRE PENSION FUND
APRIL 2022 PORTFOLIO VALUATION - BID

OTHER EQUITIES Company name	Number held	Mkt price in local currency	Value in Sterling £
PRIVATE EQUITY			
Quoted Private Equity			
UK Invest APAX GLOBAL ALPHA LTD	3,018,283	187.00	5,644,189
UK Invest HARBOURVEST GLOBAL PRIVATE	995,906	2555.00	25,445,398
UK Invest HGCAPITAL TRUST PLC	7,453,150	425.00	31,675,888
UK Invest ICG ENTERPRISE TRUST PLC	181,795	1114.00	2,025,196
UK Invest NB PRIVATE EQUITY PARTNERS Ltd	1,500,000	19.50	23,262,525
UK Invest NB PRIVATE EQUITY PARTNERS Ltd	38,173	1575.00	601,225
UK Invest PANTHEON INTERNATIONAL PLC	3,600,601	314.00	11,305,887
UK Invest PRINCESS PRIVATE EQUITY HOLDING LTD	500,000	12.40	5,200,436
UK Invest ABERDEEN PRIVATE EQUITY OPPORTUNITIE	900,000	504.00	4,536,000
UK Invest SCHRODER UK PUBLIC PRIVATE	5,000,000	24.65	1,232,500
UK Quoted Private Equity Total			**110,929,244**
Unquoted Private Equity			
UK Uncla ADAM STREET PARTNERS (FEEDER) 2017 FU	30,000,000	1.40	33,429,525
UK Uncla CAPITAL DYNAMICS GLOBAL SECONDARIES	20,000,000	0.67	10,578,943
UK Uncla CAPITAL DYNAMICS MID-MARKET DIRECT FE	25,000,000	1.45	30,379,704
UK Uncla CAPITAL DYNAMICS LGPS COLLECTIVE PE V	20,000,000	1.07	21,315,843
UK Uncla CAPITAL DYNAMICS CPEP LGPS	25,000,000	0.67	16,870,621
UK Uncla CATAPULT GROWTH FUND UNITS	3,000,000	0.21	628,467
UK Uncla EAST MIDLANDS VENTURE	3,000,000	0.03	100,400
UK Uncla EPIRIS FUND II	25,000,000	0.95	23,772,534
UK Uncla GRAPHITE CAPITAL PARTNERS FUND 1X A	11,250,000	0.52	5,796,175
UK Uncla GRAPHITE CAPITAL PARTNERS FUND 1X C	11,250,000	0.50	5,645,293
UK Uncla MOBEUS EQUITY PARTNERS IV LP	10,000,000	0.58	5,793,057
UK Invest PANORAMIC ENTERPRISE CAPITAL UNITS	1,428,486	0.45	648,034
UK Invest PANORAMIC GROWTH FUND 2 LP	10,000,000	0.35	3,536,562
UK Invest PARTNERS GROUP GLOBAL VALUE 2008	7,500,000	0.27	1,694,190
UK Invest STAR CAPITAL STRATEGIC ASSETS III LP	12,500,000	0.86	8,979,377
UK Uncla VESPA CAPITAL II LLP	10,000,000	0.70	7,008,959
UK Unquoted Private Equity Total			**176,177,684**
PRIVATE EQUITY TOTAL			**287,106,928**
INFRASTRUCTURE			
UK Infrastructure Quoted			
Closed-er BLUEFIELD SOLAR INCOME FUND	5,778,936	133.00	7,685,985
Closed-er FORESIGHT SOLAR FUND LTD	4,000,000	113.80	4,552,000
Closed-er GREENCOAT UK WIND PLC	13,835,000	159.50	22,066,825
Closed-er HICL INFRASTRUCUTRE CO LTD	13,560,422	176.80	23,974,826
Closed-e INTERNATIONAL PUBLIC PARTNERSHIP LTD	32,014,081.00	167.00	53,463,515.27
Closed-e 3I INFRASTRUCTURE PLC	2,249,999.00	351.00	7,897,496.49
Closed-e RENEWABLES INFRASTRUCTURE GR	8,391,878.00	134.80	11,312,251.54
UK Infrastructure Quoted Total			**130,952,899**
UK Infrastructure Unquoted			
UK Uncla BlackRock Global Renewable Power Fund III LP	65,000,000	0.23	11,951,153
UK Uncla DALMORE CAPITAL 3 LP	25,000,000	1.09	27,336,408
UK Uncla EQUITIX FUND 1 LTD P'SHIP	7,500,000	1.56	11,712,603
UK Uncla Equitix Fund IV Ltd P'ship	25,000,000	1.12	27,884,814
UK Uncla First Sentier Investors EDIF II	20,000,000	1.22	20,386,808
UK Uncla Greencoat Renewable Income Fund	75,000,000	1.00	75,000,000
UK Uncla IMPAX NEW ENERGY INVESTORS II UNITS	10,000,000	0.01	104,245
UK Uncla JP Morgan Infrastructure Investment Fund UK LF	185,000,000	0.64	118,207,211
UK Uncla MEIF 5 Co-Invest LP	12,600,000	0.58	6,108,027
UK Uncla MEIF 6 Co-Invest LP	28,000,000	0.30	7,047,632
UK Uncla Macquarie European Infrastructure Fund 5 LP	14,400,000	1.17	14,112,876
UK Uncla Macquarie European Infrastructure Fund 6 SCSp	56,000,000	1.01	47,228,598
UK Uncla Macquarie GIG Renewable Energy Fund (Euro)	59,000,000	0.21	10,399,412
UK Uncla PIP Multi Strategy Infrastructure LP	25,000,000	0.75	18,837,284
UK Uncla SL CAPITAL INFRASTRUCTURE 1LP	15,000,000	1.19	17,868,333
UK Uncla SL Capital Infratructure II SCSP	25,000,000	0.71	14,843,068
UK Infrastructure Total			**429,028,469**
INFRASTRUCTURE TOTAL			**559,981,369**
ALTERNATIVES TOTAL			**847,088,296**

DERBYSHIRE PENSION FUND **29/04/2022**
APRIL 2022 PORTFOLIO VALUATION - BID

Real Property		**Valuation £**
Property	Southampton Property	9,400,000
Property	Retail Unit Tamworth	9,500,000
Property	15-17 Jockeys Field London	11,950,000
Property	D'Arblay House, London	14,450,000
Property	Bristol Odeon Development	6,800,000
Property	Caledonia House, London	24,200,000
Property	Chelsea Fields Ind Est, London	22,600,000
Property	Planet Centre, Feltham	24,300,000
Property	Hill St, Mayfair	15,250,000
Property	Birmingham - Travelodge developm't	14,000,000
Property	Saxmundham, Tesco developm't	10,850,000
Property	Roundhay Road, Leeds	8,000,000
Property	Premier Inn, Rubery, Birmingham	5,700,000
Property	South Normanton Warehouse, Alfreton	20,800,000
Property	Loddon Centre, Basingstoke	19,500,000
Property	Parkway, Bury St Edmunds	8,600,000
Property	Waitrose, York	13,850,000
Property	Link 95, Heywood Manchester	12,500,000
Property	Car Park, Welford Rd Leicester	12,250,000
Property	Leamington Spa, Heathcote Industrial Estate	16,800,000
Property	Chalfont Saqaure Retail Park, Lowers Earley	10,900,000
Property	Apex Park Leighton Buzzard	16,895,000
Total Real Property		**309,095,000**

Property Managed Funds			**Number held**	**Mkt price**	**£**
Property	**Pence**	Assura PLC	6,000,000	65.9000	3,954,000
Property	**GBP**	Aviva Pooled Property Fund - cla	277,361	23.1518	6,421,394
Property	**GBP**	Aviva Pooled Property Fund - cla	252,835	23.3501	5,903,719
Property	**GBP**	Bridges Property Alternatives Fu	10,000,000	0.7625	7,624,725
Property	**GBP**	Bridges Property Alternatives Fu	10,000,000	0.5291	5,291,341
Property	**EUR**	Fidelity Eurozone Select Real Es	4,486	6684.6327	25,154,342
Property	**GBP**	Hearthstone Residential Fund 1 I	25,000,000	0.9566	23,914,971
Property	**GBP**	Igloo Regeneration P'ship Propei	4,644,493	0.0303	140,863
Property	**EUR**	Invesco Real Estate-European F	44,569	117.0510	4,375,770
Property	**Pence**	Target Healthcare REIT Ltd	4,085,000	111.0000	4,534,350
Property	**GBP**	M&G PP UK Property Fund (Inc)	8,924	838.0400	7,478,273
Property	**EUR**	M&G European Property Fund S	25,000,000	1.0786	22,618,117
Property	**GBP**	Threadneedle Pensions Property	1,647,730	7.7578	12,782,763
Property	**Pence**	Tritax Big Box Indirect Pooled Fu	10,000,000	243.8000	24,380,000
Property	**GBP**	Unite UK Student Accommodatic	15,584,567	1.4210	22,145,670
Total Property Funds					**176,720,298**

				£
Regulatory Capital	LGPS Central	**0.00**		2,000,000

Cash	*Updated to 29 April 2022*			**Mellon USD**	**Exch rate**	
Cash		Northern Trust	*UK*			15,558,443
Cash			*Euro*			0
Cash			*Wellington*			1,196,723
		Colliers Property Managers Cash				2,581,113
Cash						
Cash		Cash - Lloyds bank Superfund				35,065,646
				Units	**Price**	
	GBP	Aegon Short Dated Investment G		**1,989,095.82**	9.81	19,504,875
	Pence	Royal London Inv Grade Short D		**30,223,655.05**	95.70	28,924,038
				£		
Cash		Cash Temporary Loans		45,000,000		
		Thurrock Council 7 D/N		5,000,000		
		Aberdeen Standard Life		30,000,000		
		BlackRock - DERA		30,000,000		
		Federated Hermes		30,000,000		
		Insight MMF		30,000,000		
		Certs of Deposit		0		
		Treasury Bills		0		170,000,000
Total Cash					Total Cash	**272,830,838**

DERBYSHIRE PENSION FUND
APRIL 2022 PORTFOLIO VALUATION - BID

	Number held	Mkt Price in local currenc (Clean) use Calc & IL Valuation	Mkt Price in local currency (Dirty) use for Non IL Valuation	Mkt Price pence GBP	Total £ GBP
UK GILTS					
TSY 1.75% 7/9/2022	13,490,000	100.25	100.52	100.52	13,560,561
TSY 2.25% 7/9/2023	15,400,000	100.91	101.25	101.25	15,593,194
TSY 5% 7/3/2025	5,500,000	109.08	109.85	109.85	6,041,885
TSY 2% 7/9/2025	7,000,000	101.22	101.53	101.53	7,107,155
TSY 1.5% 7/22/2026	5,650,000	99.40	99.82	99.82	5,639,972
TSY 4.25% 7/12/2027	18,000,000	113.41	115.13	115.13	20,723,462
TSY 4.75% 7/12/2030	13,162,000	123.52	125.44	125.44	16,510,711
TSY 4.25% 7/6/2032	12,370,000	121.44	123.16	123.16	15,234,564
TSY 4.5% 7/9/2034	16,373,000	127.04	127.74	127.74	20,914,872
TSY 4.25% 7/3/2036	11,400,000	126.29	126.94	126.94	14,471,535
TSY 1.75% 7/9/2037	11,800,000	95.39	95.66	95.66	11,288,359
TSY 4.75% 7/12/2038	7,934,000	137.59	139.51	139.51	11,068,427
TSY 4.25% 7/9/2039	4,050,000	131.40	132.05	132.05	5,348,158
TSY 1.25% 22/10/2041	18,000,000	86.27	86.31	86.31	15,535,542
TSY 3.25% 1/22/2044	8,000,000	119.74	120.65	120.65	9,652,061
TSY 0.875% 31/1/2046	20,000,000	77.32	77.54	77.54	15,508,875
TSY 4.25% 7/12/2046	3,900,000	141.21	142.93	142.93	5,574,089
TSY 0.625% 22/10/2050	20,500,000	70.09	70.11	70.11	14,371,891
001 UKGB Total					**224,145,313**
US GOVERNMENT BONDS					
T 2.75% 31/8/2023	26,191,000	100.36	100.84	80.20	21,004,179
T 2.25% 15/11/2024	21,000,000	98.47	99.52	79.15	16,620,994
T 2.75% 15/11/2042	7,500,000	92.44	93.72	74.54	5,590,244
004 USGB Total					**43,215,417.17**
NON GOVERNMENT BONDS					
LGPS Central Global Active Corp B	3,957,714	9,157.00	9,157.00	9,157.00	362,407,854
Non Govt Bonds Total					**362,407,854**
MULTI ASSET CREDIT					
AMP Capital Infrastructure Debt Fur	17,000,000	0.57	0.57	0.57	8,120,014
Barings Global Private Loan Fund	40,000,000	0.21	0.21	0.21	8,295,700
Barings Global Private Loan Fund 2	40,000,000	0.51	0.51	0.51	20,317,504
Barings Global Private Loan Fund 3	50,000,000	0.89	0.89	0.89	44,546,848
CQS Credit Multi Asset Fund Class	132,737	1,127.36	1,127.36	1,127.36	149,642,252
CVC Credit PARTNERS European I	76,000,000	0.84	0.84	0.84	53,275,245
CVC (Co Inv) Credit Ptnrs Europear	30,000,000	0.67	0.67	0.67	16,916,211
Janus Henderson Multi Asset Credit	99,246,337	1.13	1.13	1.13	111,846,850
LGPS Central Credit Partnership II I	50,000,000	0.04	0.04	0.04	2,179,952
Multi Asset Credit Total					**415,140,577**
UK INDEX LINKED					
TREAS 4.125% IL STK 22/7/2030	6,510,000	379.23	381.90	381.90	24,861,915
TREAS 2% IL STK 26/1/2035	8,000,000	291.28	292.25	292.25	23,379,621
002 UKGIL Total					**48,241,535**

INDEX LINKED (3 monthers)

	Number held	Clean Price	Index Ratio	Gross	Accrued Interest	Total
UK INDEX LINKED (3monthers)						
TREAS 0.125% IL STK 22/3/2024	9,230,000	109.6940	1.321730	13,382,194.01	1,316.78	13,383,511
TREAS 1.25% IL STK 22/11/2027	7,400,000	125.6600	1.651050	15,352,849.78	41,395.03	15,394,245
TREAS 0.125% IL STK 22/3/2029	5,325,000	121.5170	1.349560	8,732,706.19	759.68	8,733,466
TREAS 1.25% IL STK 22/11/2032	2,777,000	144.1890	1.475660	5,908,732.31	15,534.32	5,924,267
TREAS 0.75% IL STK 22/3/2034	11,465,000	140.6190	1.379730	22,243,963.39	9,813.79	22,253,777
TREAS 1.125% IL STK 22/11/2037	5,580,000	158.0540	1.584300	13,972,596.33	28,092.68	14,000,689
TREAS 0.625% IL STK 22/3/2040	5,600,000	153.2430	1.479810	12,699,149.33	3,994.57	12,703,144
TREAS 0.625% IL STK 22/11/2042	5,950,000	160.2790	1.508080	14,381,956.48	16,641.92	14,398,598
TREAS 0.125% IL STK 22/3/2044	11,470,000	148.5560	1.321710	22,521,109.95	1,636.35	22,522,746
TREAS 0.125% IL STK 22/3/2046	8,730,000	151.7010	1.242920	16,460,607.66	1,245.45	16,461,853
TREAS 0.75% IL STK 22/11/2047	6,500,000	175.2790	1.542180	17,570,264.93	21,816.30	17,592,081
TREAS 0.125% IL STK 10/08/2048	5,300,000	156.4340	1.166010	9,667,391.24	1,500.69	9,668,892
TREAS 0.5% IL STK 22/3/2050	5,000,000	172.8360	1.501470	12,975,403.45	2,853.26	12,978,257
TREAS 1.25% IL STK 22/11/2055	4,200,000	219.7250	1.667080	15,384,564.43	23,494.48	15,408,059
TREAS 0.375% IL STK 22/03/2062	6,000,000	196.6450	1.358670	16,030,539.73	2,567.93	16,033,108
UK INDEX LINKED (3monthers) TOTAL						**217,456,692**

US INDEX LINKED	Number held	Clean Price	Index Ratio	Gross $	Accrued Interest $	Total $	Total £
TII0.125% 15/1/2023	7,000,000	102.757813	1.229680	8,845,145.88	2,610.50	8,847,756	7,036,620.65

DERBYSHIRE PENSION FUND
APRIL 2022 PORTFOLIO VALUATION - BID

	Number held	Mkt Price in local currenc (Clean) use	Mkt Price in local currency (Dirty)	Mkt Price pence GBP			Total £ GBP
TII3.625% 15/4/2028	4,045,000	123.046875	1.754900	8,734,569.17	7,211.37	8,741,781	6,952,338.07
TII1.750% 15/1/2028	5,550,000	111.492188	1.354860	8,383,624.94	28,976.52	8,412,601	6,690,541.94
TII2.5% 15/1/2029	7,000,000	117.750000	1.322020	10,896,749.85	52,209.94	10,948,960	8,707,707.72
TII2.125% 15/2/2040	4,095,000	131.179688	1.313220	7,054,365.97	18,509.51	7,072,875	5,625,057.87
TII0.75% 15/2/2042	20,300,000	105.109375	1.256140	26,802,514.33	32,384.67	26,834,899	21,341,795.18
TII0.625% 15/2/2043	10,000,000	102.125000	1.234560	12,607,944.00	13,294.20	12,621,238	10,037,670.74
0045 USGB IL Total							**66,391,732**

TOTAL BONDS	**1,376,999,121**
Index linked-total	**332,089,960**
Conventional-total	**267,360,730**
Non gov-total	**777,548,431**

First Quarter 2022 Investment Report

PREPARED FOR:

Derbyshire County Council Pension Fund: Pensions and Investment Committee Meeting

JUNE 2022

Investment Report for Derbyshire County Council Pension Fund

This report has been prepared by Anthony Fletcher "External Investment Advisor" of Derbyshire County Council Pension Fund (the Fund). At the request of the Pension and Investment Committee the purpose of the report is to fulfil the following aims: -

- Provide an overview of market returns by asset class over the last quarter and 12 months.
- An analysis of the Fund's performance by asset class versus the Fund specific benchmark for the last quarter and the last 12 months.
- An overview of the economic and market outlook by major region, including consideration of the potential impact on the Fund's asset classes
- An overview of the outlook for each of the Funds asset classes for the next two years; and recommend asset class weightings for the next quarter together with supporting rationale.

The report is expected to lead to discussions with the in-house team on findings and recommendations as required. The advisor is expected to attend quarterly meetings of the Pensions and Investment Committee to present his views and actively advise committee members. To the extent this report contains advice it is intended as strategic advice to inform the investment strategy statement rather than investment advice.

Meeting date 8th June 2022
Date of paper 18th May 2022

1. Market Background (First quarter 2022)

The first quarter of 2022 started with investors facing rising inflation and tighter monetary conditions, the Chinese response to the Omicron variant, and the impact these headwinds would have on their investments. Bond yields were already rising and equity prices were falling accompanied by a pronounced rotation from more interest rate sensitive growth stocks to value stocks.

Then on the 24th February, Russia unexpectedly to most western governments, invaded Ukraine seeking to grab more land in the eastern part of the country, but more importantly to replace the perceived pro-western government by force, with a regime completely in the Russian "sphere of influence" like the government in Belarus.

Western governments quickly responded with a strong degree of unity, pledging support for Ukraine and imposing escalating sanctions on Russia including excluding its banks from the international payments system and freezing the international assets of the Russian Government, Officials and Oligarchs, linked to Russia.

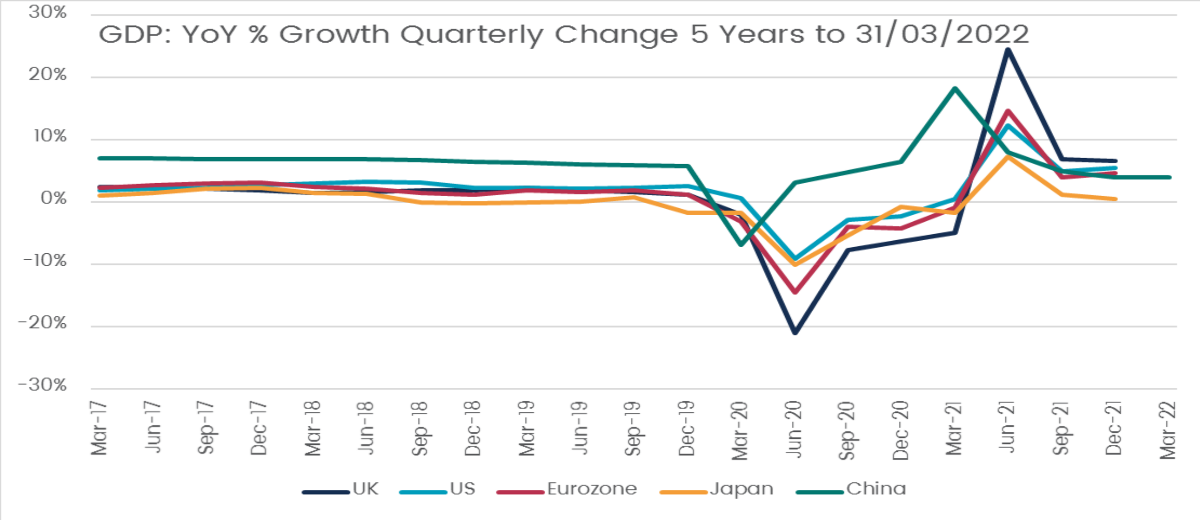
As can be seen in table 1 below, markets responded with a highly correlated broad based sell off with the most interest rate sensitive and over valued assets suffering the most. The worst performing region has been Europe, because of its dependence on Russian oil and gas and because many manufacturers have supply chains linked to Ukraine. From a sector point of view the rotation from growth to value was compounded by the invasion with Energy, Commodities and Materials outperforming and the Technology and Consumer Discretionary sectors underperforming.

From a Macro-economic point of view, developed economies were approaching full employment and due to supply chain disruption related to the post covid re-opening and already higher energy prices, inflation was rapidly increasing forcing central banks to act. During the quarter the US Fed raised interest rates for the first time since 2018 and announced a programme of balance sheet reduction also know as Quantitative Tightening (QT). The Bank of England also raised rates and the ECB suggested that its QE programme would end sooner than expected even suggesting that they may increase rates later this year.

Despite the strong fundamentals of excess savings and almost full employment global growth was already slowing due to higher energy prices and inflationary pressures on household spending. This has been compounded in the UK by the withdrawal of government support packages and higher taxes.

The war has increased and extended the period of higher inflation and already led to sharp falls in consumer sentiment and growth rates have also slowed further. All of which is likely to have a marked impact on discretionary spending over the rest of the year. The risk of recession especially in Europe has increased substantially.

Chart 1: - Annualised rates of quarter on quarter GDP growth.



Source: - Bloomberg

Table 1, below shows the total investment return in pound Sterling for the major asset classes, using FTSE indices except where noted; for the month of April 2022 and the 3 and 12 months to the end of March 2022.

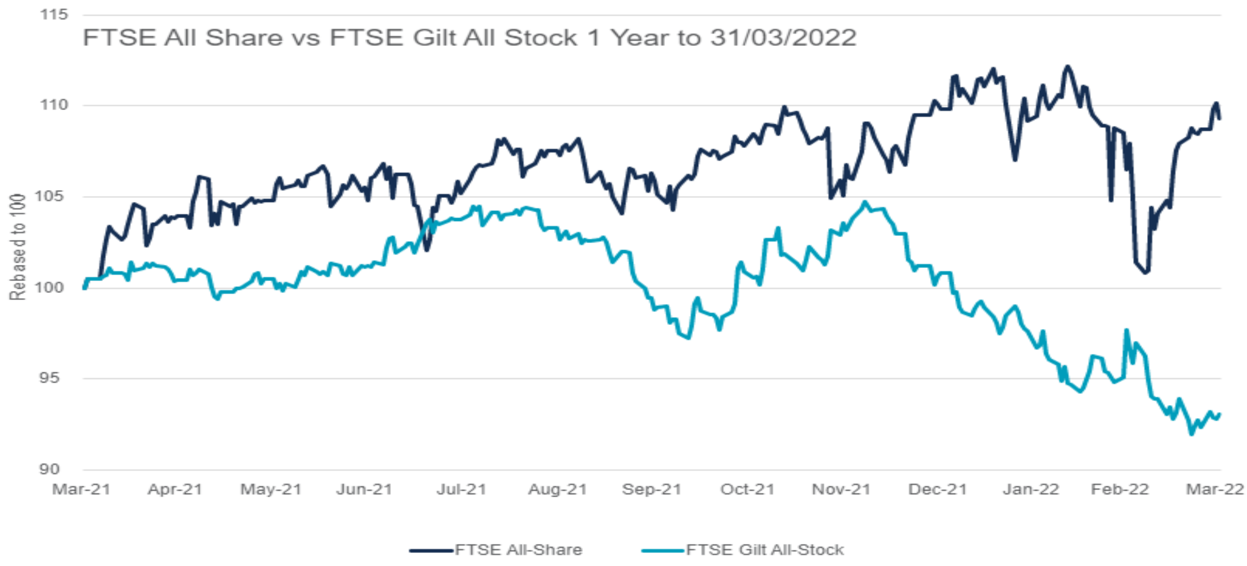
% TOTAL RETURN DIVIDENDS REINVESTED

MARKET RETURNS

		Period end 31st March 2022	
	April 2022	**3 months**	**12 months**
Global equity FTSE All-World	-3.4	-2.4	12.8
Regional indices			
UK All Share	0.3	0.5	13.0
North America	-4.5	-2.0	19.7
Europe ex UK	-1.8	-7.2	6.2
Japan	-4.1	-3.5	-2.3
Pacific ex Japan	-0.5	-2.2	-4.3
Emerging Equity Markets	-0.6	-2.5	-3.5
UK Gilts - Conventional All Stocks	-3.0	-7.5	-5.3
UK Gilts - Index Linked All Stocks	-6.6	-5.7	4.6
UK Corporate bonds*	-3.2	-6.9	-5.4
Overseas Bonds**	-2.6	-4.5	-3.8
UK Property quarterly^	-	4.0	18.7
Sterling 7 day SONIA	0.0	0.1	0.1

^ MSCI indices * ICE £ Corporate Bond; **ICE global government ex UK LOC

Chart 2: - UK bond and equity market returns - 12 months to 31st March 2022



Source: - Bloomberg

Table 2: - Change in Bond Market yields over the quarter and 12 months.

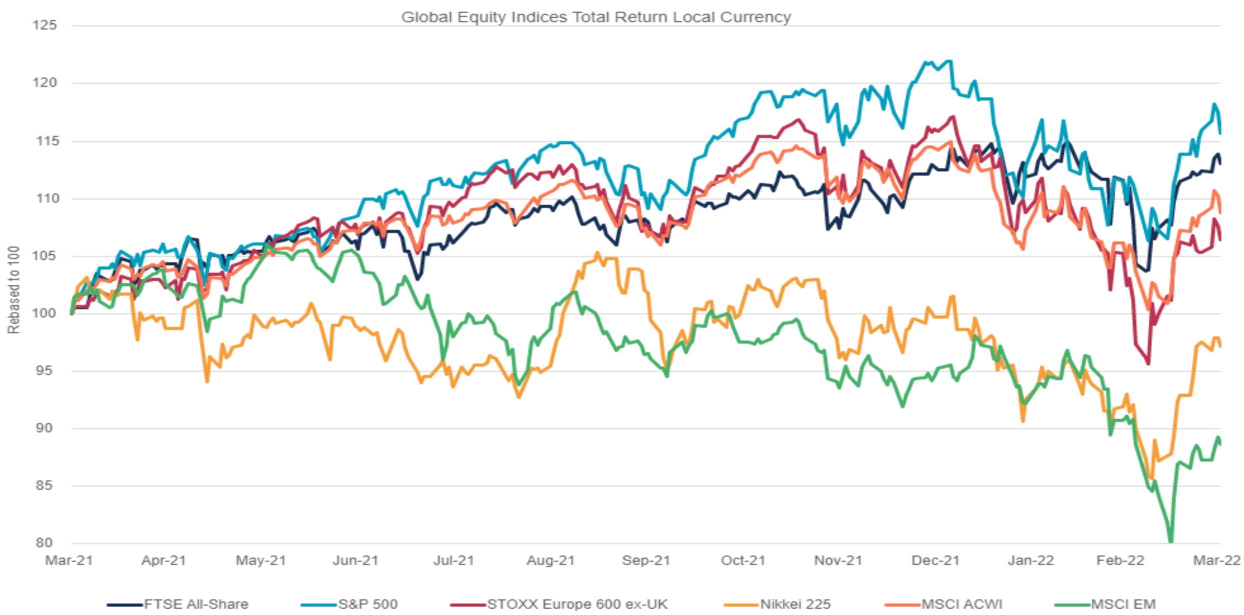
BOND MARKET % YIELD TO MATURITY	31st December 2021	31st March 2022	Quarterly Change %	31st March 2021	Current 17th May 2022
UK GOVERNMENT BONDS (GILTS)					
10 year	0.97	1.61	**+0.64**	0.85	**1.84**
30 year	1.12	1.74	**+0.62**	1.39	**2.04**
All Stocks ILG	-2.59	-2.38	**+0.21**	-2.31	**-2.27**
OVERSEAS 10 YEAR GOVERNMENT BONDS					
US Treasury	1.52	2.35	**+0.83**	1.75	**2.94**
Germany	-0.18	+0.55	**+0.73**	-0.18	**1.03**
Japan	0.07	0.21	**+0.14**	0.10	**0.24**
NON-GOVERNMENT BOND INDICES					
Global corporates	1.86	3.03	**+1.17**	1.75	**3.71**
Global High yield	4.60	6.02	**+1.42**	4.41	**7.49**
Emerging markets	4.05	5.23	**+1.18**	3.80	**6.38**

Source: - Trading economics and ICE Indices G0LI, G0BC, HW00, EMGB, 17th May 2022.

Chart 3: - UK Bond index returns, 12 months to 31st March 2022.

Source: - Bloomberg

Chart 4: **-** Global equity market returns in local currency, 12 months to 31st March 2022



Source: - Bloomberg

Recent developments (April and early May 2022)

The market weakness and correlated sell off in equities and bonds continued in April but there are signs in May that bond markets could be beginning to react differently. The war remained the main concern for the markets with global equities declining by another -3.4% and UK government bond markets also returning -3.0% in April. Month to date in May, while equity markets have shown further declines, bond yields could have peaked for now. Despite higher inflation data and stronger rhetoric, central bank actions have not been as aggressive as markets feared. Also, it is clear that the global economy is slowing and April's US core goods inflation may have peaked.

China's zero covid policy is also putting their 5.5% growth target at risk as Shanghai and now Beijing and several other major cities are in full lockdown as the authorities try to cope with the much more infectious Omicron variant and an ineffective vaccine. Fiscal and monetary policy has been eased to provide an offset, but Chinese and Asian equity markets continue to fall as weaker growth and the potential for further supply chain disruption is priced in.

The US dollar continues to strengthen against all currencies, most notably versus the Yen and the Euro, partly due to the war but also because of higher US bond yields and interest rates. Oil and gas price increases moderated in April and May as demand fell and the US released oil from its strategic reserves.

In France Emmanuel Macron was re-elected as French President for another 5 year term defeating Marine Le-Pen in a repeat of the 2017 election, but with a smaller majority. In the UK Brexit tensions have become more prominent with the election in Northern Ireland returning for the first time a nationalist majority and the Unionist party refusing to enter the power sharing executive while the NI/EU trade protocol remains in place. This raises the prospect of further trade issues between the UK and EU.

Looking forward over the next 12 months, it is clear that the war in Ukraine has increased uncertainty and market volatility, but in the past markets have shown resilience and the ability to adapt to geopolitical events with surprising speed. While the magnitude of this event cannot be ignored, in Europe, involving a nuclear armed autocratic power on the border with NATO, we may have already seen the majority of the price moves.

I expect to see more general equity and bond market volatility due to the changed geopolitical situation as well as macro factors like inflation and interest rates and more stock specific risk as investors focus on stock selection rather than just buying the market.

MJ HUDSON
Allenbridge

2. Investment Performance

Table 3 shows the performance of the Derbyshire Pension Fund versus the Fund specific benchmark for the quarter and year to 31st March 2022. Over 12 months, the broad asset class categories outperformed, but individual manager performance was much more mixed when compared to their respective benchmarks.

Over 10 years the Fund has achieved a total return of 8.4% per annum, net of fees.

Table 3: **-** Derbyshire Pension Fund and Benchmark returns

% TOTAL RETURN (NET) 31ST MARCH 2022	3 MONTHS		12 MONTHS	
	Derbyshire Pension Fund	**Benchmark**	**Derbyshire Pension Fund**	**Benchmark**
Total Growth Assets	**-3.8**	**-2.0**	**9.8**	**9.8**
UK Equity	-0.6	0.5	12.0	13.0
Total Overseas Equity	**-5.7**	**-2.8**	**5.9**	**8.7**
North America	-2.0	-2.0	17.9	19.7
Europe	-7.1	-7.2	6.4	6.2
Japan	-6.0	-3.5	-5.1	-2.3
Pacific ex Japan	-8.6	-2.2	-11.7	-4.3
Emerging markets	-6.9	-2.5	-6.4	-3.5
Global Sustainable Equity	-6.8	-2.7	10.1	13.4
Global Private Equity	1.9	-2.5	40.6	10.4
Total Protection Assets	**-5.9**	**-6.5**	**-1.5**	**-1.6**
UK & Overseas Government	-5.8	-7.2	-4.4	-5.1
UK & Overseas Inflation Linked	-4.6	-5.5	5.5	5.1
Global Corporate bonds	-7.0	-6.7	-5.1	-4.9
Total Income Assets	**2.0**	**1.6**	**10.9**	**8.4**
Multi-asset Credit	-0.3	-0.2	4.1	2.2
Infrastructure	2.2	0.6	9.5	2.2
Property (all sectors)	4.0	3.9	18.8	19.5
Internal Cash	0.1	0.1	0.1	0.1
Total Fund	**-2.7**	**-1.9**	**7.6**	**7.3**

Total fund value on 31st March 2022 £6,104 million

The Fund remains slightly overweight growth assets and underweight protection and income assets relative to the strategic benchmark. Over the first quarter of 2022, the Fund underperformed mainly due to stock selection decisions made by our managers. The sector rotation in equities which started towards the end of 2021 continued to have a negative impact mainly on growth stocks. Over 12 months the Fund is 0.3% ahead of benchmark, protection and income asset classes outperformed and while growth assets in total matched the benchmark, regional equity performance was extremely mixed with Pacific ex-Japan and Japan performing poorly compared to developed equity markets.

Over 3 years since the last Triennial valuation point, the Fund has outperformed in all asset classes and the total return is 7.4% p.a. compared to the benchmark return of 6.9% p.a.

Growth assets – Equity performance

In the first quarter of 2022, at the aggregate level, the equity portfolio underperformed its benchmark. Absolute returns from growth assets were negative in all regions except the UK and unusually all of Derbyshire's active managers except Wellington responsible for the North American portfolio underperformed their respective benchmarks. Investments in global private equity funds delivered a positive return and outperformed the benchmark.

Over 12 months the total portfolio of growth assets produced a strong positive return in line with the benchmark but again there was a lot of regional variation. Japan, Pacific ex-Japan and emerging equities produced negative returns that were also below benchmark, whereas UK, US and global sustainable equity produced positive absolute returns, but these were also behind benchmark. The European assets are managed passively, performance was positive and in line with market returns. Global private equity returns were outstanding, as valuations caught up public market equivalents.

The main drivers of poor performance over the last 12 months have been in South-east Asian equity, the impact of a changed regulatory environment in China and its zero covid policy, and the contagion these policies have caused in the region. In Japan, the very slow recovery from covid. In the equity portfolio more generally, the sector rotation from growth to value stocks that started in late 2021 has continued year to date driven by higher interest rates, inflation, and the war in Ukraine.

Over 3 years growth assets have delivered an aggregate return of 10% p.a., 0.3% more each year than the strategic benchmark, net of fees. Over 10 years growth assets have returned on average 10.2% p.a. compared to 9.7% p.a. for the benchmark.

Protection assets - Fixed Income Performance

Rising inflation, interest rates and the war, caused bond yields to rise significantly over the quarter delivering negative returns. Re-establishing the trend seen over the year where bond markets sought to price in the strong economic recovery leading to negative returns from the most interest rate sensitive long maturity sectors. The Fund remains underweight its allocation to UK government bonds and has less interest rate sensitivity than the benchmark. As a result, the government bond portfolio outperformed the benchmark over 3 and 12 months. Global corporate bonds underperformed as yields increased and credit spreads also widened.

Over 3 years protection assets have delivered 1.8% p.a. 0.5% p.a. more than the benchmark. Over 10 years protection assets have on average returned 4.2% each year compared to the benchmark return of 4.4%.

Income assets – Property, Infrastructure and MAC

Over the quarter and the year, the combined portfolio of income assets has outperformed the benchmark, mainly due to the strong performance of Infrastructure and MAC. Over 12 months a better period for measuring returns in this asset class the direct property portfolio outperformed, whereas the funds in the in-direct portfolio underperformed.

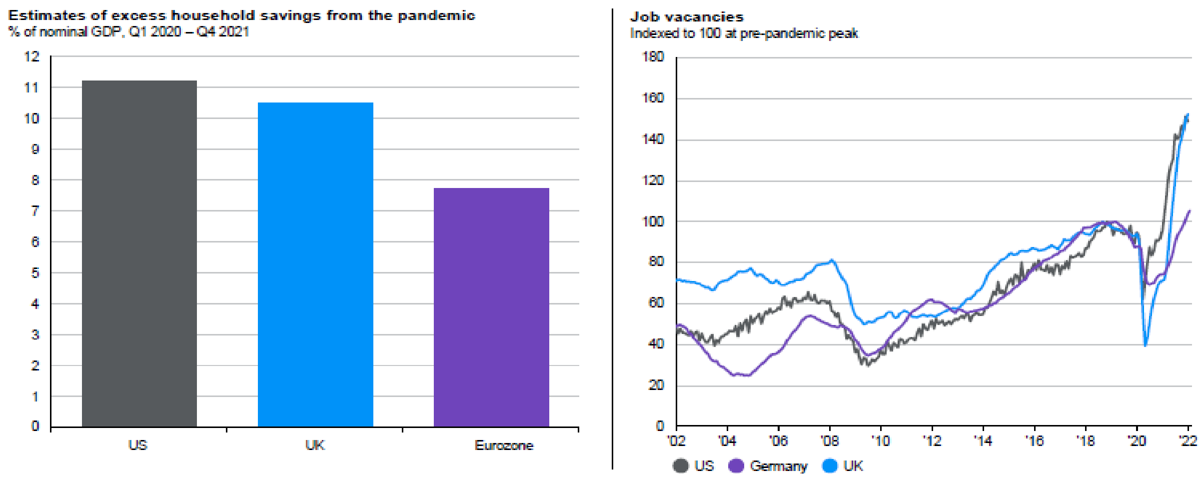
Over 3 years Income assets have on average delivered 6.6% p.a. 2.3% p.a. more than the benchmark. Over 10 years Income assets have on average returned 9.5% each year compared to the benchmark return of 4.8%.

3. Economic and Market outlook

Economic outlook

The global economy started the year in reasonably good health, the residual tail winds of very strong jobs growth and excess household savings and strong corporate earnings providing a good support for global growth. These factors remain, but higher inflation and the war have reduced their impact.

Chart 5: **-** Excess savings and Job Vacancies

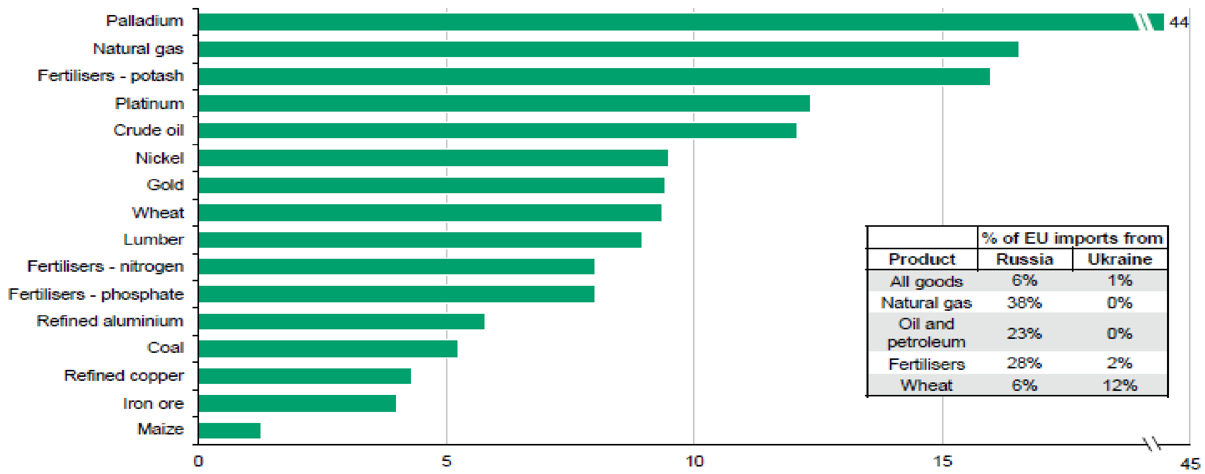


Source: - JPMorgan Asset management

Consumers have responded by becoming much more cautious, and companies and governments are starting the process of moving away from the dependence on Russian sourced commodities. Add to this the lockdowns in China and it would seem reasonable to expect the global economy to slow more than expected and for inflation to remain higher for longer.

The proximity of Europe to the conflict and it reliance particularly on Russian gas suggests that the risk of recession has significantly increased. Higher energy prices and the cost of living crisis in the UK has also increased the chance of negative growth. The US and economies further afield may avoid recession but a period of extended lower growth and higher inflation cannot be discounted.

Chart 6: - Russian commodity production as a % of global production in 2020.



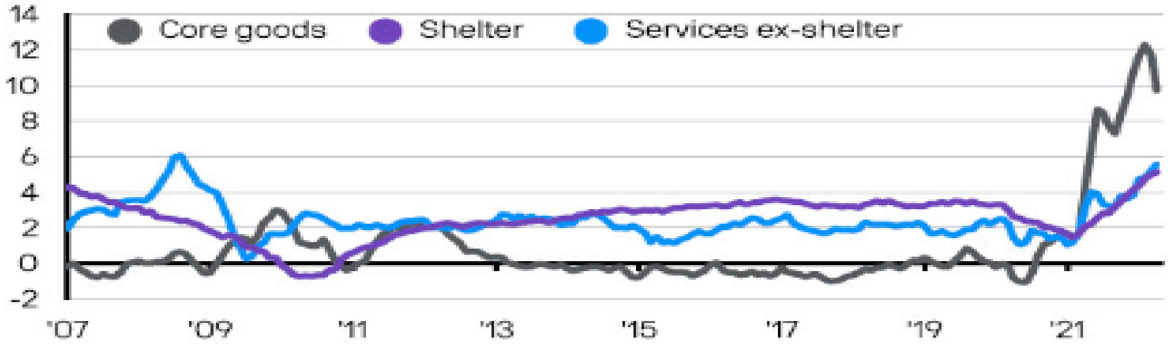
Source: - JPMorgan Asset management

As can be seen in chart 6 above Russia is a major supplier of commodities to the global economy. Ukraine and the western part of Russia are also important exporters of grain and other important foodstuffs. While the harvest from last year is in storage, the ports and ships that are required to enable it to be exported to the rest of the world have been blockaded. If another route out of the region cannot be found there will be a significant problem with this year's harvest which will be starting in July. This has important implications for global food prices, especially in poorer countries as the UN World Food Programme is also a major buyer and distributor of Ukrainian wheat.

Inflation

As mentioned in my last report and above, inflation is running very hot at the moment and is likely to remain high for some time even if the rate has started falling. Chart 7 shows the latest Inflation data from the US, which indicates that in April headline inflation fell to 8.3% from 8.5% in March and that core inflation excluding food and energy fell from 6.5% to 6.2%, led by the goods component which had been the main driver of US inflation due to supply bottlenecks since the summer of last year.

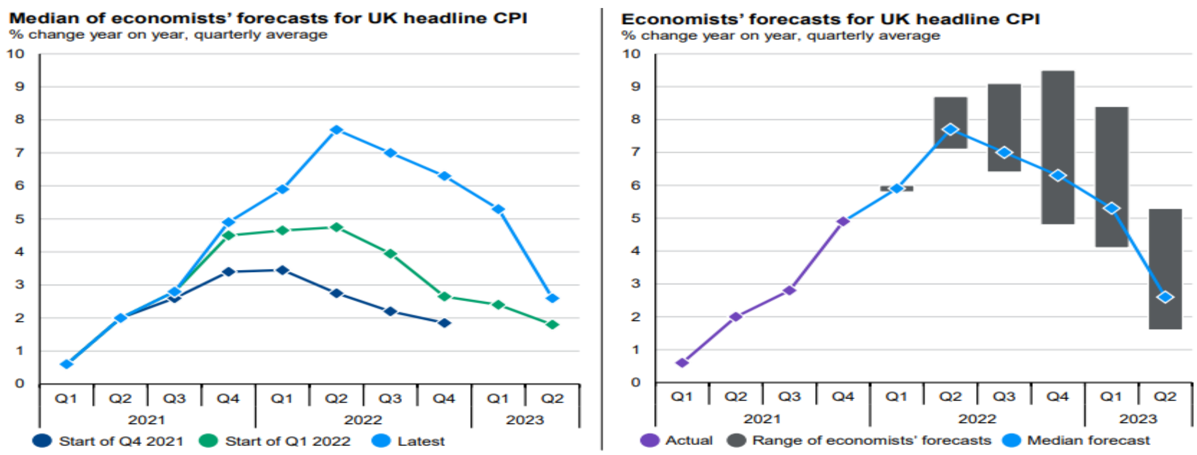
Chart 7: **-** Inflation – year over year change in selected components of US headline inflation.



Source: - JPMAM 13th May 2022

Chart 8 below show the revised median forecasts for UK inflation and the range of possible outcomes over the next 5 quarters. Economists have been playing catch up with the actual rate and extending the period of higher inflation, but the direction of inflation is expected to be lower by the second half of 2022, although as can be seen from the range of forecasts, uncertainty is high.

Chart 8: **-** Economists' forecasts of UK headline CPI.



Source: - JPMAM April 2022

On balance the experience of the last 20 years is that higher inflation reduces discretionary consumption and reduces economic growth. The trick for the central banks will be to increase interest rates sufficiently to reduce the level of inflation without crashing the economy. A problem made more difficult by supply shocks which they have no control over and is currently the main driver of higher inflation.

Central Banks

Since the beginning of the year central banks have become more aggressive in their rhetoric around inflation and interest rates and they have not yet been deflected from increasing rates despite the weaker outlook and the impact of the war in Ukraine. In February the US Fed started raising rates and in May announced a programme of QT will start in June gradually increasing over the summer. This time QT will be double the pace of the Fed's last programme and will start from September onwards involve selling each month US$ 60 billion of US Treasuries and a further US$ 35 billion of MBS, back to the market. Having increased rates by only 0.25% in February the Fed increased by 0.5% in May and suggested that the next 2 rate hikes could also be 0.5% each.

At its meeting in May the Bank of England again raised rates by 0.25% to 1%, the BoE has also started reducing its balance sheet by not replacing the £28 billion of gilts that matured in March. Unlike the Fed the BoE has no plans at the moment to sell bonds back to the market, based on the current schedule of redemptions the BoE will have reduced its £875 billion balance sheet by around £230 billion by the end of 2025.

The ECB has also indicated that it will end its QE programme in June and may be willing to start increasing rates from July. Only the Bank of Japan has stuck to its easy money policy. At its meeting in April the BoJ confirmed that it will leave short term policy rates at -0.1% and will offer to buy unlimited amounts of bonds to defend an implicit 0.25% yield cap for 10 year JGB's.

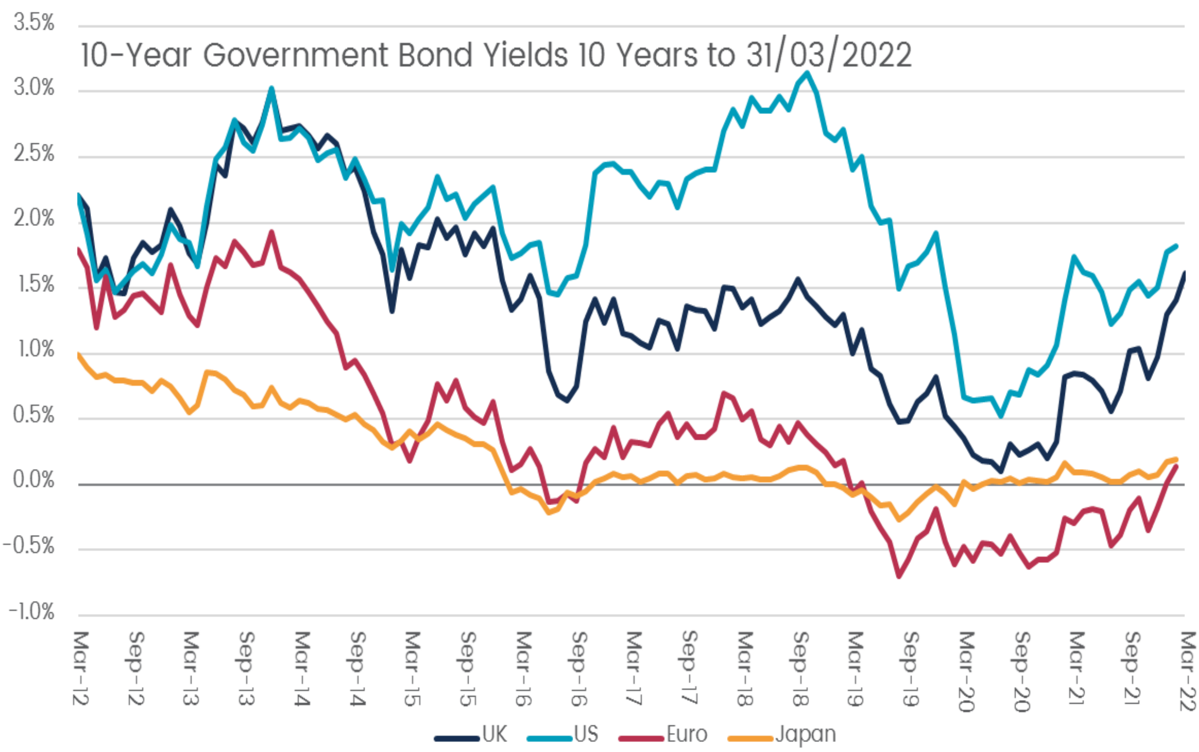
MJ HUDSON
Allenbridge

Government bonds

Government bond yields ended the quarter at new highs for the last 12 months and their highest level since before the pandemic. As mentioned in my last report the negative returns provide a warning to investors that in times of higher interest rates and heightened inflationary risks, long duration government bonds may provide less protection to portfolios than in times of recessionary risk. As can be seen in Table 2 above, all bond yields have increased since the beginning of the year, but it is the longer duration government and investment grade non-government bonds that have delivered the worst returns as show on Table 1 above.

I have not changed my medium term view that government bonds yields could rise and deliver a near zero or even negative returns in the next 12 months. Especially if central banks continue to respond more to the inflationary risks than the increasing recession risk. However, I believe that markets may have started to focus more on the recessionary risks, hence they now believe central banks may not be so aggressive on rate increases. Which suggests at their current level with the increased uncertainty around the outlook for growth, yields may have risen enough for now to price in higher interest rates even though inflation has clearly not yet peaked.

Chart 9: **-** Government bond yields, last 10 years.



Source: - Bloomberg

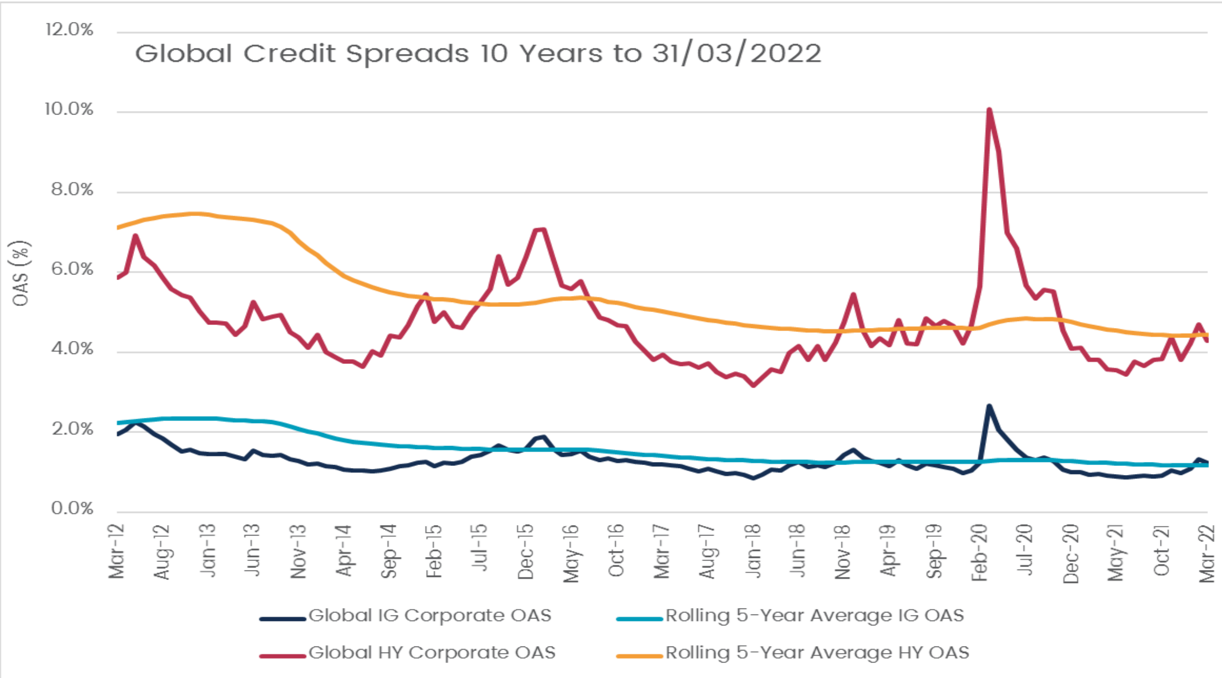
Non-government bonds

Chart 10 below, shows the excess yield spread for both investment grade non-government and high yield bonds to the end of the first quarter. As can be seen from the chart spreads have widened from their lows in the summer of last year and although they dipped at the end of the quarter they are as can be seen on table 2 above wider at the current time.

The Derbyshire Pension Fund (DPF) owns investment grade non-government bonds as part of its Protection Assets allocation, (global corporate bonds) the spread of which is represented by the blue lines below. While their spread has not widened by much these bonds have longer duration, as a result their performance has matched the negative returns of government bonds.   The DPF’s high yield bonds and loans are owned as part of its Income Assets allocation, (Multi-asset Credit) the spread of which is represented by the red and yellow lines. Because these assets have lower interest rate sensitivity (duration), much higher yields, and because may have floating rather than fixed coupons they have produced smaller negative returns, outperforming both government and investment grade non-government bonds.

High yield assets are more sensitive to the economy, so the expected slowdown in economic growth has increased the risk of default especially for more leveraged parts of the economy. At these higher levels of yield, I still expect Multi-asset Credit funds with their mix of low duration bonds and floating rate loans to outperform both government and investment grade non-government bonds. Provided the pace of downgrades and defaults does not increase significantly, as the key to success with this asset class is picking managers with the skill to avoid defaults.

Chart 10: - Credit spreads, extra yield over government bonds, last 5 years.



Source: - Bloomberg

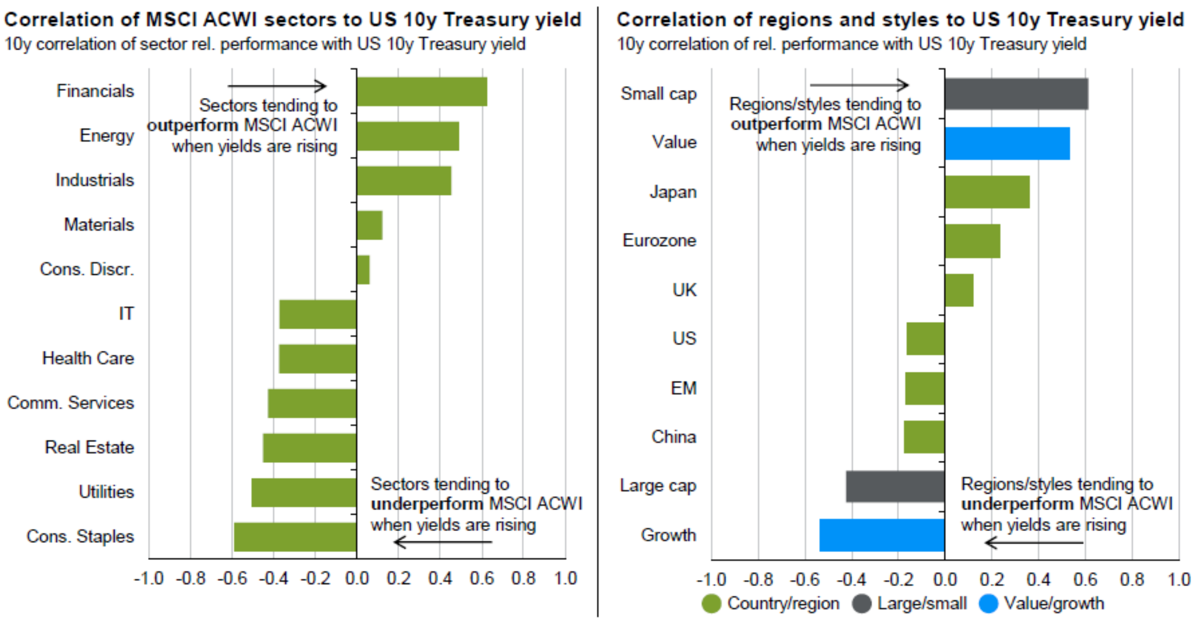
Equities

Despite rising interest rates, much higher than expected inflation and the invasion of Ukraine, in aggregate global equity market returns for the last 12 months at +12.8% are very good. Japan and developing markets have had a much more difficult time than developed markets. Japan because of the Olympics and a much worse covid induced slowdown in activity. Emerging and Pacific ex-Japan equity markets were impacted by contagion from the economic and social reforms in China which caused a major re-rating of Chinese equity markets.

All regional equity markets except the UK produced negative returns in the first quarter of 2022. The impact of higher interest rates, inflation and the uncertainty generated by the war has increased equity market volatility and markets have continued to fall in the second quarter. At the time of writing the major regional market indices are down between -8 and -15% year to date. The only exception to this is the UK where broad equity market indices are still up around +2%.

What these regional market results mask, is a major sector driven rotation on 2 levels, the first out of sectors where the "weight of money" flowing into businesses significantly increased their valuation and the second which has been discussed here and can be seen in chart 11 below, where higher interest rates change their attractiveness. On the latter point in a rising interest rate environment growth stocks with low or no dividends are less attractive than value stocks where dividends are typically high and the businesses tend to be more defensive. Turning to the first point about the weight of money, growth stocks have also been beneficiaries of this tailwind along with ESG and Sustainability themed stocks. However, while these themed stocks are subject to a potential higher cost of capital, the medium to long term trend for carbon transition and sustainability has not gone away. Hence any de-rating of these businesses should make them more attractive compared to the recent past and should not over the medium term overly impact the stock specific characteristics of the investment.

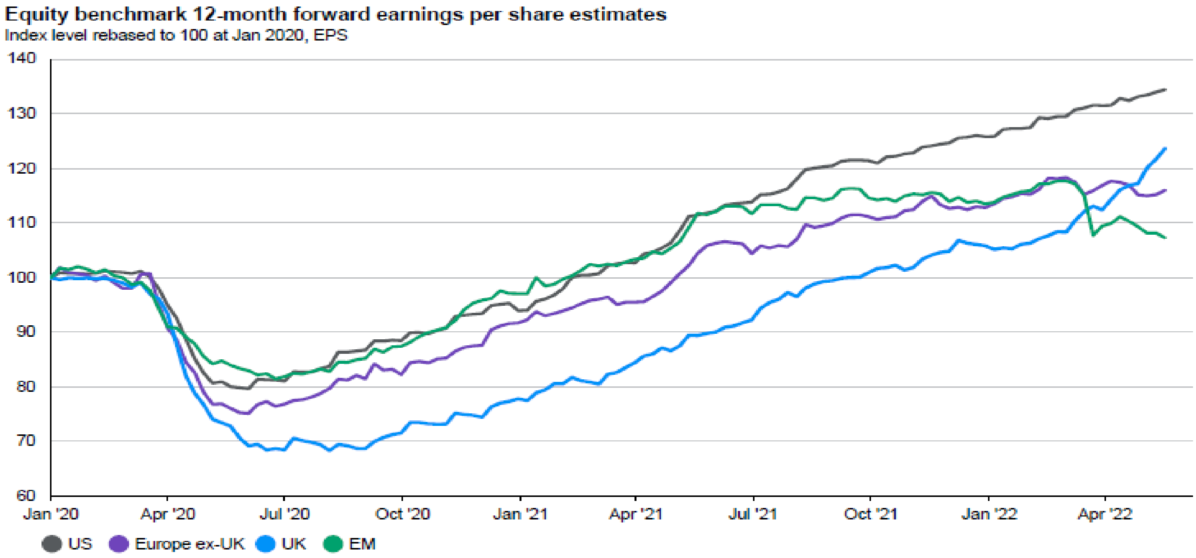
Chart 11: - Global Equity Sector, Regional and Investment Style performance variation in a rising US bond yield (interest rate) environment.



Source: - JP Morgan Asset Management January 2022

Chart 11 above shows the correlation between the change in US 10 year government bonds and the change in various sectors and regions of the MSCI global index. Looking at the price changes year to date they have been dramatic, in terms of "style" value is down -5% whereas growth -22%; the MSCI Energy sector is up +29% whereas Technology and Consumer discretionary are down -23% and -24% respectively.

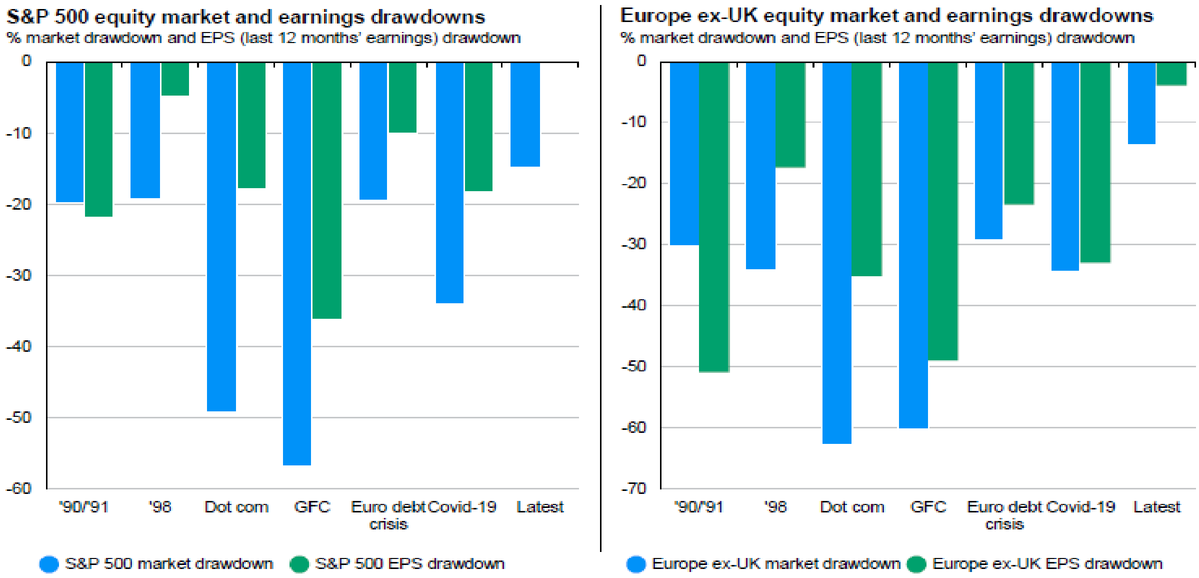
Chart 12: - Earnings expectations faltering in Europe ex-UK and Emerging Markets.



Source: - JP Morgan Asset Management 17th May 2022

Thus far the outlook for company earnings has not materially changed as can be seen in chart 12 above earnings estimates are holding up even if there is some understandable regional variation related to the war in Ukraine and policy actions in China. Taken together with chart 14 on page 25, below which shows robust 2022 and 2023 earnings growth forecasts in excess of their history prior to covid and the lower price/earnings ratios, it could be argued that equities are looking more attractive and as chart 13 below suggests the market price may already be sufficiently discounted for the potential impact on earnings of higher rates, inflation and the war.

Chart 13: - What's already in the price of markets? Macro shocks and recessions in the last 30 years.



Source: - JP Morgan Asset Management 17th May 2022

GDP

Table 4 shows the consensus forecasts for GDP growth in calendar 2022 and 2023 and my expectations in January and May 2022.

Table 4: - GDP forecasts - Consensus versus Advisor expectations.

% CHANGE YOY								
	2022				2023			
	JANUARY		MAY		JANUARY		MAY	
	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**	Consensus	**AF**
US	3.9	**3.6**	2.8	**2.5**	2.6	**2.6**	2.1	**2.0**
UK	4.3	**4.0**	3.8	**3.5**	2.2	**2.2**	1.0	**1.0**
Japan	3.1	**2.7**	2.0	**1.5**	1.5	**1.5**	1.9	**1.5**
EU	4.0	**3.7**	2.8	**2.0**	2.6	**2.6**	2.3	**2.0**
China	5.0	**4.7**	4.7	**5.0**	5.3	**5.6**	5.1	**5.5**
SE Asia	5.4	**5.0**	5.1	**5.2**	5.2	**5.5**	5.0	**5.3**

Source: - Consensus Economics May 2022

Between January and May consensus forecasts for GDP growth in 2022 and 2023 have been revised lower in all regions. Growth in the UK and especially in Europe is being more directly impacted by the war between Russia and the Ukraine. However, the "zero covid" policy being pursued by the Chinese is also having an impact on global trade flows and growth. At the same time the central banks of the developed economies have changed from easy to tighter monetary policy to try and combat inflation, much of which is beyond the domestic control of those same central banks. As a result, I believe growth this year and next may be lower than the consensus expectations. In 2022 the developed economies are still benefitting from the tailwinds of post covid, re-opening and the government stimulus packages, but the benefit of these is receding. The war, higher inflation, tighter monetary conditions and lower discretionary spending has increased the risk of a period of negative growth and even a recession in Europe and possibly the UK.

The exceptions to this are in China and the South-east Asian economies and commodity rich emerging economies. In China because this year is a "5 year congressional" meeting year and President Xi needs a strong economy to maintain his dominant position in the Chinese Communist Party, and because the Chinese central bank can ease monetary policy to help stimulate the growth. A stronger Chinese economy will be supportive of growth elsewhere in the region. The Oil and Gas rich emerging economies will benefit from higher prices and demand substitution in Europe away from Russian supplies.

The Chinese economy expanded 4.8% yoy in Q1 of 2022, above market consensus of 4.4% and faster than a 4.0% growth in the previous period. However, the economy is at risk of a sharp slowdown in the coming months caused by widespread covid lockdowns, falling retail sales and a weaker jobs market. The government has targeted economic growth of around 5.5% in 2022, in support of achieving its target so far this year, Beijing has launched more fiscal stimulus, including stepping up local bond issuance to fund infrastructure projects and reducing taxes for businesses. The PBoC also announced measures to ease monetary policy.

The US economy contracted in the first quarter of 2022 bringing the annual growth rate down to 3.4% compared to 5.7% in calendar 2021, a fall in exports, lower inventory investment growth and lower government spending were the main drivers of the weakness. Offsetting the weakness, consumer spending the largest component of the US GDP and non-residential fixed investment, both increased.

The UK economy expanded 8.7% year-on-year in the first quarter of 2022, above 6.6% in Q4 but slightly below forecasts of 9%. The services sector expanded 9.9%, production 2% and construction 7.4%. GDP is now 0.7% above its pre-pandemic level. However, a slowdown is expected in the coming months due to the impact of the war in Ukraine and as rising inflation hurts consumers' purchasing power, the economy has already contracted 0.1% in March, and is expected to be flat in the second quarter of the year.

The Japanese economy advanced 4.6% on an annualised basis in fourth quarter of 2021, compared with preliminary estimates of 5.4%, recovering from a revised -2.8% contraction in third quarter. The rebound marked the strongest pace of expansion since Q4 2020, as covid infection rates fell and vaccination rates increased. Household consumption rebounded sharply, increasing the most in five-quarters; business investment bounced back; and net exports contributed further to GDP, with lower imports and exports recovering from a decline in the third quarter.

The Euro Area economy expanded by 0.2% in the first three months of 2022, the lowest rate of growth since the bloc exited a recession earlier last year and below market expectations of a 0.3% advance. Growth in Spain (0.3%) and Germany (0.2%) more than offset a contraction in Italy (-0.2%) while the French economy stalled. Preliminary Eurostat data indicated the war and related commodity price spikes cut the zones growth rate by 0.1% in the first quarter of 2022. Over 12 months, Euro area GDP expanded at 5%, accelerating from an upwardly revised 4.7% increase in fourth quarter.

Consumer Price Inflation

Table 5 shows the consensus forecasts for Consumer Price Inflation in calendar 2022 and 2023 and my expectations in January and May 2022.

Table 5: - Consumer Price Inflation forecasts - Consensus versus Advisor expectations

% CHANGE YOY								
	2022				2023			
	JANUARY		MAY		JANUARY		MAY	
	Consensus	AF	Consensus	AF	Consensus	AF	Consensus	AF
US	4.8	**5.0**	7.2	**7.0**	2.6	**2.5**	3.3	**3.0**
UK	4.6	**5.0**	7.8	**7.5**	2.5	**2.4**	4.3	**4.0**
Japan	0.8	**1.0**	1.7	**1.5**	0.7	**0.5**	1.1	**1.0**
EU	2.9	**3.5**	6.6	**6.6**	1.8	**1.5**	2.9	**3.0**
China	2.2	**2.5**	2.2	**2.5**	2.3	**2.3**	2.3	**2.3**
SE Asia	2.6	**2.8**	3.9	**4.0**	2.6	**2.6**	3.0	**3.0**

Source: - Consensus Economics May 2022

Once again, the consensus forecasts for inflation in calendar 2022 have been revised higher. I have not changed my view that I expect inflation reports over the next few months will be worryingly high. But I believe we may be experiencing the highest levels of inflation over the next few months and by the fourth quarter of 2022 inflation rates could be falling. Over the summer we could experience a perfect storm in inflation rates for all the reasons I reported in my report; the economic recovery base effects from 12 months ago, global supply chain disruption, regional increases in covid infection rates and restrictions "upstream", all of which are extending the period of shortages in the supply of goods, services and workers. On the other hand, there is continued evidence that "supplier lead times" are shortening as global trade and supplier substitution picks up. Also, the most recent goods price inflation in the US at least may have rolled over. Some of the current uncertainty is being driven by the war in Ukraine, how much does the cost of oil and gas substitution by Europe keep the global price of energy elevated? and how much does the dislocation in basic foods from Ukraine and Russia effect global food prices?

I still believe higher energy costs are a "tax on growth" leading to lower discretionary consumption, as incomes fail to keep up with prices. As a result, I am comfortable to suggest that actual inflation may be lower than the consensus other than in Europe. Once we are past the next 18 months, I continue to expect inflation to fall back to a level of 2% to 3% over the medium term, somewhat higher than the 1% to 2% we have become accustomed to over the last 10 years, but still low.

The annual inflation rate in the US slowed to 8.3% in April from a 41-year high of 8.5% in March. Energy prices increased by less, but food prices rose at their highest pace since April 1981. While used car prices fell slightly, new vehicle prices increased by 13.2%. On a monthly basis, consumer prices were up 0.3%, but below the 16-year high of 1.2% recorded in March, mainly driven by lower gasoline prices. Despite the slowdown in April which suggests that inflation may have peaked, inflation is unlikely to fall to pre-pandemic levels any time soon and will remain above the Fed's 2% target for some time as supply disruptions persist and energy and food prices remain elevated. The annual core inflation rate in the US which excludes prices of food and energy, eased to 6.2% in April of 2022 from a 40 year high of 6.5% in March.

The annual inflation rate in the UK jumped to 9% in April from 7% in March, the highest level since 1982, the price rises were broad based impacting the whole economy, because they were related to changes in the prices for energy. Following the increase in the Ofgem cap on domestic energy prices, Electricity prices soared 53.5%, gas 95.5% and liquid fuels 113.9%. Energy prices in the rest of the economy also increased. The cost of transport increased 13.5%, with average petrol prices reaching a record of 161.8 pence per litre in April, compared with 125.5 pence per litre a year earlier. Inflation also accelerated for restaurants and hotels 7.9% and food and non-alcoholic beverages 6.7%. The Core inflation rate that excludes energy, food, alcohol, and tobacco increased by 6.2% from 5.7% in March.

The annual inflation rate in the Euro Area rose to a fresh record high of 7.5% in April from 7.4% in March, as the war in Ukraine and sanctions on Russia continued to push prices of commodities higher, preliminary estimates showed. The inflation rate is now more than three times above the ECB target of 2%. Prices advanced faster for food, alcohol & tobacco, non-energy industrial goods and services. Energy price increases slowed but remained extremely high. Core inflation that excludes energy, food, alcohol, and tobacco went up to 3.5% from 2.9%.

After a long period of deflation in Japan consumer prices rose by 1.2% yoy in March 2022, the highest rate since October 2018, after a 0.9% gain a month earlier. The latest figure marked the 7th straight month of annual inflation, with food prices rising at the fastest pace in over 5 years. Additional upward pressures were broad based, but as elsewhere driven mainly by higher energy prices. Core consumer prices went up 0.8% yoy, the 7th consecutive month of rises and the most since January 2020.

4. The outlook for the securities markets

My last report was written just a few days before Russia invaded Ukraine and while I have noted Russia as a geopolitical risk in my reports and presentations in the past. I had not believed President Putin felt so insecure in his position that he would attempt further incursions into Ukrainian territory and the replacement of the Ukrainian government by force.

Like covid 2 years ago the weight that can be given to these events in a probability based analysis of how to invest is low but their impact can be high and long lasting. Unlike covid, the impact of war cannot be easily offset by fiscal and monetary policy, and the development of a vaccine. Nonetheless the political response by western governments to act with varying degrees of unity to impose sanctions and to freeze the overseas assets of the Russian government and Oligarchs alike is impressive. The adjustment from here is rather more difficult to achieve, Russia and Ukraine are major sources of energy, commodities and food to the rest of the world and in particular gas to Europe. Substitution of these important commodities is a long term issue which needs to be addressed by markets as unless the war ends soon and there is the removal of Putin's regime, the west cannot go back to business as usual with Russia.

The good news is that the global economy was strong on back of a re-opening post covid, the latent impact of fiscal spending, high household savings, strong consumer demand and low interest rates. What the war has done is increase uncertainty, reduce consumer sentiment and increase the length of the period of higher inflation. All of which will reduce economic activity and make life very difficult for central banks. As they cannot push rates up high enough to choke off inflation without the risk of pushing the economy into recession.

As I mentioned in my last report, I believe we are right in the middle of the bad news for inflation. As a result, it is entirely likely that over the next 6 to 12 months, the year over year inflation reports will be higher and this will make equity and bond markets more volatile as they see the inflation data and worry about how the central banks will respond on monetary policy. The Fed in particular is making it clear that while it will tighten monetary policy through higher interest rates and QT it will only do so if growth remains strong. By the end of 2022, I believe inflation will be heading lower but so could growth.

Higher inflation is a "tax on growth". The transmission mechanism is the reduction of discretionary spending and poorer consumer sentiment caused by earnings not keeping up with higher prices. Base effects from lower inflation and growth 12 months ago also have and influence. In turn this leads to lower inflation data hence inflation could be falling back closer to 3% in a year or so's time. While this is higher than the 1% to 2% we have become accustomed to over the last 10 years, this is not a cause for concern. If I and long term market inflation expectations are wrong, it will be because income growth manages to outpace the rate of inflation.

While higher interest rates and inflation are bad news for longer duration bond markets, they are not necessarily a bad outcome for equity markets. But it can be bad news for growth stocks, thus far this year the MSCI AC world "growth index" is down -22% whereas the equivalent "value index" is only down -5%. This could continue for a while longer as the valuations of "growth" companies come down to more normal levels. Going forward, I expect more subdued returns and greater volatility from markets in general.

Bond Markets

In table 6, below I have set out my expectations for 3 month SONIA interest rates and benchmark 10 year government bond yields, over the next 6 and 12 months. They are not meant to be accurate point forecasts, more an indication of the possible direction of yields from May 2022.

Table 6: - Interest rate and Bond yield forecasts

%	CURRENT	DECEMBER 2022	JUNE 2023
UNITED STATES			
3month SONIA	1.44	2.75	3.0
10 year bond yield	2.92	3.25	3.50
UNITED KINGDOM			
3month SONIA	1.26	2.0	2.25
10 year bond yield	1.81	2.5	2.75
JAPAN			
3month SONIA	-0.02	0.0	0.0
10 year bond yield	0.24	0.25	0.25
GERMANY			
3month SONIA	-0.45	0.25	1.0
10 year bond yield	1.01	1.30	1.75

Source: - Trading Economics; 17th May 2022

Central banks have become much more aggressive with their rate increases and up until now their rhetoric on the direction of interest rates, with the aim of re-assuring the markets that they will do what they can to keep inflation under control. While the Bank of England remained hawkish on rates at their meeting in May, they only increased the base rate by 0.25% to 1.0%. The US Fed did increase rates by 0.5%, less than the 0.75% the market had feared, to a range of 0.75% - 1.0% and announced a programme of monthly asset sales to reduce the size of its balance sheet (aka QT).

However, on the economic front, the Fed noted that the invasion of Ukraine and related events are creating additional upward pressure on inflation and are likely to weigh on economic activity. In addition, covid related lockdowns in China are likely to exacerbate supply chain disruptions. Thereby flagging that they were not going to choke off the economic recovery with higher interest rates if other factors beyond their control were causing growth to slow.

Needless to say, the interest rate and bond markets have reacted poorly to the invasion of Ukraine, the lockdowns in China and the already baked in increases inflation resulting from higher energy prices and the costs related to the re-opening of the US and pan-European economies post covid. As can be seen in Tables 2 and 6 above all bond market yields have risen with the most interest rate sensitive components producing the largest negative returns. As can been seen in table 6 above I continue to expect that bond yields will rise with interest rate sensitive assets classes producing negative returns or at underperformance over the medium term.

Bond Market (Protection Assets) Recommendations

As can be seen in chart 8 and table 5 above the median forecast of economists expectations is that inflation will be on a falling trend by the end of the year. Although the range of forecasts is very wide and the BoE has suggested that inflation could hit 10% later in the year. There are however straws in the wind that suggest goods inflation may have peaked in the US and it is clear that growth and sentiment indicators have weakened. I believe that central banks are just as focussed on growth as they are inflation and do not want higher interest rates to drive the economy into recession.

Higher inflation and rising interest rates will continue to put negative pressure on bond market returns, but on balance from here I believe yields for even government bonds and for investment grade non-government bonds are sufficiently attractive to reduce the 4% underweight to protection assets I suggested in my last report.

On balance, I am happy to remain 2% underweight, 1% underweight each to conventional gilts and corporate bonds, because of the very high interest rate sensitivity of these assets. I propose using cash to reduce this underweight and maintain my suggested + 2% overweight to Multi-asset Credit. High yield spreads have also become more attractive and because corporate fundamentals remain strong, default rates are likely to remain low for well-managed portfolios. Also, because many of these securities have floating rather than fixed interest rates, they are less interest rate sensitive, which is ideal in a rising yield environment.

I remain uncomfortable with the extremely high duration, negative yield and over-valuation of index linked gilts, and while I have consistently recommended an underweight allocation in the past in the current period of rising inflation, I would not seek to reduce the position further.

As usual in table 7 below I have updated the data and recalculated my estimates of the total return impact of rising yields for government and non-government bond indices based on their yield and interest rate sensitivity (Duration) over 3 and 12 months. The estimates show that there is very little income protection even for small increases in yield at current durations and spreads except in high yield bonds.

Table 7: - Total returns from representative bond indices

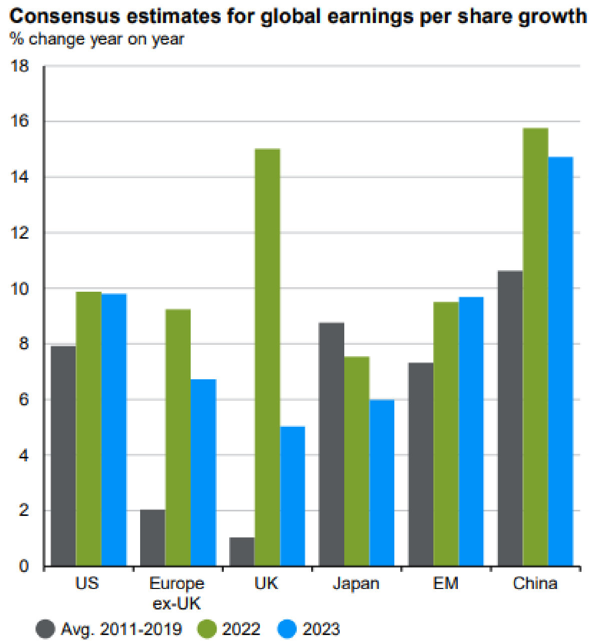
INDEX	YIELD TO MATURITY %	DURATION	YIELD INCREASE %	% TOTAL RETURN, HOLDING PERIOD	
				3 MONTHS	12 MONTHS
All Stock Gilts	1.69	11.8	0.5	-5.5	-4.2
All Stocks Linkers	-2.27	18.5	0.5	-9.2	-9.0
Global IG Corporate	3.71	6.5	0.5	-2.3	+0.5
Global High Yield	7.5	4.2	0.5	-0.2	+5.4

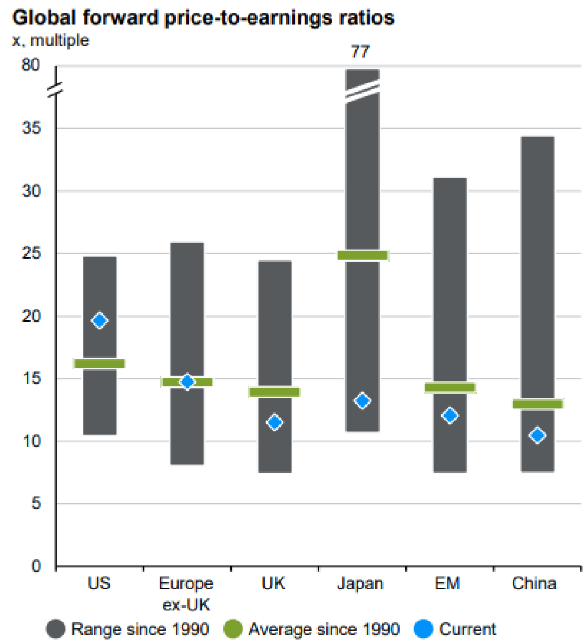
Source: - ICE Indices 17th May 2022

Equity Markets

Chart 14 below, left hand side, shows the consensus earnings per share growth estimates, for 2022 and 2023 compared to the annual average between 2011 and 2019. The right hand side shows, the current forward looking estimates of price / earnings ratio of the same market indices compared to the range and the average since 1990, except for China where the data only goes back to 1996, provided by JP Morgan Asset Management.

Chart 14: - LHS - Earnings per Share estimates, RHS - Price/Earnings Ratios, since 1990, China 1996





Source: - JPM Asset Management., May 2022

At almost halfway through the year and despite a weaker and more uncertain macro-economic outlook, equity analyst earnings per share forecasts for 2022 have been revised higher. With the exception of Japan analysts are expecting earnings to be stronger in 2022 than the average between 2011 and 2019. It should be noted however that expectations for 2023 are unchanged to slightly lower in Europe and Japan. The recent weakness of equity markets has made all markets look cheaper using forward price to earnings ratios. Therefore, if earnings can be maintained, on this measure it would suggest equity markets are more attractive. As has been noted here for some time equity valuations based on the price earnings ratios remain high especially in the US compared to the rest of the world, despite the more aggressive selloff in so called tech and consumer discretionary stocks.

On balance unlike for bond markets higher inflation is not universally negative for equity markets but higher interest rates will have an uneven impact on sectors and companies. I still believe there is upside in equity markets, but the returns will be harder won, with more volatility and lower aggregate returns to those we have seen over in recent years. I believe it pays to look at valuations and earnings, both of which suggest to me there are easier gains to be had outside the US. As suggested in my last report, sector leadership has already started to shift with the more interest rate sensitive sectors underperforming less leveraged sectors of the equity markets. I also believe that the uncertainty created by the war in Ukraine will have a greater impact on European equity markets.

Equity Market (Growth Assets), Recommendations

After making a substantial increased allocation to sustainable equity from the legacy regional equity markets in January the in-house team (IHT) have paused further changes. Partly due to the performance of the asset class which has a higher concentration of growth stocks, but also due to the correlation of the performance of managers in the strategy. In light of these outcomes, I believe it is prudent in the short term to wait and see how markets develop and the managers perform in the current more challenging market conditions.

Income Assets

As mentioned above in protection assets I propose that the allocation to protection assets should be reduced by 2% and the allocation to Income assets and specifically MAC be increased by 2%. The widening of spreads for sub-investment grade bonds and the floating rate nature of loans and asset backed securities have increased the attractiveness of the asset class. MAC also benefits from a lower interest rate sensitivity so provided default rates do not increase significantly, MAC can continue to deliver better returns in a rising inflation and interest rate environment than investment grade bonds and conventional gilts.

Looking at the current allocations Infrastructure remains underweight but this has been reduced by a new allocation in April, property is now the largest underweight. Building the allocation to Infrastructure and property takes time and at the moment infrastructure in particular is attracting strong demand from investors. I am happy that the IHT is not rushing to increase exposure, the appropriate returns are being sought and investment due diligence is being done. I would like to see the direct property allocation increase funded using net sales from the in-direct exposure, but again as with infrastructure this needs to be done with caution as it is a very long term investment decision, and in the case of property transaction costs are expensive.

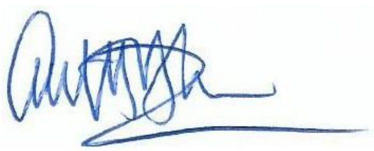
As noted above in “protection assets” I would suggest that cash is used to reduce the underweight allocation to Gilts and Investment grade credit from a combined -4% to -2%, as the recent sharp selloff in both asset classes has increased their relative attractiveness.

The asset allocation set out in table 8 below, shows the New Benchmark and my suggested asset allocation weights relative to this benchmark as of the 11th February and the 17th May 2022. These allocations represent an ideal objective for the Fund based on my expectations for economic growth and market performance, but they do not take into consideration the difficulty and costs in reallocating between asset classes and the time needed by the In-house Team and their investment managers to find correctly priced assets for inclusion in the Fund.

Table 8: - Recommended asset allocation against the Strategic Benchmark.

The 2 righthand columns show my suggested allocations relative to the new strategic benchmark that came into effect on the 1st January 2022. This change completes for benchmarking purposes the migration to the new allocations of growth assets.

% ASSET CATEGORY	NEW DERBYSHIRE STRATEGIC WEIGHT 1ST JANUARY 2022	ANTHONY FLETCHER 11TH FEBRUARY 2022	ANTHONY FLETCHER 18TH MAY 2022
Growth Assets	**55**	**0**	**0**
UK Equity	**12**	**0**	**0**
Overseas Equity	**43**	**0**	**0**
North America	**0**	**0**	**0**
Europe ex UK	**0**	**0**	**0**
Japan	5	**0**	**0**
Pacific ex Japan	**0**	**0**	**0**
Emerging markets	5	**0**	**0**
Global Sustainable	**29**	**0**	**0**
Private Equity	4	**0**	**0**
Income Assets	**25**	+2	+2
Property	9	**0**	**0**
Infrastructure	**10**	**0**	**0**
Multi-asset Credit	6	+2	+2
Protection Assets	**18**	**-4**	**-2**
Conventional Gilts	6	**-2**	**-1**
UK index Linked	6	**0**	**0**
US TIPS	0	**0**	**0**
UK corporate bond	6	**-2**	**-1**
Cash	2	+2	**0**



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Appendix

References

Source material was provided by, including but not limited to, the following suppliers: -

- Derbyshire Pension Fund, PEL performance services
- FTSE and ICE Indices
- JP Morgan, Asset Management
- Bank of England, UK Debt Management Office, UK OBR, UK Treasury, ONS
- US Bureau of Labour Statistics, US Commerce Dept. The US Federal Reserve.
- Bank of Japan, Japan MITI
- ECB, Eurostat
- Bloomberg, FactSet, Markit and Trading Economics
- Financial Times, Daily Telegraph, Wall Street Journal, New York Times, Washington Post

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FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 8 JUNE 2022

Report of the Interim Director - Finance and ICT

Stewardship Report

1. Purpose

1.1 To provide the Pensions & Investments Committee with an overview of the stewardship activity carried out by Derbyshire Pension Fund's (the Fund) external investment managers.

2. Information and Analysis

2.1 This report attaches the following three reports to ensure that the Pensions & Investments Committee is aware of the engagement activity being carried out by Legal & General Investment Management (LGIM) and by LGPS Central Limited (the Fund's pooling company) (LGPSC):

- Q1 2022 LGIM ESG Impact Report (Appendix 2)
- Q4 2021/22 LGPSC Quarterly Stewardship Report (Appendix 3).
- 2021 LGPSC Annual Stewardship Report (Appendix 4)

2.2 LGIM manages around £1.7bn of assets on behalf of the Fund through passive products covering: UK Equities; Japanese Equities; Emerging Market Equities; and Global Sustainable Equities. LGPSC currently manages around £0.9bn of assets on behalf of the Fund through its Global Emerging Market Equities Sub-Fund, Global Investment Grade Bonds Sub-Fund, All World Climate Factor Equity Sub-Fund and Private Debt Fund. It is expected that

LGPSC will manage a growing proportion of the Fund's assets going forward as part of the LGPS pooling project.

2.4 These three reports provide an overview of the investment managers' current key stewardship themes and voting and engagement activity.

3. Implications

3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

4. Background Papers

4.1 Papers held in the Investment Section.

5. Appendices

5.1 Appendix 1 – Implications
5.2 Appendix 2 – Q1 2022 LGIM ESG Impact Report.
5.3 Appendix 3 – Q4 2021/22 LGPSC Quarterly Stewardship Report.
5.4 Appendix 4 – 2021 LGPSC Annual Stewardship Report.

6. Recommendation(s)

That Committee:

(a) note the stewardship activity of LGIM and LGPSC.

7. Reasons for Recommendations(s)

To provide Committee with reassurance regarding the stewardship activity of the Fund's two largest investment managers.

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Appendix 1

Implications

Financial

1.1 None

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 None

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

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Q1 2022

ESG Impact Report

Global engagement that aims to deliver positive change

LGIM

Foreword

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Russia's invasion of Ukraine during the first quarter of 2022 has shocked the world. Our thoughts are with the Ukrainian people and all those affected by the conflict.

From an investment stewardship perspective, we are engaging with the companies impacted – as we would in the event of any situation that has a material impact, whether manmade or natural. We are discussing a broad range of issues which include, for example, the treatment of employees, management of supply chains and adherence to sanctions and due diligence. Regarding voting, we will continue to operate in line with global sanctions, and will be looking to work with regulators globally to understand their longer-term approach to the exercise of voting rights at affected companies.

This is a sensitive and complicated topic; the asset management industry needs to strike an appropriate balance for our investors and for the countries and companies in which we invest. We have been working hard to ensure we're engaging with all of our stakeholders in many different ways, and keeping our clients informed through our blogs, webinars and podcasts.

We believe stewardship encompasses all aspects of E, S and G and that none of these areas is static. Our focus five years ago was very different to where it is today. And this evolution will continue. As we move forward, through our research and our dialogue with companies, peers and policymakers, we aim to help LGIM achieve its purpose of creating a better future through responsible investing.

Kurt Morriesen
Head of Investment Stewardship

Our mission

We aim to use our influence to ensure:

1. Companies integrate environmental, social and governance (ESG) factors into their culture and everyday thinking

2. Markets and regulators create an environment in which good management of ESG factors is valued and supported

In doing so, we seek to fulfil LGIM's purpose: to create a better future through responsible investing.

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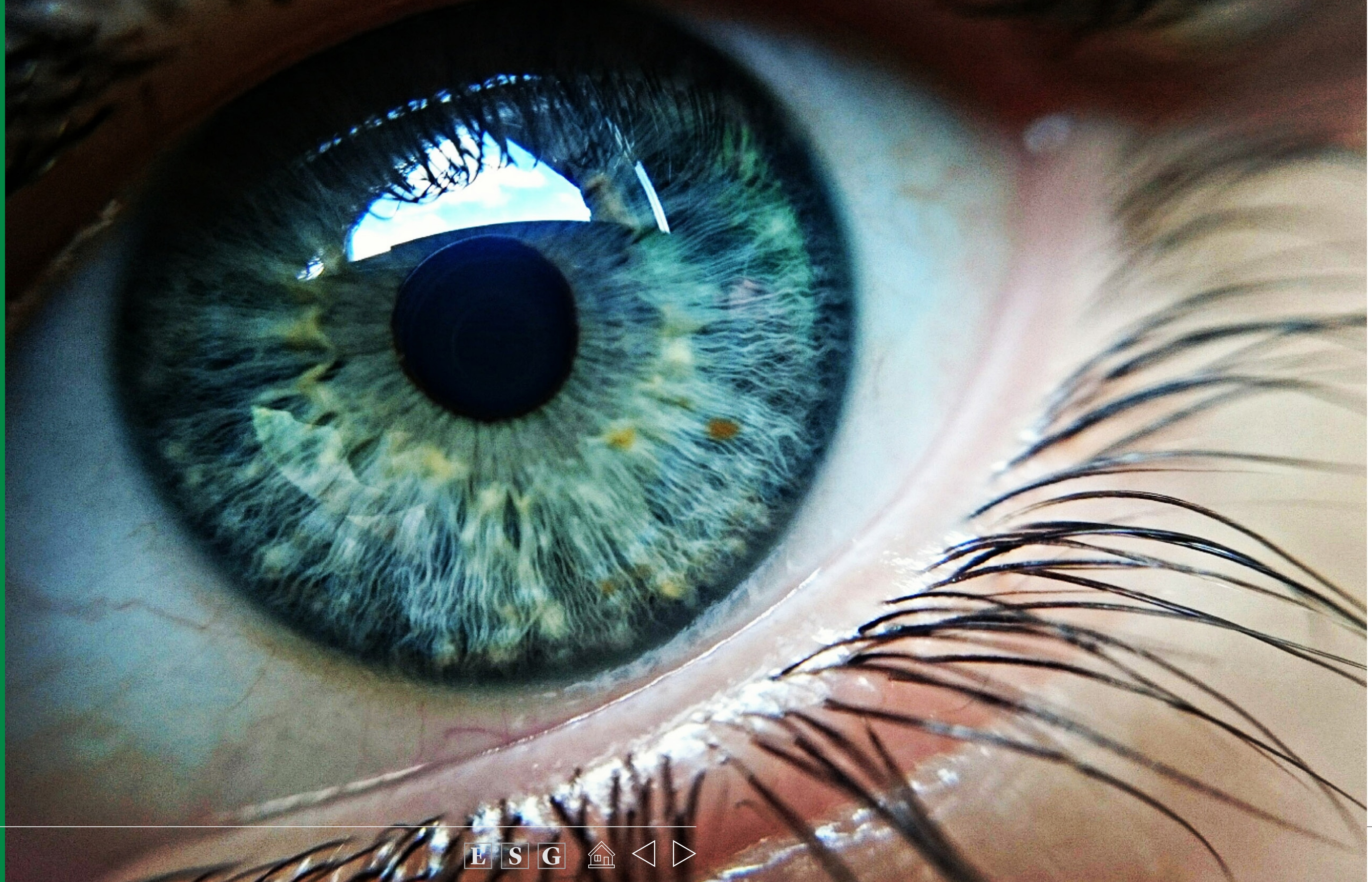

Our focus

Holding boards to account

To be successful, companies need to have people at the helm who are well-equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks while seeking to benefit from emerging opportunities. We aim to safeguard and enhance our clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which we use extensively.

Creating sustainable value

We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Our investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. We engage directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that can deliver long-term success.

Promoting market resilience

As a long-term investor for our clients, it is essential that markets are able to generate sustainable value. In doing so, we believe companies should become more resilient to change and therefore seek to benefit the whole market. We use our influence and scale to ensure that issues impacting the value of our clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change.

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Action and impact

In preparation for the 2022 proxy voting season, which will gather pace in the second quarter, we have been focusing on areas where we are raising our expectations of companies and strengthening our voting policies. We would also draw readers' attention to the shareholder resolutions noted in the "Governance" section of this edition, and to emphasise their importance as a tactical strategy for escalating engagement with companies.

Environmental | Social | Governance

ESG: Environment

Say on Climate: our expectations of companies' climate transition plans

In 2022, we are setting out our criteria for supporting management-proposed climate transition plans. We want to encourage companies to put forward credible and ambitious plans, and to avoid submitting half-baked proposals to a vote.

Climate change is one of the defining issues of our time, and we believe it is a financially material risk for companies, and that it is unrestrained by sector or geographical borders. Having strengthened our Climate Impact Pledge to expand its reach to around 1,000 companies and to raise our expectations of what we believe companies should be aiming for, last year we publicly called on companies to propose a 'Say on Climate' vote. We voted against several high-profile proposals in the 2021 AGM season where we believed that the plans proposed were not sufficiently robust or credibly aligned with net zero. This year, we have reinforced and clarified what we expect from companies.

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Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

Climate transition plans 2022: our expectations

Communicating our expectations to companies and explaining how we will apply our voting policy are crucial to both the effectiveness and credibility of our stewardship engagement. We aim to be as clear as possible, and we expect all climate transition plans to include the following:

- A public commitment to net zero by 2050;
- Disclosure of short-term (up to 2025), medium-term (2026-2035) and long-term (2036-2050) targets covering scope 1 and 2 emissions and material scope 3 emissions;
- Disclosure of current scope 1, 2 and material scope 3 emissions;
- Credible targets that are aligned to a 1.5°C trajectory. Gaining approval and verification by SBTi (or other external independent parties as they develop) can help demonstrate the credibility and accountability of plans.

Raising the bar

From 2023, we will increase the pressure on companies that fail to put suitably ambitious and credible transition plans to a shareholder vote by filing shareholder resolutions. This action is likely to be in conjunction with Climate Action 100+, an investor-led initiative that aims to ensure the world's largest corporate greenhouse-gas emitters take necessary action on climate change.

Turning up the heat: adapting to a warmer world

Many of our readers will have seen the recently released IPCC (Intergovernmental Panel on Climate Change) report, Climate Change 2022: Impacts, Adaptation and Vulnerability, which we have summarised on our blog. In addition to taking action to reduce greenhouse gas emissions, we believe that both action and investment are required to adapt to a warmer world: from everyday living to buildings, infrastructure and energy, current financial flows remain insufficient to overcome the scale of global adjustment required to mitigate these risks.

As stewards of our clients' assets, we have long asked investee companies to assess not only transition risks, but also how they and their supply chains stand to be affected by the physical impacts from climate change. Through our Climate Impact Pledge, we hold companies to account on both disclosure and action, while analysing climate risks in our own portfolios; our Destination@Risk toolkit allows us to quantify the impacts of chronic physical risk from changes in labour productivity on our asset valuations. By acting on these risks, we believe investors can help encourage the climate resilience of portfolio companies, as well as channelling investment towards adaptation solutions.

Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

Companies are increasingly being challenged and held to account for their own policies and programmes to tackle deforestation.

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Brazil: protecting the Amazon

The destructive impact of deforestation has become increasingly prominent over recent years – tragic forest fires, particularly on the East Coast of the US and in Australia have focused attention on the devastating environmental impacts of the loss of forests.

When it comes to commodity-driven deforestation, we know this must end if we are to tackle the dual threat of climate change and biodiversity loss. Companies are increasingly being challenged and held to account for their own policies and programmes to tackle deforestation in direct operations and supply chains, and through financing and investment.

But deforestation is not just a company issue: national policymakers have a significant role to play through the development and enforcement of appropriate regulation. As part of our ongoing work as a member of the Investors Policy Dialogue on Deforestation, we recently joined a meeting with the Brazilian Environment Ministry where we received an update on current and upcoming projects and plans to tackle deforestation in Brazil. We were encouraged to hear of the launch of a special environmental task force, 'Guardians of the Biome', with 10 physical bases within the Amazon basin, where 1,200 agents and officials will work in partnership with the state government.[1] Targeting illegal logging and other types of environmental crime linked to deforestation, this taskforce will be coordinated by the Ministries of Environment, Justice and Public Security. In addition to the current satellite images that are being used to monitor suppression of vegetation and deforestation, the ministry will be launching a monitoring system and will work on developing deforestation datasets.

1. Environment will launch new edition of the Guardians of the Biome program - ISTOÉ DINHEIRO - Pledge Times Ethnic diversity on boards: results and reflections on our campaign so far (lgimblog.com) All data in this section as at 17 March 2022.

Environmental | Social | Governance

ESG: Social

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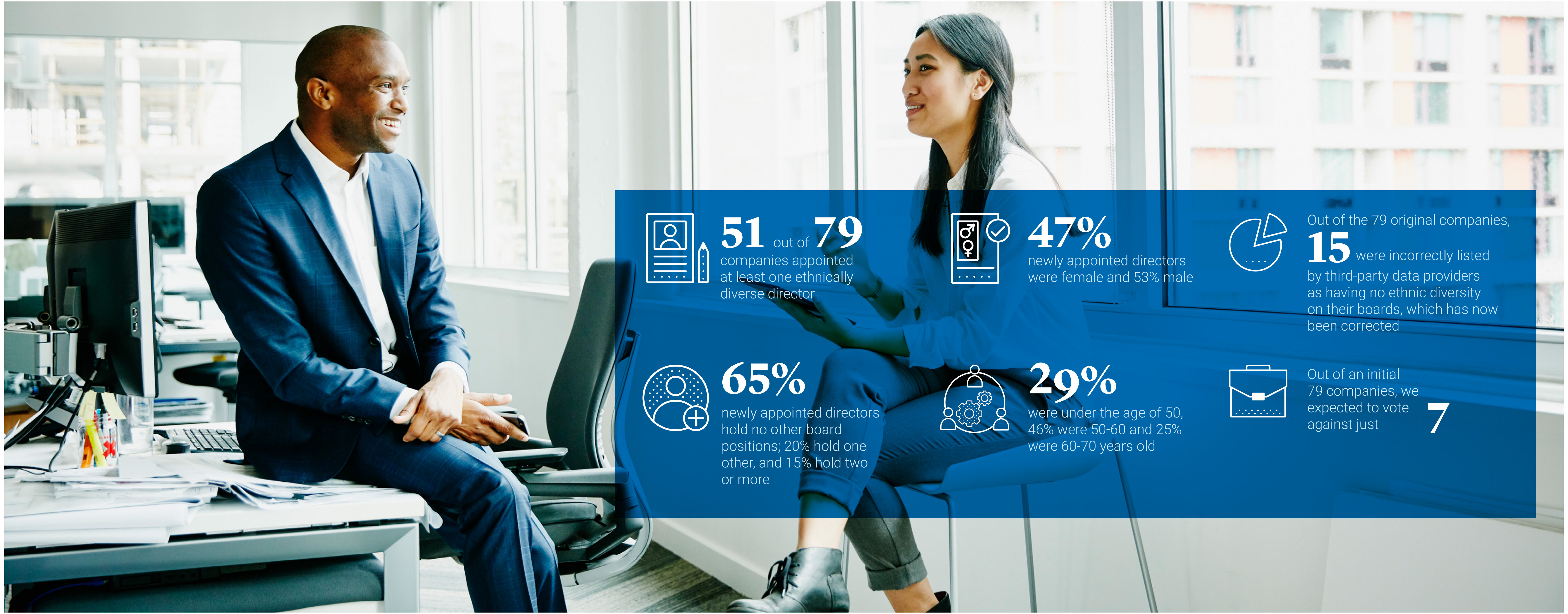
Ethnic diversity: welcome onboard!

Ahead of the 2022 proxy voting season, we reassessed the data from our ethnic diversity campaign, which we began in August 2020.[2] Our campaign was targeted specifically at FTSE 100 and S&P 500 companies with no ethnic diversity on their boards and our aim was to encourage them to appoint at least one ethnically diverse director by the end of 2021. In writing to these individual companies to express our views, we explained that from 2022, we will be voting against the chair of the nomination committee of those US companies, or the chair of the board of those UK companies, which fall short of our expectations on ethnic diversity. Having identified 79 companies initially, what follows is more detail on the improvements we've seen.

2. Ethnic diversity on boards: results and reflections on our campaign so far (lgimblog.com) All data in this section as at 17 March 2022.



51 out of **79** companies appointed at least one ethnically diverse director

47% newly appointed directors were female and 53% male

Out of the 79 original companies, **15** were incorrectly listed by third-party data providers as having no ethnic diversity on their boards, which has now been corrected

65% newly appointed directors hold no other board positions; 20% hold one other, and 15% hold two or more

29% were under the age of 50, 46% were 50-60 and 25% were 60-70 years old

Out of an initial 79 companies, we expected to vote against just **7**

We believe that improving diversity in all its forms is financially material; we believe more diverse organisations make better strategic decisions, show superior growth and innovation, and exhibit lower risk. The improvement in diversity at these 51 companies is of course not the sole result of our campaign – market influence and collaboration are vital cogs in the machinery of driving change. The Nasdaq board diversity rule, which received approval in August 2021, and Institutional Shareholder Services' (ISS's) update of its proxy voting policy to include a position on board diversity, are both significant steps which not only demonstrate how important the issue of ethnic diversity is becoming, but also demonstrate a clear market shift. As part of our collaborative stance, we have shared our ethnic diversity policy not only with our campaign focus companies but also with peers, clients and broader diversity coalitions such as the 30% Club, which has also recently updated its own policies to include ethnic diversity.

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This campaign also reminded us of the importance of data, both in terms of accuracy, and in terms of really understanding what we are being shown. We were meticulous in confirming the accuracy of data with companies – ethnic diversity data can be both sensitive and elusive. Nevertheless, the data we obtained from ISS was for the most part reliable; instances where it was found to be inaccurate were often down to the methodology of data collection, and the location and type of company disclosure. We are acutely aware of the key role of transparency and disclosure when it comes to stewardship and will be closely observing how data quality from our third-party sources evolves and improves.

In addition to implementing our ethnic diversity voting policy, we will continue to expand our focus to include more companies and more countries; our first campaign was the tip of the ethnic diversity iceberg and, as with gender diversity, we would expect many more engagements and deeper discussions to emerge over time.

We believe that improving diversity in all its forms is financially material; we believe more diverse organisations make better strategic decisions, show superior growth and innovation, and exhibit lower risk.

Keidanren: speaking at the Japan Business Federation

At LGIM, our goal is to create a better future through responsible investing, and we take our responsibility as asset owners very seriously.

We were delighted that our CEO Michelle Scrimgeour was invited to give the keynote speech for Keidanren, the Japan Business Federation, at their High-Level Symposium in January 2022. Keidanren has a membership of over 1,400 representative companies in Japan, 109 nationwide industrial associations, and regional economic organisations for the 47 prefectures. As a 'comprehensive economic organisation', its aims are to contribute to the sustainable development of the Japanese economy and improvement in the quality of life for Japanese society.[3]

Michelle's speech on *How financial institutions can contribute to realise a sustainable society through innovation* explained our vision of inclusive capitalism and how our integrated stewardship and investment activities are designed to aim for a better society. She also referenced the teaching of *sampō yoshi*, first used by the Omi merchants of the Edo period,[4] who believed that business should benefit society as well as the buyer and seller in any transaction. To be invited to speak at Keidanren's symposium was a privilege, and to be able to share LGIM's views with some of the CEOs of leading companies in Japan was a great recognition of how far we have come, and provided encouragement regarding the resonance of our stewardship aims and activities in Japan. Michelle was joined by Nigel Wilson, CEO of L&G, and the video of the speech can be viewed on our Japan website.

3. Figures and summary of the Keidanren's aims sourced from Keidanren's website on 07 April 2022
4. 1603-1867, a period which also saw the creations of some of the best-known works of Japanese art, including Hokusai's The Great Wave.

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Thematic update: AMR by the GRAM!

Antimicrobial resistance (AMR) is one of our global engagement themes: The World Health Organisation (WHO) describes AMR as one of the top 10 global public health threats facing humanity today, and as a global investor across multiple asset classes, LGIM is exposed via multiple sectors from healthcare and pharmaceuticals, to travel and leisure.

As part of our ongoing research and engagement in this field, we joined the official launch of the findings of the Global Research on Antimicrobial Resistance Findings group ('GRAM'), (Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis) which was published in The Lancet medical journal in January 2022. Collaborations with experts are a crucial part of our engagement activities: they help us build knowledge and a network of supporters, and they help us to have more in-depth and detailed conversations with companies and policymakers to identify potential areas of risk, and to formulate solutions.

AMR will continue to be an area of focus for us throughout 2022 and beyond. Like all of our global engagement themes, it is very much a long-term issue but as has become so clear with topics such as climate change, taking early action on long-term problems is vital for creating a sustainable future.

Significant vote

ISIN	US0378331005
ISIN	US0378331005
Company name	Apple Inc*
Market Cap	$2.845 trillion, as at 06.04.2022. Source: Reuters
Sector	Information technology (MSCI sector)
Issue identified	Human rights and freedom of association are coming under increased scrutiny in the US, and we are increasing our engagement in this field.
Summary of the resolution	This was a shareholder resolution for a Civil Rights Audit Report.
How LGIM voted	We voted FOR the resolution (i.e., against management)
Rationale for the vote decision	A vote in favour was applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.LGIM engaged with the company prior to the annual meeting and communicated our policies and how we were likely to vote.
Outcome	53.55% of the votes were in favour of the resolution. Apple shareholders have generally sided with management in recent past. The reversal of that trend for such a proposal indicates a shift in preferences amongst shareholders and highlights the potential impact such resolutions can have in the future. We will continue to engage with Apple* on this topic to track what changes are made in response to this resolution and the effects of such changes.
Why is this vote 'significant'?	This was a high-profile vote which has a degree of controversy such that there is high client and/or public scrutiny.

*Case study shown for illustrative purposes only. Reference to a particular security is on a historical basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

Amazon*: human rights and freedom of association

Over the last year, we have engaged with Amazon* five times, independently and collaboratively, to discuss the company's approach to, and policies on, human rights. The shareholder resolution that LGIM supported at the company's AGM in 2021 asked for a civil rights, equity, diversity and inclusion audit report, and gained 45% support from shareholders. Ahead of another AGM season, where we expect to see a number of shareholder proposals on Amazon's ballot relating to social issues, we engaged with the company to make some specific requests and to understand its latest progress on some key social topics.

Human rights

LGIM
Following the shareholder resolution in 2021, we asked how the company plans to improve its disclosure and transparency on civil rights, equity, diversity and inclusion.

Amazon
Amazon explained that its recently published Human Rights Impact Assessment (HRIA) fulfils this demand, which sets out the 'salient human rights risks' they have identified.

LGIM
We questioned whether there would be reporting against these identified risks.

Amazon
Amazon explained it has recently published its first report on its Commitment to Safety, Health, and Well-Being, and is currently working on reporting on the areas of Right to Privacy and Product Safety and Security. In mid-March 2022, the company published its human rights commitment, policy and practice, including freedom of association and collective bargaining. However, it was unclear whether there will be further reporting on its other findings or indeed the process undertaken and frequency of the assessment.

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Freedom of association

One of the risks identified by the company in its HRIA is Freedom of Association. Last year, we reported that Amazon* had been accused of interfering with efforts by its workers to unionise.[5] This activity has since been investigated and, following a decision by the US National Labor Relations Board Region (NLRB) that declared Amazon's* conduct to be inappropriate and not in line with International Labour Organisation (ILO) standards, it was deemed that a new election should be conducted on 4 February 2022 and concluded at the end of March 2022.[6]

LGIM
Notwithstanding the result of this election, we requested, in a second collaborative letter we signed in January 2022, that the company:

- Immediately adopt a global policy of neutrality;
- Should a majority of the voting employees vote for the union in Bessemer, commit to negotiate with the union in good faith; and
- Initiate dialogue with the relevant trade unions at a national and global level on how Amazon can implement its labour rights commitments.

Amazon
However, the company argued that it currently adheres to all ILO standards on freedom of association and pointed us to the disclosure referenced above.

Gender/racial pay gap

LGIM
A report for additional information on the company's gender/racial pay gap was also requested at the 2021 AGM; we supported this, and it gained 35% support from shareholders. We asked the company about its intentions to provide this information, given the significant level of support from shareholders.

Amazon
However, the company does not believe this information provides anything that is not already provided in its workforce data breakdown and therefore has no plans to disclose this information.

LGIM
We pressed for such reporting, explaining that it is an effective way for investors to assess how a company is thinking about how to attract, retain, engage and advance more women and minorities up through the talent pipeline.

We will be engaging with the company ahead of its AGM in May 2022 on all of these issues and more, asking for improvements in practices and disclosure.

5. ESG impact report Q1 2021 (lgim.com)
6. NLRB calls new election at Amazon warehouse - The Washington Post

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ESG: Governance

Ahead of the proxy voting season in Q2 2022, we have decided to focus on shareholder resolutions in this section of the report. Shareholder resolutions are part of our engagement strategy and as we prepare for this year's set of AGMs, we provide more detail and some recent case studies to shine a light on this area of engagement.

Why might we consider filing a shareholder resolution?

Our engagement process with companies is structured: we have a number of different 'levers' we can pull to escalate an issue – depending on the company and depending on the topic, we will use a different selection. Filing such a resolution puts pressure on a company and encourages them to discuss and resolve issues with us, and to propose and take actions, in order to avoid the topics raised being included on their AGM agenda and potentially being put to a shareholder vote.

We are approached on a regular basis by shareholder organisations about filing shareholder resolutions on a range of topics – we consider each of these requests on an individual basis, comparing the resolution demands against our own views and policies, and considering the alignment with our global themes and engagement programmes. As a consequence, we do not agree to co-file every resolution that comes our way, but where we have filed or collaborated on select proposals, we have found that they have been an effective means of escalation. This engagement demonstrates the value of working individually with companies and identifying when escalation will help achieve a result.

In the following section, we provide a set of recent examples to illustrate why we may or may not file or co-file a shareholder resolution, how it can help to escalate our engagement.

Sainsbury's*: co-filing a shareholder resolution

LGIM, together with ShareAction, other asset owners and asset managers, has co-filed a shareholder resolution calling on Sainsbury's to become a living-wage accredited employer by its AGM in 2023. With over 600 supermarkets, more than 800 convenience stores, and nearly 190,000 employees, Sainsbury's is one of the largest supermarkets in the UK.[7] Although Sainsbury's is currently paying higher wages than many other listed supermarkets, the company has been selected because it is more likely than many of its peers to be able to meet the requirements to become living-wage accredited.

LGIM decided to co-file this resolution because of Sainsbury's decision to split its London employees into 'inner' and 'outer' London, with those in 'outer' London paid less than the real living wage of £11.05 per hour ('outer' London employees were offered £10.50 per hour). Although the hourly rate differential appears small, when multiplied by the total hours worked, this would make a material impact on affected employees' ability to meet the demands of the cost-of-living crisis as inflation costs soar and the economy struggles to recover from the effects of the COVID-19 pandemic.

We are delighted to see that on 8 April, Sainsbury's announced that it would increase the wages of their 'outer' London employees to match their 'inner' London employees. Income inequality is one of our key global themes, and we will continue to engage on this topic with companies in the years ahead.

7. About us – Sainsbury's (sainsburys.co.uk)
8. Sainsbury's lifts pay after shareholder pressure - BBC News

*Case study shown for illustrative purposes only. Reference to a particular security is on a historical basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

Moderna*: using a shareholder resolution to escalate our engagement

In our Q4 2021 Impact Report, we summarised our ongoing engagement with Moderna, under the broader theme of fair access to COVID-19 medicines. This quarter, we are pleased to provide a further chapter to this engagement story!

The story so far: a brief recap

Fair access to COVID-19 medicines and vaccinations was a focus for us during the pandemic: in 2020, together with AXA Investment Management and the Access to Medicine Foundation, we wrote an open letter to global pharmaceutical companies, asking them to undertake practical steps to accelerate research and development efforts and overcome potential barriers to rapid and widespread access to COVID-19 medicines and vaccines. These included sharing intellectual capital; working with governments across all levels of income, not just higher-income countries; and sharing manufacturing capacity. We also wrote individually to some of the largest pharmaceutical companies in the world to express our views.

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Together with the Interfaith Center on Corporate Responsibility (ICCR), we worked on and led the filing of a shareholder resolution requesting that Moderna disclose how its receipt of government financial support for development and manufacture of COVID-19 vaccines is being considered when making decisions that affect access to such products, such as pricing.

What happened next?

Following our subsequent discussions and communications with the company, the management of Moderna agreed to meet many of our demands for greater transparency by publishing a report containing the information we had requested, prior to its forthcoming AGM. As a result, having worked with Moderna to improve their public disclosures, we were able to withdraw the shareholder proposal.

Fair access to COVID-19 medicines and vaccinations was a focus for us during the pandemic.

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Unilever*: deciding not to co-file a shareholder resolution

Nutrition is a key focus area within our overall health theme: it affects many market sectors in which our clients are invested, from the food industry to pharmaceuticals and healthcare. We are members of the Access to Nutrition Initiative (ATNI) which, via its Global Index, assesses how the world's food and beverages manufacturers contribute to address malnutrition in all its forms. The Index ranks these companies with regards to governance and management; the production and distribution of healthy, affordable, accessible products; and how they influence consumer choices and behaviour.

We are also members of the ShareAction Healthy Markets Initiative, which is specifically focussed on improving children's health by improving access to healthy, affordable food.

Unilever is a well-known consumer brand and market-leader across a variety of food products, operating in many countries around the world. Under ATNI's latest Global Index, Unilever's score had fallen. We co-signed a letter with other initiative members to Unilever, highlighting the areas which have been indicated for improvement, which included:

- products: the amount of revenue generated from "healthy" products and beverages, and questions over the discrepancy of this figure versus the percentage of products that Unilever states meets the highest global nutrition standards
- targets for affordability of healthy products
- applying "responsible marketing" to children under the age of 18 (not just under 12)
- transparency regarding targets to increase the volume of sales of healthy products

In December 2021, ShareAction filed a shareholder proposal at Unilever asking first, that the company disclosure of the proportion of food and drink sales from healthier products be aligned with existing government-endorsed nutrient profiling models, and second, that the company set a strategy and targets in order to significantly increase this proportion in the longer term.

We decided against co-filing on this shareholder resolution. While agreeing with the overall purpose and aims of the resolution, we were not in complete alignment with some of the more granular details of the resolution. We met with the company several times during and after the filing of the resolution to understand its position, and to support the dialogue between ShareAction and the investor coalition filing the resolution. We were pleased with the outcome of these dialogues, which led to the withdrawal of the resolution in March 2022. We look forward to working with ShareAction, the investor coalition and Unilever on the company's commitments.

We will continue to engage and closely monitor the improvements being made here, as this is an area that affects the food and beverages sectors as a whole, that indirectly affects many different market sectors in which our clients are invested, and which is vital for long-term sustainability.

*Case study shown for illustrative purposes only. Reference to a particular security is on a historical basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

Public policy update

As a significant long-term global investor, including in sovereign debt, LGIM has a responsibility to ensure that markets operate efficiently, to protect the integrity of the market, foster sustainable and resilient economic growth, and protect the value of our clients' assets.

In this regard, LGIM engages at a macro level with policymakers and regulators across the world. LGIM focuses this policy dialogue on sustainability issues that it identifies as systemic risks, and the development of a robust international system of sustainable finance regulation. Opposite, we highlight a few examples a few examples over the past quarter.

LGIM engages at a macro level with policymakers and regulators across world.

United Kingdom

LGIM continues to engage with stakeholders and the UK government on the development of sustainable finance regulation. Specific examples include, the development of the Sustainable Disclosure Requirements regime (announced by the Chancellor of the Exchequer last year), the UK Green Taxonomy, and the next steps for Green Finance Strategy.

LGIM is very supportive of the government's progress to date; however, we are keen to see harmonisation with other markets, namely the European Union. LGIM is also supportive of appropriate sequencing of regulation across the investment chain, particularly that the foundations for a transparent system – i.e., corporate disclosures – are both robust and first in the queue. We expect significantly more focus on UK Sustainable Finance regulation over the coming months.

LGIM has also engaged with: i) the government on strengthening support for energy efficiency measures in homes; ii) the Department for Environment, Food, & Rural Affairs (DEFRA) consultation on implementation of due diligence provisions in the Environment Act to help tackle illegal deforestation in UK supply chains; and iii) stakeholders on strengthening policy on 'social' issues.

European Union

At the end of last year, LGIM and key stakeholders such as FAIRR, highlighted that the proposals for the agricultural sector in the EU Taxonomy presented a serious risk for the transition to net zero and biodiversity loss. During this quarter LGIM met with an MEP to reiterate our concerns, however, this remains an issue to follow closely.

LGIM also strongly supports the recent release of the extended taxonomy report by the Platform on Sustainable Finance. The report proposes the introduction of an 'amber', or transition, category, thereby providing investors with clear definitions as to what is truly, green, or what is still transitioning.

Japan

Following last year's COP26, LGIM has recently supported a letter (coordinated by the Investor Agenda) to the Prime Minister requesting that Japanese government strengthen its Nationally Determined Contribution (NDC) through setting out an actionable roadmap to phase out coal and expand investment clean energy technology.

United States

The United States continues to accelerate its focus on strengthening the regulatory environment to support ESG investing, encourage climate-related disclosures and, following the signing of the Global Methane Pledge at COP26, reduce methane emissions across the US. In this regard, LGIM and LGIMA engaged with the Environmental Protection Agency (EPA) on controlling air pollution from the Oil and Natural Gas Industry. We highlighted four recommendations to the EPA: i) encouraging monitoring smaller wells below three tons per year, ii) strengthen rules to address routine flaring, iii) encourage use of zero-emitting pneumatic controllers, and iv) encouraging adoption of a reporting framework from which investors can utilise the data.

LGIM and LGIMA also engaged with the Securities Exchange Commission on the proposed rule on Pay Versus Performance. The rule would amend executive compensation disclosure to compensation actually paid by a registrant related to the financial performance of that company. We were encouraged to see the proposals, and in our feedback, we outlined four recommendations of how the rule could be strengthened. These were especially focused on payments i) being fair, balanced, and understandable, ii) promoting long-term decision making, iii) being accompanied by a full explanation, and iv) being in equity while employed and thereafter.

International

At an international level, LGIM has supported the Business Call and Business Statement that advocated for member states to establish a legally binding United Nations (UN) Treaty on Plastic Pollution at the UN Environment Assembly in late February. LGIM is pleased to see member support for the resolution that would create a robust treaty covering the 'full lifecycle' of plastic production, from production to disposal. LGIM will continue to engage with negotiations over the coming months.

In light of Russia's invasion of Ukraine, LGIM and FAIRR have worked together to highlight the significant vulnerabilities in our interconnected food system. In our recent blog, we are encouraging policymakers to reform agricultural programmes in a way that both delivers on climate change whilst delivering long-term food security. We are reiterating the importance of an often overlooked sector, and that agricultural policy is key to enabling a 'Just Transition' to net zero, minimising nature loss, and building a more robust, resilient and stable global food system.

Regional updates

UK - Q1 2022 voting summary

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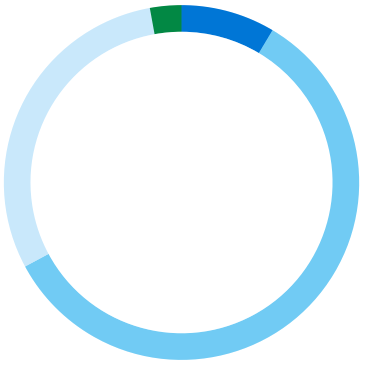
Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	53	0	0
Capitalisation	276	6	0
Directors related	450	41	0
Remuneration related	90	21	0
Reorganisation and Mergers	23	0	0
Routine/Business	330	2	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors Related	0	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	1222	70	0
Total resolutions		1292	
No. AGMs		75	
No. EGMs		32	
No. of companies voted		102	
No. of companies where voted against management /abstained at least one resolution		34	
% no. of companies where at least one vote against management (includes abstentions)		33%	

Votes against management



- Capitalisation - 6
- Directors related - 41
- Remuneration-related - 21
- Routine/Business - 2

Number of companies voted for/against management

- No. of companies where we supported management
- No. of companies where we voted against management

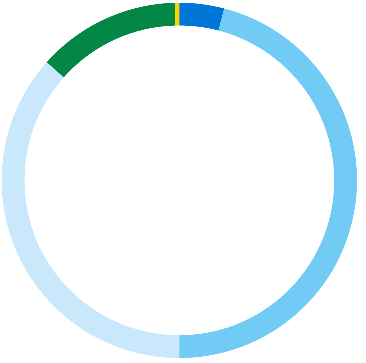
LGIM voted against at least one resolution at 33% of UK companies over the quarter.

Source for all data: LGIM as at 31 March 2022. The votes on this page and in the pages that follow represent voting instructions for our main FTSE pooled index funds.

Europe - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	1	0	0
Capitalisation	111	10	0
Directors related	481	113	30
Remuneration related	53	90	0
Reorganisation and Mergers	7	0	0
Routine/Business	413	32	4
Shareholder Proposal - Compensation	2	0	0
Shareholder Proposal - Corporate Governance	1	0	0
Shareholder Proposal - Directors Related	4	0	2
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	1	0
Shareholder Proposal - Other/Miscellaneous	2	0	0
Shareholder Proposal - Routine/Business	21	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	1096	246	36
Total resolutions		1378	
No. AGMs		69	
No. EGMs		4	
No. of companies voted		73	
No. of companies where voted against management /abstained at least one resolution		68	
% no. of companies where at least one vote against management (includes abstentions)		93%	

Votes against management



- Capitalisation - 10
- Directors related - 113
- Remuneration-related - 90
- Routine/Business - 32
- Shareholder Proposal - Health/Environment - 1

Number of companies voted for/against management

- No. of companies where we supported management
- No. of companies where we voted against management

LGIM voted against at least one resolution at 93% of European companies over the quarter.

North America - Q1 2022 voting summary

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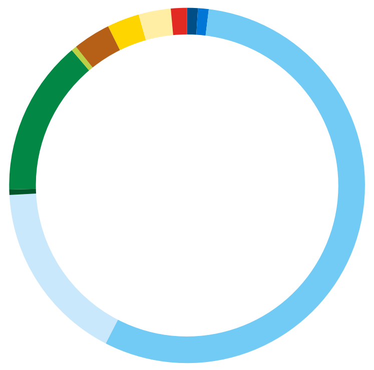
Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	1	2	0
Capitalisation	13	2	0
Directors related	292	114	0
Remuneration related	16	34	0
Reorganisation and Mergers	1	1	0
Routine/Business	33	29	0
Shareholder Proposal - Compensation	1	1	0
Shareholder Proposal - Corporate Governance	4	0	0
Shareholder Proposal - Directors Related	2	7	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	6	0
Shareholder Proposal - Other/Miscellaneous	2	6	0
Shareholder Proposal - Routine/Business	2	0	0
Shareholder Proposal - Social/Human Rights	0	3	0
Shareholder Proposal - Social	0	0	0
Total	367	205	0
Total resolutions		572	
No. AGMs		43	
No. EGMs		2	
No. of companies voted		45	
No. of companies where voted against management /abstained at least one resolution		44	
% no. of companies where at least one vote against management (includes abstentions)		98%	

Votes against management



Number of companies voted for/against management

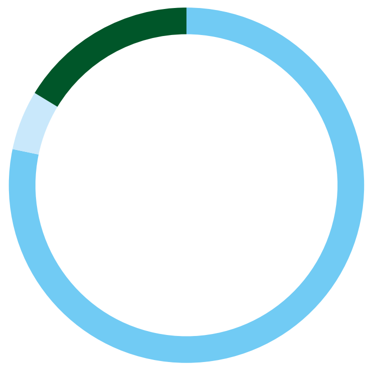
- No. of companies where we supported management
- No. of companies where we voted against management

LGIM voted against at least one resolution at 98% of North American companies over the quarter.

Japan - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	0	0
Capitalisation	0	0	0
Directors related	581	72	0
Remuneration related	44	5	0
Reorganisation and Mergers	60	15	0
Routine/Business	48	0	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	1	0	1
Shareholder Proposal - Directors Related	0	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	734	92	1
Total resolutions		827	
No. AGMs		67	
No. EGMs		6	
No. of companies voted		73	
No. of companies where voted against management /abstained at least one resolution		54	
% no. of companies where at least one vote against management (includes abstentions)		74%	

Votes against management



Number of companies voted for/against management

- No. of companies where we supported management
- No. of companies where we voted against management

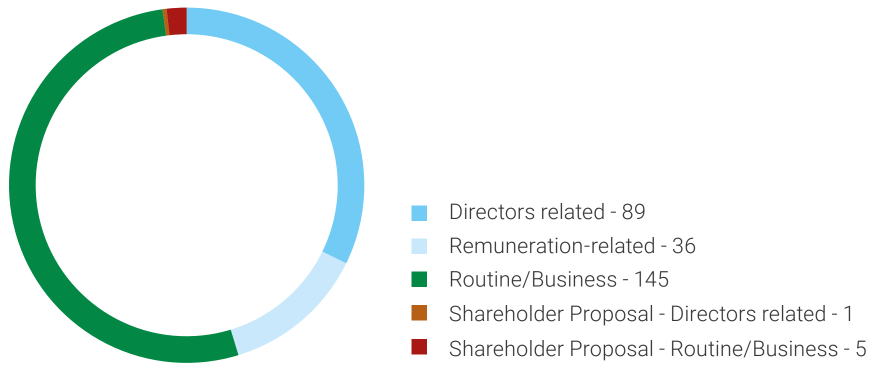
LGIM voted against at least one resolution at 74% of Japanese companies over the quarter.

Asia Pacific - Q1 2022 voting summary

Page 98

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	0	0
Capitalisation	8	0	0
Directors related	406	89	0
Remuneration related	150	36	0
Reorganisation and Mergers	23	0	0
Routine/Business	249	145	1
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors Related	7	1	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	4	5	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	847	276	1
Total resolutions		1124	
No. AGMs		147	
No. EGMs		19	
No. of companies voted		157	
No. of companies where voted against management /abstained at least one resolution		138	
% no. of companies where at least one vote against management (includes abstentions)		88%	

Votes against management



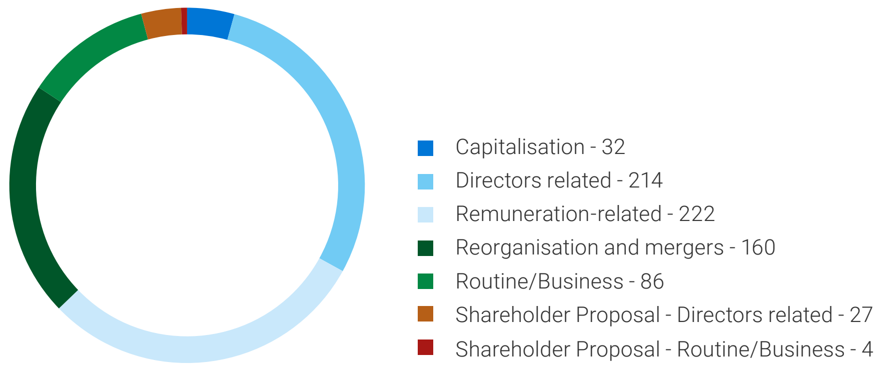
Number of companies voted for/against management

LGIM voted against at least one resolution at 88% of Asia Pacific companies over the quarter.

Emerging markets - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	0	0
Capitalisation	497	32	0
Directors related	741	214	178
Remuneration related	70	222	0
Reorganisation and Mergers	397	160	0
Routine/Business	639	86	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	4	0	0
Shareholder Proposal - Directors Related	144	27	11
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	11	4	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	2503	745	189
Total resolutions		3437	
No. AGMs		106	
No. EGMs		346	
No. of companies voted		421	
No. of companies where voted against management /abstained at least one resolution		208	
% no. of companies where at least one vote against management (includes abstentions)		49%	

Votes against management



Number of companies voted for/against management

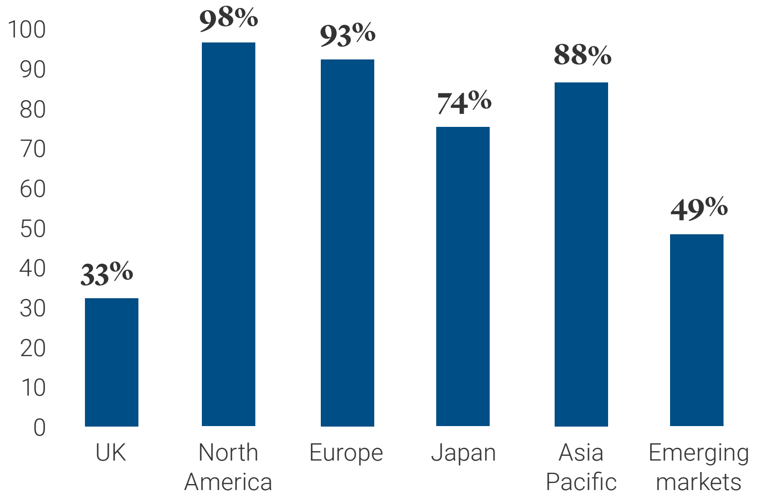
LGIM voted against at least one resolution at 49% of emerging market companies over the quarter.

Global - Q1 2022 voting summary

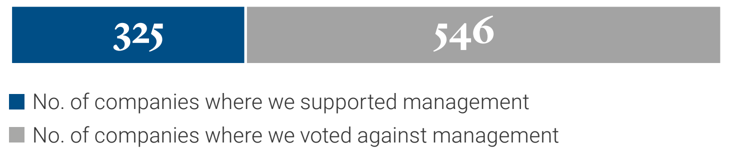
Page 99

Proposal category	Total for	Total against	Total abstentions	Total
Anti-takeover related	55	2	0	57
Capitalisation	905	50	0	955
Directors related	2951	643	208	3802
Remuneration related	423	408	0	831
Reorganisation and Mergers	511	176	0	687
Routine/Business	1712	294	5	2011
Shareholder Proposal - Compensation	3	1	0	4
Shareholder Proposal - Corporate Governance	10	0	1	11
Shareholder Proposal - Directors Related	157	35	13	205
Shareholder Proposal - General Economic Issues	0	0	0	0
Shareholder Proposal - Health/Environment	0	7	0	7
Shareholder Proposal - Other/Miscellaneous	4	6	0	10
Shareholder Proposal - Routine/Business	38	9	0	47
Shareholder Proposal - Social/Human Rights	0	3	0	3
Shareholder Proposal - Social	0	0	0	0
Total	6769	1634	227	8630
Total resolutions				8630
No. AGMs				507
No. EGMs				409
No. of companies voted				871
No. of companies where voted against management /abstained at least one resolution				546
% no. of companies where at least one vote against management (includes abstentions)				63%

% of companies with at least one vote against (includes abstentions)



Number of companies voted for/against management



Global engagement summary

In Q1 2022, the Investment Stewardship team held

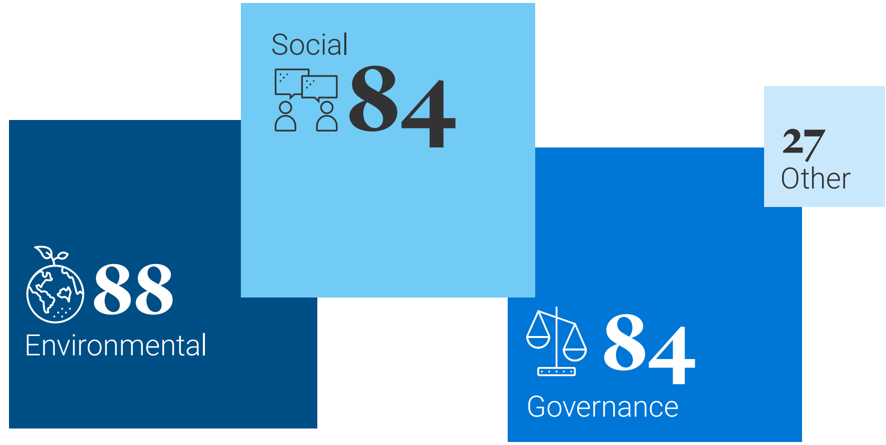
158 engagements with **126** companies

(vs. 273 engagements with 233 companies last quarter)

Page 100

Breaking down the engagement numbers - Q1 2022

Breakdown of engagement by themes



Engagement type

103
Company meetings

55
Emails / letters

Top five engagement topics*

49
Climate change

42
Remuneration

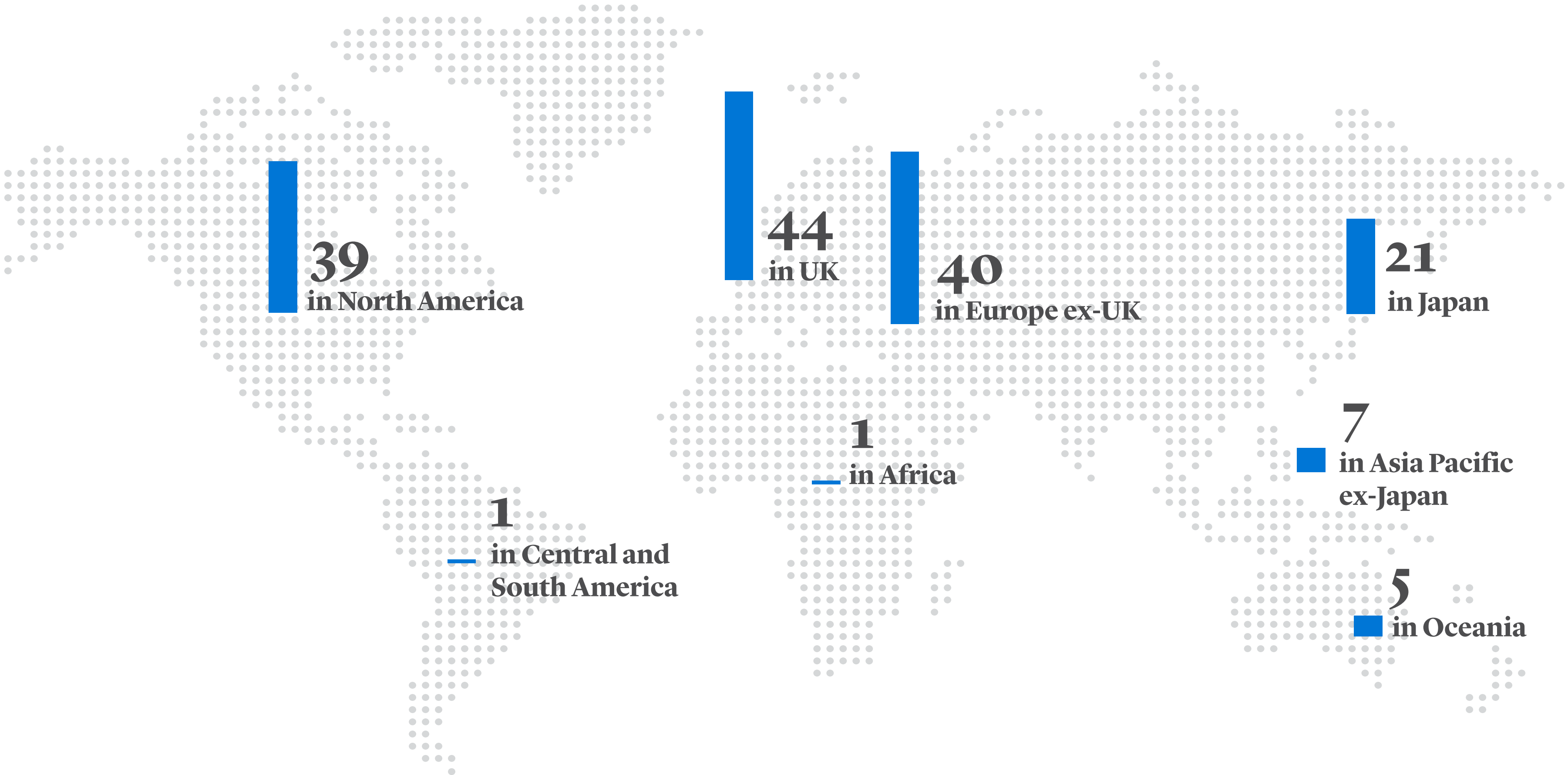
31
Board composition

20
Energy

17
Climate impact pledge

*Note: an engagement can cover more than a single topic

Regional breakdown of engagements



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LGPS Central Limited

Stewardship Update

FOURTH QUARTER, 2021-22 (JANUARY – MARCH 2022)

CHESHIRE PENSION FUND

Derbyshire Pension Fund

Leicestershire County Council PENSION FUND

Nottinghamshire County Council

SHROPSHIRE COUNTY PENSION FUND

Staffordshire Pension Fund Local Government Pension Scheme

West Midlands Pension Fund

Worcestershire Pension Fund

Responsible Investment & Engagement:

LGPS Central's approach

LGPS Central's approach to Responsible Investment & Engagement carries two objectives:

OBJECTIVE #1

Support investment objectives

OBJECTIVE #2

Be an exemplar for RI within the financial services industry, promote collaboration and raise standards across the marketplace

These are met through three pillars:

Our **Selection** of assets

Our **Stewardship** of assets

Our commitment to **Transparency & Disclosure**

This update covers LGPS Central's (LGPSC) stewardship activity. Our stewardship efforts are supplemented by global engagement and voting services provided by EOS at Federated Hermes (EOS). For more information, please refer to our Responsible Investment & Engagement Framework and Annual Stewardship Report.

ADDITIONAL DISCLOSURES

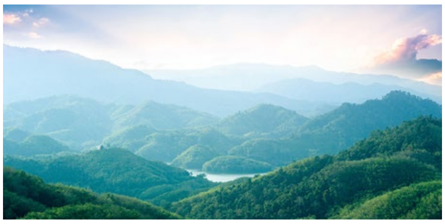
- Responsible Investment & Engagement Framework
- Annual Stewardship Report
- Voting Principles
- Voting Disclosure
- Voting Statistics

Signatory of: PRI Principles for Responsible Investment

Signatory of: UK STEWARDSHIP CODE | 2021

01 Summary of engagement and voting activity

Below is a high-level summary of key engagements and voting that have taken place during Q4 of the financial year 2021-22. These and other engagements and voting examples will be covered in more detail later in this update.



ENVIRONMENTAL

Glencore has made progress, but short/medium term targets fall short: LGPS Central has continued as co-lead of CA100+ engagement with Glencore on their plans and progress to decarbonise in line with Paris and its own net zero by 2050 ambition. We expect more ambitious short-and medium-term targets, as well as capex planning that does not go beyond sustaining existing coal activities.

175 nations endorsed a historic resolution at the **UN Environment Assembly to negotiate a UN treaty on plastic pollution.** This is in part a result of businesses and investors, including LGPSC, calling for such a treaty.

SOCIAL

We held a meeting with **Motorola Solutions, Inc.** during the quarter to discuss their management of human rights risks in Occupied Palestinian Territories (OPT). In the meeting, we emphasised the need for the company to carry out human rights impact assessments in line with the UN Guiding Principles on Business and Human Rights.

Over the last two years, LGPSC has been a member of a collaborative investor-initiative that has successfully encouraged laggard **FTSE 350 companies** to meet the reporting requirements of Section 54 of the **Modern Slavery Act 2015**. Last quarter, we co-signed letters to 44 companies that have failed to meet the minimum reporting standards of the Act.

GOVERNANCE

In March, we signed a letter to the US Securities and Exchange Commission (SEC), alongside over 100 other investors, in support of a shareholder proposal **asking for tax transparency at Amazon**. In a letter to Amazon in April, SEC ruled in favour of the shareholders who demanded a vote on the issue. The shareholder resolution, which will now be allowed to go to a vote at Amazon's AGM on 25 May represents one of the first times the regulator has granted a shareholder request on tax matters. This helps fortify a view that **responsible tax behaviour is inextricably linked to overall good governance** and to ensuring sustainable, long-term value creation.

Voting highlights:

APPLE INC.

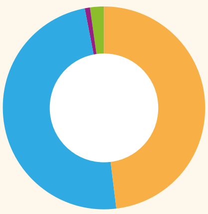
We voted against management on seven proposals. We **opposed Apple's executive compensation proposal** as we viewed the CEO's $75 million equity award as excessive and inconsistent with the company's stated focus on addressing inequities in society. A significant proportion, 35.6%, of shareholders opposed the executive remuneration proposal. We also voted for five human rights related shareholder proposals. See further detail on page 12.

WH SMITH

We **voted against the company's proposed annual bonuses** of £550,000 and £357,500 to CEO Carl Cowling and CFO Robert Moorhead, respectively. These represent 100% and 81.3% of their annual base salaries. WH Smith, in light of the ongoing impact of the coronavirus (COVID-19) pandemic, has suspended dividends to investors for the financial year. See further detail on page 12.

GLOBAL VOTING

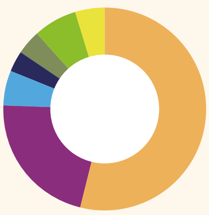
We voted at **493** meetings (**5,327** resolutions) over the last quarter.



- Total meetings in favour **48.1%**
- Meeting against (or against AND abstain) **49.1%**
- Meetings abstained **0.6%**
- Meetings with management by exception **2.2%**

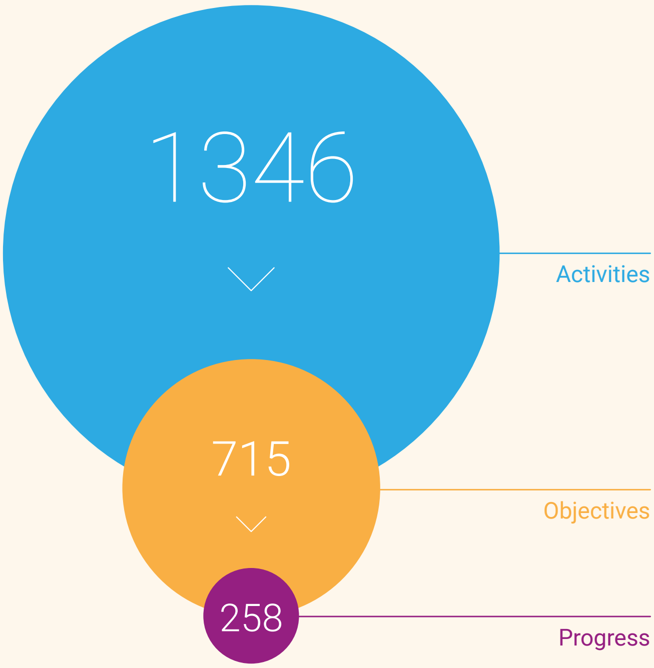
GLOBAL VOTING

We voted against or abstained **695** resolutions over the last quarter.



- Board structure **54.0%**
- Remuneration **21.7%**
- Shareholder resolution **5.6%**
- Capital structure and dividends **3.2%**
- Amend articles **4.0%**
- Audit and accounts **6.9%**
- Other **4.6%**

ENGAGEMENT ACTIVITY DURING THE QUARTER



02 Engagement Case Studies

Below, we give more detailed examples of ongoing or new engagements which relate to the four Stewardship Themes that have been identified in collaboration with our Partner Funds.

Our Stewardship Themes, based on the latest revision in 2021, are:

- Climate change
- Plastic
- Fair tax payment and tax transparency
- Human rights risks

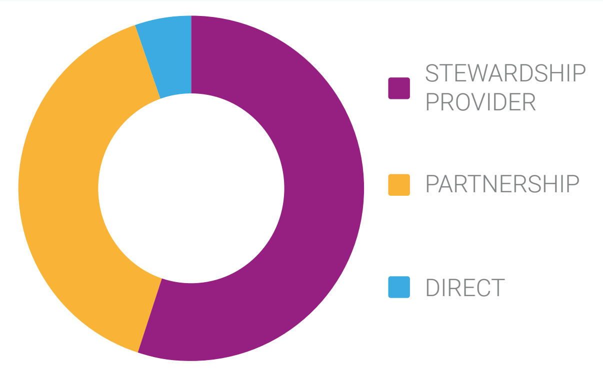
This quarter our engagement set[1] comprised 570 companies. There was engagement activity on 1,346 engagement issues and objectives[2]. Against 715 specific objectives, there was achievement of some or all on 258 occasions. Most engagements were conducted through letter issuance or remote company meetings, where we, our partners or our stewardship provider in a majority of cases met or wrote to the Chair, a Board member or a member of senior management.

[1] This includes engagements undertaken directly, in collaboration, and via our contracted Stewardship Provider.
[2] There can be more than one engagement issue per company, for example board diversity and climate change.

CLIMATE CHANGE ENGAGEMENTS

This quarter, our climate change engagement set comprised 292 companies with 380 engagement issues and objectives[3]. There was progress on 151 specific engagement objectives against a total of 292 objectives.

ENGAGEMENT VOLUME BY TYPE



- 380 engagements during the quarter
- Majority of engagements undertaken via CA100+
- Shareholder proposal on climate filed at Credit Suisse

ENGAGEMENT VOLUME BY OUTCOME

GLENCORE PLC

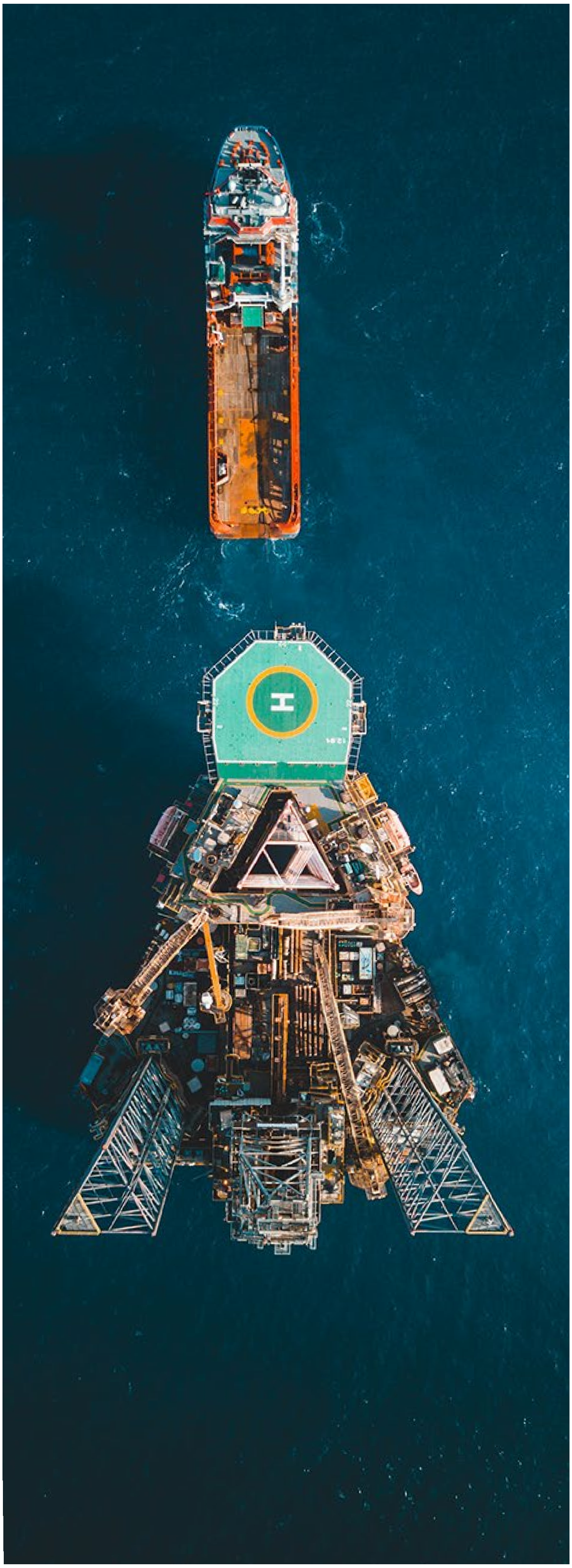
Theme: Climate change

Objective: We expect companies to consider relevant, material social and environmental risk factors in their long-term strategic business planning. Since assuming the role of co-lead in CA100+ engagement with Glencore, we have held multiple constructive dialogues with the company relating to the company's climate action plan.

Engagement: We met with Glencore's CEO to discuss the company's climate progress report, which is on the AGM agenda as an advisory vote to measure Glencore's progress against its Climate Transition Plan (approved by shareholders at the 2021 AGM). When the plan was passed by shareholders in 2021, short-term targets had not yet been published. At the meeting, we raised concerns around their short-term targets – 15% GHG emissions reduction by 2026 which will largely come from decline in coal exposure. It is our view that the short-term target does not provide assurance of alignment with the International Energy Agency Net Zero by 2050 Scenario (NZE) and the Intergovernmental Panel on Climate Change (IPCC) 1.5C scenarios pathways for coal reduction. The IPCC has identified the use of coal to power electricity as the single biggest inhibitor to achieving Paris objectives. We therefore view it as particularly important that a company like Glencore provide clear and robust targets that show a Paris-aligned trajectory in the next 10 years. Furthermore, we strongly encourage Glencore to proactively lobby (directly and indirectly) in a manner that supports its decarbonisation commitment.

Outcome: Glencore received 23.72% opposition, including from LGPSC, to the Transition Plan Report and will be expected to engage its shareholders to understand their concerns. We commend Glencore for taking positive steps toward Paris-alignment and for being one of the first companies to provide shareholders a Say on Climate. We have explained our vote rationale to the company and expect to continue constructive engagement with Glencore alongside the other co-leads of CA100+.

[3] There can be more than one climate-related engagement issue and/or objective per company.



CREDIT SUISSE GROUP AG

Theme: Climate Change

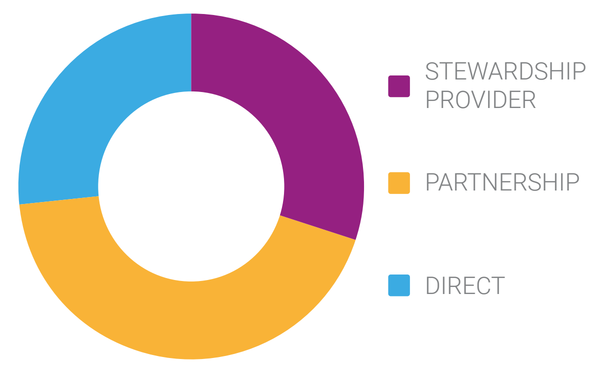
Objective: We expect companies to consider relevant, material social and environmental risk factors in their long-term strategic business planning. Credit Suisse is one of the first banks to commit to align its activities with the Paris Agreement but continues to be one of the top financiers of fossil fuels. We would need to see targets and action in the short and medium term that ensures achievement of the banks own NZ ambition.

Engagement: LGPSC, alongside eleven institutional investors managing €2.18 trillion have filed a climate resolution at Credit Suisse. Through a proposed amendment to the bank's articles of association, the coalition of shareholders ask that Credit Suisse improve its climate risk disclosures, bring its coal, oil and gas policies in line with leading practice in the sector, and publish short- and long-term targets to reduce its exposure to coal, oil and gas assets, on a timeline consistent with the 1.5°C goal of the Paris Agreement. Ahead of COP26 last year, Credit Suisse was one of the banks which received a letter co-signed by LGPSC with more than 100 investors, setting out expectations for Paris-alignment and protection and restoration of biodiversity.

Outcome: Several rounds of engagement with Credit Suisse, led by co-filers ShareAction and Ethos Foundation, has led to the bank making several commitments in the weeks ahead of its AGM. However, LGPSC believed the bank did not address several requests that were made in the resolution, including disclosing its capital markets fossil fuel activities. The co-filers unanimously decided to keep the resolution on the AGM ballot, making it the first climate-related shareholder resolution at a Swiss bank. The resolution received support from 18.52% of shareholders and a further 4.27% abstained.

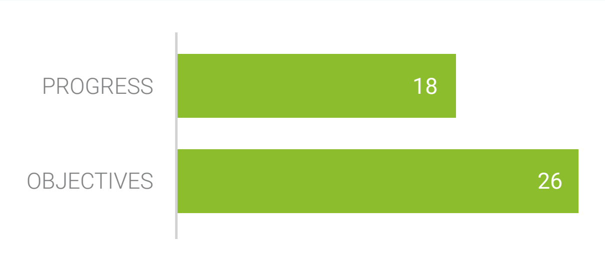
PLASTIC ENGAGEMENTS

ENGAGEMENT VOLUME BY TYPE



- 30 engagements during the quarter
- Historic resolution at the UN Environment Assembly to negotiate a UN treaty on plastic pollution, advocated in advance by businesses and investors
- Shareholder proposal at Tyson Foods to reduce plastic packaging supported by 59% of independent shareholders

ENGAGEMENT VOLUME BY OUTCOME



This quarter our single-use plastics engagement set comprised 29 companies with 30 engagement issues and objectives[4]. There was progress on 18 specific engagement objectives against a total of 26 objectives.

Businesses and investors, including LGPS Central, calling for **UN treaty on plastic pollution** (www.plasticpollutiontreaty.org) during 2021 has helped bring about a historic resolution at the UN Environment Assembly to negotiate such a treaty. The aim of a treaty is to establish a coordinated international response that aligns businesses and governments behind a shared understanding of the causes of plastic pollution, and a clear approach to addressing them. The treaty will address the full lifecycle of plastic from source to sea.

TYSON FOODS, INC.

Theme: Plastic

Objective: As one of LGPSC's core stewardship themes, we look to support resolutions that encourage better plastic-related risk management (reduce plastic use, reduce plastic waste, increase recycling, invest in relevant R&D).

Rationale: We supported a shareholder resolution which urged the company to reduce its use of plastic packaging. Analysis shows that Tyson does not disclose the amount of plastic packaging it uses or any targets it has for reducing plastic use. Tyson's actions lagged the practices of other supply-chain efforts to reduce plastic use and packaging waste, including at competitors Pilgrim's Pride, Hormel Foods, and Smithfield Foods.

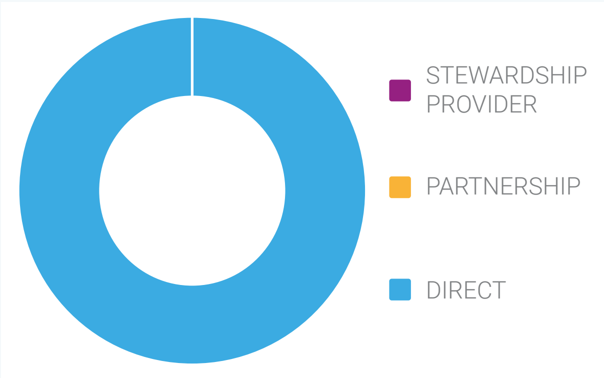
Result: Although ultimately unsuccessful, this proposal was supported by 59% of independent shareholders that are not held by Tyson Limited Partnership or Tyson's directors or executive officers. In our view, proposals such as this can bring attention to the continued use of plastic packaging – a critical issue for both the environment and the company's future. EOS at Federated Hermes, our Stewardship Provider, has a long-standing engagement with Tyson and will continue dialogue with the company on various ESG-related issues including circular economy and plastic-related risk management.

[4] There can be more than one plastic-related engagement issue and/or objective per company.

FAIR TAX PAYMENT AND TAX TRANSPARENCY ENGAGEMENTS

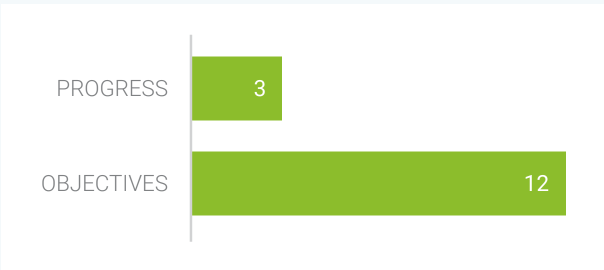
This quarter, our tax transparency engagement set comprised 12 companies with 12 engagement issues and objectives. There was progress on three specific engagement objectives against a total of 12 objectives.

ENGAGEMENT VOLUME BY TYPE



- Seven engagements during the quarter
- Investor letter to the US Securities and Exchange Commission (SEC), in support of a shareholder proposal at Amazon asking for tax transparency

ENGAGEMENT VOLUME BY OUTCOME



AMAZON.COM, INC.

Theme: Responsible Tax Behaviour

Objective: The trust an organisation builds with its stakeholders is of critical (though intangible) value. As a measure of an organisation's contribution to the economies it operates in, tax is a key dimension in building that trust. We therefore expect companies to pay their fair share of tax. In past engagement with other companies, we have asked for board oversight of tax policy and risk assessment; greater disclosure of tax strategy and policy; robust management of tax related risks, including preferably a country-by-country tax disclosure; link between company's purpose, sustainability goals and tax strategy; and engagement with tax policy makers and other stakeholders.

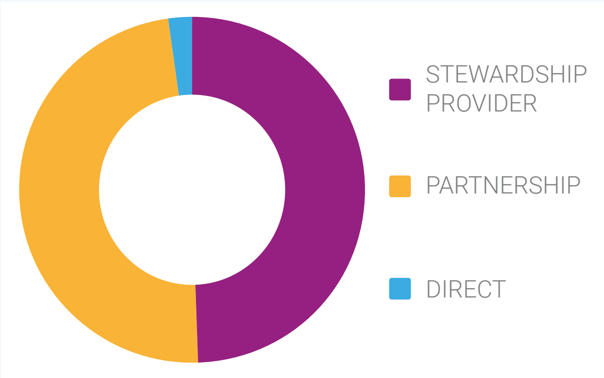
Engagement: In March 2022, we signed a letter to the US Securities and Exchange Commission (SEC), alongside over 100 other investors, in support of a shareholder proposal at Amazon asking for tax transparency. The company had earlier in January wrote to the SEC requesting approval for a shareholder resolution on the topic to be excluded from voting at its next AGM, arguing that tax was an ordinary business matter and therefore subject to a shareholder resolution exemption. The resolution demanding Amazon adopt a new reporting standard on tax practices was originally brought by a Catholic investment fund and UK public retirement scheme in December. The shareholder proposal reads: "The Board of Directors issue a tax transparency report to shareholders, at reasonable expense and excluding confidential information, prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard". Through our engagement with companies on tax, we aim to support investor expectations – e.g., as expressed by the GRI tax standard and the UK Fair Tax Mark – in dialogue with companies.

Outcome: In a letter to Amazon in April, SEC ruled in favour of the shareholders who demanded a vote on the issue. The shareholder resolution, which will now be allowed to go to a vote at Amazon's AGM on May 25 represents one of the first times the regulator has granted a shareholder request on tax matters.

HUMAN RIGHTS RISKS ENGAGEMENTS

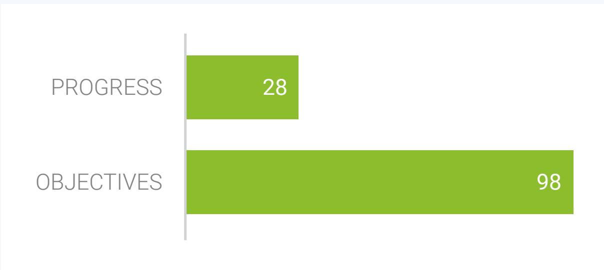
This quarter our human rights related engagements comprised 117 companies with 143 engagements issues and objectives. There was progress on 28 specific engagement objectives against a total of 98 objectives.

ENGAGEMENT VOLUME BY TYPE



- 143 engagements during the quarter
- Phase III of ongoing engagement project on modern slavery initiated, asking 44 FTSE 350 laggard companies to comply with the UK Modern Slavery Act
- Engagement with Motorola on human rights risks in Occupied Palestinian Territories

ENGAGEMENT VOLUME BY OUTCOME



44 FTSE 350 COMPANIES

Theme: Human Rights (Modern Slavery)

Objective: Over the last two years, LGPSC has been a member of a collaborative investor-initiative convened by Rathbones Group Plc (Rathbones) that has successfully encouraged laggard **FTSE 350 companies** to meet the reporting requirements of Section 54 of the Modern Slavery Act 2015. According to the Act, companies with a turnover of more than £36 million per year must publish a modern slavery statement and ensure that the statement is approved by the board; signed by a director; and reviewed annually and published on the company's UK website.

Engagement: During 2021, we engaged 61 FTSE350 companies asking for Modern Slavery Act compliance. As per end 2021, all companies have responded and are now compliant. Initial positive responses have given an opening for meetings to discuss companies' approaches to modern slavery. Following up on that success, we co-signed letters that are sent to 44 companies that have failed to meet the minimum reporting standards of the Modern Slavery Act 2015.

Outcome: The letters were sent in February 2022, and we will follow-up with further engagement and monitoring of progress. LGPSC will consider voting against the report and accounts should the companies remain in a non-compliant state.

MOTOROLA SOLUTIONS, INC.

Theme: Human Rights (Conflict Areas)

Objective: We expect businesses that operate in areas of war and conflict to take particular care to respect human rights. The Israeli-Palestinian conflict poses clear human rights risks for companies, but the sensitive political situation makes engagement challenging.

Engagement: LGPSC initiated dialogue with Motorola Solutions, Inc. in 2020. We engaged the company on human rights risks from its operations in the Occupied Palestinian Territories (OPT). Since engagement began, we have communicated with the company through several written correspondences and voted against the Chair at the 2021 AGM. These culminated in a meeting that took place in January 2022. In the meeting, we emphasised the need for the company to carry out human rights impact assessments in line with the UN Guiding Principles on Business and Human Rights. We have also provided the company with a list of potential third-party providers who can assist in carrying out such an assessment.

Outcome: We were pleased when the company agreed to meet and discuss these issues at the January 2022 meeting and will continue this engagement with the company.

03 Voting

POLICY

For UK listed companies, we vote our shares in accordance with a set of bespoke LGPSC UK Voting Principles. For other markets, we consider the recommendations and advice of our third-party proxy advisor, EOS at Federated Hermes.

COMMENTARY

Between January – March 2022, we:

- Voted at 493 meetings (5,327 resolutions) globally
- Opposed one or more resolutions at 242 meetings
- Voted with management by exception at 11 meetings
- Supported management on all resolutions at the remaining 237 meetings.

A full overview of voting decisions for securities held in portfolios within the Company's Authorised Contractual Scheme (ACS) – broken down by market, issues and reflecting number of votes against and abstentions – can be found here.

EXAMPLES OF VOTING DECISIONS

APPLE INC.

Theme: Executive remuneration, human rights

Rationale: LGPSC voted against management on seven proposals. We opposed Apple's executive compensation proposal as we viewed the CEO's $75 million equity award as excessive and inconsistent with the company's stated focus on addressing inequities in society. We also disagreed on the structure of the award, of which half is purely time-based. The time-based grant will vest in three equal tranches; the first of which will vest on 1 April 2023, with the remainder vesting annually over the following two years. The equity award will continue to vest in full based on their original time or performance conditions should he retire on or after the first anniversary of the grant date. It is our view that this award is not adequately aligned with the long-term interest of shareholders. In line with LGPS Central Voting Principles, we will oppose remuneration proposals where levels of remuneration are perceived to be excessive and unfair which can be demotivating to staff and reputationally damaging to the company.

We also voted for five shareholder proposals. We note that human rights frequently feature in these shareholder proposals, with resolutions asking for transparency in issues such as forced labour, censorship, work culture, gender and racial pay gap and civil rights. In our view, investors would benefit from the increased transparency these resolutions asked for.

Result: 35.6% of shareholders opposed the executive remuneration proposal. This is significant opposition, and we would expect the company to consider investor concerns. Apple has confirmed to our stewardship provider EOS that they will deliver EOS' feedback to the compensation committee. The shareholder proposals requesting Apple to conduct a civil rights audit and to investigate the company's use of clauses that prevent employees from speaking out about harassment and discrimination were passed by shareholders.

WH SMITH

Theme: Executive remuneration

Rationale: The company proposed to pay annual bonuses of £550,000 and £357,500 to CEO Carl Cowling and CFO Robert Moorhead, respectively. These represent 100% and 81.3% of their annual base salaries. WH Smith, in light of the ongoing impact of the coronavirus (COVID-19) pandemic, has suspended dividends to investors for the financial year. The company also took £40 million in business rates relief and £11 million in payments from furlough schemes in the UK and elsewhere in the year to September 2021 according to its annual report. We therefore question the appropriateness of these bonus outcomes which do not appear to adequately align with the company's performance and overall stakeholder experience during the financial year. We also question the selection of performance metrics which were used to calculate the bonus outcomes. The company has historically utilised Group PBT as a financial metric, but this was changed to headline EBITDA during the FY2021 – even though headline EBITDA is not identified as a company KPI and has not been historically disclosed. In this context, it was difficult to assess the targets attached to the metric. The optics of this move was also questionable, especially since the company reverted to Group PBT for FY2022.

Result: Dissent from shareholders was considerable as 45.6% of shareholders voted against this proposal. According to the UK Corporate Governance Code, a company that receives shareholder opposition of more than 20% to a resolution is expected to open a dialog with the shareholders to understand the shareholder's views and reasons for the opposition.

WALGREENS BOOTS ALLIANCE, INC.

Theme: Executive compensation, shareholder rights and other ESG topics

Rationale: LGPSC voted against management on four resolutions. We voted against ratifying executive compensation and against the re-election of the Chair of the compensation committee. The company's say-on-pay vote received the support of only 47.5% of shareholders in 2021. We reviewed the compensation committee's shareholder engagement efforts and improvements on the pay program and concluded that the changes do not fully address concerns that were raised in last year's AGM. Considering the failed vote result from 2021, we believe support is not warranted for this year's say-on-pay proposal nor the election of the compensation committee chair.

We also voted against management recommendation for two shareholder resolutions: 1) proposal requesting amendment to the appropriate company governing documents to give the owners of a combined 10% of outstanding common stock the power to call a special shareholder meeting, and 2) proposal requesting that the board disclose a report on the public health costs created by the sale of tobacco products. In our view, the proposal which seeks a reduction of the required ownership threshold for shareholders to call a special meeting from 20% to 10% will further empower investors and promotes shareholder rights. The proposal on tobacco sales promotes better management of opportunities and risks on a topic which many investors will categorise alongside other material ESG topics.

Result: Dissent on the remuneration report and compensation committee chair were 38.5% and 24.4% respectively. 12.7% of shareholders backed the proposal to report on tobacco sales. Walgreens is scaling back its focus on tobacco, ending all promotional programs for tobacco products in 2021. Walgreens CEO Rosalind Brewer is also considering tobacco's future for the company.

LGPS CENTRAL LIMITED'S

Partner Organisations

LGPS Central actively contributes to the following investor groups

30% Club
GROWTH THROUGH DIVERSITY

BVCA
British Private Equity & Venture Capital Association

CDP
DISCLOSURE INSIGHT ACTION

Climate Action 100+
Global Investors Driving Business Transition

Federated Hermes

IIGCC
Institutional Investors Group on Climate Change

ICGN
International Corporate Governance Network

Local Authority Pension Fund Forum

PENSIONS FOR PURPOSE

PRI
Principles for Responsible Investment

Transition Pathway Initiative

THE INVESTOR FORUM

All information is prepared as of **10/05/2022**.

This document is intended for **PROFESSIONAL CLIENTS** only.

LGPS Central Limited is authorised and regulated by the Financial Conduct Authority.

Registered in England. Registered No: 10425159.

Registered Office: First Floor, i9 Wolverhampton Interchange, Wolverhampton WV1 1LD

LGPS Central Limited

Annual Stewardship Report 2021

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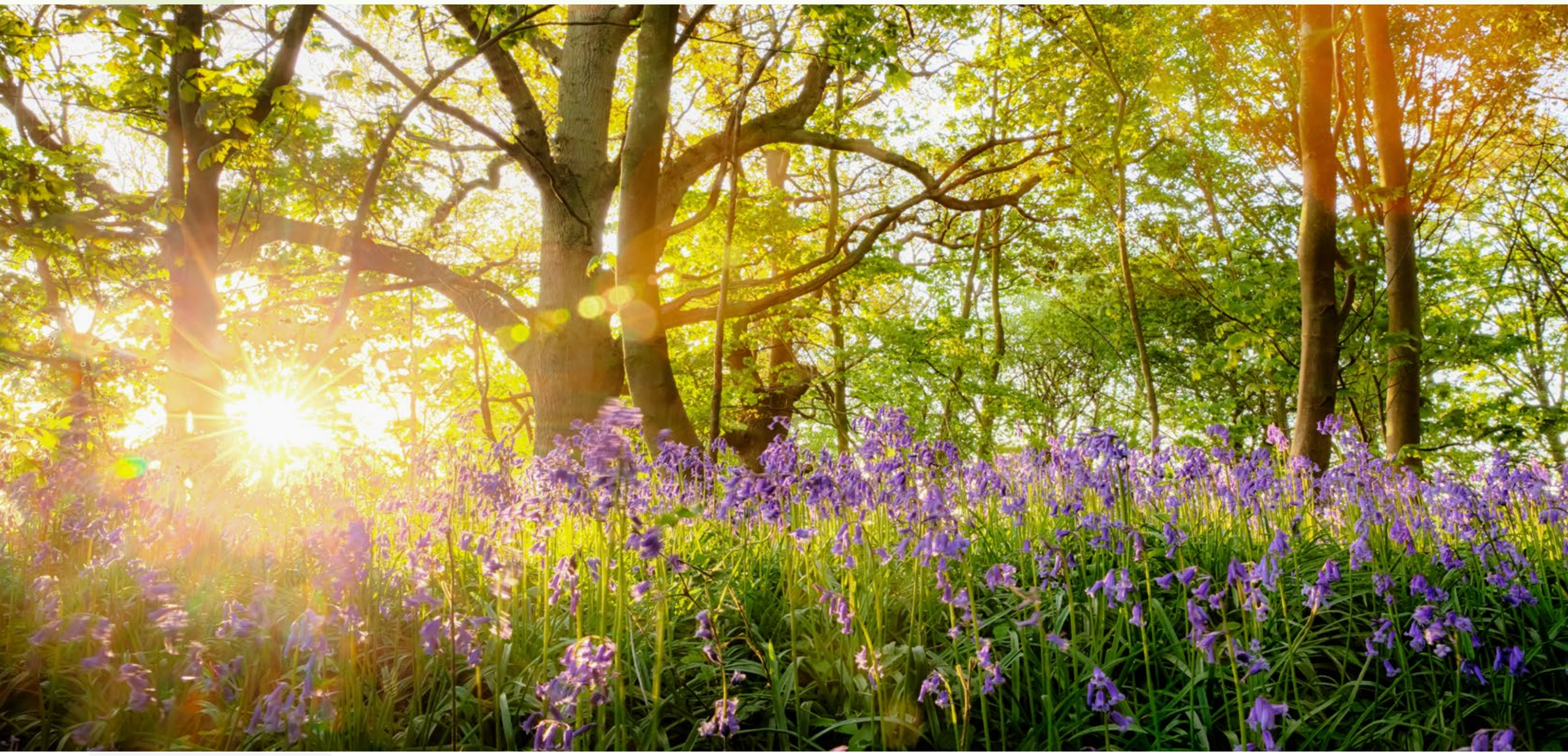
01 Foreword



FOREWORD BY:

Joanne Segars
Chair

Mike Weston
CEO

Responsible Investment continues to be at the heart of everything we do. We remain convinced that our Partner Funds' best interests are served through a combination of comprehensive ESG integration and robust stewardship.

While the health pandemic understandably took centre stage in 2020 and to a degree overshadowed the climate crisis, the latter clearly came to the fore in 2021. The 2021 voting season saw a new development in climate transparency and dialogue with shareholders through votes on climate transition across various sectors mostly in the European market. While all these climate plans passed at respective AGMs there was also notable opposition from shareholders to some plans. We expect more companies to follow suit during 2022 and we also expect investors to scrutinise these plans at a more detailed level against evolving climate risk management standards such as the Climate Action 100+ (CA100+) Benchmark assessment. See further detail on LGPS Central's involvement in CA100+ below under table 2.4.2.1 and in Section 4.1.2 below). In the US shareholders expressed a clear desire for better climate risk management at Exxon where three climate-savvy directors were appointed to Exxon's board against management advice, and at Chevron, with 61% support for a proposal requiring Scope 3 targets. See further detail in Section 5 below.

In the lead-up to COP26[1] LGPS Central co-signed letters to 68 banks asking for Paris-alignment and protection of biodiversity. Going forward, we aim to strengthen expectations on companies across sectors to protect nature and biodiversity as part of their ongoing climate transition efforts. We also take it upon ourselves to actively engage high-risk commodity sectors to, over time, work towards

[1] The COP26 (Conference of the Parties' 26th meeting) event is a global United Nations summit about climate change and how countries are planning to tackle it.

portfolios that are free from commodity-driven deforestation. Alongside climate change, we have identified three other core Stewardship Themes that we prioritise for corporate and policy engagement. These are plastic pollution, responsible tax behaviour and tech sector risks. We see a greater focus and clarity around what a "plastic transition" entails across key sectors and welcome the announcement of negotiations for a UN treaty on plastic pollution, advocated by businesses and investors including LGPS Central. While tax transparency remains low, we have seen some progress among companies LGPS Central has engaged who are ready to provide greater transparency on tax payments at country-by-country level. Our dialogue with tech sector companies on social media content control has seen companies take critical steps to assess and remove objectionable content. Going into 2022, we will broaden the focus of the latter theme to a human rights risk theme allowing greater attention to companies' human and labour rights risk mitigation and management across sectors. There is increasing acceptance in society of companies' responsibility to respect human rights in supply chains and other business relationships. This responsibility is clearly captured in the UN Guiding Principles for Business and Human Rights, which also apply to investors.

We actively monitor engagements undertaken by our external managers. Topics covered in 2021 include, amongst others, environmental management and climate change, energy transition, greater focus and disclosure of health and safety within ESG priorities, data protection and information security risk, and forced labour issues in supply chains.

During 2021, LGPS Central continued in-depth climate risk assessments for each individual Partner Fund and provided a second iteration of Climate Risk Reports (CRR) bespoke to each of them. We made several enhancements to the climate monitoring service, which has run since end of 2019, to ensure it remains aligned to the latest industry developments (see further detail in Table 2.4.1.1 below). The findings in these reports are directly integrated into our climate engagement prioritisation. We released our second stand-alone TCFD Report in 2021 and supported our Partner Funds in producing their own TCFD-compliant reports.

We were pleased to announce in January 2022, a commitment to transition our investment portfolios to net zero greenhouse gas emissions in accordance with the Institutional Investor Group on Climate Change Net Zero Framework (see further detail under Section 2.1.4 below).

We continue to implement our RI Integrated Status approach as we expand our fund offering for Partner Funds, which has involved RI due diligence across a suite of equity, private debt, private equity, infrastructure, property and targeted return investment solutions. We are proud to have developed a Global Sustainable Equity Investment solution throughout the course of 2021, in direct response to increased appetite from Partner Funds. The funds are now expected to launch in Q2 2022 (see Section 3.2 below). Going into 2022, we have grown our Responsible Investment & Engagement Team to total five employees. We will also tender for an ESG data tool to enhance our ability to provide robust challenge to our external managers and help us to understand the ESG risks embedded in our investment portfolios (see further detail in Section 2.1.4 below).

We have written this report in alignment with the UK Stewardship Code 2020 and the content reflects feedback received from the FRC on our report for calendar year 2020. This year's report has been reviewed by the LGPS Central Executive Committee and Board. The report has also been reviewed by relevant heads of department to ensure the accuracy of process descriptions and content. In 2021 our Responsible Investment function was audited by KPMG, with a particular focus on the governance of RI at LGPS Central. This review and challenge have given us confidence that our reporting is fair, accurate and balanced and most importantly informative in that it imparts critical information on our approach to stewardship to our stakeholders.

Joanne Segars
Chair

Mike Weston
CEO

Key achievements and progress across our stewardship activities in 2021

Responsible Investment Integration

100%

All product launches and existing products have RI-Integrated Status.

Climate Risk Monitoring Service

All Partner Funds have received a second iteration of a detailed Climate Risk Report.

TCFD Reports delivered to Partner Funds in parallel.

Stewardship Theme Activity & Progress

CLIMATE CHANGE

CA100+ Benchmark assessment of March 2021 shows that 52% of the world's largest emitters have net zero goals.

Ongoing engagement with 68 banks on Paris-alignment and protection of biodiversity. 50 banks have responded and 19 confirmed they will publish targets.

Investor expectations on Paris-aligned accounting were communicated to 17 European energy, material and transportation companies.

RESPONSIBLE TAX BEHAVIOUR

Engagement with six companies across technology, telecommunications, finance sees progress by two companies on enhanced tax transparency.

Co-signed a letter to the European Parliament supporting a draft directive on public country-by-country reporting (CBCR) in the EU.

PLASTIC POLLUTION

Two-year engagement with seven packaging companies that have high exposure to risks/opportunities stemming from plastic transition sees high level of receptiveness to investor concerns.

Collaborative engagement to help combat microplastics pollution is seeing some progress.

Co-sponsored launch of first industry specification to prevent plastic pellet pollution.

TECHNOLOGY & DISRUPTIVE INDUSTRIES

102 investor-strong collaboration on social media content control received Stewardship Initiative of the Year award at the UN PRI 2021 Awards for its success in engaging three multinational giants.

Human rights risks engagement initiative is building momentum after Investor Expectations were published, including engagement with Facebook on their newly launched Human Rights Policy, and Amazon on their recent Human Rights Impact assessment.

Broader Engagement

DEFORESTATION

LGPSC is a member of the investor coalition "Investor Policy Dialogue on Deforestation" (IPDD) established in mid-2020.

Dialogue with the Brazilian government (Vice President, Central Bank Governor and Congress).

Co-signing of statement at COP26 committing to tackle agricultural commodity-driven deforestation through active ownership.

MODERN SLAVERY

Investor group has engaged 61 laggard FTSE 350 companies that had failed to meet the reporting requirements of Section 54 of the UK Modern Slavery Act 2015.

High success rate: All 61 companies have become compliant with the Modern Slavery Act in the course of 2021.

A phase III of this project (following on from engagement in 2020 and 2021) has begun in 2022 to engage a further 46 FTSE 350 companies.

This report covers each of the 12 principles of the UK Stewardship Code 2020 in numerical order under four main headlines as follows:

PRINCIPLES 1-5

Purpose and governance

- Purpose, investment beliefs, strategy and culture
- Governance, resources and incentives to support stewardship
- Conflict of Interest
- Identification and response to market-wide systemic risks to promote a well-functioning financial system
- Review of policies, assurance of processes and assessment of the effectiveness of activities

PRINCIPLES 6-8

Investment approach

- Client communication on activities and outcomes of stewardship efforts
- Integration of material ESG issues including climate change
- Signatories monitor and hold to account managers and/or service providers

PRINCIPLES 9-11

Engagement

- Engagement with issuers
- Participation in collaborative engagement to influence issuers
- Escalation of stewardship activities to influence issuers

PRINCIPLE 12

Exercising rights and responsibilities

02 Purpose and governance

PRINCIPLES 1-5

PRINCIPLE 1 2.1 Purpose, investment beliefs, strategy and culture

2.1.1 Purpose and values

LGPS Central Limited (LGPSC) is an FCA regulated institutional investment manager responsible for the pooled assets of eight Local Government Pension Funds in Central England. LGPSC was formed in April 2018 and is owned equally by all eight of its Partner Funds and is dedicated solely to the management of local government pension scheme assets.

The aim of the Company is to use the combined scale of its Partner Fund assets to reduce costs, improve investment returns, strengthen governance and widen the range of available asset classes for investment – for the benefit of local government pensioners, employees and employers. LGPSC Partner Funds have combined pooled assets of approximately c.£49 billion. At the end of the reporting year (2021), LGPSC had c.£23 billion in assets under management and advice invested in listed equities (active and passive), fixed income, private equity, private debt, and infrastructure. The majority of pooled assets are invested in listed equities and fixed income under an Authorised Contractual Scheme (ACS) fund structure.

The pooling endeavour is dependent on continuous dialogue and collaboration; hence we refer to our clients as Partner Funds. All LGPSC Partner Funds view RI&E as a "must have" and we build on a proud tradition of RI which has been spearheaded over many years by individual Partner Funds. We also seek to espouse values as a Company that mirror expectations that we have of investee companies and the wider investment value chain.

Our values and behaviours are:

We put our clients first

- Working in partnership to deliver our Clients' and Shareholders' long-term needs
- Always acting with integrity, transparency and professionalism
- Doing the right thing

We are inclusive

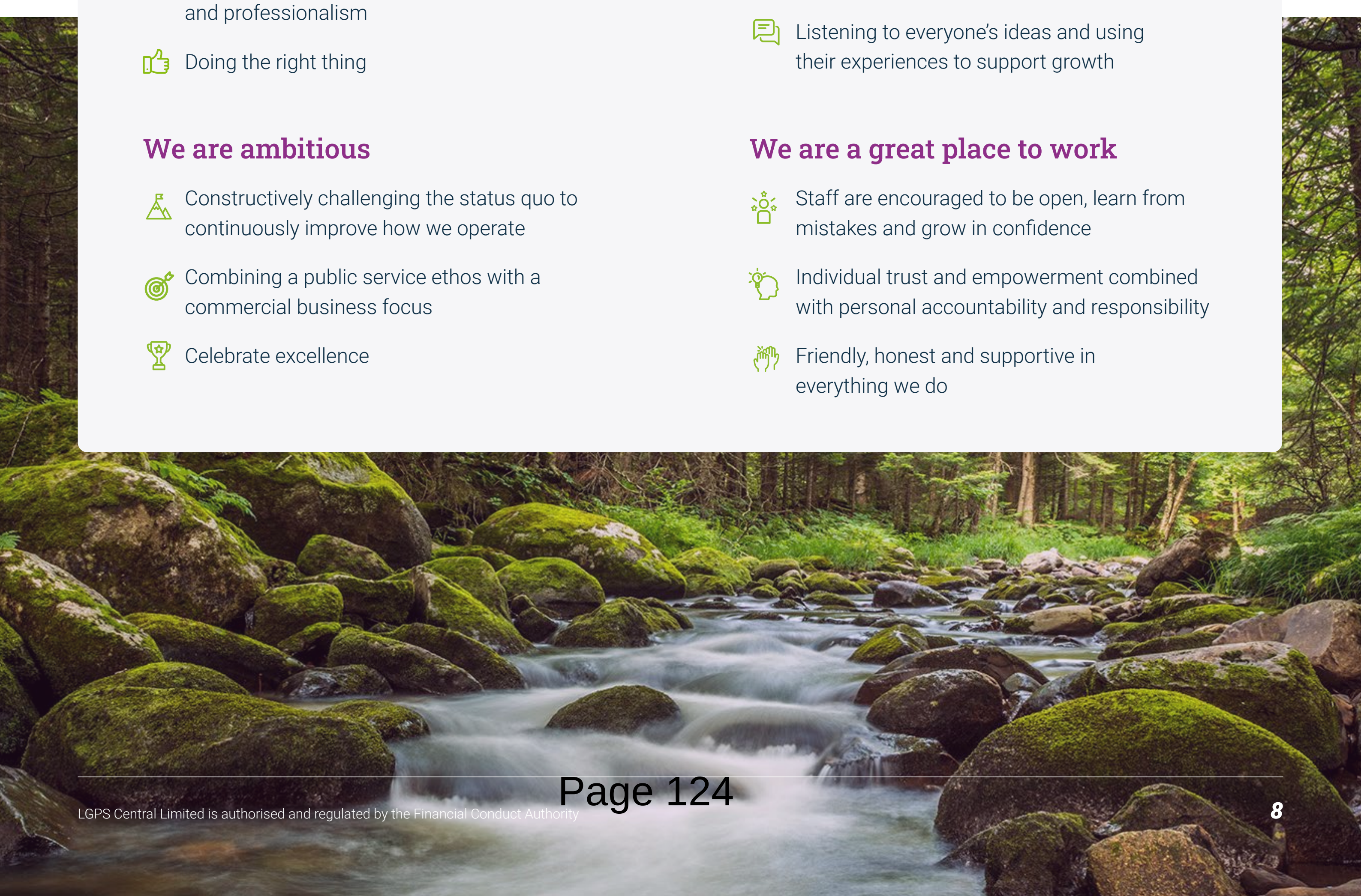
- Collegiate and collaborative, delivering more as one team
- Valuing and treating everyone equally
- Listening to everyone's ideas and using their experiences to support growth

We are ambitious

- Constructively challenging the status quo to continuously improve how we operate
- Combining a public service ethos with a commercial business focus
- Celebrate excellence

We are a great place to work

- Staff are encouraged to be open, learn from mistakes and grow in confidence
- Individual trust and empowerment combined with personal accountability and responsibility
- Friendly, honest and supportive in everything we do



30% Club
GROWTH THROUGH DIVERSITY

As an example, LGPSC Limited is a member of the 30% Club, as well as the Investor Chapter of the 30% Club. We view diversity as integral to sound decision making and we believe that the most effective Boards of companies include a diversity of skills, experiences and perspectives. This view is reflected both in our RI&E Framework and in our Voting Principles. LGPSC's Board has 50% female representation, and our Executive Committee has 20% female and ethnic minority representation. LGPSC's own BAME (black, Asian and minority ethnic) population is 41%, the female ratio is currently 41% and we have 16 different nationalities/cultures across our work force.

Our Company is a member of the Employers Network for Equality & Inclusion, and we participate in a number of work streams of the Diversity Project promoting good practice on flexible working, ethnicity, working families and an early careers programme (mentoring potential graduates from socially disadvantaged communities). When selecting external managers for LGPSC investment mandates, we expect both good in-house diversity across the organisation, and we expect that the manager integrates diversity in their ESG assessments of companies they invest in. Diversity is one element of our broader assessment of a given manager's culture and ethos and we view strong diversity across gender, culture and ethnicity as indicative of overall strong governance. We support the newly established Asset Owner Diversity Charter and will use the toolkit provided through the charter to assess managers' approach and processes to enable diversity and inclusion throughout their organisations and value chains.

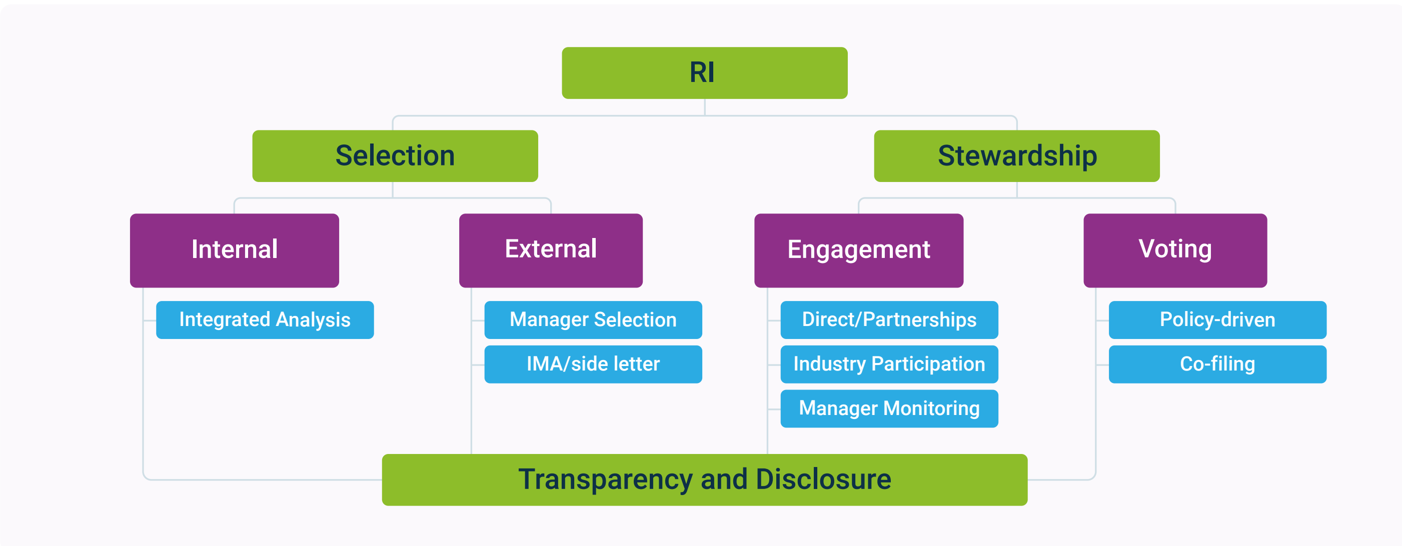
We have decided to develop a Modern Slavery Statement for LGPSC, not as a legal requirement, but with a view to applying leading practice, as a Company, as an investor engaging companies and in our procurements. We currently assess external managers' compliance with the Modern Slavery Act in the selection process. The procurements follow the Official Journal of the EU (OJEU) process that is adopted by all English public sector entities, but dates from the time the UK was part of the EU. We continue to be a part of an investor collaboration engaging FTSE 350 companies on Modern Slavery Act compliance (see Section 4.1.3 below). We do not currently ask investee companies to voluntarily comply with the Modern Slavery Act if they fall below the revenue threshold. However, we still view it as appropriate to set a high standard for ourselves as a Company as well as to protect our stakeholders from any reputational risk. We perceive the level of modern slavery related risk to our business as low from the outset and will develop a proportionate approach to this which covers all parts of the business.

2.1.2 Responsible Investment integral to our asset management operations

At inception of LGPSC in April 2018, we established a Framework for RI&E which builds on the investment beliefs of the Company's eight Partner Funds. The Framework establishes two high-level objectives for all LGPSC RI-related efforts. These are:

1. Primarily, to support investment objectives;
2. Secondarily, to be an exemplar for RI within the financial services industry, promote collaboration, and raise standards across the marketplace.

The RI&E Framework is applied in a manner that promotes these objectives both before the investment decision (which we refer to as the **Selection** of investments) and after the investment decision (the **Stewardship** of investments). Furthermore, we aim to be **Transparent** to all stakeholders and accountable to our Partner Funds through regular **Disclosure** of RI activities.



We take the view that strong RI policy and action increases our ability to protect and grow stakeholder value. Against this premise, key targets of our RI efforts are to:

1. Integrate material environmental, social and governance factors into investment decisions both pre and post investment
2. Influence corporate behaviour at company and sector levels through engagement, voting and other means of influence outside of listed equities
3. Participate in and contribute to industry-wide best corporate and investor practices
4. Enhance trust with our stakeholders through ongoing dialogue and a high level of transparency

The strategy to meet the key objectives and the way we aim to measure success against them, is described in the Sections below of this document. Table 2.1.2.1 shows, at high level, our objectives and how we measure achievement against them.

TABLE 2.1.2.1: SUMMARY OF TARGETS, STRATEGIES AND MEASURES OF SUCCESS

TARGETS	*STRATEGY*	*MEASURES OF SUCCESS (MOS)*
Integrate material ESG factors into investment decisions	Define an RI Integrated Status approach for each fund prior to launch and through its lifecycle	100% of relevant products achieve and maintain RI Integrated Status RIIS is approved by the Investment Committee and maintenance is checked quarterly by the Quarterly Portfolio Review Committees See Section 3.2 below
Influence corporate behaviour	Engagement and voting at company and sector levels	Achieve the majority of MoS listed in Section 4.1.2 below (Stewardship Themes)
Participate in and contribute to industry standards	Engagement at industry and policy levels	Active contribution to theme-relevant industry initiatives and broader initiatives of relevance to LGPS Funds Contribution to a minimum of three public consultations or policy initiatives on standards/regulation with market-wide application and/or theme-relevant application See Section 2.4 below
Enhance trust with stakeholders	Transparency and disclosure	Regular Stewardship Updates three times per year, in addition to an Annual Stewardship Report in line with UK Stewardship Code 2020 Quarterly RI meetings with Partner Funds Annual RI event for Partner Funds to allow dialogue on key themes and to build knowledge – RI Summit held on 13 October 2021 PRI report in line with PRI (Principles for Responsible Investing) Framework, achieving a high score. LGPSC received an A+ rating for its 2019 report, and are still awaiting the outcome of 2020 report AAF report including testing of the accuracy of RI data and implementation of RI processes See Section 3.1 below for more detail

During 2021, we have achieved the majority of these measures of success as is evidenced in the relevant sections of this report (see references in the right-hand column of the above table).

2.1.3 A "One-for-eight" model

Since inception, LGPSC's RI&E function has implemented a "one for eight" model. This means that we operate one framework, one service offering, one approach, that delivers the same service to our eight Partner Funds. This aligns well with the overarching goal of the pool, which is to reduce costs, improve investment returns, strengthen governance and widen the range of available asset classes for investment while implementing high quality RI services. We label this "Mandate Services". One of the core functions of the pool is to provide Partner Funds with investment opportunities suited to their investment needs as these evolve. As part of our Mandate Services, we apply an all-encompassing *RI Integrated Status* (RIIS) approach to any fund at launch and through the lifespan of that fund. Through RIIS we ensure that RI objectives are reflected at inception of new funds through to deployment/selection of asset managers and their ongoing monitoring. RIIS is described in more detail in Section 3.2 below.

While still in a phase where Partner Fund assets are transferring to LGPSC, we also offer some customisation of client-specific deliverables; "Call-off Services". These include assistance with RI&E policy design/update, RI-specific training for boards and pension committees, and ad-hoc queries from beneficiaries on RI-related matters. We have continued our Climate Risk Monitoring Service (CRMS) which is bespoke to each Partner Fund and tailored to their strategy and asset allocation. CRMS and how this has evolved in the last year is described in further detail in Section 2.4. below.

2.1.4 Looking ahead

Looking ahead, LGPSC recognises the growing importance of sustainability to the investment process and the evolving demands of our stakeholders. Signals from government and consumers are becoming clearer and analytical tools and the outputs they produce are becoming more sophisticated. Key areas of focus during 2021, and going into 2022, is to action LGPSC's commitment on net zero and Paris alignment as well as extend climate risk analysis at portfolio level to a broader set of ESG risks. We are committed to ensuring that our climate analysis and broader ESG analysis remain fit for purpose and in step with industry developments in this area.

Net zero commitment

In January 2022 we announced a commitment to transition LGPSC's investment portfolios to net zero greenhouse gas emissions (GHG). This commitment will provide additional focus and transparency to our response to the current climate emergency. It will help frame our conversations with external managers and with our investee companies, reinforcing our expectations around climate risk management and establishing parameters around the decarbonisation of our investment portfolios. We will utilise the Institutional Investor Group on Climate Change's ('IIGCC') Net Zero Investment Framework to achieve net zero emissions across our internally and externally managed portfolios by 2050 (or sooner), focusing initially on Listed Equities, Corporate Bonds, Sovereign Bonds and Real Estate. In addition, we will have an interim target where we will aim to achieve a 50% reduction in GHG emissions by 2030 across our equity and fixed income portfolios. We are committed to extending our focus to include other asset classes as reliable data become available and to provide attractive investment opportunities in the renewable energy and green tech sectors to match our Partner Funds' demands.

ESG data tool

We have identified a need for access to broad ESG research and data going beyond climate risk metrics and will procure this during Q2/Q3 of 2022. This will help identify ESG risks and opportunities of investments, at a stock level and portfolio level. The service is expected to cover, at a minimum, investment in listed equities and corporate fixed income. The data and analysis are expected to include ESG stock ratings, comparative scoring on material ESG risks and opportunities, a portfolio level tool, as well as qualitative ESG research to provide underlying context. The tool will be used for proactive monitoring and reporting on the ESG characteristics of LGPSC funds, with the potential to create an annual in-depth ESG reporting service, akin to that of the CRMS. Furthermore, the tool will help us challenge external managers on their stewardship and engagement activities and prioritisation of stewardship resource. It can also be used to enrich our voting and engagement prioritisation in-house, helping to uncover which companies are exposed to risks beyond climate change, such as modern slavery, human rights, responsible tax behaviour and circular economy.

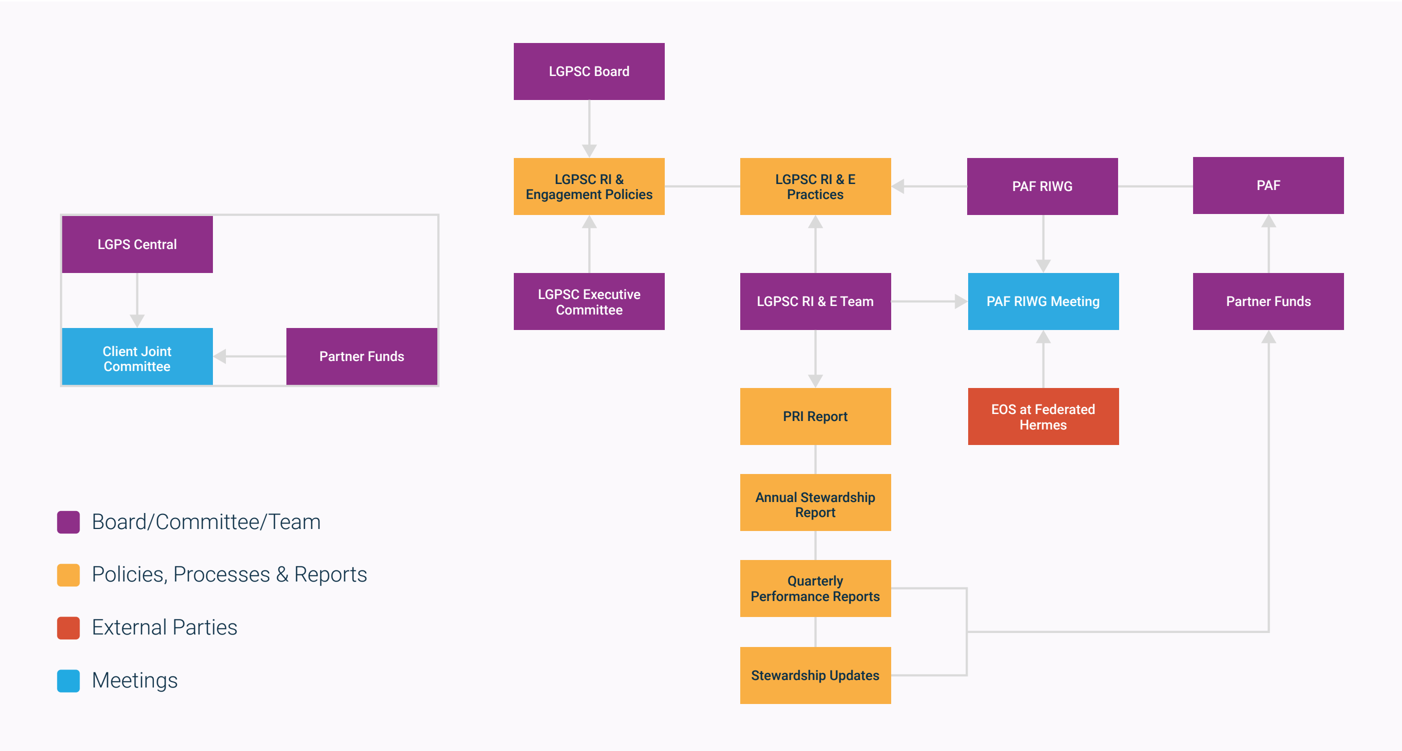
At the start of 2021, we undertook annual reviews of our RI&E Framework and Voting Policies to reflect the UK Stewardship Code 2020 and to strengthen our position on diversity and climate change performance. We expect UK companies to have at least 33% female representation on their boards and to be reporting ethnic minority representation at board level. We review these expectations annually so that they remain both realistic and demanding. We have also re-set our expectations of investee companies in terms of climate change management quality score against Transition Pathway Initiative assessments, expecting a score of 4 (highest available). This reflects both the urgency with which companies need to address climate change risks and the progress that has already been made.

We undertook a review at the start of 2021 of resourcing within the LGPSC RI&E Team to make sure that both people and systems resourcing is in line with the Team business plan and associated deliverables. As a result of this review and through discussion with our Partner Funds, we have – during Q1 of 2022 – strengthened the resource for the RI&E Team with a Senior Stewardship Analyst, taking the RI&E Team to five people.

PRINCIPLE 2 2.2 Governance, resources and incentives to support stewardship

2.2.1 Organisation and lines of communication

Figure 2.2.1.1: LGPSC Organisational Structure and Communication on RI-related matters



- LGPSC's Board approve and monitor on a regular basis, LGPSC's RI&E Policy, which is overseen operationally by LGPSC's Executive Committee (see Section 2.2.2 below).
- Our organisational structure reflects a collaborative approach whereby LGPSC Partner Funds have direct influence and dialogue with LGPSC on the overall stewardship effort through a Practitioners' Advisory Forum (PAF) at the high level, and through a Responsible Investment Working Group (RIWG) which assesses RI matters in more detail.
- The RIWG feeds into the PAF which is made up of Client Fund Officers and meets monthly.
- As from January 2021, RI matters are a standing item on the agenda of the PAF due to increasing stakeholder interest and concern on various ESG issues, including climate change. The RI&E Team provides an update on its activities during the meeting and an update on broader RI developments.
- The RI&E Team also attends the PAF Investment Working Group, to field any questions related to RI matters.
- At quarterly PAF RIWG meetings, Partner Funds are given updates and can scrutinise LGPSC's implementation of engagement and voting activities, integration of ESG across funds, as well as Client-specific services such as the Climate Risk Monitoring Service.
- LGPSC's external stewardship provider, EOS at Federated Hermes (see Section 2.2.4 below), takes part in RIWG meetings to provide granular detail on specific topics/sectors of interest to PFs (for instance on the Israel/Palestine conflict in light of heightened unrest).
- The Client Joint Committee (JC) meeting is held annually. At the JC meeting in January 2022, 12 questions from members of the public regarding RI were read and answered during the meeting. We see increased attention to RI over the last years (In 2019 the JC received one RI-related question, whereas 18 RI-related questions were received in 2020).
- LGPSC provides reporting to shareholders and stakeholders through regular stewardship updates (voting and engagement), quarterly performance reports (ESG integration, engagement and voting as part of performance assessment), annual PRI report and Annual Stewardship Report.

2.2.2 Board oversight and ownership across the organisation

LGPSC's Board is responsible for approving and monitoring implementation of the RI&E Policy (RI&EP). We have established a Board-level KPI that 100% of relevant products achieve and maintain RI Integrated Status, and regular updates on progress are provided to the Board. The Board meets at least six times a year. RI&E, including climate change, is a regular item on the Board's agenda.

During 2021, the RI&E Team provided LGPSC's Board with an overview of the Company's latest TCFD report as well as regular updates on the Company's stewardship effort and the Climate Risk Monitoring Service. Alongside on-going oversight and knowledge building, Board members sometimes get involved in our broader RI effort e.g., through speaker assignments or in ongoing engagements. During Q1 of 2021, the Chair of the Board, Joanne Segars, took part in a meeting with the Vice President of Brazil, representing LGPSC as a member of the investor coalition "Investor Policy Dialogue on Deforestation" (see further detail under Section 4.1.3 below). LGPSC Board members were involved in LGPSC's International Women's Day event in March 2021 and also took part in LGPSC's RI Summit later in the year. Our Chair, Joanne Segars, represents LGPS Central on the newly established Occupational Pensions Stewardship Council.

We believe it is critical that RI is owned and practiced across LGPSC. As such, the RI&E Team performs a coordinating function relying on regular interaction with colleagues in asset class teams, in the broader Investment Team and across back-office functions including Operations, Legal, HR and Compliance. The RI&E Team reports to the Chief Investment Officer (CIO). The Director of RI&E is a member of the Investment Committee, the Private Markets Investment Committee and the Senior Management Team. RI&E related matters are regularly brought to the LGPSC Executive Committee for discussion and approval. During 2021 this has included for example review of LGPSC RI&E related policies, becoming a founding member and Board member of TPI Ltd (established October 2021), and ongoing discussions on LGPSC's net zero commitment (see Section 2.1.4 above).

LGPSC's RI Integrated Status (RIIS) approach inherently requires and allows detailed dialogue between the RI&E Team and the relevant Asset Class Team from inception of a fund and throughout its lifespan. This approach also ensures that the RI approach taken for a given fund or asset is co-sponsored by the Director of RI&E and the relevant Investment Director, reinforcing a shared ownership to RI integration. RIIS could be viewed as an in-house form of "RI certification" which covers the following key elements: Beliefs, Documentation, Process, Reporting and Review. See further detail on RIIS under Section 3.2 below.

There is no variable pay at LGPSC. LGPSC staff are incentivised to integrate stewardship and investment through the following means:

- Investment Directors have RI and ESG integration objectives included in their semi-annual Personal Development Reviews
- Training and knowledge sharing: As an example, during Q4 of 2021 the RI&E Team provided a training session to all LGPSC staff on net zero and divestment vs engagement, which had very high attendance and inspired a lot of questions and discussion
- All staff are being asked to think about RI&E and sustainability initiatives as part of smarter working as we have moved into a new office working arrangement mid-2021
- Going forward, all job descriptions for staff at LGPSC will reflect RI integration

2.2.3 Dedicated in-house stewardship resources

Going into 2021, the RI&E Team consisted of an Investment Director, Stewardship Manager and two IMC qualified analysts, both of whom are working toward their CFA certificate in ESG. Considering increasing expectations from Partner Funds in terms of breadth and depth of the RI service, and to deliver key strategic projects while covering for key person risk, we decided to expand the Team to five. Recruitment took place during H2 2021 and as of February 2022 we have expanded the Team with a Senior Stewardship Analyst.

Team members come from diverse academic backgrounds and specialisms across fund management, RI policy development, ESG integration in public and private markets, stewardship and engagement across the value chain and climate expertise. We welcome this diversity and breadth of perspectives. The Team leverages a strong network among peer investors both in the UK and globally, as well as investee companies, industry associations and relevant regulatory bodies.

2.2.4 External stewardship resources

With limited in-house resources we have contracted an external Stewardship Provider, EOS at Federated Hermes, to provide global voting and engagement services. Following a comprehensive due diligence process EOS were selected as their beliefs align well with LGPSC's and Partner Funds' beliefs. We share a view that dialogue with companies on ESG factors is essential to build a global financial system that delivers improved long-term returns for investors, as well as more sustainable outcomes for society.

EOS reports on voting and engagement activity across relevant ACS funds on a quarterly and annual basis. Outside of reporting, we regularly interact with EOS both one-to-one, for instance through voting season on contentious votes, and together with other EOS' clients at Client Advisory Councils hosted twice a year. Through this regular dialogue, we can ensure that our values remain aligned (see Section 3.3.2 below with a detailed review of EOS' services during 2021). EOS also engages with regulators, industry bodies and other standard setters on our behalf to shape capital markets and the environment in which companies and investors can operate more sustainably.

We expect our external managers to engage investee companies on our behalf on material issues including ESG factors. We receive quarterly data from external fund managers on the number of engagements undertaken and the weight in portfolio. See further detail under Section 3.3. below.

PRINCIPLE 3

2.3 Conflict of Interest

LGPSC's approach to managing and mitigating risks associated with conflicts of interest is outlined in the LGPSC conflicts of interest policy. This is made available to all staff and Partner Funds of LGPSC. The policy is designed to ensure fair outcomes for Partner Funds and to ensure that LGPSC fulfils its stewardship responsibilities to its pool partners in terms of how their assets are managed.

The policy was signed off by the LGPSC Investment Committee, Executive Committee and Board when implemented. The policy is reviewed annually and changes to the policy are approved through the same governance process.

LGPSC employees, including senior management and members of the executive committee are required to complete conflicts management training on an annual basis and confirm their adherence to its standards. This training includes guidance on what constitutes a conflict of interest. The conflicts policy is also contained within the LGPSC Compliance Manual. It is readily available to all staff whether working from home or office based.

When LGPSC appoints external managers, a thorough due diligence process is undertaken. This includes consideration of the external managers process and procedures around the Management of Conflicts of Interest. We expect our managers to have robust controls and procedures in place around conflict management and to demonstrate commitment to managing conflicts fairly.

LGPSC only manages Partner Fund assets, and all our active portfolios are managed externally. LGPSC staff are not remunerated through a bonus scheme. These two factors are key mitigants in terms of conflict risk.

Examples of Conflicts of Interest

Avoidance of conflict in the process of hiring managers to Sustainable Equities Fund

A member of the RI&E Team serves on the Sustainable Investment Advisory committee of a well-known Sustainable Investment Manager. This relationship was always considered to be symbiotic, as it provides a development opportunity for the member of staff which benefits LGPSC, and it allows the local government pension perspective to be heard in the wider asset manager industry. Potential conflicts were considered from the outset, and it was agreed that should a situation arise whereby the manager in question applied for an LGPSC mandate, the RI&E team member would not be involved in the selection process. Unsurprisingly this manager put forward a mandate proposal when LGPSC was selecting managers for its Global Sustainable Equity Fund. LGPSC managed this potential conflict by ensuring that the employee in question was not involved in the selection process; neither the formulation of mandate requirements nor the manager assessment and scoring process. The selection

process was established with precise and clear selection criteria and each manager was selected on their application alone. Furthermore, the process was constructed and executed by the Active Equities Team at LGPSC with input from the Director of RI&E. The application of this robust and independent process resulted in the asset manager in question being selected to manage one of the mandates within the fund structure. The employee in question will not have any involvement in the ongoing assessment of the manager post appointment in respect of ESG integration or stewardship. We consider that this process was managed in the best interests of our Partner Funds and their beneficiaries. The selection process ensured that the managers that matched the mandate criteria most closely and had a clear and demonstrable process delivered by an experienced and stable team, were selected.

Appointment of Transition Manager for the Global Sustainable Equities fund

All colleagues involved in the appointment process were required to complete a conflicts of interest declaration. The declaration asks colleagues to provide details of any conflicts with any of the potential transition managers for assessment by the compliance Team. The approach taken is that conflicts will inevitably arise particularly in the form of existing business relationships and previous periods of employment with the investment managers on the shortlist. As long as these conflicts are declared and recorded, they can be managed.

Voting

Conflicts of interest can arise during the voting season. This can for instance be the case where a proxy voting provider also provides other services to corporates or possibly in some circumstances where they engage with and provide voting recommendations in relation to a pension scheme's sponsor company.

We expect our proxy voting providers to be transparent about conflicts of interest and to implement measures to ensure they manage these conflicts such as Chinese walls, conflicts management policies and conflicts registers. As from Q1 of 2021, EOS at Federated Hermes – LGPSC's external stewardship provider – applies an enhancement to its service to further improve transparency by informing voting clients of potential significant conflicts of interest when EOS provides voting recommendations. One such conflict would be when EOS recommends a vote in relation to clients' sponsor companies, and specific assurance of EOS' independence in assessing this stock is needed.

EOS has a publicly available Stewardship conflicts of interest policy. EOS conflicts are maintained in a group conflicts of interest policy and conflicts of interest register. As part of the policy, staff report any potential conflicts to the compliance team to be assessed and, when necessary, the register is updated. The conflicts of interest register is reviewed by senior management on a regular basis.

Fairness in the provision of RI&E Services from LGPSC to Partner Funds

LGPSC operates a one for eight service model. This ensures that we deliver a consistent level of service to all eight partner funds ensuring that no conflicts arise in terms of the level of support they get from the RI&E Team.

During 2020, LGPSC provided Climate Risk Reports to all eight Partner Funds, as part of a Climate Risk Monitoring Service that we have made available to them. For the 2021 provision of the same service, we followed the same delivery order as last year. This is to ensure consistency and fairness among Partner Funds and to avoid some receiving reports six months apart or others 14 months apart.

PRINCIPLE 4

2.4 Identification and response to market-wide and systemic risks to promote a well-functioning financial system

2.4.1 Stewardship Themes

In close collaboration with its Partner Funds, LGPSC has identified four core Stewardship Themes that guide the pool's engagement and voting efforts. These are climate change, plastic pollution, responsible tax behaviour and 'tech sector' risks. These themes have been chosen based on the following parameters:

- Economic relevance
- Ability to leverage collaboration
- Stakeholder interest

Identifying core themes that are material to the Partner Funds' investment objectives and time horizon, that are likely to have broader market impact, and that are perceived to be of relevance to stakeholders, helps us prioritise and direct engagement. We fully acknowledge that the spectrum of ESG risks is broad and constantly evolving. However, and in agreement with our LGPSC pool partners, we consider it appropriate to pursue these themes over a three-year horizon, at a minimum, while conducting annual reviews to allow for necessary adjustments or changes. This helps us build strong knowledge on each theme, seek or build collaborations with like-minded investors, identify and express consistent expectations to companies on theme-relevant risks and opportunities, and to measure the progress of engagements. Furthermore, we take the view that engagement on a theme needs to happen at multiple levels in parallel: company-level, industry-level, and policy-level. With our long-term investment horizon, we take a whole-of-market outlook and changing the "rules of the game" through industry and policy dialogue is as important, if not more important, than individual company behaviour. In Section 4.1.2 below, we give a detailed overview of engagement activity and progress for each Stewardship Theme. In Section 2.5, we provide information on the annual review of Stewardship Themes that was carried out during Q4 of 2021.

2.4.2 Climate Risk Monitoring Service

Climate action failure is the stand-out, long-term risk the world faces in likelihood and impact according to recent reports from the Intergovernmental Panel on Climate Change. If 'business as usual' continues, the world could heat up by about 5 degrees by 2100 which would have catastrophic environmental impacts and cause profound societal damage and significant human harm. A Paris-aligned transition to a low-carbon economy would lead to lower economic damage and for long-term investors is preferable to alternative climate scenarios. We believe investors can best encourage this transition through a combination of a) understanding the risks to their portfolios at a granular level, b) stress-testing portfolios against various temperature scenarios, c) identifying tools and actions that can be taken to address and minimise risk. In January 2022, we announced a commitment to achieve net zero across our assets under stewardship by 2050 (see Section 2.1.4 above). Our climate risk monitoring service is a key building block in ongoing work toward this goal.

Since 2020 LGPSC has conducted in-depth climate risk assessments for each individual Partner Fund and provided an annual Climate Risk Report (CRR) bespoke to each of them. The CRR is designed to allow each Partner Fund a view of the climate risk held through their entire asset portfolio accompanied by proposed actions each could take to manage and reduce that risk. To facilitate disclosure in line with the Task Force on Climate-Related Financial Disclosures (TCFD), the CRR is deliberately structured to align with the four TCFD disclosure pillars.

2021, was our second edition of the CRRs to Partner Funds. We made several enhancements to the climate monitoring service to ensure it remains aligned to the latest industry developments and therefore the best assessment on climate-related risk we can provide to our clients. We particularly wanted to emphasise progress made against the findings of the first report to give our Partner Funds a view on their direction of travel. Table 2.4.2.1 provides a summary of the methods we use to assess financially material climate-related risks and opportunities, alongside outlining the improvements we made to the service in 2021.

TABLE 2.4.2.1: METHODS OF ASSESSING CLIMATE-RELATED RISKS AND OPPORTUNITIES

SECTION	ANALYSIS	2021 ENHANCEMENT
Governance	The purpose of this section is to identify areas in which the Fund's governance and policies can further embed and normalise the management of climate risk. We provide a review of the Fund's documentation from the perspective of climate strategy setting and issue recommendations on how the Fund could improve its governance of climate-related risk.	We provide a progress update against the recommendations and considerations issued in the first report and suggest further policy extensions the Fund could consider.
Strategy	We assess the extent to which the Fund's risk and return characteristics could be affected by a set of plausible climate scenarios. This includes an estimation of the annual climate-related impact on returns (at fund and asset-class level), and climate stress tests (to explore the potential impact of a sudden climate-related price movement). An external consultant provides analytical support for this section.	We did not utilise Climate Scenario Analysis in the 2021 reports. As a top-down method of analysis it is more suited to a biennial review. We intend to revisit Climate Scenario Analysis in 2022. In lieu, we conducted a literature review on the techniques that the Fund could consider enacting to further manage climate risks within alternative asset classes.
Risk Management	Based on the report findings we provide a Climate Stewardship Plan which identifies the areas in which stewardship techniques could be leveraged to further understand and manage climate-related risks within the portfolio. The plan includes plans to engage both individual companies and fund managers.	We provide a bespoke engagement update for each of the companies included in the Climate Stewardship Plan. The section identifies the rationale, objectives and strategy of the engagement, alongside issuing a progress update. We make use of the TPI and CA100+ benchmark as key tools to monitor company activity.
Metrics & Targets	We conduct a bottom-up carbon risk metrics analysis at the company and portfolio level. For the most part, four types of carbon risk metric are utilised: portfolio carbon footprint, fossil fuel exposure, weight in clean technology and climate risk management (via the Transition Pathway Initiative).	The chapter provides a comparative analysis, examining the metrics from the first report against the updated metrics of the second report.

Having recently completed the 2021 reporting cycle, LGPSC has conducted a review to identify further improvements to the service. Enhancements that we aim to make to the 2022 reports include:

- Inclusion of a 1.5°C scenario into the Climate Scenario Analysis
- Enhance the company progress updates to demonstrate a more robust link between engagement and outcomes
- New additions to the suite of carbon risk metrics, reflecting the shift towards measuring alignment with net zero, such as % of portfolio with net zero targets, % of portfolio revenue derived from fossil fuels, % of portfolio revenue derived from clean technology and absolute carbon emissions/ financed emissions

Our Partner Funds have used the findings of their CRRs to develop individual Climate Strategies covering governance, beliefs, objectives, strategic actions and reviews in relation to their climate-related risk. To date, seven of our Partner Funds have published Climate Strategies, with one more upcoming in 2022. Aside from strategy setting, the CRRs have also been used to facilitate TCFD disclosure (which seven of our Partner Funds have achieved to date); formulate Climate Stewardship Plans; conduct training sessions on climate change; initiate governance and policy reviews; and for exploring potential investments in sustainable asset classes.

In 2021, we continued to explore areas of convergence and commonality across each of the eight bespoke CRRs to facilitate collective action as a pool. We identified a number of recommendations that featured in all of the CRRs and worked in collaboration with our Partner Funds to crystallise these into specific pool-level workstreams. Examples of actions we have taken include holding a joint Partner Fund Responsible Investment Day, releasing an updated 2021 TCFD Report, and issuing a Net Zero Statement for LGPSC made with the full support of all eight Partner Funds. Furthermore, the CRRs identify companies that face a high level of climate risk and are of particular significance to certain portfolios. This information is fed into our engagement prioritisation and as a result, we are enhancing our involvement in ongoing CA100+ engagements to cover as many, if not all, such "red flag" companies. The same companies will be automatically included in LGPSC's Voting Watch List of companies that are given particular scrutiny ahead of AGM (see Section 5.2 below).

2.4.3 Attendance and contributions to industry dialogue, partnerships and building of standards

LGPSC is an active participant in the debate on good corporate and investor practice. We value collaboration with peer investors and with industry initiatives, which gives a stronger voice and more leverage in engagement. Taking part allows us to access data, research and tools available to members – and at the same time influence further development of these initiatives.

Table 2.4.2 below is a list of organisations and initiatives that LGPSC is an active member of and includes a brief assessment of the efficiency of the initiative and outcomes during 2021.

TABLE 2.4.3.1: PARTICIPATION IN INDUSTRY DIALOGUE

ORGANISATION/ INITIATIVE NAME	*ABOUT THE ORGANISATION/INITIATIVE*	*EFFICIENCY AND OUTCOMES*
PRI	Largest RI-related organisation globally. Helps with research, policy influence and collaborative engagement. During 2021, LGPSC Head of Stewardship has been a member of the PRI Plastics Working Group and the PRI Tax Working Group.	PRI is a standard bearer of good practice for RI. LGPSC has been a member of PRI since inception of the pool. We view LGPSC's active participation in PRI through submission of an annual report and through membership of PRI Working Groups as clearly value-adding to ongoing RI development and pursuit of Stewardship Theme engagements.
IIGCC **(Institutional Investor Group on Climate Change)**	Influential asset owner and asset manager group. Useful for climate change research and policy influence. During 2021, LGPSC Head of Stewardship has been a member of the Corporate Programme Advisory Group.	IIGCC's corporate engagement and policy engagement programmes are both highly value-adding to LGPSC's work on climate change on behalf of all Partner Funds. It has a clear purpose and seems attentive to member needs and input. IIGCC engages broadly with stakeholders, for example with policy makers in the lead-up to COP26.

Cross-Pool RI Group within LGPS	Collaboration group across the LGPS pools and funds. Includes funds and pool operators. LGPSC Head of Stewardship was Vice Chair of the group during 2021.	This is a good forum to allow discussion between like-minded investors, who operate in the same regulatory environment and with similar expectations from Partner Funds and beneficiaries, on RI topics of interest and/or urgency, including net zero commitments for investors, human rights risks, biodiversity etc.
The Local Government Pension Scheme Advisory Board	LGPSC Head of Stewardship is a member of an RI Advisory Group to SAB that was formed at the start of 2021. Discussions are held on RI relevant policies and standards that will have direct or indirect implications for LGPS funds and pools.	Discussions during 2021 have centred around themes such as just transition, impact investing and MHCLG's work to introduce TFCF aligned reporting across LGPS Pools and Funds.
Transition Pathway Initiative (TPI)	Analysis of companies based on their climate risk management quality and their carbon performance. TPI analysis (by research team at LSE Grantham Research Institute on Climate and the Environment) is highly regarded and carries industry influence. LGPSC Head of Stewardship was a member of the TPI Steering Committee during H2 2021, and since October 2021 a member of the Board to the newly formed TPI Limited.	TPI is a highly useful tool that LGPSC uses directly to inform engagement and voting on behalf of Partner Funds. We view very positively TPI's close collaboration with CA100+ during 2020 and 2021 in the roll-out of the Benchmark Framework which allows evaluation of company progress against Paris alignment on key parameters (targets, actions, disclosures). We support the planned expansion of TPI research through the establishment of a Climate Transition Centre.
CDP	CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.	Our membership of CDP is in support of ongoing work for carbon emissions reporting across companies and sectors, and to tap into analysis and research. We welcome CDP's work on deforestation, including a "Forest champions programme", which we aim to tap into for our current and future engagement on deforestation.
30% Club Investor Group	Investor group engaging both UK listed equities and increasingly companies abroad, on gender diversity. LGPSC has been a member since inception of our Company.	This forum has a clear target and allows for discussion, learning and direct engagement with like-minded peers on an ongoing critical governance issue. During 2021, a sub-set of 30% Club Investor Group members, including LGPSC, has engaged in the Japanese market.

BVCA **British Private Equity and Venture Capital Association**	UK trade body for private equity.	This forum is very useful for deal flow information. It also runs discounted training courses which helps build knowledge.
LAPFF **Local Authority Pension Fund Forum**	Engagement with companies in the UK and abroad, assisting LGPS funds with sustainable and ethical investment challenges.	LAPFF has conducted engagements that is complimentary to LGPSC's stewardship theme engagement effort, for instance in reaching out to companies during 2021 on human rights risks that stem from operating in conflict zones such as Palestinian/ Israeli territories.
Climate Action 100+	Engagement collaboration of more than 700 investors with a combined $68 trillion assets under management. Engaging 166 companies on climate risk that are responsible for 80% of global industrial GHG emissions. LGPSC Head of Stewardship is a member of the Mining and Metals Sector Group.	This is a targeted and robust investor collaboration which LGPSC views as highly value adding relative to climate change risk management. The 2020 CA100+ Benchmark Framework, with scores published in March 2021, embeds structure and rigour to assessments of companies against a Paris trajectory.
Investor Forum	High quality collaborative engagement platform set up by institutional investors in UK equities. LGPSC has been a member since inception of our Company.	LGPSC co-sponsored an Investor Forum coordinated plastic pellet prevention project during 2020-2021. The overarching goal of this project is to help companies achieve and maintain zero pellet loss across their pellet handling operations. The first industry standard specification for plastic pellet handling was published in July 2021.

Policy engagements and consultation responses:

Since inception of LGPSC in April 2018, the Company has taken active part in policy dialogue on behalf of Partner Funds across various themes and regulations including on ethnicity pay reporting, tax transparency, modern slavery, climate change and sustainability reporting requirements.

In Q1 2021 we co-signed a **letter to the COP26 President** asking for support to investors by seeking publication of key underlying assumptions and commodity price projections tied to a 1.5C scenario. The International Energy Agency's special report Net Zero by 2050: a Roadmap for the Global Energy Sector published in May 2021 provides clarity in this regard. The roadmap highlights the gap between where we are and where the 1.5 scenario says we need to be. The IEA describes the energy transition as an all-hands-on-deck crisis that "hinges on a singular, unwavering focus from all governments—working together with one another, and with businesses, investors and citizens. The Net Zero report from IEA is actively used as a reference point when we engage companies across sectors, for instance through the Climate Action 100+ collaboration.

LGPSC responded to an All-Party Parliamentary Group for Local Authority Pensions Funds consultation on **Just Transition** on 4 May 2021. We are of the opinion that the just transition must be recognised as a global challenge as communities that stand to be impacted the most by climate change are often situated in developing countries. We consider that COVID-19 illustrates that global challenges require global solutions. Government has an important role to play in encouraging supporting innovation by sending strong signals to investors in terms of policies, subsidies, and taxes. For example, decisive carbon pricing and robust regulation around carbon off-setting. Investors also have an important role to play in bringing about a just transition through both engagement with the corporations and assets in which we invest and through financing the transition itself. The element of just transition is being raised with companies that are in scope of Climate Action 100+ engagement and companies will be assessed on this in the 2022 benchmark exercise.

LGPSC expressed support for the Government to mandate **net zero Metrics as part of TCFD reporting** in a response to the Department for Work and Pensions' consultation on Climate and investment reporting. We consider that mandatory reporting will encourage more comprehensive reporting of emissions by corporations and commitments to achieve net zero, particularly if this regulation is supported by complimentary regulations across the economy. The financial cost associated with TCFD reporting in a manner consistent with the regulation proposed by DWP may be underestimated and we recognise that this might be challenging for some investors to achieve. Furthermore, we think the metrics will need to be carefully explained to stakeholders and net zero alignment does not tell us everything we need to know about the climate risk faced by a portfolio.

Ahead of COP26 in Glasgow, LGPSC signed a statement alongside 586 other investors, managing $46 trillion in assets, **urging governments to undertake five priority actions to accelerate climate investment** before COP26. These priority actions include:

- Strengthening of NDCs[2] for 2030 before COP26.
- Commitment to a domestic mid-century, net-zero emissions target, and implementation of domestic policies to deliver these targets.
- Incentivising private investments in zero-emissions solutions and ensure ambitious pre-2030 action.
- Ensuring COVID-19 economic recovery plans support the transition to net-zero emissions and enhance resilience.
- Committing to implementing mandatory climate risk disclosure requirements aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

LGPSC's stewardship provider, EOS, regularly engages on behalf of clients with a wide range of stakeholders, including government authorities, trade bodies, unions, investors, and NGOs, to identify and respond to market-wide and systemic risks. As an example, EOS co-authored a paper setting out **investor expectations on the alignment of the banking sector with the goals of the Paris Agreement**. The paper focused on three areas: the actions banks should take to align their financing activities with the Paris goals and the achievement of net-zero emissions; steps to strengthen the governance of their climate strategy; and disclosure to demonstrate implementation. The paper was officially launched by the Institutional Investors Group on Climate Change (IIGCC) in April 2021 and a courtesy letter was sent to 27 banks by a group of 35 investors, with a copy of the paper. Subsequently, the group initiated collaborative engagements with these banks. EOS leads or co-leads the dialogue with eight banks and takes an active participating role with five other banks.

EOS also engages on market-specific trends and policies and as an example, responded to a consultation by the UK Department for Business, Energy & Industrial Strategy on **mandatory Task Force on Climate-related Financial Disclosures (TCFD) reporting** for listed companies, large private companies and limited liability partnerships. EOS promoted enhanced regulation around climate risk reporting in line with the TCFD recommendations. In the US, EOS welcomed the **decision by Nasdaq mandating that Nasdaq-listed companies should have at least two diverse directors** (including at least one woman and at least one member of an underrepresented community). If companies do not, they must explain why they have failed to do so under a phased transition that started from 6 August 2021.

[2] Nationally Determined Contributions (NDCs). Under the Paris Agreement each Party must prepare, communicate, and maintain successive nationally determined contributions it intends to achieve

PRINCIPLE 5

2.5 Review of policies, assurance of processes and assessment of the effectiveness of activities

Review of LGPSC RI&E policies

Prior to the launch of LGPSC in April 2018, LGPSC's Board approved three RI-related policy documents; LGPSC RI&E Framework, LGPSC RI&E Policy and LGPSC Voting Principles. Each document is subject to annual review by the LGPSC Board which happens at the start of every year. Ahead of each annual review, LGPSC consults its Partner Funds to solicit their views. Revisions will then be taken through LGPSC's Investment Committee and Executive Committee for discussion and approval before the Board finally assesses and approves them. The Board take an active interest in these policies and often recommend alterations and enhancements. They are familiar with the issues and their perspectives are welcome and add value.

In addition to Partner Fund consultation, we discuss trends and developments in RI with investor peers on a continuous basis, in particular with other LGPS pools (see overview of Initiative memberships in Section 2.4 above). We also discuss voting trends with EOS and with peer investors ahead of revision of our Voting Principles. As an example, we have over the last two years heightened our expectations on companies' governance of Board and Senior Management diversity (gender and ethnicity), sustainability reporting and climate risk management. We have done this in tandem and close alignment with similar changes to EOS' voting policies and those of close peers.

At the start of 2021, we compiled an RI Emerging Risk Register. This will help us stay attuned to any regulatory initiatives (hard and soft law) that may impact on our RI approach and policies. We consider this a "live" document that will be updated on a regular basis in close collaboration with LGPSC's Legal Team. We have shared this document with Cross-pool peers through the Cross-pool RI Working Group. Discussion on upcoming regulation, consultations, other standard developments will be a regular item for discussion within this group.

Ongoing information-sharing and review of Stewardship Themes

Through our quarterly PAF RIWG meetings (See Section 2.2.1 above), we allow for information-sharing and debate/checks on LGPSC's provision of RI services against the RI&E Framework. All our Partner Funds take a keen interest in RI and engagement, which is a reflection of their ultimate beneficiaries' ongoing interest in climate change and broader sustainability issues.

LGPSC undertake an annual review of the effectiveness of the Stewardship Themes in close collaboration with Partner Funds. During 2021, we conducted a review through PAF RIWG discussions which resulted in the following adjustments:

- Climate change remains the number one theme
- Biodiversity and land use should be included alongside climate change
- The S in ESG should feature more prominently, with a preference for focus on Human Rights

Description of themes in light of discussions with Partner Funds:

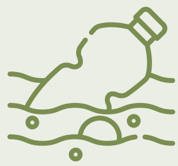
CLIMATE CHANGE

Climate change is regularly among the World Economic Forum's top five global risks, both in terms of likelihood and impact. Through both physical risks (e.g., increases in extreme weather events) and market risks (e.g., impact of carbon pricing or technology substitution), climate change impacts institutional portfolios. In addition, greater incidence of flooding, wildfires, chronic precipitation, sea level rise are already having profound societal consequences.

In the UK, campaign groups, governments and regulators are increasingly taking an interest in the extent to which investors are managing climate-related risks. This includes the Environmental Risk Audit Committee, Department of Work and Pensions, Financial Reporting Council, divestment campaign groups, and more. TCFD reporting will become mandatory for LGPS Funds from 2023. Investor best practice on climate change is emerging through the Institutional Investor Group on Climate Change (IIGCC) Net-Zero Investment Framework.

Biodiversity loss could reduce nature's ability to provide goods and services, including food, clean water and a stable climate. Tropical forests play an important role in tackling climate change, protecting biodiversity and ensuring ecosystem services. Forests alone absorb one-third of the CO2 released from burning fossil fuels every year. During COP26 we have seen governments pledge to halt deforestation by 2030. Financial institutions, including LGPSC, have committed to engage with a view to eliminating commodity-driven deforestation by 2025 through engagement at policy and corporate levels.

PLASTICS



Plastic pollution is a global problem that is continually growing due to both an increase in consumerism and an increase in the number of plastics used to manufacture the things we use regularly. Some companies are starting to change the way they use these plastics and are actively taking steps to reduce waste.

As well as the negative effects on the planet, companies that purchase, use, or produce significant amounts of plastic could face regulatory tightening, more plastic taxes, and reputational damage as consumers and policymakers become more aware and mindful of the problem. It will be necessary to look at both shorter-term targets companies should strive for, in line with emerging best practices, as well as a longer-term vision for "zero leakage/waste" by 2050. LGPSC joined a call (on behalf of businesses and financial institutions) on United Nations member states to commit to the development of a global treaty on plastic pollution to commence early 2022. Agreement has since been found to negotiate a treaty (See further detail below in Section 4.2).

TAX - TRANSPARENCY AND FAIR TAX PAYMENT

The trust an organisation builds with its stakeholders is of critical (though intangible) value. As a measure of an organisation's contribution to the economies it operates in, tax is a key dimension in building that trust.

Global corporate tax avoidance is estimated to cost governments $240 billion globally in foregone revenues each year. Companies with overly aggressive tax strategies could be storing up liabilities and could damage their reputation with key stakeholders. While many countries are providing various forms of tax relief to businesses during the COVID-19 pandemic, it seems reasonable for investors to expect companies to pay their fair share of tax. G20 leaders have recently agreed a corporate tax deal for minimum 15% corporate tax, which adds to the expectations for responsible tax behaviour.

TECHNOLOGY AND DISRUPTIVE INDUSTRIES RISK - REPLACED BY HUMAN RIGHTS

The current technology theme is a sector-specific theme that covers several risks factors. LGPSC's engagements have primarily focused on human rights risks for tech sector companies, including social media content control. These areas have come under increased scrutiny from regulators and stakeholders more broadly including companies that advertise on social media platforms. We envisage continuing engagement with tech sector companies (Alphabet, Amazon, Apple, Facebook, Microsoft and Twitter) on human rights risks including privacy and data protection; freedom of expression; disinformation and political discourse; and on discrimination and hate speech. We also know that weak labour rights in supply chains (especially in emerging markets), both in the technology sector and across other industries, can cause reputational damage that in turn risk undermining shareholder value over the long term.

We view it as feasible to adjust this theme to a broader Human Rights theme that would allow a greater focus on human and labour rights across companies and sectors. We would take as a starting point the UN Guiding Principles for Business and Human Rights, which also apply to investors. Ongoing engagements on Modern Slavery and related to the Israel/Palestine conflict would continue and would be captured under this theme.

AAF controls

LGPSC carried out an externally assessed AAF 01/06 – Assurance Reports on Internal Controls of Service Organisations under the guidance issued by the Institute of Chartered Accountants in England and Wales which was issued in May 2021. These internal controls include testing of the accuracy of RI data and implementation of RI processes in relation to LGPSC's voting policy, voting implementation, and accuracy of voting data. As part of the AAF controls, LGPSC carries out quarterly internal quality controls of engagement and voting data before this is shared with Partner Funds through Regular Stewardship Updates. We also conduct an annual review of EOS' stewardship services, which is based on multiple interactions with EOS during the year (see Section 3.3 below). This review is shared with our CIO and the LGPSC Investment Committee.

EOS has its voting process independently assured on an annual basis (AAF 01/06).

Internal audit of RI&E function

In 2021 an internal audit of the Responsible Investment function was conducted by KPMG. The objective of this internal audit was to assess the design and embeddedness of the processes in place surrounding LGPS Central's RI&E policies and underlying procedures. This included a review of the governance processes and approach to external manager onboarding and ongoing monitoring. The audit found that controls were generally appropriate, working effectively to manage risks and provide reasonable assurance that objectives should are met. Some enhancements to the existing control framework were identified in particular the acquisition of an ESG data analysis tool (see Section 2.1.4 above) and improvements to flow of management information to key governance committees. Resource constraints in the responsible investment team were also noted. We are working through the audit actions and the appointment of one additional member of the RI&E Team has already been achieved.

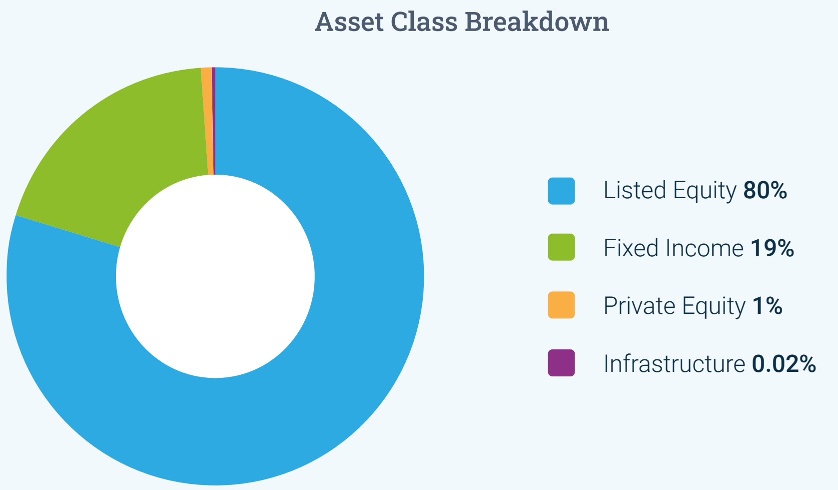
03 Investment approach

PRINCIPLES
6-8

PRINCIPLE 6

3.1 Client communication on activities and outcomes of stewardship efforts

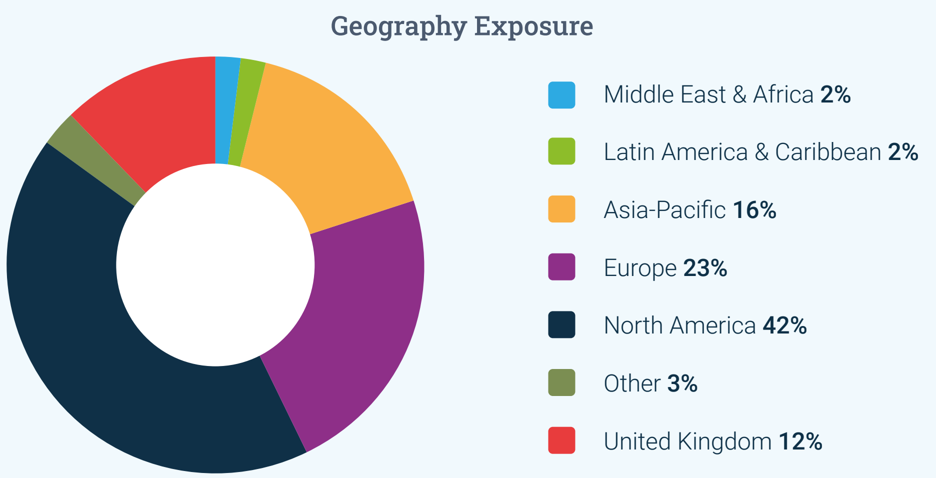
Figure 3.1.1: Breakdown of LGPSC Assets under Management as at 31 December 2021



* Infrastructure is 0.02% of AUM

Figure 3.1.1 shows a breakdown of LGPSC ACS Fund which have been set up to meet Partner Fund investment needs. LGPSC is in continuous dialogue with its Partner Funds on both the development of new investment funds and reviewing existing funds to ensure that RI is clearly visible both at inception and throughout the life of the fund offerings. The primary tool to ensure this, is LGPSC's RI Integrated Status approach (see Section 3.2 below).

Figure 3.1.2: Breakdown of exposure by geography[3]



[3] Includes listed equities, fixed income, private equity and infrastructure. Data for the listed equities and fixed income as at 31st December 2021 and private equity and infrastructure as at 31st September 2021. Total AUM represented is £16.3bn.'

Development of new funds

As investors increasingly take account of climate considerations, index providers continue to launch indexes that help investors align their funds with net zero and the transition to a low carbon economy. Initially, climate index products had a simple focus on reducing carbon emissions and fossil fuel reserves. These considerations were implemented successfully in the design of the **LGPSC AW Equity Climate Multi Factor Fund** launched in October 2019 and have helped considerably reduce the level of reserves and emissions compared to the traditional market cap index. However, more recent index launches make use of forward-looking data to reflect the commitments that companies are taking to become aligned to the Paris Climate Agreement.

There are two main types of benchmarks, Climate Transition Benchmarks (CTB) and Paris Aligned Benchmarks (PAB). The benchmarks are both designed to achieve net zero by 2050 and operate in line with the regulations and minimum standards laid out for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks. The aim of these benchmarks is to achieve an immediate and an annual reduction in emissions, achieving net zero by 2050.

The Team at LGPSC are currently consulting with index providers and examining these index products to review and compare the offerings. The aim is to find a solution that would be attractive to our Partner Funds, be consistent with net zero commitments and allow us to develop a benchmark suitable for a future fund launch.

LGPSC's Active Equities Team continued to develop a **Global Sustainable Equity Investment solution** comprising three funds throughout the course of 2021. The funds are now expected to launch in Q2 2022. The Team has investigated different tools which could be used for measuring impact of the funds and looked at several different secondary benchmarks which could be used for internal measurement purposes. See further detail on the tendering process in Section 3.2 below.

Ongoing dialogue with Partner Funds on application of the RI&E Framework

- LGPSC seeks Partner Fund views when identifying and revising Stewardship Themes
- Quarterly RI Working Group (RIWG) meetings allow for knowledge sharing and scrutiny
- Annual RI Days have been held over the last three years to allow a deeper debate on key topics (divest/engage; climate change; net zero alignment)
- Increasing attention to RI at the AGM and at Client Joint Committee Meetings with all Partner Funds
- PAF meetings: RI included as a standing item at the start of 2021, in response to increased interest in this area from Partner Fund Pension Committee members and the broader stakeholder group

Ongoing Stewardship reporting

- Regular Stewardship Updates including engagement and voting examples (progress, outcomes)
- Vote by vote disclosure on LGPSC website
- Quarterly Performance Reporting including RI narrative
- Quarterly Media Roundup which gives highlights of RI-related news and developments
- Measures of Success against the Annual Stewardship Plan are presented to Partner Funds at RIWG meetings
- PRI report
- Annual Stewardship Report

Bespoke assistance to Partner Funds

The bulk of the time for the LGPSC RI&E Team is intended for Mandate services which benefit all Partner Funds and ensures that existing LGPSC Funds are managed according to the Fund's RI Integrated Status. We also provide Call-off Services in the form of:

- Communications (ad-hoc ethical queries, Freedom of Information requests)
- Training
- Policy development
- Presentations
- Climate Risk Monitoring Service (see Section 2.4.2 above)
- Compliance with the UK Stewardship Code 2020

PRINCIPLE 7

3.2 Integration of material ESG issues including climate change

3.2.1 ESG Integration during Manager Selection

An assessment of RI&E is a core part of LGPSC's manager selection process. Typically, manager selection processes are done in three broad stages: standard questionnaire, request for proposal, and manager meetings, of which RI&E assessments feature in all three. In stages one and two, the RI&E Team draft questions for insertion and then score the managers based on their responses. In both stages, a 10-15% weighting is attached to the RI&E questions to reflect the importance that LGPSC places on full ESG integration. A representative from the RI&E Team then attends all the manager meetings. A key objective in the assessment of a manager is whether the ultimate decision maker is engaged in the integration of ESG factors into his or her decision-making process. Managers will not be appointed unless they can demonstrate sufficient awareness of and ability to manage the risks posed by ESG factors.

CASE STUDY

Tendering for Global Sustainable Equities Mandates

In close dialogue with our Partner Funds, we decided that the tendering for Global Sustainable Equities Mandates would take the form of a three-sleeve approach encompassing Broad, Thematic and Targeted offerings. LGPSC's Active Investment Team conducted a three-stage selection process, having advertised for potential managers in June 2021. The first stage, The Selection Questionnaire, attracted 77 applications across the three sleeves. Applications were all read and marked by members of the Team in a fair, transparent and consistent manner with support from the RI&E Director and the Investment Risk Manager. 22 applications were selected to progress to the next stage, The Request for Proposal. Submissions were read and marked by the Team in the same manner. Nine applications, comprising three for each sleeve, were taken through to the final Due Diligence Stage. This took place in September 2021 and consisted of 3-hour meetings for each manager. Due to Covid-19 restrictions, this took place online. Meetings included a 1.5-2-hour presentation followed by breakout sessions in separate virtual meeting rooms which provided the Team with further insight on focused areas such as RI&E and Risk. The presentations and interviews were scored by the Team and resulted in three managers being selected, one for each sleeve. Following the selection of the successful managers, the Team has received expressions of interest totalling around £1bn from Partner Funds. The funds are now expected to launch in Q2 2022. The Team has investigated different tools which could be used for measuring impact of the funds and also looked at a number of different secondary benchmarks which could be used for internal measurement purposes.

3.2.2 LGPSC's RI Integrated Status for all ACS Funds

Since April 2018, LGPSC has been integrating RI&E into all (relevant) asset classes[4]. We have established an overarching KPI that 100% of product launches must receive our RI Integrated Status (RIIS). The RIIS is accorded to a product if a document explaining how RI will be integrated into the day-to-day management of the product has been approved by the Investment Committee. The process is designed to give internal and external stakeholders full assurance that RI is being integrated with the breadth and quality they desire.

The proposal for RIIS within particular investment products is communicated via an RIIS Document, which is co-sponsored by the Director of RI&E and the relevant Investment Director for the product(s). By requiring co-sponsoring of the RIIS documents, we ensure that RI&E is an integrated process, not a siloed affair. The RIIS proposal will be approved by the Investment Committee if they are satisfied that the combination of processes, techniques, activities and reporting achieve, in a manner suitable to the asset class, product, or mandate in question, the Company's agreed RI aims: (1) primarily, to support investment objectives; (2) secondarily, to be an exemplar for RI within the financial services industry, promote collaboration and raise standards across the marketplace. RIIS is given to a fund once the Investment Committee approve the following criteria:

- Our RI beliefs relevant to that asset class are being followed
- Relevant RI related documentation support the decision to invest e.g., policies and procedures at external managers or co-investment companies
- Fund managers factor RI into their selection of portfolio assets
- RI reviews are carried out by the fund managers frequently and at appropriate levels

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

- Our delegated stewardship responsibilities are carried out thoroughly e.g., engaging with companies, shareholder voting, manager monitoring, industry participation
- Fund managers are transparent in their reporting to clients and the wider public

We provide some examples below of how the RIIS differs for different funds and asset classes in question.

ACTIVE EQUITIES	LGPSC has several investment beliefs specific to active equities which guide our integration of ESG within this asset class. These beliefs include, amongst others, that ESG risk is not always effectively priced (both in developed and emerging markets), the extent to which ESG factors apply to a particular stock or sector varies, and that engagement with companies is an active part of portfolio management. We place a lot of value on the manager selection process to ensure that these beliefs are being followed by the manager. Post-investment, monitoring in active equities is primarily achieved by analysing the portfolios in Bloomberg, inspecting managers' responses to quarterly data requests, and questioning managers during quarterly calls. We expect managers to be able to justify any new positions with a detailed analysis of the ESG risks and opportunities facing that company.
PASSIVE EQUITIES	For passive and factor-based equity funds we place a greater emphasis on stewardship and voting as our main tool for ESG integration. This reflects our belief that while index tracking funds can diversify away idiosyncratic ESG risk, long-term systemic ESG risk cannot be diversified. As a result, long-term investors should utilise thematic stewardship to mitigate long-term market risks and positively influence corporate practices. Reflecting this, LGPS Central focuses its engagement and voting activity on four Stewardship Themes which are agreed with our Partner Funds (See section 4.1.1 below).
FIXED INCOME	We believe that the extent to which, and the way, ESG is integrated into fixed income investing varies significantly by the type of issuer (corporate, sovereign, supranational, municipal, etc) and a one-size fits all approach is unlikely to be optimal. We reflect this belief in our selection process for Fixed Income mandates. During the selection of LGPSC's Multi Asset Credit Fund (launched in April 2021), we asked managers to provide three examples each pertaining to a different type of issuer to ensure that RI was being fully incorporated into all aspects of the portfolio.
PRIVATE EQUITY	Within Private Markets, RI is integrated into due diligence on a five-pillar scoring framework that covers: policy, people, process, performance, and transparency & disclosure. If a fund is considered high risk, either due to its sector or geographical location, a more rigorous due diligence assessment is conducted. The findings of the due diligence report are considered as part of the Private Markets Investment Committee approval process. Following appointment, we request that the manager report on material ESG incidents. For co-investments an RI risks report which is bespoke to the investment in question is issued.

3.2.3 LGPSC's monitoring of managers' ESG integration and engagement (ESG questionnaires etc.)

Active Equities and Fixed Income

Once appointed, we require external Public Market fund managers to complete a quarterly ESG questionnaire. Some disclosure items are "by exception" (for example alerting us to changes in ESG process or personnel) and others are mandatory. LGPSC receives quarterly data from external fund managers on the number of engagements undertaken and the weight in portfolio. We set expectations regarding the volume and quality of engagement, and we assess climate risk including portfolio carbon footprint, and exposure to oil, gas and coal producers. To send a unique voting signal to investee companies LGPSC votes its shares - whether externally or internally managed - according to one set of Voting Principles. While the ultimate voting decision rests with LGPSC, we have a procedure through which we capture intelligence and recommendations from external fund managers (See section 5.2 below).

The RI&E Team attend quarterly monitoring meetings with external managers. The purposes of RI&E monitoring are to analyse the level of ESG risk and climate risk in the portfolio, determine whether the manager is successfully applying the ESG process that was pitched, and assess whether that ESG process is proving successful. Monitoring is achieved through a combination of our own internal portfolio analysis, inspection of the manager's responses to quarterly data requests, and via dialogue at the quarterly meetings.

LGPSC has developed a Red, Amber, Yellow, Green (RAYG) rating for manager monitoring, of which RI&E is a core component. These ratings get updated each quarter based on the discussion at the manager meetings. The RAYG rating is split into four possible ratings: red (manager fails to convince, warrants formal review with potential manager exit), amber (manager warrants closer scrutiny with potential for going on "watch"), yellow (manager is fulfilling role but with minor areas of concern) and green (manager shows clear strengths tailored to requirement). We score managers on four components of their RI&E approach:

1. philosophy, people and process
2. evidence of integration
3. engagement with portfolio companies
4. climate risk management.

Reflecting its importance, the RI&E component carries 13% of the weight in the overall score.

Private Equity

For our primary private equity funds, LGPSC conducts a review, every 2 to 3 years, of each fund's RI&E processes. We utilise the same five-pillar scoring framework (policy, people, process, performance, and transparency & collaboration) that we assess during the original due diligence. The review is based on literature provided by the fund and on responses to specific RI&E questions put to the manager. Following this, we rescore the manager on each pillar and assess whether they have improved since the initial due diligence. In 2021 LGPSC completed RI&E reviews for all the Funds within our 2018 Fund Vintage.

For our private equity co-investments, the RI&E Team worked closely with the Private Equity Team in 2021 to implement a KPI ESG programme. As part of this process, we established a set of RI&E KPIs, covering both generic metrics to be collected from all co-investments irrespective of sector, as well as metrics specific to the co-investment in question. On the latter, it was important to us that the KPIs were bespoke and covered the material ESG risks specific to the business model of the company in question. It is our intention to receive annual disclosures against the KPIs from each of our co-investments, allowing us to track their ESG performance on a regular basis. Examples of generic KPI metrics that are being collected on an annual basis include Scope 1 and 2 GHG emissions, staff turnover rate and lost-time incident rate. This will provide confidence that the companies we invest in are managing their ESG-related risks effectively.

3.2.4 Cross-team interaction in development of new LGPSC funds

Proposals for product development are discussed and challenged at the Investment Committee (IC) and the Private Markets Investment Committee (PMIC), which derives its authority from the IC and the Board. The Director of RI&E is a voting member of IC and PMIC. These committees scrutinise investment proposals at a preliminary stage and authorise appropriate expenditure in connection with full due diligence and negotiation of investments. The RI and Stewardship implications are first discussed and scrutinised during this initial preliminary review. A due diligence report, including due diligence by the RI&E Team, is presented to the IC or PMIC for scrutiny and final approval.

CASE STUDY

Launch of Infrastructure Fund

A recent example of cross-team interaction is provided by the Q1 2021 launch of the LGPSC Infrastructure Fund which invests in a variety of renewable energy solutions. The RI&E Team had full access to all the deal documentation and met with the ESG teams of the shortlisted managers. Due diligence showed that overall ESG integration and stewardship were strong at both managers, however areas for improvement were identified around supply chain management and one of the company's human rights' policies. We will re-assess and discuss the situation related to human rights risk oversight and management at the first review in 2022.

CASE STUDY

Due diligence for Targeted Return funds

LGPSC are looking at targeted return funds, i.e., funds that aim to achieve a positive total return in all market conditions over a specific timeframe. The intention is to create a pooled investment fund for targeted return to be launched in H2 of 2022. These fund types present challenges from an ESG integration perspective as they cover a range of strategies (to obtain a return across both falling and rising markets), and contain an asset mix that includes hedging strategies, bank loans and other securities for which ESG integration methodologies are still nascent. The RI&E Team conducted initial due diligence on the responses submitted by the asset managers, leveraging knowledge around leading practice when assessing various strategies used. For instance, looking at incorporation of specific ESG signals and data analytics into managers' quant models and investment analysis as well as other approaches such as using ESG Futures, where the weightings within the index are based on ESG scores. Further diligence was done via meetings with the senior representatives of the respective managers, where the LGPSC RI&E Team were able to clarify any points around their integration, monitoring and stewardship. Special regard was given to intent and forward-looking plans to build out their current KPIs and metrics across all the ESG pillars. It was interesting to note that the managers were using an ESG overlay not just to mitigate risk but also in many instances as a value creation lever for generating better returns.

PRINCIPLE 8

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

3.3.1 Monitoring of external managers

Active Equities

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

In 2021, LGPSC's external managers conducted 203 direct engagements with companies held in the Global Equity Active Multi-Manager Fund and Emerging Market Equity Active Multi-Manager Fund. We provide below some case studies of engagements undertaken by our managers.

Deere & Co, Union, LGPSC Global Equity Active Multi-Manager Fund

OBJECTIVE:
Disclosure improvements and implementation of a climate policy

SECTOR:
Industrials

ESG TOPICS ADDRESSED:
Transparency & Disclosure; Management Remuneration

ISSUE/ REASON FOR ENGAGEMENT:
The company was a middling ESG candidate, lacking a net-zero policy and general transparency on a number of ESG measures.

SCOPE AND PROCESS / ACTION TAKEN:
Union conducted repeated engagements with the company since Biden's election (which served as an impetus to develop their sustainability competencies before regulation forced them to do so).

OUTCOMES AND NEXT STEPS:
While the company does not use ESG KPIs as a criterion for manager remuneration, engagement efforts on this topic have been successful, and the company has committed to introducing these by 2023. Additionally, they are drafting a net-zero policy and have shown openness to integrating the UN SDGs into their practices. Union sees these actions as promising 'first steps' and hope to continue acting in an advisory role to help encourage Deere's continued ESG growth.

China Mengniu Dairy Company, UBS, LGPSC Emerging Market Equity Active Multi Manager Fund

OBJECTIVE:
Disclosure improvements

SECTOR:
Consumer Staples

ESG TOPICS ADDRESSED:
Strategy and Business Model; Transparency & Disclosure; Nutrition

ISSUE/ REASON FOR ENGAGEMENT:
China Mengniu scored poorly on the Access to Nutrition Index. This appeared to be due to the sole use of publicly disclosed information. In the past, other companies have had the opportunity to engage with the Access to Nutrition Foundation to share additional information and work towards enhanced practices and disclosures.

SCOPE AND PROCESS / ACTION TAKEN:
UBS co-led a collaborative engagement as part of their membership of the Access to Nutrition Network. There were a total of 30 investors supporting the engagement and 10 participating in the engagement meeting itself.

OUTCOMES AND NEXT STEPS:
The company has proved to be very receptive to the engagement and has requested a follow-up meeting with UBS and the Access to Nutrition Foundation to better understand best practices as well as the methodology of the Index. They have committed to enhance disclosure on existing practices and to enhance practices.

Engagement undertaken by LGPSC's external managers in 2021 has been comprehensive and robust. These managers are all long-term investors with sizeable positions in their highest conviction portfolio holdings, giving them excellent access to company management which they used effectively to drive company change. There were a few occasions where the level of engagement disclosure was unsatisfactory, or where the link between an engagement and subsequent investment decision-making was not clear. In these instances, fund managers were marked down during our RAYG rating (red – amber – yellow – green) review and LGPSC discussed its concerns in the quarterly meetings.

An example of LGPSC changing the RAYG rating occurred in Q3 2021. Going into 2021, one of our managers achieved only a 'yellow' status due to concerns around the level of engagement being conducted. Compared to other managers, the number of engagements appeared low, and the accompanying description was poor. LGPSC initiated a dialogue with the manager around this issue and reiterated our expectations for managers' stewardship activities. Following this, the level of disclosure greatly improved. The manager now provides a full summary of their interactions with investee companies, and we are able to gain greater confidence that the manager is using their ownership position to maximum effect. We subsequently upgraded the managers engagement rating from a 'yellow' to a 'green'.

Fixed Income

LGPSC views engagement with fixed income issuers as essential and value accretive, both via information gains and via the potential to influence company management. LGPSC observes this belief when selecting and onboarding managers. We look for evidence of robust issuer engagement and any manager unable to provide this is marked down. Once appointed, LGPSC monitors engagements undertaken by fixed income managers during quarterly meetings. We seek to determine whether the manager is fulfilling the level of engagement that was pitched, and challenge accordingly if the response is unsatisfactory. These discussions subsequently feed into LGPSC's manager scoring system.

We consider our fixed income managers to have conducted meaningful and effective engagement in 2021. Throughout the year, LGPSC's external managers conducted 349 direct engagements with companies held in the Global Active Investment Grade Corporate Bond Multi Manager Fund, Global Active Emerging Market Bond Multi Manager Fund and Multi Asset Credit Fund. We provide below two case studies of engagements our managers have undertaken on our behalf.

HDFC Bank, M&G, LGPSC Emerging Market Debt Fund

OBJECTIVE:
To encourage better clarity on HDFC's policy on coal

SECTOR:
Financials

ESG TOPICS ADDRESSED:
Coal lending

ISSUE/ REASON FOR ENGAGEMENT:
To gain a better insight into the group's coal exposure and look for clearer disclosure on its policies around lending to coal companies.

SCOPE AND PROCESS / ACTION TAKEN:
M&G met with the company twice to discuss this issue.

OUTCOMES AND NEXT STEPS:
Following M&G's meeting, HDFC Bank committed to becoming carbon neutral by 2031/2032. As part of this initiative, the Bank is looking at reducing its emissions, energy and water consumption. While this is a step in the right direction, M&G still believe there is little visibility on whether the bank will be more direct in its communications around lending to the coal sector. M&G intend to monitor the situation for further progress.

National Grid, Neuberger Berman, LGPSC Global Active Investment Grade Corporate Bond Multi Manager Fund

OBJECTIVE:
(1) To gain a greater understanding of how the company is managing the physical climate risk facing parts of its asset base and;

(2) to encourage a repositioning towards electrical infrastructure assets and away from gas assets.

SECTOR:
Utilities

ESG TOPICS ADDRESSED:
Energy transition

ISSUE/ REASON FOR ENGAGEMENT:
Neuberger Berman have concerns over the long-term stranded asset risk and limited growth potential exhibited in the firm's gas transportation assets.

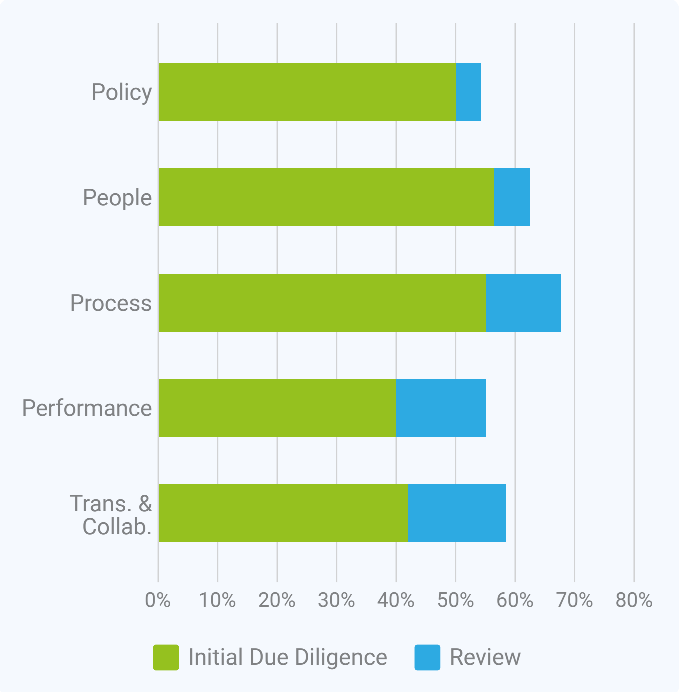
SCOPE AND PROCESS / ACTION TAKEN:
Neuberger Berman have been conducting engagement with the National Grid over several years, a programme which has included regular discussions with the issuer's management team, investor relations team, segmental managers, industry competitors, and regulators.

OUTCOMES AND NEXT STEPS:
As a result of the engagement, National Grid have agreed to an asset swap which significantly increases their exposure to fast growing infrastructure assets. The deal strengthens the company's role in building and operating the infrastructure required to meet the rising demand and changing energy mix that accompanies the low carbon transition. Neuberger Berman are encouraged by the capital allocation shift.

Private Markets

Private equity fund managers are monitored through regular RI&E reviews every 2-3 years. In 2021, all of our private equity funds took steps to improve their RI&E processes, reflected in improved ratings against our five-pillar scoring framework. Figure 3.3.1.1 provides a summary of the areas where our private equity managers made improvements in 2021.

Figure 3.3.1.1 RI&E improvements between the initial due diligence and review



At a high level, we observed the following trends within our 2021 Private Equity RI&E Reviews. GPs are rapidly expanding their RI&E resource. A number of our managers are hiring dedicated ESG professionals, initiating ESG working groups and utilising external advisors to provide RI training for all staff members. In turn, we've seen an increase in the number of GPs collecting ESG data from their portfolio companies. Transparency has also improved, with more GPs offering annual ESG reports and material incident reporting to LPs. While these trends are positive, we are conscious that private markets continue to lag public markets in several aspects, so we will continue to engage with our private equity managers on these areas. A particular focus point for LGPSC in 2022 includes pushing for even greater transparency as we would like to see greater standardisation in the metrics reported across different PE funds.

As part of our KPI monitoring programme we reached out to 80% of our co-investment GPs in 2021. During meetings with the GPs, we noted that collecting comparable and standardised data on our co-investments would prove challenging due to the different RI&E programmes and approaches that each GP employs. To overcome this challenge, we worked closely with each GP to identify areas where we can currently collect data, and areas which would require further work and engagement with the co-investment firm to bring relevant information to light. In addition, we will challenge the GP if we believe they are not engaging enough with the co-investment firm on issues we deem material. Currently we are satisfied with the GP's monitoring efforts but will continue to work with them on any areas we believe require enhancements in the future. We provide our Partner Funds detailed reporting on each co-investment's RI&E KPIs.

In Q1 2021 we reached out to one of our GPs to establish RI&E KPIs for a co-investment firm. The GP provided an overview of its current monitoring efforts, which included an ESG dashboard and impact KPIs. LGPSC found the monitoring and KPI programme to be highly comprehensive and detailed, exceeding our expectations. Through its due diligence and KPI monitoring, the GP identified several areas that the co-investment could improve. As a result, the GP engaged with the firm to create an action plan, which included a 5-year ESG journey strategy and an environmental impact assessment. The GP was very transparent, sharing metrics and underlying data and welcomed LGPSC's input on KPI development. Moving forward, LGPSC will receive updated disclosure against the dashboard and KPIs on an annual basis, allowing us to track the progress of the Firm. In addition, we will continue to meet with the GP on an annual basis to discuss any areas we believe require enhancements in the future.

Future developments to the manager monitoring

We plan to undertake a three-yearly review in 2022 of our Active Equity and Fixed Income managers. While we attend regular monitoring meetings, these reviews will include a deep dive of the managers RI processes so LGPSC can ensure their ESG integration remains best practice.

In the private markets space, we intend to continue our private equity RI&E reviews. We also envisage that this practice will be rolled out to our private debt, infrastructure and property investments once these are finalised. In the co-investments space, we intend to work with our GPs to improve the quality of data being disclosed. As part of this, LGPSC has recently become a supporter of the ESG Data Convergence Project, an initiative which aims to standardise ESG data across the private equity industry, and eventually private debt industry, by providing one set of metrics for companies to report against. We contacted all of our GPs to identify whether they have joined or intend to join this project and will work with our GPs over the next year to encourage participation.

This structure is further evidence of LCPSC's commitment to integrating RI across Investment Teams and our belief that RI is not just a prerogative of the RI&E Team, it is something that all colleagues need to embrace if we are to realise the benefits in full.

3.3.2 Review of EOS' services

LGPSC holds, at minimum, one client service review meeting per year with EOS to discuss our overall satisfaction with their services, any issues over the last period; alongside engagement and voting trends and voting policy reviews. However, we meet more frequently during the year to discuss specific votes and engagements and we find this ongoing dialogue to be extremely helpful particularly during proxy voting season. The EOS Team also attend our quarterly PAF RI WG meetings, which gives our Partner Funds the opportunity to ask specific questions about engagements and prioritisation. Further to this, there are multiple touchpoints for clients to review EOS' activities, by way of regular reporting (client portal, quarterly and annual reporting) and opportunities to provide feedback, for instance through EOS' semi-annual client conference which hosts client-only discussion forum.

The RI&E Team undertakes an annual review of EOS' services to provide assurance to the Investment Committee that the Stewardship Provider, EOS at Federated Hermes, is delivering sufficiently against the terms of the contract. This document is issued to and approved by the Investment Committee on an annual basis. See below an extract from the 2021 review, which highlights Q3 engagement and voting data as full-year data at this point was not yet available.

Summary for 2021 review:

- Provider has given generally strong and value-adding services to LGPSC, including close dialogue during voting season related to LGPSC's Voting Watch List
- Provider has given direct support to Partner Funds through participation at virtual RI Day in October 2021 and at all PAF RI Working Group meetings during the year.

KPI AREA	KPI REVIEW
Global engagement	Engaged 212 companies, with a regional and thematic breakdown shown in Appendix 1.
Engagement quality	At least one milestone was moved forward for 39% of current engagement objectives (year to end Q3 2021).
Voting coverage	Made voting recommendations at 332 meetings, with a regional breakdown shown in Appendix 3.
Client service	Majority of queries to EOS were dealt with in less than 24 hours, but with some timeliness issues during the last months of 2021 (see immediately below).
Complaint handling	Head of Stewardship has had dialogue with EOS' Director of Business and Client Development following a change of client relationship manager in October 2021, to discuss concerns around timeliness in responses to LGSPC queries. EOS has come up with a solution whereby any email to EOS will go to both our client relationship manager and to an email account set up specifically for LGPSC, to avoid any requests not being picked up.
Client service meeting	Several meetings held pre, during and post voting season 2021 relating to planning of voting season, overall feedback on EOS' services, hand-over meeting between previous and new client relationship manager, and a separate meeting with Head of EOS' Client Relations.
Reporting punctuality	Reporting on schedule for Q1, Q2 and Q3 2021. Data for the Global Multifactor Fund was initially missing for Q1, but there was quick turnaround on EOS' side when the missing data was discovered so no impact on our delivery to PFs.
Reporting quality	Overall good quality.
Team stability	Staff turnover during 2021 was just below 32%. This is a much higher number than previous years (10% for 2020 and 19% for 2019). EOS says this increase in turnover is due to unprecedented demand and competition for ESG/stewardship experience and talent in the market, particularly in the UK. They remain confident of their ability to attract the best engagers, currently EOS' employs 40 engagers, and that the situation will normalise going forward.

04 Engagement

PRINCIPLES 9-11

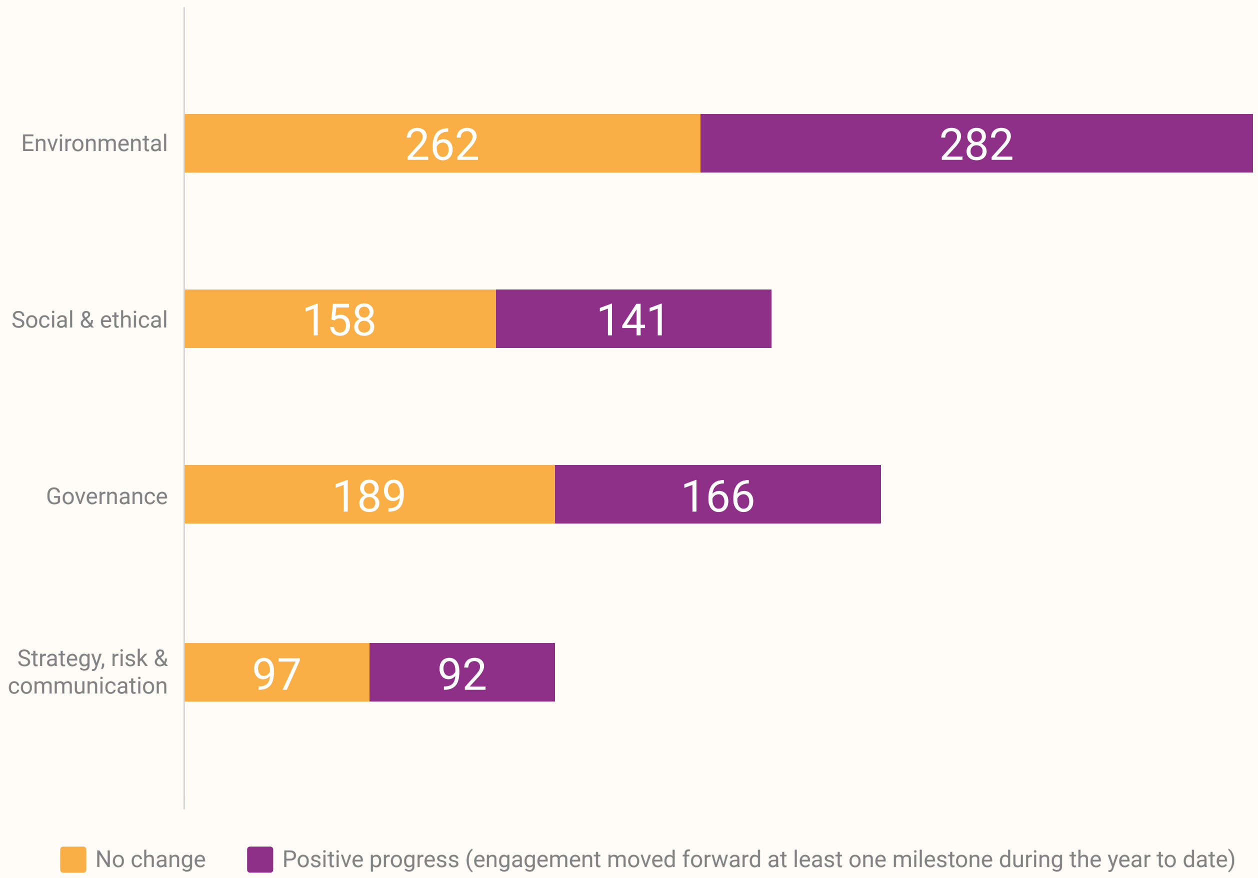
PRINCIPLE 9

4.1 Engagement with issuers

Alongside our own direct engagements, we have partners that engage companies on our behalf: EOS at Federated Hermes (Stewardship provider to LGPSC) and the Local Authority Pension Fund Forum (LAPFF). Through these partnerships, LGPSC was able to engage more than 1000 companies on material ESG related issues in the course of 2021. Below we give further detail to a selection of engagements, how they are progressing and what outcomes have been achieved during the reporting period.

Most of these engagements were conducted by EOS who engaged with 888 companies on 3,375 environmental, social, governance, strategy, risk and communication issues and objectives[5]. EOS takes a holistic approach to engagement and typically engage with companies on more than one topic simultaneously. Near 40% of engagements centred around governance issues, and close to 30% involved discussions on environmental issues. 1,951 of the issues and objectives engaged in 2021 were linked to one or more of the UN Sustainable Development Goals (see Figure 4.1.2 below). **At least one milestone[6] was moved forward for about 49% of EOS' engagement objectives during the year.** Figure 4.1.1 below describes how much progress has been made in achieving the milestones set for each engagement.

Figure 4.1.1 Progress against engagement objectives in 2021

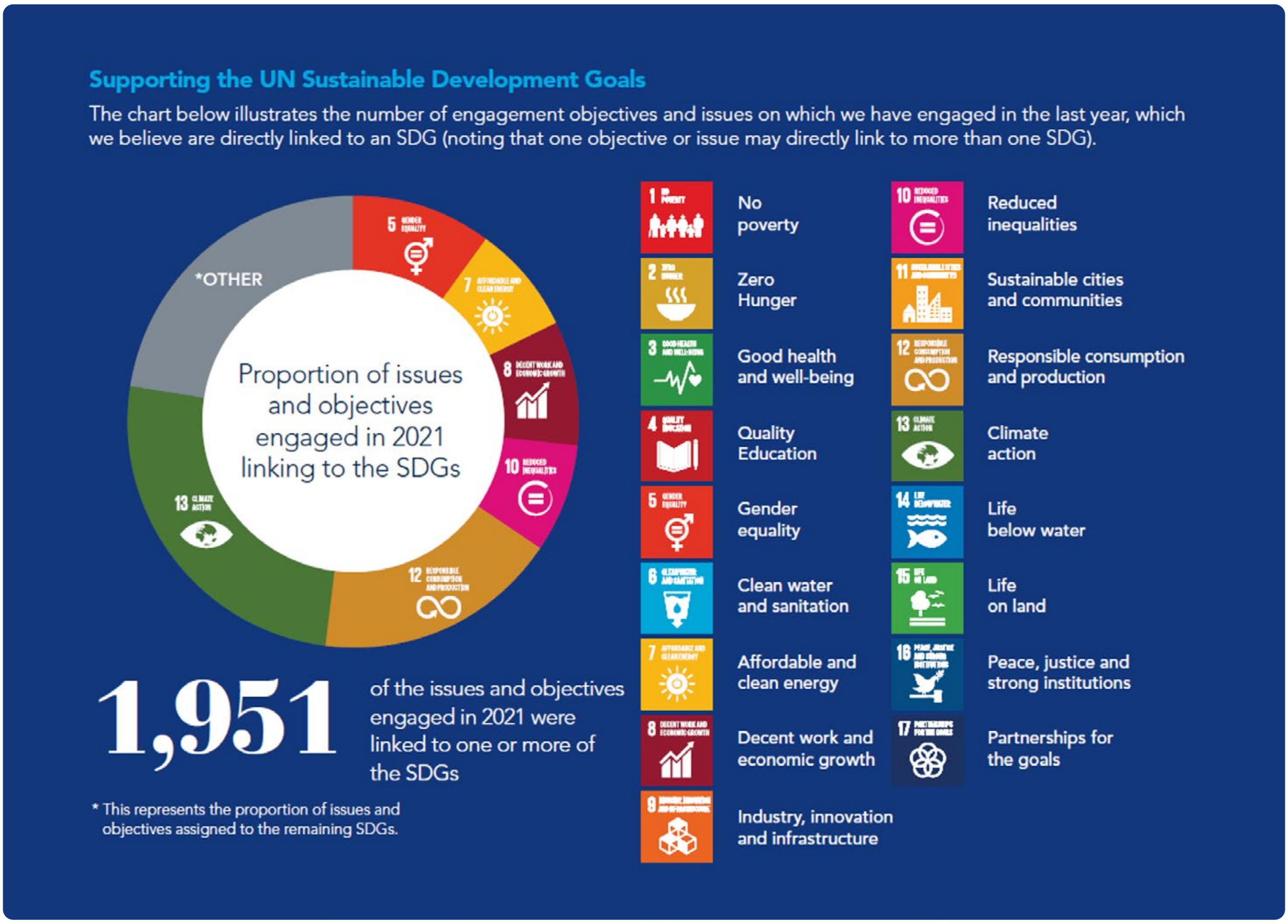


[5] Our Stewardship provider EOS distinguishes between engagement issue and engagement objective. Specific engagement objectives will be set at the beginning of company dialogue and progress is measured on these through a proprietary milestone system. An issue is a topic EOS has raised with a company in engagement, for instance around the time of an AGM, but where a precisely defined outcome for the engagement has not been set in advance. This can be more appropriate if the issue is of lower materiality and EOS would not anticipate engaging with the frequency required to pursue an engagement objective.

[6] EOS' proprietary milestone system allows tracking of engagement progress relative to the objectives set at the beginning of interactions with companies. The specific milestones used to measure progress in an engagement vary depending on each concern and its related objective. They can broadly be defined as follows:

- **Milestone 1** Concern raised with the company at the appropriate level
- **Milestone 2** The company acknowledges the issue as a serious investor concern
- **Milestone 3** Development of a credible strategy/Stretching targets set to address the concern
- **Milestone 4** Implementation of a strategy or measures to address the concern

Figure 4.1.2 Engagement supporting the UN Sustainable Development Goals



LGPSC and all our Partner Funds are members of the Local Authority Pension Fund Forum (LAPFF). LAPFF conducts engagements with companies on behalf of local authority pension funds. In 2021, LAPFF engaged 165 companies through more than 97 meetings across a spectrum of 299 material ESG issues. In these engagements, LAPFF saw 123 instances of improvements or change in progress.

During 2021, LGPSC's external managers conducted 203 direct engagements with companies held in active equity funds, and 349 engagements with companies held in fixed income funds on our behalf. Overall, we view these engagements as comprehensive and robust. Our external managers are all long-term investors with sizeable positions in their highest conviction portfolio holdings, and we expect them to use this lever to effectively drive company change on a material ESG issues. Topics covered during 2021 include, amongst others, environmental management and climate change, energy transition, greater focus and disclosure of health and safety within ESG priorities, data protection and information security risk, and forced labour issues in supply chains. See further detail and examples under Section 3.3 above, and Section 4.3 below.

4.1.1 Stewardship Themes

It is not feasible to engage all companies we hold through ACS portfolios (currently c2,900 companies held across equity portfolios), even with the assistance of a high-calibre external stewardship specialist. Identifying core themes that are material to our investment objectives and time horizon, and that are perceived to be of relevance to stakeholders, helps prioritise and direct engagement.

In collaboration with our Partner Funds, we have continued engagement on four themes that are in scope for engagement over rolling three-year periods, subject to annual review. For the reporting period 2021 these were:

- Climate Change,
- Plastics,
- Fair and Transparent Tax Behaviour, and
- Technology and Disruptive Industries Risks.

4.1.2 Stewardship Theme engagements - progress and outcomes

4.1.2.a Climate Change

STEWARDSHIP STRATEGY:

Engagement is done through key collaborative initiatives including CA100+, Institutional Investor Group on Climate Change (IIGCC) and the Transition Pathway Initiative (TPI).

MEASURES OF SUCCESS:

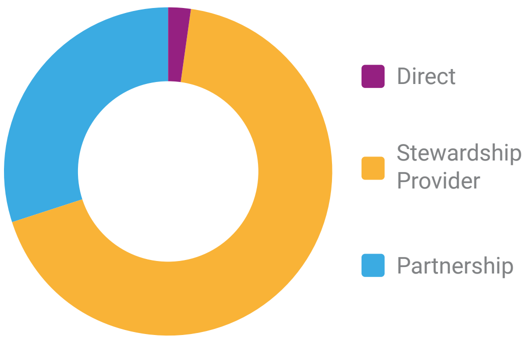
We assess progress against the underlying objectives of the CA100+ engagement project, and against improvements on TPI score for management quality and carbon performance. Our aims are:

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

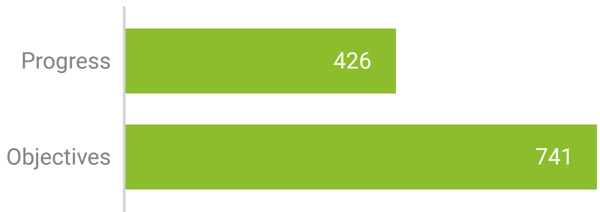
ENGAGEMENT HIGHLIGHTS DURING 2021:

- 627 companies engaged on 978 climate-related issues and objectives with progress on 426 specific objectives out of 741 total objectives set.
- Ongoing engagement with 68 banks on Paris-alignment and protection of biodiversity. 50 banks have responded and 19 confirmed they will publish new climate targets in connection with COP26, the end of the year, and/or their 2022 AGM. This includes **BBVA**, **BNP Paribas**, **Citigroup**, and **Standard Chartered**. See more detail in Section 4.3 below.
- Investor expectations on **Paris-aligned accounting** were communicated to 36 European energy, material and transportation companies in 2020, and again reiterated in letters to 29 of the same companies in November 2021 as we have not seen sufficient progress. See more detail in Section 4.2 below.
- **Progress on TPI score**: EOS on our behalf engaged over 250 companies that fall short on TPI score (against an expectation that European companies, coal mining and oil & gas companies need to be at level 4 in climate management quality), with a high level of response. During 2021 we opposed the election of the responsible director for climate change (usually the Chair) at over 100 companies, including **Canadian Natural Resources** and **China Resources Cement Holdings**.
- **Progress against CA100+ benchmark**: Data as of March 2021 from CA100+ shows that 52% of the world's largest emitters have net-zero goals, but only 20% have short and medium-term emissions reduction targets, and only 7% have targets aligned with the Paris Agreement. Gaps also remain in aligning capital expenditure plans with net-zero ambitions and in linking delivery of climate targets with remuneration. Climate policy lobbying also remains an area of concern, where most companies need to improve processes and transparency around how they ensure alignment with their own climate positions and the advocacy done on their behalf through industry associations.
- In 2021, we voted against directors at companies that were failing to address deforestation risks, including at **Yakult Honsha**, **Li Ning Company**, and **WH Group**. Going into 2022, we will specifically include biodiversity in our engagement efforts related to climate change. We will amongst others initiate engagements to fulfil a commitment to tackle agricultural commodity-driven deforestation and help drive the shift towards sustainable production and nature-based climate solutions (see further detail in Section 4.2 below).

ENGAGEMENT VOLUME BY TYPE:



ENGAGEMENT VOLUME BY OUTCOME:



CLIMATE ENGAGEMENT CASE:

In the role of co-lead for CA100+ engagement with **Centrica**, we have been in frequent and constructive dialogue with the company to discuss their climate strategy and to provide views on its climate transition plan.

We were pleased to see the company set a clear net-zero by 2045 commitment accompanied by short- and medium-term targets in the transition plan. We also welcome the company's clear ambition to help customers decarbonise by 2050, e.g., through decarbonisation of heat. We explained our expectations relating to the indicators of the CA100+ benchmark and pointed to areas where the company would need to make further commitments to align with the benchmark. This includes short-term target setting (up to 2025) that substantiates a clear Net-Zero pathway this decade. Investors would also like to see a commitment from the company to decarbonise its electric utility power generation by 2035.

The company is enhancing transparency on climate policy lobbying in the climate transition plan, which we welcome. We encourage further transparency around policy barriers so that investors can support specific policy action that will help achieve net-zero for the company and its sector.

4.1.2.b Plastic pollution

STEWARDSHIP STRATEGY:

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

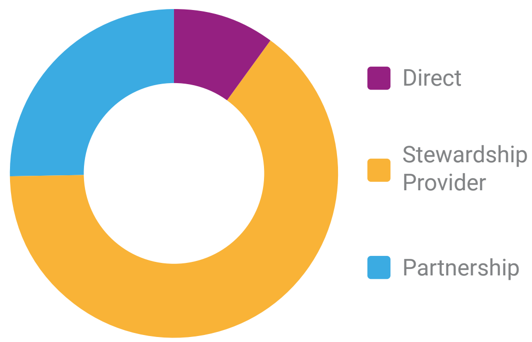
MEASURES OF SUCCESS:

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

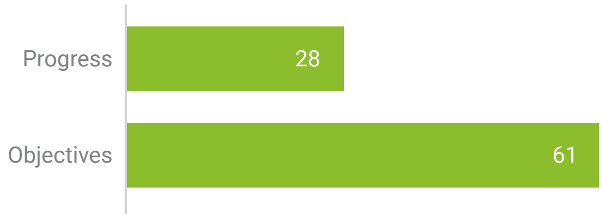
ENGAGEMENT HIGHLIGHTS DURING 2021:

- 57 companies engaged on 71 plastics and circular economy related issues and objectives, with progress on 28 specific objectives out of 61 total objectives set
- LGPSC member of collaborative engagement led by Dutch investor Achmea Investment Management with seven **packaging companies**, to reduce, re-use and replace fossil-fuel based plastics
- 2-3 meetings have been held with each of the packaging companies in 2020-2021 asking for more transparency on materials used, (more ambitious) targets for the use of more sustainable and circular materials, and ESG performance indicators in executive remuneration. **Companies respond positively to our asks e.g., by introducing SASB reporting standards providing more insight into materials used.** Most companies focus on increasing the use of recycled plastics, although pace and ambitions vary. **We see progress with companies on adding ESG related KPIs in remuneration**
- Collaborative engagement led by First Sentier Investors engaging 13 companies to help **combat microplastics pollution** to the environment (see case study below)
- Launch of first **industry specification to prevent plastic pellet pollution** co-sponsored by LGPSC alongside nine other institutional investors through an Investor Forum led multi-stakeholder project
- Businesses and investors, including LGPSC, have called for **UN treaty on plastic pollution** (plasticpollutiontreaty.org – agreement has since been found to negotiate a treaty (See further detail below in Section 4.2)).

ENGAGEMENT VOLUME BY TYPE:



ENGAGEMENT VOLUME BY OUTCOME:



CASE STUDY:

Through a **micro-plastics engagement project** led by First Sentier Investors, we seek to encourage domestic and commercial washing machine manufacturers to add filter technology as standard to all new washing machines produced by the end of 2023. This is to help combat microplastics pollution to the environment, a problem caused in large proportion by synthetic textiles which release microfibres (a type of microplastic) when washed. A first round of engagements with 13 target companies[7] have been concluded by the investor group this year.

At the AGM of **Sainsbury's** and through subsequent dialogue with the investor group, **the company is taking positive steps to engage its washing machine manufacturers and aims to introduce products with microplastic filters within the next 18 months.** We also welcome recommendations from the "All Party Parliamentary Group on Microplastics" issued in 2021, which could be influential in determining the direction of government policy in this area. The key recommendation in relation to microfiber filtration is to: *"Introduce legislation and standards which require microfibre filters to be fitted into all new domestic and commercial washing machines from 2025."*

[7] Arcelic, Dixons Carphone, Electrolux, Haier Group, Hitachi, Koc Holdings, LG Electronics, Midea, Panasonic, Sainsbury's, Samsung, Sharp and Whirlpool

4.1.2.c Responsible Tax Behaviour

STEWARDSHIP STRATEGY:

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

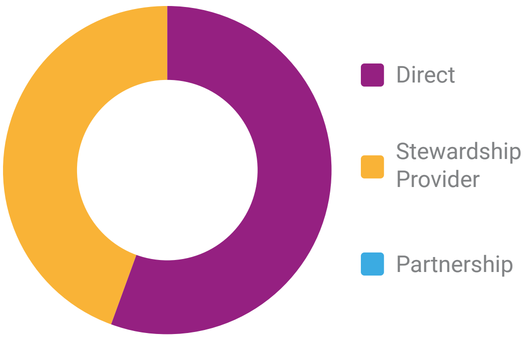
MEASURES OF SUCCESS:

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

ENGAGEMENT HIGHLIGHTS DURING 2021:

- 14 companies engaged on 16 tax related issues and objectives, with progress on four specific objectives out of 12 total objectives set
- LGPSC has continued collaboration with four other, European investors which is a sub-group to a broader Tax Roundtable led by Norges Bank Investment Management and APG
- Group has sought **engagement with six companies across technology, telecommunications, finance and mining sectors where a low effective tax rate was an initial concern with several of these**
- Key asks: Board oversight of tax policy and risk assessment; disclosure of tax strategy and policy; robust management of tax related risks, including preferably a country-by-country tax disclosure; link between company's purpose, sustainability goals and tax strategy; engagement with tax policy makers and other stakeholders
- **Two out of the six companies have during this engagement signalled an intention to publish a stand-alone tax report which will provide country-by-country tax-relevant information**, and thus increase transparency in line with our expectations
- Co-signed a letter to the European Parliament supporting a draft directive on **public country-by-country reporting (CBCR)** in the EU.

ENGAGEMENT VOLUME BY TYPE:



ENGAGEMENT VOLUME BY OUTCOME:

CASE STUDY:

Together with three fellow European institutional investors we have had constructive engagement with a **global business services company** to discuss tax transparency and responsible tax behaviour. A core expectation from investors is that the company share tax-relevant Country-by-Country Reporting (CBCR) with shareholders so that we can make a meaningful assessment of their tax behaviour. We were pleased to hear that **the company is considering publishing a stand-alone tax report that would enhance the disclosure of the company's approach to tax and its tax policies and may also give greater granularity on where tax is paid.** In addition to its corporation tax contributions, the company makes significant tax contributions via its employee taxes (reflecting the company's highly skilled employee base). The company is considering ways of enhancing transparency for instance by providing information on where employees are based alongside where taxes are paid. We also encourage the company to explain its use of low-tax jurisdictions and to provide assurance that this correlates well to the company's business and strategy. The company explained that the Board takes a keen interest and receives regular reports on long term strategic tax issues.

It seems clear that the company wishes to understand best practice for tax transparency and is embarking on a benchmarking exercise for that purpose. The investor group welcome these developments, alongside the company's ongoing revision of its Tax Policy. We will continue dialogue with the company to understand how its tax transparency work is progressing and to what degree industry standards like the Global Reporting Initiative tax standard[8] can be used in this regard.

[8] The Global Reporting Initiative (GRI) Tax Standard is the first global standard for comprehensive tax disclosure at the country-by-country level. It supports public reporting of a company's business activities and payments within tax jurisdictions, as well as their approach to tax strategy and governance.

4.1.2.d Technology and disruptive industries risk

STEWARDSHIP STRATEGY:

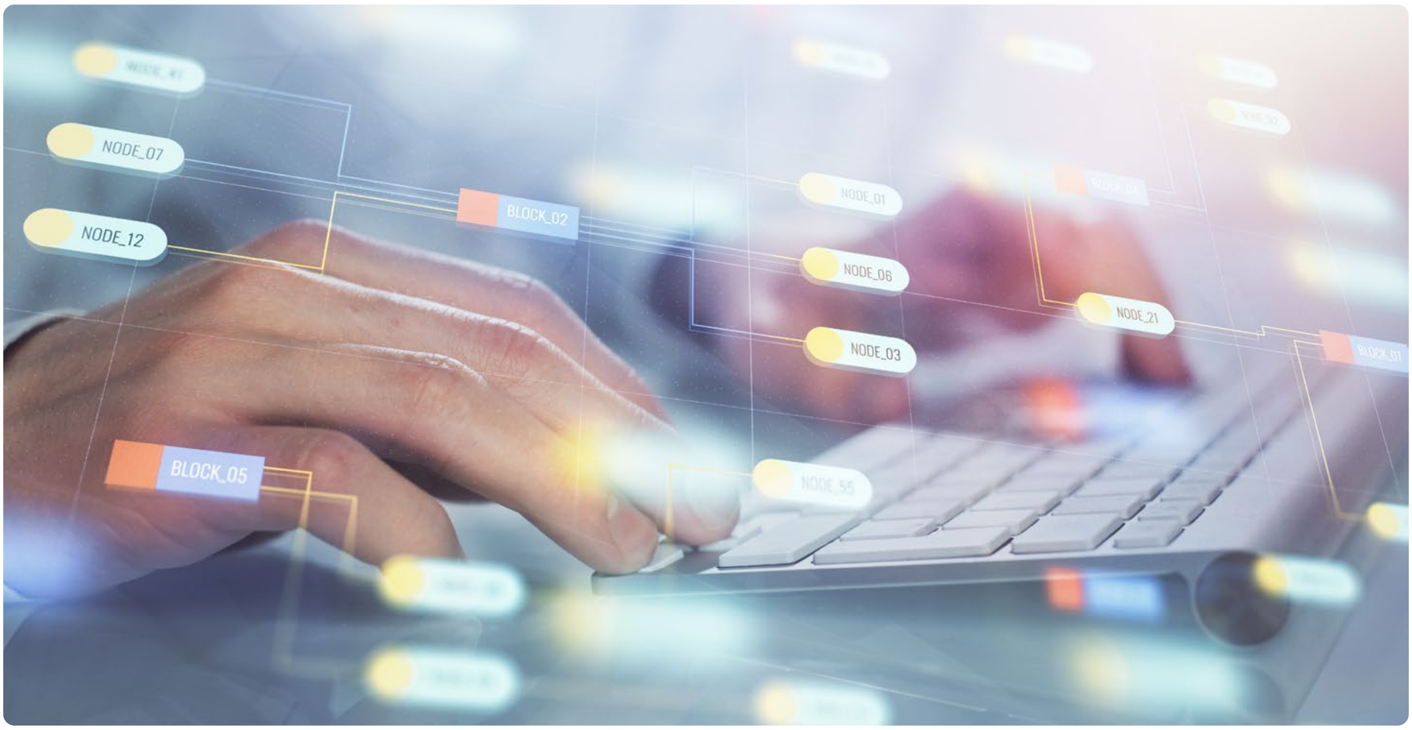
We will leverage investor collaboration opportunities for instance the New Zealand Crown-owned investors' coalition aimed at eliminating terrorist and violent extremist content online. Voting will be engagement led, and we will e.g., consider co-filing or supporting shareholder resolutions that relate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

MEASURES OF SUCCESS:

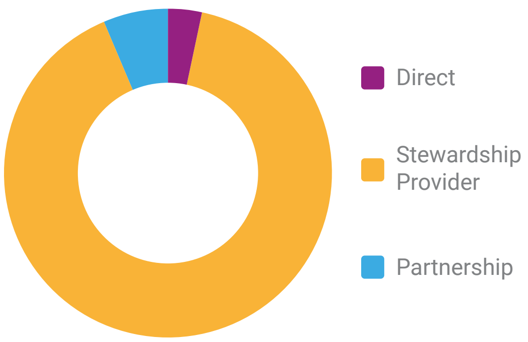
- We aim for positive interactions at senior levels of target companies and acknowledgement of the above-mentioned risks faced by many tech companies.
- We aim to lead or be part of at least five engagements with tech companies over the next financial year.
- We aim to support benchmarks such as Ranking Digital Rights, the Workforce Disclosure Initiative and SASB's Content Moderation taxonomy.

ENGAGEMENT HIGHLIGHTS DURING 2021:

- 37 technology companies engaged on a range of 79 ESG risks including governance, cyber security, supply chain risks, social media content control and broader human rights risks. Progress was seen in 14 cases against a total of 48 specific objectives
- **LGPSC has been part of two collaborative initiatives: one focusing on social media content control, and one addressing human rights more broadly**
- In the face of COVID19 and a highly polarised US presidential election November 2020, the social media content control engagements garnered momentum through pressure from advertisers and other stakeholders (including World Federation of Advertisers) on harmful content including hate speech and aggression
- While initially hard to engage, the three companies in scope of social media content control engagement (**Facebook**, **Twitter** and **Alphabet**) have taken steps during 2020 – 2021 to strengthen controls and to prevent the live streaming and distribution of objectionable content
- Human rights risks engagement initiative has built momentum after Investor Expectations were published, including engagement with **Facebook** on their newly launched Human Rights Policy, and **Amazon** on their recent Human Rights Impact assessment



ENGAGEMENT VOLUME BY TYPE:



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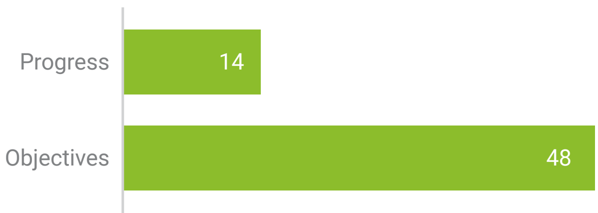


CASE STUDY:

We have over the last two and a half years engaged the world's three largest social media companies, **Facebook**, **Twitter** and **Alphabet**, specifically on the issue of social media content moderation. This engagement has been led by the Guardians of New Zealand Superannuation (Guardians) alongside the New Zealand government-owned investors and supported by more than 100 investors globally. This project, which as of H2 2021 is drawn to a close having seen some significant progress, adds to growing investor scrutiny on the critically important role of social and traditional media in our societies. **The platforms have all moved to strengthen controls to prevent the live streaming and distribution of objectional content.** However, it is a difficult job for investors to assess if these changes are appropriate for the scale of the problem and a continued focus on the evolution of preventative safeguards will be needed.

The issue of content moderation is becoming one of the defining legal and socio-political issues of our time. It deserves its own body of specialist expertise stretching across a range of academia, law and policy. Our expectation is that these companies carry out their duty of care with absolute resolve, and while we've seen some good progress throughout our engagement – the goal posts keep moving and the companies need to remain focused on managing this. **The engagement project received Stewardship Initiative of the Year award at the UN PRI 2021 Awards for its success in engaging these multinational giants.** Key elements of its success lie in building a large investor coalition, escalating the engagement, and discussing specific steps companies can take to tighten controls as well encouraging more transparency about their ongoing work and interaction with various stakeholders.

4.1.3 Engagement on themes and issues outside of Stewardship Themes

Engagement case: Diversity

Japanese boards have one of the lowest proportions of female representation in developed markets and as a member of the 30% Investor Club we very much welcome recent developments with the 30% Investor Club opening a 30% Investor Club Chapter in Japan in May 2019. Over the last 18 months, we have together with fellow 30% Investor Club members, and led by Royal London Asset Management, engaged a **Japanese bank** to encourage better diversity and to seek more disclosure on diversity-related policies. A general hurdle to achieving greater diversity at board level in the Japanese market is the fact that historically, Japanese women in their 40's and 50's gave up their careers to raise families. **It is therefore particularly welcome that the company recently appointed a woman to the Board** who had been on the management team since 2019, and with the company since 1987. This brings female representation at the Board to 13%. This move does not seem to have entailed broader changes to the Board's nomination policies and the low number of female executives remains an obstacle to greater diversity. An objective for this engagement was to encourage the company to join the 30% Club, and we were pleased to see the company take this step during H1 of 2021. While we would like the company to set more ambitious targets for diversity at all levels of the organisation, we note that the company aims to achieve increase in diversity by looking at recruitment and supporting women in career positions from early on. This engagement will continue alongside new engagements with a selection of other Japanese companies based on our exposure and/or their less than 10% gender diversity at board level in 2020, to be commenced in Q2 2022.

Combatting modern slavery

Over the last two years, LGPSC has been a member of a collaborative investor-initiative convened by Rathbones Group Plc (Rathbones) that has successfully encouraged laggard **FTSE 350 companies** to meet the reporting requirements of Section 54 of the Modern Slavery Act 2015. According to the Act, companies with a turnover of more than £36 million per year must publish a modern slavery statement and ensure that the statement is approved by the board; signed by a director; and reviewed annually and published on the company's UK website. During 2021, we engaged 61 FTSE350 companies asking for Modern Slavery Act compliance. **As per end 2021, all companies have responded and are now compliant.** Initial positive responses have given an opening for meetings to discuss companies' approaches to modern slavery. This is an important step beyond the initial ask of compliance with the Modern Slavery Act, to focus on the content of the statement and to enable investors an understanding of the key risks facing individual companies.

In June 2021, we joined Rathbones in engagement with a **UK retailer** who has chosen to broaden its net zero climate strategy to include social risks, aiming to capture the interlinkages that exist between environmental and social factors. Human rights as a theme gets specific attention through a working group with a direct line to the company Board. In 2017, **the company established a Modern Slavery Risk tool which has since been extended to include all human rights risks**. The tool is both product and region specific and it is possible to select specific risks (for instance gender, forced labour, child labour) but also assess the broader risk picture. The company strives to continue embedding the tool further in its business functions. Areas of increasing concern in relation to modern slavery are transport and haulage, as well as sea freight. **We commended the company for its detailed modern slavery statement and for the high level of transparency around high-risk areas.**

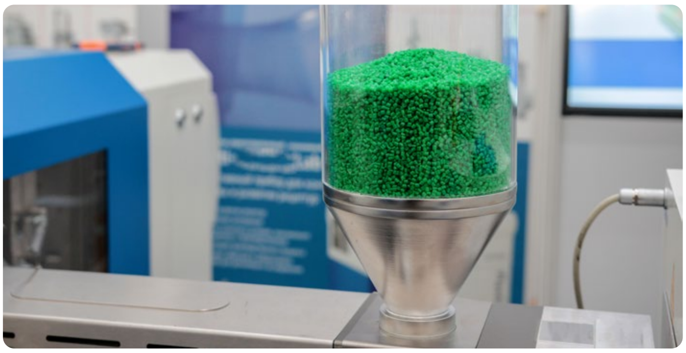
PRINCIPLE 10 4.2 Participation in collaborative engagement to influence issuers

LGPSC has continued active involvement in several strong investor collaborations that pursue better corporate standards across ESG issues, including for several Stewardship Themes[9], during 2021. The pool has also supported theme-relevant industry standards and benchmarks, which clarify investor expectations of companies and provide a mechanism for measurement of progress. For a list of initiatives that LGPSC actively supports and engages with, we refer to Section 2.4 above.

Examples of collaborative initiatives of particular importance to LGPSC's stewardship effort in 2021:

Accounting and Audit of climate risk

LGPSC has over the last two years been a member of an investor coalition, led by Sarasin and Partners LLP, engaging both auditors and companies asking for the provision of Paris-aligned accounting. **Investors expect that directors of companies that face material climate risk consider these risks in their financial statements and make disclosures accordingly.** If climate risk is not considered, the longevity and value of assets held by the company may be over-estimated, which could lead to capital being misdirected. The IIGCC Investor expectations for Paris-aligned Accounts that were communicated to 36 European energy, material and transportation companies in November 2020, were again reiterated in **letters to 17 of the same companies in late 2021/early 2022 as we have not seen sufficient progress.** An increasing number of investors are setting a net-zero by 2050 ambition at portfolio level, including LGPSC. It is critical that we have the component building blocks including full clarity on climate risk held at individual company level, how this risk is being managed and companies' transition trajectories. Companies themselves are also setting net-zero by 2050 targets and we expect them to make net zero accounting adjustments in line with such an ambition. Should a company not use a 2050 net-zero pathway as their base case for their financial statements – for instance, because they do not believe this is the most likely outcome – we are still asking them to disclose how the entity's financial position would likely be impacted by such a pathway in the notes to the accounts. Our strategy is to maximise engagement leverage with investee companies to ensure a transition that can achieve net-zero. In the letters sent out most recently, companies are made aware that **an increasing number of investors may be voting against Audit Committee directors' reappointment, the financial statements or the company auditor, where high-risk companies fail to meet the expectations for Paris-aligned accounting.**



Plastic pellet industry standard and UN treaty on plastic pollution

Billions of plastic pellets or "nurdles" make their way into the natural environment each year, which poses a serious threat to the ecosystem and potentially also a health threat to people. LGPSC has collaborated with the Investor Forum, peer investors and other stakeholders including Marine Scotland, the British Plastics Federation and the British Standards Institute to sponsor and create the first **industry specification to prevent plastic pellet pollution**. The new specification, a so-called Publicly Available Specification (PAS), was formally launched in July 2021 after nine months of preparation by an expert group. We consider the publication of this standard as positive progress which will start to direct corporate behaviour. We intend to use the plastic pellet PAS as a direct reference in engagement with relevant industries, for example in ongoing engagements with packaging companies and plastics manufacturers. Another interesting industry development is businesses and investors, including LGPSC, calling for **UN treaty on plastic pollution** (plasticpollutiontreaty.org – agreement has since been found to negotiate a treaty[10]). The aim of a treaty would be to establish a coordinated international response that aligns businesses and governments behind a shared understanding of the causes of plastic pollution, and a clear approach to addressing them.

[9] Confer with response to Section 4.1.2 above for further detail on LPGS Central Stewardship Themes

[10] On 2 March 2022, Heads of State, Ministers of environment and other representatives from 175 nations endorsed a historic resolution at the UN Environment Assembly (UNEA-5) today in Nairobi to End Plastic Pollution and forge an international legally binding agreement by 2024. The resolution addresses the full lifecycle of plastic, including its production, design and disposal.

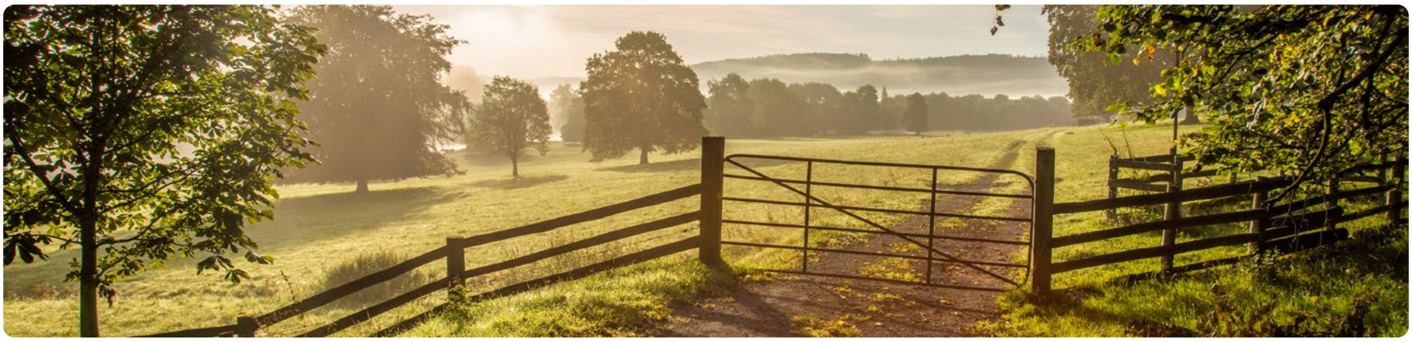
Tax transparency

We have co-signed a letter to the European Parliament supporting **public country-by-country reporting (CBCR)** in the EU coordinated by the PRI[11]. We view it as vital that multinational companies provide disaggregated information on taxes paid in all countries and across operations. **The EU legislation was adopted in November 2021** and will require public reporting of certain information such as revenues, number of employees, profit or loss before tax, tax accrued and paid, accumulated earnings, stated capital and tangible assets. Many multinationals already report revenue, profit and tax paid by territory to tax authorities as part of a requirement under the OECD Base Erosion and Profit Shifting guidelines. These large multinationals therefore already collect CBCR data and could readily report it to stakeholders more broadly. CBCR is crystallising as best practice in tax transparency. The most widely used sustainability reporting framework, the Global Reporting Initiative, has launched a Tax Standard which includes CBCR. This provides companies with a ready-made and consistent format. While only a minority of multinationals currently provide shareholders and other stakeholders with CBCR, those that do view it as an opportunity to "demystify" tax and have expressed to us that it has largely been well received by stakeholders.

Deforestation given heightened attention during COP26

During COP26 negotiations in Glasgow in November last year, LGPSC alongside 30 financial institutions, made a commitment to tackle agricultural commodity-driven deforestation and help drive the shift towards sustainable production and nature-based climate solutions. **This commitment encourages a focus on active ownership and ongoing stewardship as the principle means to work towards portfolios that are free from forest-risk agricultural commodity-driven deforestation activities**, as part of a global transition towards sustainable production, supply chains and associated investment and financing opportunities. The aim is to achieve "real world" impact in halting some of the most common causes of deforestation and, and will focus on high-risk sectors beef, soy, palm oil, pulp and paper. We are cognisant that the timeframe is tight and will require joint effort among investors to strive for elimination of deforestation caused by sourcing for those agricultural commodities from investment and lending portfolios by 2025. **We continue our policy engagement with the Brazilian government**, and along with lead engagers of the Investor Policy Dialogue on Deforestation (IPDD), have met with federal representatives, state representatives, congress members, and civil society in Brazil. IPDD has also held educational and knowledge sharing sessions, both in and outside of Brazil, and conducted outreach with investor coalitions, foreign representatives, and other relevant stakeholders.

[11] 35 investors representing US$5.6trn in AUM signed the PRI letter on public CBPCR in the EU



PRINCIPLE 11 4.3 Escalation of stewardship activities to influence issuers

The stewardship themes that we have identified as priority areas for engagement are all long-term and systemic in nature. Against that backdrop, we will often use escalation tactics to enhance the chances of achieving long-term engagement outcomes. However, a decision to escalate, and the form or sequence of subsequent escalation will be particular to the engagement in question.

Examples of how we might escalate include, but are not limited to:

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

Through our involvement in collaborative engagement projects, like Climate Action 100+ (CA100+), we are continuously assessing the need for escalation depending on individual companies' response to expectations from investors. Due to the nature and complexity of the transition challenge, there is also an element of "moving target" which means that both investors and companies need to be ready to step up ambition. Going into 2021, CA100+ had established a Benchmark Framework which allows evaluation of company progress against Paris alignment on key parameters (short/medium/long-term targets, decarbonisation strategy, capex plans, remuneration, disclosures).

Through our role of co-lead in CA100+ engagement with Glencore, we have held constructive discussions ahead of their 2021 AGM and encouraged the company to put forward a Climate Transition Plan to shareholders for an advisory vote. While the company still has some gaps relative to the CA100+ Benchmark Framework, we consider that they have taken strong steps toward Paris alignment. This includes setting absolute GHG emissions reduction targets across all scopes against a net-zero by 2050 ambition, including a medium-term target of 50% reduction by 2035 and a 15% reduction target by 2026, which will largely come from decline in coal exposure. **LGPSC would like Glencore to set more ambitious short-term targets, including a specific 2030 target, that marries up with the long-term ambition and ensures a steady decline in emissions in line with Paris over this next, critical decade.** Furthermore, we will continue to push the company to proactively and transparently lobby for Paris-aligned climate policies in key markets, including Australia, both directly and through industry associations they are a member of. Positive advocacy is a material action that Glencore can take in support of its own decarbonisation commitments and to drive demand in minerals segments, such as copper, cobalt, nickel, zink, silver and vanadium which they want to grow.

Engagement with banks

Together with more than 100 investors and coordinated by ShareAction, LGPSC co-signed letters to **68 banks** setting out expectations for Paris-alignment and protection and restoration of biodiversity. **Banks play a critical role in provision of finance to support transition to a low-carbon economy.** While we have previously asked banks to set targets in line with Paris, this letter specifically addresses biodiversity, alongside climate, as an area that banks are expected to assess in their risk management and in their dialogue with clients. We consider that asking banks to include biodiversity in their broader climate mitigation effort, is in and of itself a form of escalation. **Encouragingly, 45 banks have responded to the letter and dialogue is ongoing with a selection of these banks.** Our first ask is for banks to publish climate targets covering all relevant financial services that are aligned with global efforts to hold temperature rise below 1.5 degrees Celsius. **19 confirmed they will publish new climate targets ahead of COP26, the end of the year, and/or their 2022 AGM.** This includes BBVA, BNP Paribas, Citigroup, and Standard Chartered. A critical next step for the investor group is to assess whether these targets put banks on a clear path to net zero.

Escalation of engagement with Motorola

We expect businesses that operate in areas of war and conflict to take particular care to respect human rights. The Israeli-Palestinian conflict poses clear human rights risks for companies, but the sensitive political situation makes engagement challenging. During 2020 we initiated engagement with Motorola Solutions Inc. on human rights risks in operations through the wholly owned subsidiary Motorola Solutions Israel Ltd. We sought this engagement to bolster ongoing engagement that the Local Authority Pension Fund Forum (LAPFF) is undertaking with a selection of companies on human rights risks that stem from operating in Occupied Palestinian Territories (OPT). In our initial letter, **we asked that the company carry out human rights impact assessments in line with the UN Guiding Principles on Business and Human Rights.** We also stated that we would take the company's response into account as we formulate voting decisions at the next AGM. The initial response from Motorola did not provide us with enough detail to understand how the company manages and mitigates human rights risks that are specific to operations in the OPT. Hence, we voted against the Chair at the 2021 AGM to send a clear message that the initial response had been unsatisfactory. We also followed up with further letters, the latest signed by our CIO, to explain why this remains a concern and emphasising our willingness to engage. We were pleased when the company agreed to meet and discuss these issues, **a meeting that took place in January 2022, and we will continue this engagement with the company.**

Expectations on external managers to escalate on our behalf

We expect managers to be ready to escalate any engagement where there is lack of progress relative to engagement objectives, on any material ESG topic. During 2021, we have asked managers to give particular attention to companies' climate transition, or lack thereof, in line with the Paris Accord. This is part of a broader discussion with external managers around the implementation of our net zero targets.

US utility company, Schroders, LGPSC Global Equity Active Multi Manager Fund

OBJECTIVE:
For company to set a clear decarbonisation strategy

ESG TOPICS ADDRESSED:
Climate change

ISSUE/ REASON FOR ENGAGEMENT:
The company does not have an overarching net zero commitment or quantitative targets to reduce emissions.

SCOPE AND PROCESS/ ACTION TAKEN:
Schroders engaged with the company in September 2021, with an expectations letter to the company's chair requesting a commitment to achieve net zero emissions by 2050 or sooner, alongside short-, medium-, and long-term targets aligned to a 1.5°C scenario.

ESCALATION:
Following the initial letter, Schroders sent a tailored letter to the CEO of the utility and followed this up with a one-to-one call with Investor Relations.

OUTCOMES AND NEXT STEPS:
The company has been receptive to Schroder's requests, making valid points about the importance of having shorter term targets that the current management team can be held to, rather than long-term targets which have to be achieved by future teams. Schroders agree with this, but don't believe this prevents the company having a long-term target. In 2022 if the company fails to announce 2030 and/or 2050 targets, Schroders will re-engage.

European Bank, Fidelity, LGPSC Global Active Investment Grade Corporate Bond Multi Manager Fund

OBJECTIVE:
Improved financial product safety

SECTOR:
Financials

ESG TOPICS ADDRESSED:
Strategy

ISSUE/ REASON FOR ENGAGEMENT:
Fidelity's ESG rating for the bank highlighted the bank's weak financial product safety efforts which can be a financially material issue for banks.

SCOPE AND PROCESS/ ACTION TAKEN:
Fidelity's ESG analyst initially raised this issue with the bank in an engagement meeting.

ESCALATION:
Fidelity had a second specific meeting on this topic in which their analyst was joined by a portfolio manager alongside the Bank's Head of Compliance and Group AMLO and Head of Advisory and Solutions. Fidelity highlighted that the bank's reporting could be improved.

OUTCOMES AND NEXT STEPS:
After the meeting, Fidelity received more information and became more comfortable with this risk.

05 Exercise of rights and responsibilities

PRINCIPLE 12

It remains critical to LGPSC that we utilise all levers to influence corporate behaviour across our equity and fixed income investments. Voting is a core part of our overall Stewardship effort as a shareholder (see sections 5.1 – 5.3 below). Equally, exercising rights and responsibilities as bond holders is of key importance (see section 5.4 below). During 2021, we have increased our exposure to private markets. We have worked with private market partners to identify key performance indicators that are relevant for the underlying asset, and which we would request reporting against (see section 5.5 below).

5.1 Voting approach and objectives

High-level objectives:

LGPSC views voting as a core component of our Stewardship efforts. In a long-term perspective, all voting activities we undertake aim to:

1) support the long-term economic interests of our stakeholders

2) ensure boards of directors are accountable to shareholders

3) encourage sustainable market behaviour across companies and sectors

Principles-based approach:

We take a principles-based approach to voting and are guided by LGPSC's established Voting Principles.

At high level, we expect companies to:

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

In situations where companies are faced with a market-wide crisis that cause unprecedented disruption, uncertainty and challenges to their business models, operations, workforce and finances – such as the Coronavirus pandemic – we will consider applying a more flexible voting approach. We would in these situations explain to our Partner Funds and other stakeholders, including external managers, how we may deviate from our Voting Principles, on what issues and relative to which sectors (if different sectors are affected differently).

Scope of voting:

To send a unique voting signal to investee companies LGPSC votes all its shares - whether externally or internally managed - according to one set of Voting Principles. While the ultimate voting decision rests with LGPSC, we have a procedure through which we capture intelligence and recommendations from external fund managers.

Stock-lending:

LGPSC has an active securities lending programme. During 2021, we considered options for restriction on securities lending to bolster our overall stewardship and voting impact. The securities lending policy that has been in place since inception of LGPSC ensures that we hold some securities back, a portion not on loan, to ensure that we can vote at all AGMs of investee companies. We also have the option of recalling securities out on loan e.g., in the case of filing a shareholder proposal. Based on dialogue with our Partner Funds, alongside discussions in-house at Investment Committee and Operations, Risk, Compliance and Administration, **we have now revised the securities lending policy with effect from 2022**. The revision means that we fully restrict certain securities from lending at the start of voting season. This is to ensure that we maximise our voting impact, e.g., in relation to critical, ongoing engagements that we expect to escalate through shareholder resolutions or other forms of voting (e.g., votes against Board members). Among critical engagements are companies identified as high risk relative to climate change through Partner Fund Climate Risk Reports and that sit within the scope of Climate Action 100+. We considered the cost implications of excluding all companies in our Voting Watch List from lending and concluded that a more targeted approach would be the most proportionate and efficient response. **This targeted approach entails a restriction of lending on a sub-set of companies that we view as critical engagements ahead of each voting season.** Ahead of voting season 2022, 12 companies on our Voting Watch List (of 50 companies) are restricted from lending. The restriction will be lifted once relevant AGMs are held. This change guarantees that we are able to vote all the shares we hold for certain companies in the portfolio.

Voting reinforcing engagement:

As far as possible, we aim to use voting to reinforce and promote ongoing engagements, whether carried out directly through LGPSC, through collaborative initiatives or through our external stewardship provider EOS at Federated Hermes. This means that we regularly raise issues concerning environmental sustainability, including climate change, and broader social issue like human rights risk oversight and management through our voting. Many votes against management concern good governance (board composition, board oversight and skill sets, remuneration etc.) – these votes are often an expression of underlying concerns with lack of expertise and or/oversight at board level on issues like climate change or human rights. We also know that strong governance increases the likelihood of companies dealing well with environmental and social risks. During April – June 2021 (high voting season) many ESG-related shareholder proposals got very strong or even majority support.

Transparency:

LGPSC's disclosure of its Voting Principles, and its voting outcomes, supports the Company's ambition of full transparency. With regards to voting outcomes, disclosures are made in three formats. Firstly, a report summarising our voting activities is provided in Stewardship Updates three times a year (covering the first three quarters of the calendar year). Secondly, we provide an annual summary of our voting activities, as part of the Annual Stewardship Report, and thirdly, we disclose our voting decision for every resolution at every eligible company meeting via an online portal. Each of these disclosures is available to the public.

5.2 Voting strategy

Ensuring that Voting Principles are applied:

We have set up a structure whereby EOS at Federated Hermes provides us with voting recommendations based on our Voting Principles which are input on the ISS voting platform prior to the vote deadline. The voting recommendations are then cast as voting instructions if there is no further intervention, except in the case of share-blocking votes. We currently hold approximately 2,900 companies through our ACS equities funds. With this voting structure, we have confidence that votes are cast according to LGPSC Voting Principles across a voting universe that under no circumstance could be checked manually at each individual company level. In minority cases where a company we are engaging and/or that the Local Authority Pension Fund Forum has issued a voting alert for falls outside EOS' main engagement, we often consult ISS research directly.

Voting Watch List:

It is not feasible to do in-depth research into all proxies that will be voted at each of the companies we hold through our ACS equity funds. To prioritise, we establish a "Voting Watch List" annually that consists of approximately 50 companies which cover larger holdings and/or core engagements in and outside of Stewardship Themes. Votes at these companies will be given particular scrutiny ahead of the AGM. While it is not feasible to attend all these companies' AGMs, we would aim to attend AGMs virtually (if permissible) for core Climate Action 100+ engagements and for any company with which we have filed a shareholder resolution. Watch List companies are a combination of larger holdings across our equity universe and/or core engagement companies and/or ongoing controversies. The Voting Watch List serves a further purpose, in allowing us to test whether our votes are generally cast in alignment with our Voting Principles.

Interaction with EOS at Federated Hermes:

Ahead of each voting season, we share our Voting Watch List with EOS to ensure that we receive a more detailed analysis to substantiate their voting recommendations for companies on this list ahead of relevant AGMs. We will seek ad-hoc interactions/ meetings with EOS regarding core engagements, where either they or we would like further input from the other ahead of a vote.

As an example, we had in-depth discussions with EOS ahead of the vote at **Barclays AGM** 2021 on a climate-related shareholder proposal. The resolution requested the company to set short-, medium and long-term emissions reduction targets and to phase out the provision of financial services to fossil fuel projects and companies, in timeframes consistent with the Paris Agreement. LGPSC has engaged Barclays actively through a ShareAction-led collaboration during 2020 centred around the asks in a shareholder proposal which we co-filed in January 2020. The January 2020 shareholder proposal makes explicit reference to phasing out of finance to *non-Paris aligned* energy and utility companies. Dialogue has been constructive, and the company seems receptive to and appreciative of investor input and dialogue.

> The bank has made progress in developing its climate strategy, putting forward a new methodology for determining alignment with the goals of the Paris Agreement for the energy and power sectors, including relevant 2025 targets. It has also accepted the principle of the need to withdraw finance from misaligned activities over time (for example in its current coal policy).

While we fully support the underlying sentiment of the 2021 shareholder proposal in terms of Paris alignment, we asked ourselves what would at this point be more conducive to engagement and to further progress? After careful consideration we found that the 2021 resolution was premature in light of very recent progress made by the company and the prospect of ongoing engagement. We were also concerned about the wording of the resolution which could be interpreted to mean that certain projects and companies from the outset are not considered to be in line with Paris. As such, it appeared to be missing nuance around the potential and ability for transition also within the fossil fuel sector, which is both complex and dynamic.

Looking to the 2022 AGM, we will carefully consider Barclays' climate transition plan, in particular their coal policy and commitments to phase out from thermal coal mining and whether these support a 1.5C trajectory in line with Paris.

Interaction with external managers:

It is our intention to capture intelligence and recommendations from active equity fund managers relative to key holdings and/or contentious voting issues, as well as influence managers' wider voting on key issues like climate risk management:

- LGPSC meets with each external manager annually ahead of the voting season for a dedicated voting-related discussion.
- External Managers will be kept up to date on any changes to LGPSC Voting Principles, and vice-versa.
- We will share with each external manager our Voting Watch List with an explicit incentive to communicate their views on companies on this list that are held in their portfolio.
- The RI&E Team may reach out on an ad-hoc basis in cases where we would like to elicit views on contentious issues in core holdings or key engagements that can supplement views from EOS.

As an example, we had detailed discussions with one of our external managers ahead of the vote at **Berkshire Hathaway** on a **shareholder proposal requesting that the company report on its management of physical and transitional climate-related risks and opportunities**. We consider that reporting on climate related risks and opportunities is a critical first step for the company to manage these risks and allowing shareholders the ability to assess whether it does so effectively. **60% voted in favour of the proposal, adjusted for non-insiders.** Berkshire Hathaway is the second largest power company in the US without a net-zero goal and we note that the company achieves the lowest score on TPI's climate risk management ladder. We considered arguments made by our external manager to vote against the resolution, although ultimately the decision rests with us. These included the fact that Berkshire's autonomous subsidiaries already report on operational risk, including climate risk, which makes a centralised report less appropriate. Furthermore, that the reporting from subsidiaries make it possible to assess climate risk exposure for Berkshire Hathaway.

In our view, the current reporting at subsidiary level is not decision useful nor sufficiently complete for investors to fully appraise material climate-related risks. It is concerning that the company's board believe such disclosure to be unnecessary for investor interest. Shareholder interest lies with the parent company, not individual subsidiaries. **We think it appropriate to ask this of a holding company like Berkshire Hathaway, which is a situation akin to asset owners and asset managers reporting on climate risks throughout their portfolios.** While in this case, we did not see eye-to-eye with the manager in question, we will continue dialogue on amongst others climate-related votes which are only increasing in importance against LGPSC's newly announced net-zero ambition.

5.3 Voting highlights and outcomes 2021

Proportion of shares voted during 2021

Based on our voting set-up with EOS at Federated Hermes – whereby EOS' voting recommendations (aligned with LGPSC Voting Principles) are cast as voting instructions for all shares – we can ensure that all shares are indeed voted. There are occasions where a vote is not cast due to for instance share blocking or a non-standard voting procedure. However, these are very limited instances. Based on checks done by EOS on unvoted ballots due to an error (e.g., a missed deadline in an instance of share blocking) during voting seasons 2013 – 2021, the % of errors lie between 0.591% and 0.04% of votes not being cast. We consider this an acceptable level of error, and we also note the downward trend in terms of errors.

5.3.1 Voting highlights

While the health pandemic understandably took centre stage in 2020 and to a degree overshadowed the climate crisis, the latter clearly came to the fore in 2021. The 2021 voting season saw a new development in climate transparency and dialogue with shareholders through 18 votes on climate transition across oil and gas, construction, aviation and consumer goods. All of these passed with support ranging from 88% to 99%. Some plans met notable opposition, including Shell and BHP, and we expect investors to scrutinise these plans at a more detailed level against evolving climate risk management standards such as the Climate Action 100+ Benchmark assessment over the next years.

2021 Voting Statistics

- Voted at 3,344 meetings
- 40,288 resolutions
- Attended virtual AGM of Glencore
- EOS attended 66 AGMs on our behalf, including Deutsche Bank, BP, Google owner Alphabet, Novartis, Amazon and Facebook
- Voted against management for one or more resolutions at 58.6% of meetings

Tipping point for investor engagement and voting on climate change

- 18 votes on climate transition across oil and gas, construction, aviation and consumer goods – all passed with support ranging from 88% to 99%.
- Shell's transition plan was opposed by a notable number of shareholders (ca. 12%), including LGPSC, while a shareholder proposal asking the company to set and publish targets for GHG emissions reduction in line with Paris received a healthy 30% support.
- We supported a shareholder resolution at Chevron requiring Scope 3 targets which gained 61% support.
- LGPSC supported minority shareholders in proxy battle at Exxon resulting in three climate-savvy directors appointed to Exxon's board against management advice.
- We supported a shareholder proposal at Berkshire Hathaway on management of physical and transitional climate-related risks and opportunities. Company is the largest power company without a net-zero goal. 60% voted in favour of the proposal (adjusted for non-insiders).

Diversity and inclusion higher up the agenda

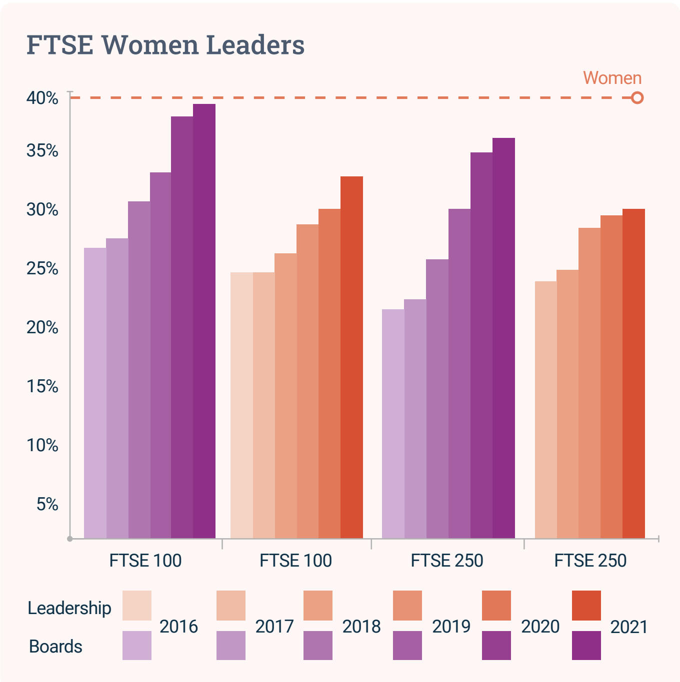
- We opposed FTSE 100 chairs in the UK at five meetings for failing to meet minimum expectations for racial diversity on boards.
- We opposed the directors responsible (typically the board chair) at companies that fell below our expectation on UK FTSE 100 companies to have at least one woman on the executive committee. Examples include Ocado, Imperial Brands and Glencore.
- In the US, we opposed 39% of nominating committee chairs, including at Kinder Morgan, Thermo Fisher Scientific and Discovery against an expectation that women and ethnic minorities make up at least 40% of the board at large companies.
- Lack of progress on gender diversity in China, Hong Kong and Taiwan.
- Japanese companies express support for the concept of board gender diversity, but this has not translated to more women on boards.

Remuneration during the pandemic

- Executive pay should be justified in the context of the experience of other stakeholders, particularly companies that had made redundancies, benefited from government support, or otherwise in distress.
- Some good practices among UK companies repaying money received from the government to furlough employees and/or business rates relief. Generally accepted that companies not able to do so would not pay bonuses to executives.
- At publisher Informa, we opposed the rem report (alongside 62% of investors), considering pay-outs to executives from a long-term incentive scheme that would have lapsed, in the face of significant negative impact from Covid-19.
- We opposed 80% of "say-on-pay" proposals in the US. Our concerns were exacerbated by decisions to insulate executives from the impacts of Covid-19, relative to other stakeholders.
- Rio Tinto suffered 60% opposition to the rem report due to heavy focus on shareholder returns, with limited consideration of other strategic stakeholders, and pay-outs to departing executives, which did not reflect Juukan Gorge failures.

5.3.2 Voting outcomes

In the UK, where the Hampton-Alexander Review established 2020 targets for 33% female representation on boards and in leadership roles, we have consistently opposed director proposals over concerns about insufficient diversity, including gender diversity, at board level and below. In 2021, we opposed 37 proposals due to lack of diversity, versus 35 and 45 proposals in 2020 and 2019, respectively. While the progress detailed in the latest FTSE Women Leaders Review released in February 2022 is encouraging, we agree with the report's notion that more work still needs to be done to achieve gender balance in leadership teams. As such we will monitor companies with a view to opposing director proposals at offending companies.



Source: *FTSE Women Leaders Review, February 2022* (FTSE Women Leaders - February 2022)

CASE STUDY

AVEVA Group Plc

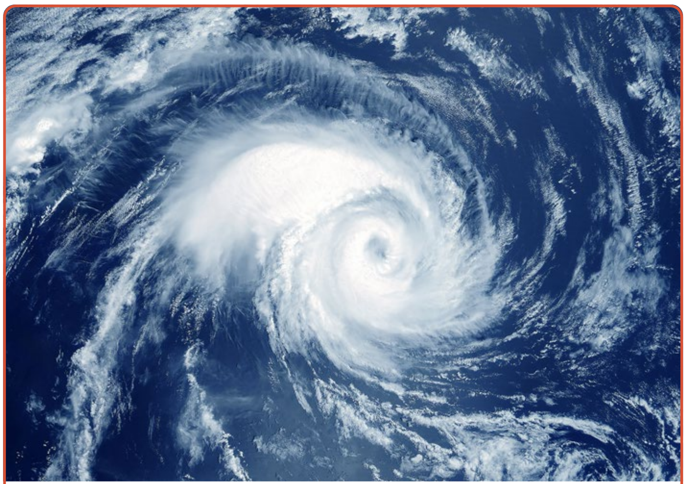
THEME:
Board gender diversity

OBJECTIVE:
We believe the most effective boards include a diversity of skills, experiences and perspectives. Through our voting decisions (and otherwise) we support the Davies Review, the Hampton-Alexander Review and the Parker Review.

PROCESS:
EOS at Federated Hermes, on our behalf informed the company of our intention to vote against the re-election of the chair of the board who is also the nominations committee chair due to insufficient gender diversity on the board. As per our voting principles, we expect FTSE 100 and 250 companies to have at least 33% women on their Boards and will consider voting against the Chair of companies with materially less female representation unless there are clear and justifiable reasons why 33% is not achievable in an interim period.

ESCALATION THROUGH VOTING:
During the 2021 annual general meeting, LGPSC voted against Chair Philip Aiken when the company failed to respond to our concerns.

OUTCOME:
The company has since appointed two female directors to its board in 2021. The two appointments lift the company above the gender diversity guideline threshold.



CASE STUDY

TotalEnergies SE

THEME:
Climate change

OBJECTIVE:
We expect companies to consider relevant, material social and environmental risk factors in their long-term strategic business planning. We will consider voting against the Chair, and other relevant directors or resolutions, at companies where we consider a company's response to the risks and opportunities presented by climate change to be materially misaligned with the goals of the Paris Accord.

PROCESS:
EOS at Federated Hermes, on our behalf, has co-led engagement efforts with TotalEnergies SE as part of the Climate Action 100+ initiative since 2017. Throughout its tenure as co-lead, EOS has corresponded with TotalEnergies on issues including investor expectations on scope 1, 2 and 3 greenhouse gas emissions reduction, Paris-aligned accounting, and TotalEnergies's energy transition plan.

ESCALATION THROUGH VOTING:
During the 2021 annual general meeting, LGPSC voted against TotalEnergies energy transition plan due to the lack of alignment with Paris Agreement goals, while being clear in a letter to the company that engagements should continue.

OUTCOME:
In December 2021 TotalEnergies indicated that the company would enhance its disclosure in its next sustainability and climate report including publishing a short-term target for Scope 3 emissions which will entail a 10% reduction of the average carbon intensity of its energy products.

NEXT STEPS:
Monitor implementation of energy transition plan and sustainability disclosures. Engage with company to get commitment on three-year say on climate votes.

CASE STUDY

Amazon.com, Inc

THEME:
Executive remuneration

OBJECTIVE:
To encourage company to align executive remuneration with long-term performance through the cycle. Incentive schemes should be transparent, understandable, long-term and appropriate to the circumstances and strategy of the company. In order to achieve alignment with shareholders, executives should make a material, long-term investment in company shares and these shares should be subject to a suitable holding period following an executive's departure. Companies should disclose the time by which new executives should reach the target level share ownership.

PROCESS:
In 2018, EOS, on our behalf, informed the company on its recommendation to vote against the say-on-pay proposal due to the lack of or poor disclosure of explicit share ownership requirements. In 2020, the company acknowledged that it should disclose policies on share ownership requirements.

ESCALATION THROUGH VOTING:
During the 2021 annual general meeting, LGPSC voted against Amazon's say-on-pay proposal due to the lack of pledging policy, clawback policy, and minimum share ownership requirement.

OUTCOME:
The company has instituted a ban on executives being able to make hedging transactions against share-based-equity awards and implemented a clawback policy. We continue to monitor the company for updates relating to share ownership requirement.

CASE STUDY

DuPont de Nemours, Inc. (DuPont)

THEME:
Plastic

OBJECTIVE:
Plastics pollution is one of LGPSC's Stewardship Themes and we leverage collaboration opportunities to deliver progress in the subject. Voting is engagement led, and we will consider co-filing or supporting shareholder resolutions that relate to better risk management (reduce plastic use, reduce plastic waste, increase recycling, invest in relevant R&D).

PROCESS:
EOS Hermes on our behalf engaged DuPont on sustainability issues including plastics. We thanked DuPont for producing a 10-year sustainability roadmap with scope 1 and 2 targets in 2020. We reiterated the need for transparency and alignment with Paris Accord. Prior to the 2021 annual general meeting, EOS communicated our intention to support a shareholder proposal asking the company to issue a report on plastic pollution. We believe the company is lagging its peers who have committed to disclosing this information and currently the company produces no metrics on plastic pellet spills and the report will improve disclosure on how the company is mitigating plastic pollution related risks.

ESCALATION THROUGH VOTING:
During the 2021 annual general meeting, LGPSC voted for the shareholder proposal requesting the company to publish an annual report on plastic pollution.

OUTCOME:
In September 2021, DuPont announced that it has become a member of Operation Clean Sweep® Blue, a campaign dedicated to helping every plastic resin handling operation achieve zero plastic resin loss. OCS blue enhances the commitment to management, measurement, and reporting of unrecovered plastic releases into the environment from resin handling facilities. The company reported that there have been no releases in the third quarter 2021.

5.4 Fixed income – exercise of rights and responsibilities

We expect all our Fixed Income managers to fully exercise their rights and responsibilities. We provide below an example of how our external managers approach this.

Neuberger Berman, a manager in our Corporate Bond Fund, engages with capital markets participants in respect to new issue documentation and pushes back on weaknesses identified in the documentation, when possible. Neuberger Berman believes engagement with management teams is also critical in identifying material ESG factors as credit documentation generally provides a range of flexibility to an issuer in respect to capital allocation and business strategy.

For example, Neuberger Berman recently identified an issuer in which credit documentation flexibility, coupled with governance concerns at the issuer's parent, led to weakness in the issuer's trading levels due to market concern the equity owners would extract value from the issuer. Based on Neuberger Berman's ongoing engagement with the management team and the company's commitment to conservative capital allocation policies and a strong ratings profile, they encouraged the issuer to proactively strengthen the credit documentation in its indentures to alleviate market concerns. The issuer ultimately enhanced structural bondholder protections and its governance framework, which was a positive development for the issuer's credit profile.

5.5 Private markets

When one of our primary managers took a controlling stake in a **genealogy and gene testing business**, questions were raised in the media around **data protection and information security risk**. Questions around the evolution of the investee companies' business model and the potential monetisation of the company's DNA database were also raised. In recognition of the potential risks and sensitivities associated with the transaction, the RI&E Team at LGPSC worked with colleagues in the Private Equity Team to engage with the manager to raise these concerns. The manager recognised the significance of data privacy to the investee company and provided assurance around the capabilities of their own data team outlining the extensive involvement of the team in the deal from the outset. It was clear that due consideration was given to key regulations such as GDPR. Assurances were also given that the company's commitment to transparency and disclosure around data processing would remain post-acquisition and that policies and procedures would remain best in class. Through this engagement, LGPSC was able to establish that the specific risks raised were managed appropriately thus mitigating the risk of litigation and reputational damage.

An allegation was made by a US capital management company that the CEO of a **diversified environmental services company** (held by LGPSC through a co-investment vehicle) had **connections to organised crime**. This raised significant concerns around the leadership and governance of the company, particularly as the CEO was a founder of the company. The LGPSC Private Equity Team raised the issue with the primary manager who refuted the allegations robustly pointing to the extensive due diligence undertaken by themselves and other investors during the deal process. A number of other sources of information were also referenced including broker research. Credible question marks were also raised around the motivation of the capital manager who raised the allegations.

Through this interaction with our co-investment manager, LGPSC was able to get comfort that these allegations posed no risk to the value of our investment, nor did they raise concerns around culture and governance. We remain confident that the company is able to execute its strategy and continue to provide critical sustainable environmental solutions to its clients.

One of our primary managers notified us of an issue with a potential co-investment opportunity in a **medical supplies company**. The company had found **evidence of forced labour issues in the supply chain of one of their largest medical glove suppliers.** Issues that had come to the attention of US Border Protection authorities. We took comfort that the manager notified us of the issue. However, we still challenged them hard on their due diligence and their efforts to ensure that the company addressed the issue as a matter of urgency. We communicated to the manager that we have a zero-tolerance for forced labour issues regardless of the jurisdiction in which they arise.

We consider that supply chain disruption can be a material risk for corporations and can cause reputational damage that is hard to quantify and difficult to rectify. In this case regulatory censure was also a potential issue.

Therefore, by pursuing the matter to a satisfactory conclusion we were acting in the best financial interests of our beneficiaries as well as acting as a responsible steward on their behalf.

Following an article in the Financial Times, the Private Markets Team at LGPSC raised concerns about one of our Primary managers handling of an **alleged harassment case involving a leading media and technology company** which was a subsidiary of a conglomerate they held a significant stake in. While LGPSC is not a direct investor in the media and technology company, we were concerned about the implications of the case in terms of the Primary managers' handling of ESG issues more broadly. Following discussions with the manager we recognised their role on the supervisory board of the parent company afforded them limited involvement in the direct handling of the case beyond the appointment of an independent law firm to investigate.

We took comfort that once the true nature of events was understood, swift action was taken to remove the member of staff involved and to implement a programme of cultural change within the firm which included diversity training. We provided robust challenge but concluded that the manager acted appropriately in the circumstances and that they took the issue very seriously. Our understanding of the company's approach to ESG matters gleaned during the initial due diligence process was ultimately reinforced. We concluded that the rating applied to the manager during the initial due diligence process in terms of their ESG capabilities remained valid.

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FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

PENSIONS AND INVESTMENTS COMMITTEE

WEDNESDAY, 8 JUNE 2022

Report of the Interim Director - Finance and ICT

Pension Administration Strategy

1. Purpose

1.1 To seek the Committee's approval for the draft revised Derbyshire Pension Fund Pension Administration Strategy (PAS) attached as Appendix 2.

1.2 To seek approval for the (Interim) Director of Finance & ICT, in conjunction with the Chair of the Committee, to consider the results of the consultation on proposed PAS, and for the (Interim) Director of Finance & ICT and the Chair to determine if any revisions to the proposed PAS are necessary following the consultation, to enable the strategy to be implemented from 1 August 2022

2. Information and Analysis

2.1 Background

Derbyshire Pension Fund (the Fund) is committed to working efficiently and effectively with its employers to provide a high-quality pension administration service to all the Local Government Pension Scheme (LGPS) members in Derbyshire.

To support this aim, the Fund maintains a Pension Administration Strategy (PAS), in line with Regulation 59 of The Local Government Pension Scheme Regulations 2013, which is reviewed annually. Changes to the PAS are subject to consultation with participating employers and approval by the Committee.

The revised PAS will be published on the Fund's website and all participating employers will be notified upon approval of the changes applied and of the location of the revised version.

2.2 Purpose of the PAS

The PAS sets out the roles, responsibilities, and service standards which the Fund and participating employers will be expected to deliver in order to support the efficient administration of Fund members' records. It also includes details of how employers will be monitored, supported and managed should they fail to meet the required standards of performance in submitting accurate and timely data and payments to the Fund.

The last review of the PAS was undertaken and approved by the Committee in March 2021. The revisions made at that time introduced procedures relating to electronic data submissions for employers who had moved to the Fund's i-Connect secure monthly data submission service. As the Fund was still in the early stages of implementing i-Connect, the PAS also continued to reflect procedures for employers who had still to implement the i-Connect method of data submission

A copy of the March 2021 PAS is included for comparison purposes with this report at Appendix 3. Due to the fundamental changes applied in the draft revised version, a tracked changes copy has not been included with the report.

The Fund started the i-Connect project in November 2019, with the target of commencing the implementation of i-Connect for the submission of individual scheme member data for all participating employers by the end of 2021.

Due to the impact of the Covid pandemic on employers' day-to-day operations the deadline for employers to have commenced engagement with the Fund in respect of implementing i-Connect has been extended to 31 March 2023 to allow employers more time to introduce the new method of data submission.

The revised PAS establishes i-Connect as the standard method for the Fund's employers to submit member data and introduces charges for employers who fail to engage with the Fund on implementing i-Connect. Charges applied to such employers will be based on recovering the administrative costs to the Fund of maintaining a separate process for receiving their data.

At the time of writing, data for over 80% of current active scheme members is submitted to the Fund through i-Connect from 223 employers who have fully implemented the electronic method of submission. The Fund is currently working with a number of employers towards their implementation of i-Connect and actively seeking engagement from those who have yet to respond to Fund communications about this system.

3. Consultation

3.1 Derbyshire Pension Board (the Board) reviewed the proposed changes to the PAS and the updated version incorporates the Board's suggestions.

Subject to the Committee's approval, a consultation will be undertaken with the Fund's participating employers on the revised Pension Administration Strategy. The results of the consultation will be reported to the Committee at the next meeting.

Approval is sought for the (Interim) Director of Finance & ICT, in conjunction with the Chair of the Committee, to consider the results of the consultation in the meantime, and for the (Interim) Director of Finance & ICT and the Chair to determine if any revisions to the proposed Pension Administration Strategy are necessary following the consultation, to enable the strategy to be implemented from 1 August 2022.

4. Implications

4.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

5. Appendices

5.1 Appendix 1 – Implications
5.2 Appendix 2 - Draft revised Pension Administration Strategy
5.3 Appendix 3 – Existing Pension Administration Strategy (March 2021)

6. Recommendation(s)

That Committee:

a) approves the draft Derbyshire Pension Fund Pension Administration Strategy 2022 attached as Appendix 2, for consultation with the Fund's participating employers.

b) delegates the consideration of the results of the consultation, and the determination of whether any revisions to the proposed Pension Administration Strategy are necessary following the consultation, to the (Interim) Director of Finance & ICT in conjunction with the Chair of the Committee.

7. Reasons for Recommendation(s)

7.1 The Local Government Pension Scheme Regulations 2013 set out at Regulation 59 that an administering authority may prepare a written statement of the authority's policies in relation to matters of pension administration.

7.2 Changes to the PAS are necessary to reflect the transition to i-Connect as the standard method of data submissions from employers to the Fund and to reflect the introduction of charges for employers who fail to engage with the Fund on the implementation of i-Connect.

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Appendix 1

Implications

Financial

1.1 None

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 None

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

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Appendix 3

Derbyshire Pension Fund

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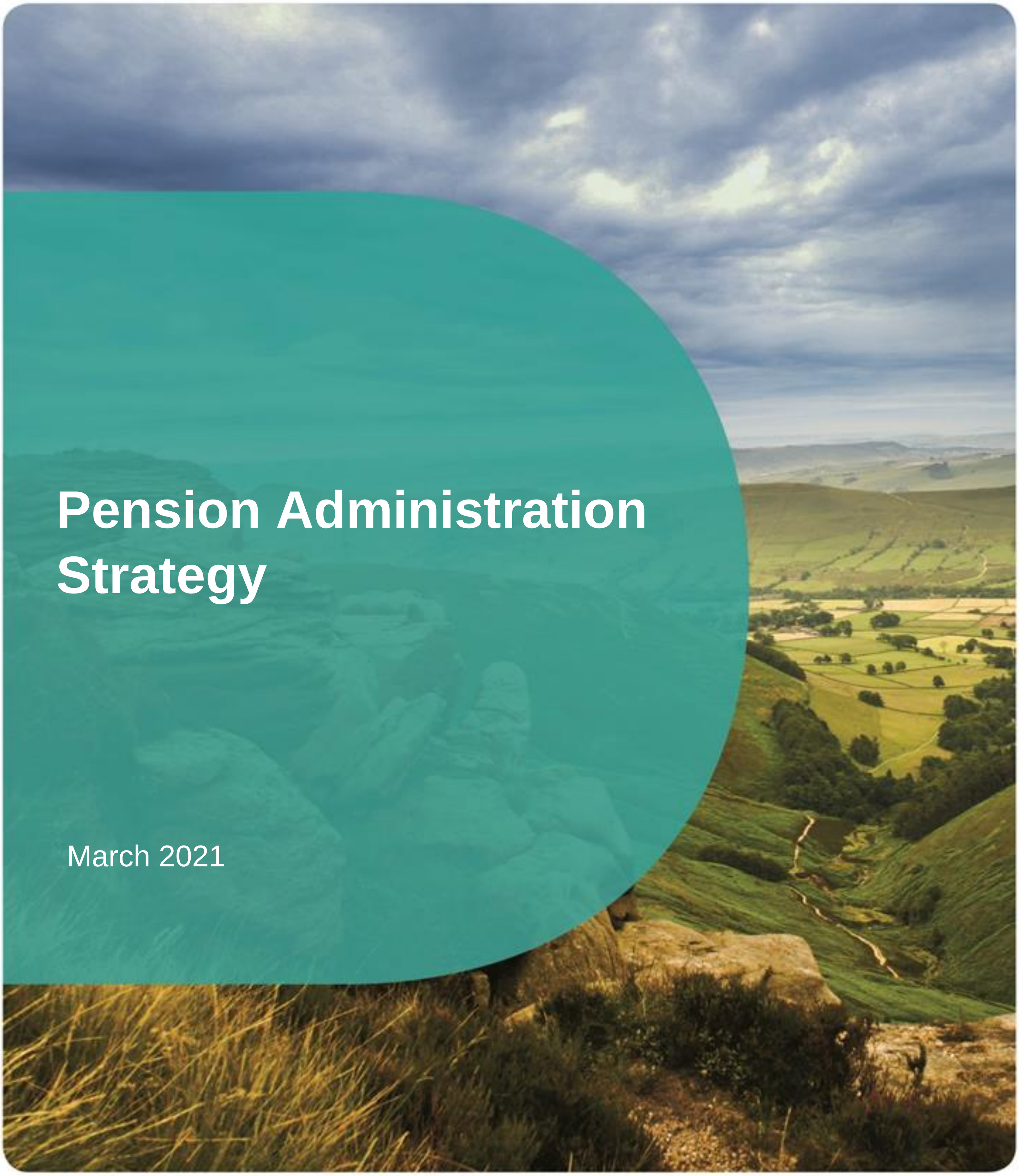

Pension Administration Strategy

March 2021

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

lgps

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1. Introduction

This is the Pension Administration Strategy (the Strategy) of Derbyshire Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by Derbyshire County Council (the Administering Authority).

The LGPS is a statutory scheme and governed by regulations. The current regulations relating to administration are The Local Government Pension Scheme Regulations 2013 (as amended).

The following link to the Local Government Association's (LGA) "LGPS Regulations and Guidance" website provides an up to date version of the LGPS Regulations 2013, including changes made subsequently through amending statutory instruments:
lgpsregs.org/schemeregs/lgpsregs2013.php

The Administering Authority and the Fund's employers are required to comply with any relevant overriding legislation and follow any regulatory guidance or Code of Practice issued by The Pensions Regulator in discharging their roles and responsibilities under these regulations with regard to data quality, completeness and timeliness.

The legal context for this Strategy is Regulation 59 of The Local Government Pension Scheme Regulations 2013, which allows Administering Authorities the opportunity to prepare a Pension Administration Strategy.

This strategy sets out the standards of performance and best practice that the Administering Authority and the Fund's employers should aim to meet when carrying out their scheme functions. It is reviewed annually and will be revised to reflect changes to:

- LGPS regulations
- policies determined by the Administering Authority
- administrative practices executed by the Fund and its employers in fulfilling its functions

It also includes a schedule of additional administration costs in accordance with Regulation 70 of the LGPS Regulations 2013, which provides scope for pension funds to recover costs where additional costs are being incurred due to an employer's level of performance.

Levels of performance achieved by both the Fund and scheme employers are reported;

- as part of a Pension Administration Report at the Administering Authority's Pensions and Investments Committee
- at Derbyshire Pension Board meetings
- in the Fund's Annual Report

This strategy is published on the Fund's website (derbyshirepensionfund.org.uk/aboutthefund) and signposted to all participating employers in an Employer Newsletter. This is following its formal approval by the Pensions and Investments Committee in its role as the Administering Authority of the Fund. A copy will also be submitted to the Secretary of State as required in Regulation 59.

2. Aims of the Strategy

The aims of this Pension Administration Strategy are to:

- Support the provision of a high-quality pension service to Fund members delivered through efficient working practices
- Clearly set out the respective roles and responsibilities of the Administering Authority and scheme employers
- Ensure that the Fund operates in accordance with LGPS regulations and Codes of Practice issued by The Pensions Regulator
- Set out the quality and performance standards expected of the Administering Authority and its scheme employers in relation to each other
- Promote good working relationships and improve efficiency between the Administering Authority and its scheme employers for the benefit of Fund members
- Provide a framework to enable administration costs relating to significant employer underperformance to be met directly by the employer responsible, rather than shared across all the employers in the Fund[1]

The efficient delivery of the benefits of the scheme is dependent upon effective administrative procedures being in place between the Administering Authority and scheme employers, principally the timely exchange of accurate information in relation to scheme members.

This strategy sets out the expected levels of performance of the Administering Authority and the scheme employers and provides details about the monitoring of performance levels.

The strategy is implemented from 1 April 2021 following consultation with the Fund's employers and will be kept under review and updated as required to reflect changes in scheme regulations and Fund working practices.

Derbyshire Pension Board, in its role of assisting the administering authority to ensure the effective and efficient administration and governance of the Scheme, will also monitor the operation of this strategy: derbyshirepensionfund.org.uk/pensionboard

3. Record Keeping

Record keeping is an essential part of running a scheme such as the LGPS. Funds and their employers have a legal obligation to collate and maintain certain data which is key to managing the scheme.

Derbyshire Pension Fund must keep accurate, up-to-date and long-term records, within the parameters of data protection legislation to ensure it can govern and administer the Fund efficiently for all scheme members.

Employers provide the data needed by the Fund and must ensure that they are meeting their legal obligations to the scheme.

[1] *Regulation 70 of the 2013 LGPS Regulations permits the recovery of additional costs from an employer where its level of performance has caused additional costs to the Fund*

The Fund has a legal duty to provide its members with accurate and timely information about their benefits, which cannot be issued without data from employers.

4. Development of the Fund's administration

i-Connect

Since 2019, the Fund has been working towards the full implementation of i-Connect. This is an additional module of the Aquila Heywood pension administration platform. The i-Connect module allows the Fund's scheme employers to automate the transfer of member data from their payroll systems to the Fund's pension administration system (Altair) on a monthly basis.

By onboarding the Fund's scheme employers onto i-Connect, this efficient solution will:

- reduce the need for manual inputting of pension related data
- allow ongoing data validation and a more timely resolution of queries
- reduce the workload of year-end reconciliation and reporting
- ensure the maintenance of a stable and accurate membership database
- receive data in line with statutory rules thus avoiding the risk of enforcement action and financial penalties by The Pensions Regulator for breaching legislative time limits and other requirements

Maintaining up to date member records ensures the accurate calculation of employers' pension contribution rates and the provision of a better service for fund members.

This strategy applies a deadline of 31 December 2021 for all the scheme employers to have commenced the implementation of i-Connect and the monthly transfer of its data submissions.

Where an employer declines to work towards the implementation of i-Connect, an administrative charge may be applied for the resources needed to administer active members of the Fund outside of the i-Connect process.

Charges may be levied annually for non-participating employers. These will be set by the Fund at the end of the implementation of the i-Connect project after 31 December 2021 and notified to the Fund's employers.

Member Self Service: My Pension Online

The Fund plans to introduce a secure, online portal to allow active, deferred and pensioner members to view certain parts of their pension information, to undertake a restricted number of data amendments and to carry out benefit projections on-line. This online service is known as "My Pension Online", which will eventually become the Fund's default method of communication with members.

The Fund will promote this service to scheme members and reflect it in the Fund's Communication Strategy. Employers will be expected to assist in the promotion of the "My Pension Online" service and encourage their employees who contribute to the LGPS to register for the service.

In the first instance, My Pension Online will deliver the electronic provision of Annual Benefit Statements to active and deferred members.

5. Roles and responsibilities

The aims of this strategy will be achieved by:

- clearly defining the respective roles of scheme employers and the Administering Authority
- setting clear and achievable standards of service levels for the functions carried out by scheme employers and the Administering Authority
- setting out clear procedural guidance for the secure and effective exchange of information between scheme employers and the Administering Authority
- monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve performance where required
- applying additional charges where an employer consistently fails to meet deadlines to ensure the resulting additional administrative strain is not a burden on all employers

6. Employer roles and responsibilities

The primary responsibilities for the employer are to:

- **Communicate** the LGPS to eligible staff
- **Apply** the scheme via the collection and payment of the correct levels of pension contributions
- **Report** information and data to the Pension Fund as set out in this strategy

The delivery of an efficient and cost-effective administration is dependent upon a successful joint working partnership between the Pension Fund and key individuals within or representing the scheme employer.

To support and develop the joint working partnership with the Fund, each employer is asked to designate a primary contact to liaise with the Fund about their employer responsibilities in the administration of the scheme.

The employer responsibilities are to ensure that the standards and levels of service set out in this Administration Strategy are delivered and regulatory responsibility is complied with.

This section outlines a brief summary of key employer's responsibilities, along with a more detailed listing of the responsibilities of each participating scheme employer in the Fund and the performance standards employers are expected to achieve to enable the Fund to deliver an efficient service.

Summary of key employer responsibilities

- Ensure that the standards and levels of service set out in this Administration Strategy are delivered and regulatory responsibility is complied with. In brief summary, the main elements are:
    - Monthly payment and reporting of pension contributions
    - Monthly submission of i-Connect data transmissions
    - Accurate submission of a Year-End Return where required
    - Notification of new starter / joiner information
    - Changes to personal details

- Changes to employment details
- Unpaid absence details
- Leaver notifications
- Provision of evidence supporting employer's pension-related decisions (For example ill-health retirements, flexible retirement, redundancy, the early release of benefits to deferred members on compassionate or ill-health grounds)

- Channel communications to appropriate staff within the employer (For example, Human Resources, Payroll teams, Director of Finance)

- Arrange distribution of LGPS related communications to scheme members, as and when required.

- Assist and liaise with the Fund on promotional activities, including encouraging registration for the "My Pension Online" service.

- Inform the Fund of any outsourcings of service which involve the transfer via TUPE of LGPS eligible staff as soon as possible to ensure that appropriate pensions information can be included in tender documentation, and employees' eligibility for, and membership of the LGPS is protected.

- Inform the Fund of changes to service delivery arrangements (for example changing payroll provider)

- Liaise with, and assist the Administering Authority in the identification, explanation, reporting and resolution of statutory breaches, as required by the Pensions Regulator's Code of Practice for public service pension schemes (code of practice 14)

Employer responsibilities – Roles, Functions and Performance Targets

The following tables set out in more details each employer's roles in respect of the administration of the scheme in the areas of

- Scheme Governance and Administration
- Individual Member Administration

The performance standards expected are expressed as targets expected in normal circumstances.

On an exceptional basis, it is accepted that it may not be possible to achieve the target indicated and a pragmatic approach will be adopted. This is subject to employers using their best endeavours to meet expected standards wherever possible.

Scheme Governance and Administration

This section details the functions which relate to overall governance and administration, rather than functions that relate to individual scheme members' benefits.

- **Employer contacts**

Notification to the Fund of employer contacts

Function / Role	Description	Performance Target
Main contact	Nominate a named primary contact to liaise with the Fund. Notification by completion of AS12 form available from the Fund on request.	**Within 1 month** of employer joining fund or change to nominated representative.
All Authorised Contacts	Designate and confirm other nominated representative(s) (Payroll, HR. Finance) to act on behalf of the employer in respect of administering the LGPS by submitting the Fund's Authorised Signatory forms to pensions.regs@derbyshire.gov.uk as follows: **AS12** – Contacts and Signatories **AS2** – Authorised Signatories Forms are available from the Fund on request.	**Within 1 month** of becoming a scheme employer or **within 1 month** of a change in nominated representative(s).
Appeals Adjudicator	Appoint a person to consider appeals under Stage 1 of the Applications for the Adjudication of Disagreements Procedure (AADP) and provide full, up to date contact details to the Fund. Notify the Fund via email to pensions.regs@derbyshire.gov.uk	**Within 1 month** of becoming a scheme employer or **within 1 month** of a change in adjudicator**.**
Independent Registered Medical Practitioner	Complete the AS3 – Medical Practitioners form to appoint an Independent Registered Medical Practitioner(s) (IRMP) qualified in occupational health medicine, or arrange with a third party, and seek approval of the appointment from the Fund, for the consideration of all ill-health retirement applications from active and deferred members. AS3 form is available from the Fund upon request: pensions.regs@derbyshire.gov.uk	**Within 1 month** of becoming a scheme employer or within 1 month of a change in IRMP(s).

- **Employer Discretions Policy**

Setting an Employer Discretions Policy and notifying the Fund

Function / Role	Description	Performance Target
Preparing an Employer Discretions Policy	Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the LGPS (including providing a copy of the policy document to the Fund).	To be kept under review and a revised statement published **within 1 month** of any changes and no later than 6 months after being informed by the Fund of any relevant change in regulations.

- **Pension Contributions**

Applying, paying and reporting of pension and AVC contributions

Function / Role	Description	Performance Target
The Employer's Rate	Apply the employer contribution rate agreed with the Fund on becoming a scheme employer and adjust as instructed by the Fund from a date determined by the Fund.	**Immediately** on receipt of information from the Fund effective from a date determined by the Fund following advice from the scheme actuary.
The Employee's Rate	Calculate and review the correct employee contribution rate band for all members at commencement and on 1st April each year. Also, to be reviewed at intervals during the year at the employer's discretion. Current employee contribution bandings and rates available at derbyshirepensionfund.org.uk/contributions	Immediately on commencement, on **1st April each year** and as per the employer's discretionary policy on adjusting the employee's contribution rate at intervals during the year.
Assumed Pensionable Pay	Ensure the correct application of Assumed Pensionable Pay (APP) during periods of reduced or nil pay in accordance with the LGA's HR and Payroll Guides. Information available at derbyshirepensionfund.org.uk/employers/newsletters-and-guides/employer-guides-and-training.aspx	Review of eligibility for APP **immediately** upon a member moving to reduced / nil pay.
Payment to the Fund	Arrange payment of Employee, Employer and any Additional contributions and submit the Contributions Report form (CR1) to the Fund.	By the **19th** of the month after collection from pay.
Payment of AVCs	Arrange payment of Additional Voluntary Contributions (AVCs) **to the AVC provider(s).**	By the **19th** of the month after collection from pay.

- **Data Returns**

Submission of data returns to the Fund via i-Connect or Year-End Return

Function / Role	Description	Performance Target
i-Connect (Secure Data Transmission Service)	Provide an accurate and complete submission of data via i-Connect in the format required by the Fund via for each calendar month.	By **19th** of the month following the relevant calendar month.
Year-End Return (Employers not yet live on i-Connect)	Provide a fully reconciled and completed year-end return to the Fund in the format set by the Fund in the instructions issued each February.	**By the date set by the Fund** in the April following the year-end.
Queries from the Year-End Return	To resolve all queries returned from the year-end return.	To respond fully to all queries from the Fund within **3 weeks** of receipt of the query. In circumstances where an employer submits a late year-end return limiting the Fund's time to complete its duties, the timescales may be reduced, as advised by the Fund.

- **Communications**

Supply of pension data to new and existing LGPS eligible employees

Function / Role	Description	Performance Target
LGPS content in Contracts	Ensure content approved by the Fund is included in all contract / appointment / adjustment communications for LGPS-eligible positions including direction to derbyshirepensionfund.org.uk	Review LGPS content annually or within **2 weeks** of receipt of information about adjustment to Fund approved wording.
Fund Communications to Scheme Members	Distribute any information provided by the Fund to scheme members / potential scheme members. Refer new or prospective scheme members to the Fund's website derbyshirepensionfund.org.uk/newjoiners	Within **2 weeks** of its receipt. Within **2 weeks** of commencement of employment or change in contractual conditions.

- **Appeals**

Notification to the Fund of appeals submitted via the Applications for the Adjudication of Disagreements Procedure (AADP)

Function / Role	Description	Performance Target
AADP Stage 1 Appeals	The Employer's Adjudicator to notify the Fund of the **receipt** of a Stage 1 appeal via AADP. Notifications via secure email to pensions.regs@derbyshire.gov.uk	Within **1 week** of receipt of the appeal.
AADP Stage 1 Appeals	The Employer's Adjudicator to notify the Fund of the **decision** in respect of an appeal at Stage 1 of AADP. Notifications via secure email to pensions.regs@derbyshire.gov.uk	Within **1 week** of the decision.
AADP Stage 2 Appeals	The Employer's Adjudicator to provide the Fund with all documentation considered in the determination of the Stage 1 appeal for consideration in the adjudication of the appeal at AADP Stage 2	Within 1 week of the receipt of the request from the Fund.

- **Outsourcing / TUPE arrangements**

Notification to the Fund of the arrangements for outsourcing of services/functions involving the transfer via TUPE of LGPS eligible employees

Function / Role	Description	Performance Target
Initial notification to Fund of intention to outsource	Notify the Fund of contracting out of services which will involve a TUPE transfer of LGPS eligible staff to another organisation to enable LGPS information to be provided to potential contractors. Guidance available at derbyshirepensionfund.org.uk/admissionbodies	At the point of deciding to tender.
Lead contacts	Notify the Fund of lead strategic and operational officers in respect of outsourcing of service provision where a prospective contractor may request to join the Fund as a result of re-organisation or TUPE transfer. Notification form available at derbyshirepensionfund.org.uk/admissionbodies	At determination of successful tender.
Admission arrangements for new contractor	Work with Fund Officers to arrange for the admission of a contractor as a new employer in the Fund	A minimum of **2 months** in advance of the date of contract.
Changes to the contract	Notify the Fund of changes / extension / cessation of arrangements with a contractor	As soon as decision is agreed.
Management of Admission Agreement	Assist the Fund in ensuring that the terms of the contractor's admission as a scheme employer (Admission Agreement) are complied with.	Notify the Pension Fund if the terms of the Admission Agreement have been breached.

- **Strain / Shortfall Payments to the Fund**

Payment to the Fund of shortfall / strain costs and charges in respect of discretionary compensation / enhancements

Function / Role	Description	Performance Target
Shortfall / Strain payments to the Fund	Make shortfall / strain payments to the Fund in respect of early payment of benefits from redundancy, business efficiency and flexible retirements or where a member retires early with employer's consent.	**Immediate** payment upon receipt of invoice from the Fund.
Payments in respect of discretionary compensation and enhancement arrangements	Arrange payment of recharges in respect of pension members for example discretionary compensation or enhancement	**Immediate** payment upon receipt of invoice from the Fund.

- **Miscellaneous**

Other pension-related arrangements with the Fund

Function / Role	Description	Performance Target
Payments in respect of FRS102/IAS19 reports	Payments in respect of FRS102 and IAS19 work carried out on behalf of Employers by the Fund and the Fund Actuary	**Immediate** payment upon receipt of invoice from the Fund.
Payment of other actuarial charges	Payments in respect of all other work carried out on behalf of the Employer by the Fund's Actuary and connected data quality assurance undertaken by the Fund	**Immediate** payment upon receipt of invoice from the Fund.
Payment for specific Fund services	Prompt payment of invoices issued by the Fund for specific services provided.	**Immediate** payment upon receipt of invoice from the Fund.
Non-standard Enquiries from the Fund	Respond to enquiries from the Fund.	Within **2 weeks** from receipt of the enquiry.
Non-compliance charges	Make payment of additional costs to the Fund associated with non-compliance with performance standards of the scheme employer.	**Immediate** payment upon receipt of invoice from the Fund.
Breaches of the law	Respond to enquiries from the Fund relating to Breaches of the Law.	Within **1 week** of the request.

Individual Member Administration

This section details the functions which relate to scheme member benefits from the LGPS.

- **New Starters**

Provision of information about new starters / joiners

Function / Role	Description	Performance Target
Contract Wording	Ensure Fund approved content relating to pensions is included in all contract / appointment communications for LGPS-eligible positions including direction to the Fund's web presence (derbyshirepensionfund.org.uk).	As part of standard contract / appointment templates.
Applying contributions to payroll	Ensure that the correct percentage and banding for employee's LGPS contributions is applied to the new joiners pay record. LGPS eligible employees must be entered into the scheme from the commencement of their employment, with the following exceptions; Employees with a contract of less than 3 months Casual and relief employees Such employees must be offered the opportunity to join the LGPS from commencement, or automatically entered upon meeting auto-enrolment criteria.	From date of commencement or joining the scheme.

Function / Role	Description	i-Connect Return method	Standard return method	Performance Target
Notifying the Fund	Notify the Fund of new scheme joiners	Monthly submission of i-Connect data transmissions	'**S1 – Starter form**' or spreadsheet submission arranged with the Fund	Within **1 month** of member's entry into the scheme via contractual enrolment, auto-enrolment, re-enrolment date or election to join. Evidence of an employee's election to join the LGPS must be retained on personnel files and copied to the Fund on request. If an employee is entered into the LGPS incorrectly, the employer is responsible for the reimbursement of contributions paid in error to the employee (or former employee).

- **Changes**

Provision of information about changes to personal details, employment information and unpaid absence details:

Function / Role	Description	i-Connect Return method	Standard return method	Performance Target
Changes to Personal details	Notify the Fund of changes in employees' personal details via the individual **C1. Change of Personal Details Form.** Change of Name Change of Address Correction of Date of Birth / NI number Change of Marital / Civil Partnership Status.	Monthly submission of i-Connect data transmissions.	C1 – Change of personal details form.	Within **1 month** of the event or receipt of information.
Changes to Employment Details	Notify the Fund of Changes in Employment Details via the individual **C2 Change of Employment Details form** where required, including movement in and out of the 50 / 50 scheme, changes in hours etc.	Monthly submission of i-Connect data transmissions.	C2 – Change of employment details form.	Within **1 month** of the event or receipt of information.
Notification of Unpaid Absences	Notify the Fund of periods of unpaid absence not covered by Assumed Pensionable Pay (APP) via the **C3 Unpaid Absence form**.	Monthly submission of i-Connect data transmissions.	C3 – Unpaid absence form.	Within **2 months** of the event or receipt of information.
Dismissal (Gross misconduct and recovery of financial losses)	Notify the Fund where recovery of financial loss is sought from the dismissed employee's pension.	C4 – Dismissal Form.	C4 – Dismissal Form.	Within **3 months** of the employee's date of conviction.

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- **Additional Pension Contributions (APCs)**

Payment and reporting of Additional Pension Contributions to cover lost pension due to authorised unpaid leave or industrial action, or to boost the member's pension at retirement:

Function / Role	Description	i-Connect return method	Standard return method	Performance Target
Notification to member of APC option – Buying lost pension	Ensure members are notified of the option to pay Additional Pension Contributions following absences not covered by Assumed Pensionable Pay (APP).	Not applicable.	Not applicable.	Notify member within **2 weeks** of the return to work.
APCs – Buying lost pension	Apply APCs on receipt of application from member and notify the Fund with a copy of the application.	Not applicable.	Not applicable.	Apply to next available payroll and notify fund within **1 month** of receipt of members application.
APCs – Buying extra pension	Apply APCs on receipt of receipt of notification from Fund.	Not applicable.	Not applicable.	Apply to next available payroll.
APC adjustments and ceasing	Apply adjustments to APC amounts on notification from Fund.	Not applicable.	Not applicable.	Apply to next available payroll.
Provision of APC data to the Fund	Include APC payments in member notifications to the Fund.	Notification of payments to fund via monthly submission of i-Connect data transmissions.	Notification of payments to fund on year-end return.	**i-Connect:** 19th of the month following the payment period. **Standard return:** Year-end return deadline set by the Fund.

- **Additional Voluntary Contributions (AVCs)**

Payment and reporting of AVCs to Fund and AVC provider:

Function / Role	Description	i-Connect Return method	Standard return method	Performance Target
Application of AVCs to payroll	Arrange for the deduction of AVCs from scheme member's pay following notification from AVC Provider.	Not applicable.	Not applicable.	Commence deduction of AVCs on the next available payroll as advised by payroll provider.
Payment of AVC contributions to AVC Provider	Ensure payment of AVC contributions to AVC provider within required timescale.	Not applicable.	Not applicable.	AVCs must be paid over to the AVC Provider by 19th of the following month.

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Provision of AVC data to the Fund	Include AVC payments in member notifications to the Fund.	Notification of payments to fund via monthly submission of i-Connect data transmissions.	Notification of payments to fund on year-end return.	**i-Connect:** 19th of the month following the payment period **Standard return:** Year-end return deadline set by the Fund.

- **Opt-Outs**

Function / Role	Description	i-Connect Return method	Standard return method	Performance Target
Contributions	Apply an election to opt out of the LGPS to the member's payroll record.	Not applicable.	Not applicable.	From the 1st of the month for the next available payroll.
Notification to the Fund	If the member opts out **within 3 months** of joining the scheme, the member is treated as having opted out immediately upon entry.[2]	Notification of opt out via monthly submission of i-Connect data transmissions Employer to retain copy of Opt-out application form and provide to Fund only on request	Notify the Fund via an amended '**S1 - Starter form**'. Employer to retain copy of Opt-out application form and provide to Fund only on request	Within **1 month** of the opt-out being actioned on payroll.
Notification to the Fund	If the member opts out **3 months** or more since joining the scheme[3]	Notification of opt out via monthly submission of i-Connect data transmissions Employer to retain copy of Opt-out application form and provide to Fund only on request	Notify the Fund via the '**L1 – Leaver form'**. Employer to retain copy of Opt-out application form and provide to Fund only on request	Within **1 month** of the opt-out date. Where the opt-out is made within 3 months and is backdated to the start date, an **L1 – Leaver form must still be submitted** showing the scheme leaving date as the first date of employment.

[2] Note-The employer is responsible for reimbursement of pension contributions to employees who opt-out within 3 months of entry
[3] The Fund will determine if the member is eligible for a refund of contributions paid and contact them directly

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- **Notifications of Leaver**

Notification of pay, contributions and other details in respect of leavers and retirements, including the accurate determination of the Final Pensionable Pay for all cases where the member had LGPS membership before 1 April 2014.

Function / Role	Description	i-Connect Return method	Standard return method	Performance Target
Leavers under age 55	Notification of leaver	Via monthly submission of i-Connect data transmissions, and manual completion of **L3 – Leaver Form i-Connect**[4] to dpf.employers@derbyshire.gov.uk	Submission of completed '**L1 – Leaver form**' to dpf.employers@derbyshire.gov.uk	Within **1 month** of date of leaving / opt out date.
Leavers age 55 or over	Notification of leaver	Submission of completed '**L1 - Leaver form**' to dpf.employers@derbyshire.gov.uk	Submission of completed '**L1 – Leaver form**' to dpf.employers@derbyshire.gov.uk	For members in receipt of **regular** pay where the employer can accurately project pay to the date of retirement, up to **1 month** prior. For members in receipt of **variable** pay, within **1 week** of finalising the member's last contractual pay.
Redundancy **Business Efficiency** **Flexible Retirement**	Notification of employer decision and authorisation for payment of pension benefits.	Submission of completed '**L1 - Leaver form**' **and** letter to provide evidence of decision and agreement to shortfall / strain costs to dpf.employers@derbyshire.gov.uk	Submission of completed '**L1 - Leaver form**' **and** letter to provide evidence of decision and agreement to shortfall / strain costs to dpf.employers@derbyshire.gov.uk	For members in receipt of **regular** pay where the employer can accurately project pay to the date of retirement, up to **1 month** prior. For members in receipt of **variable** pay, within **1 week** of finalising the member's last contractual pay
Ill-Health Retirement **Active members**	Notification of employer decision relating to ill-health retirements.	Submission of completed '**L1 – Leaver form**' **and** Ill-Health Medical Certificate. to dpf.employers@derbyshire.gov.uk	Submission of completed '**L1 – Leaver form**' **and** Ill-Health Medical Certificate. to dpf.employers@derbyshire.gov.uk	For members in receipt of **regular** pay where the employer can accurately project pay to the date of retirement, up to **1 month** prior. For members in receipt of **variable** pay, within **1 week** of finalising the member's last contractual pay.

[4] L3 form will be issued to employers by the Fund where required for notification of final salary details for scheme members who have LGPS membership before 1 April 2014

Ill-Health Retirement **Deferred members**	Notification of employer decision relating to applications for the early release of deferred pension benefits on the grounds of ill-health.	Ill-Health Medical Certificate *(version to be completed based on member's last employment leaving date as determined by Fund)* to dpf.employers@derbyshire.gov.uk	Ill-Health Medical Certificate *(version to be completed based on member's last employment leaving date as determined by Fund)* to dpf.employers@derbyshire.gov.uk	Within **1 week** of employer decision on the application.
Serious ill health	Notify the fund via email or phone without delay for guidance if a member has a limited life expectancy	Not applicable.	Not applicable.	Immediately on becoming aware that a member is seriously ill.
Death in service	Notify the Fund of the Death of an Employee	Provide Next of Kin details via an **L1 – Leaver Form**.[5] to dpf.employers@derbyshire.gov.uk	Provide Next of Kin details via an **L1 – Leaver Form**. to dpf.employers@derbyshire.gov.uk	Provide an initial notification within **3 working days** of the employer being informed of the death of the employee.

- **Communication with scheme members in respect of formal appeals against pension-related decisions**

Function / Role	Description	Performance Target
AADP Stage 1 Acknowledgement	The employer's adjudicator to acknowledge receipt of the Stage 1 AADP.	Immediately.
AADP Stage 1 Decision	Determine appeals against the employer at Stage 1 of AADP in accordance with *The Local Government Pension Scheme Regulations 2013* (Regs 74 and 75).	Within 2 months of receipt of the appeal. *(Where a decision cannot be reached within 2 months, notify the appellant of reasons for the delay and the date when a decision can expected to be reached).*

[5] To ensure the timely calculation and payment of pension benefits to members and, where applicable, beneficiaries, i-Connect employers are still required to submit a fully completed L1 – Leaver Form in all such cases.

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7. The Administering Authority's roles and responsibilities

The responsibilities for the Administering Authority are to:

- administer the LGPS in respect of all scheme members (Active, Deferred and Pensioner members) in accordance with this Strategy
- maintain and review the Fund's policies, strategies, statements, reports and all other matters relating to the governance of the scheme. The fund's policies, strategies and statements can be viewed on the fund's website: derbyshirepensionfund.org.uk/aboutthefund
- communicate and engage with employers on LGPS matters
- provide support and training to scheme employers
- maintain and develop an effective web presence for the benefit of members and scheme employers

The list of functions, which concentrates on the main roles, rather than being an exhaustive list, sets out the areas which involve interaction and liaison with scheme employers and / or scheme members.

Scheme Governance and Administration

This section outlines the responsibilities of Derbyshire County Council as the Administering Authority for Derbyshire Pension Fund and the performance standards which scheme employers and scheme members should expect. It is focussed on the activities which involve interaction with scheme employers and / or scheme members and should not be viewed as an exhaustive list.

- **Fund policies, strategies and statements**

Published Fund policies, strategies and statement for periodic review:

Function / Role	Description	Performance Target
Pension administration strategy	Roles and responsibilities for Employers and Pension Fund.	Annual review.
Admission, cessations and bulk transfer policy	Employer admissions and exits, including bulk transfer policy.	Annual review.
Communications policy and strategy	Statements of communications policy and strategy for communication development.	Annual review.
Complaints policy	Policy for Fund complaints procedure.	Annual review.
Fund discretions policy	Pension Fund's LGPS discretions.	Annual review.
Funding strategy statement	Actuarial strategy, including employer funding levels and calculation of contribution rates.	Reviewed at each Fund valuation and published by 31 March following valuation date or as required.
Governance policy and compliance statement	Statement of Fund governance arrangements.	Annual review.

* **Reporting**

Statutory reports prepared by Fund involving employer information:

Function / Role	Description	Performance Target
Annual Report	Annual report of Fund management and performance, including annual statement of accounts.	By 1 December each year.
Annual scheme return to The Pensions Regulator (TPR)	Information for TPR's maintenance of register of pension schemes (including employer details).	Upon receipt of scheme return notice from TPR.

* **Fund Communications to employers**

Summary of communications to employers (Year-end return, forms, regulations, training etc):

Function / Role	Description	Performance Target
Year-end return[6]	Provide scheme employers with information and guidance for the year-end return (including where applicable, the annual spreadsheet template).	No later than **28 February** before the year-end.
Employer forms	Maintain and publish all forms required for completion by scheme employers.	Within **1 month** of any revision.
Changes in scheme regulations	Notify scheme employers of changes to key scheme regulations and requirements.	Within **1 month** of the change(s) coming into effect.
Employer meetings	Host joint meetings for all scheme employers, in person or remotely.	At least **1 per year**.
New employer training	Provide training for new scheme employers.	All new employers invited to access training on employer responsibilities within **3 months** of becoming a scheme employer
Further employer training	Provide an ongoing programme of refresher or subject specific training or meetings with scheme employers.	As required.
Employer newsletter	Provision of a newsletter / briefing note to scheme employers.	At least **quarterly.**
Employer non-compliance	Notify a scheme employer of issues relating to its non-compliance with performance standards.	Within **1 month** of a performance issue becoming apparent.

[6] Not applicable for employers who are confirmed by the Fund as live on i-Connect

- **Fund Communications – Scheme Members**

Summary of Fund communications to scheme members:

Function / Role	Description	Performance Target
Member forms	Publish and keep up to date all forms required for completion by scheme members or prospective scheme members.	Within **1 month** of any revision.
Annual Benefit Statements	Issue Annual Benefit Statements to active and deferred members as at 31 March each year (via "My Pension Online" service or by post)	By **31 August** following the year-end.
Member information sessions	Arrange information sessions for scheme members.	At least **1 programme** of sessions per year.
Pension Saving Statements	Issue Pension Saving Statements each year to scheme members who have exceeded their Annual Allowance.	By **6th October**, subject to the scheme employer having provided all required information.

- **Pension contributions**

Summary of valuations and employer contribution rate reviews:

Function / Role	Description	Performance Target
Fund valuation **Consult with employers**	Consult with employers on the outcome of the periodic Fund valuation.	At least **2 months** before the issue of the final Rates and Adjustments Certificate.
Fund valuation **Employer results – Funding level and contribution rate**	Issue formal valuation results to individual scheme employer following the periodic Fund Valuation.	No later than **1 month** before the issue of the final Rates and Adjustments Certificate.
New employers **Pension contribution requirements**	Notify new scheme employers of their contribution requirements.	Within **2 months** of joining the Fund.

- **Scheme Employer Admissions and Cessations**

Fund role regarding new employer admissions and employer exits: This includes Admission Bodies and Academies

Function / Role	Description	Performance Target
New employer admissions	Process the admission of new scheme employers into the Fund including signed admission, bond and guarantor agreements where required, and obtaining the Fund actuary's contribution rate / opening funding position report.	Within **2 months** of date joining the Fund subject to the new scheme employer providing all relevant information upon request.
Bonds for new Admission Bodies	Arrange where required for employers who outsource services/functions to undertake, to the satisfaction of the Fund, a risk assessment of the level of bond required to be arranged by the new admission body in order to protect other employers participating in the Fund (For example, where the original employer is not a guarantor in respect of pension liabilities)	To be completed before the body can be admitted to the Fund subject to the new scheme employer providing all relevant information upon request.
Bond reviews for Admission Bodies	Undertake a review of bonds or indemnity required to protect other scheme employers participating in the Fund.	**Annually**, or 3 months prior to bond expiry as necessary.
Employer exits	Carry out valuation assessments on cessation of admission agreements or a scheme employer ceasing participation in the Fund.	Within **2 months** of a cessation subject to the scheme employer providing all relevant information upon request. Where a cessation valuation reports a surplus position at the point of exit, the determination and payment of the exit credit to be completed within 6 months of the date of exit.

Individual Member Administration

This section details the Administering Authority functions which specifically relate to the administration and processing of scheme member benefits from the LGPS.

- **General Enquiries**

Responding to general enquiries from scheme members:

Function / Role	Description	Performance Target
Enquiries from scheme members	Acknowledge or respond to written or verbal enquiries from scheme employers and scheme members or their representatives or dependents and other authorised persons.	**Within 10 working days** from receipt of an enquiry.

- **New Scheme Joiners and 50 / 50 Elections**

Actions relating to new scheme members and 50 / 50 elections:

Function / Role	Description	Performance Target
New scheme joiner	Set up a new scheme joiner and provide the statutory notification to the member.	**Within 1 month** from receipt of correctly completed starter form from a scheme employer.
50 / 50 election from scheme member	Set up a new 50 / 50 Membership.	**Within 1 month** from receipt of correctly completed 50/50 election from a scheme employer.

- **Aggregation, Transfers and Estimates**

Administration of aggregations, transfers and estimates:

Function / Role	Description	Performance Target
Aggregations of LGPS memberships	Issue statement to scheme member relating to the aggregation of previous LGPS membership.	Within **2 months** of receipt of all necessary information.
Transfer-in requests Commencement	Commencement of transfer-in requests.	Within **1 month** of receipt of request from scheme member.
Transfer-in requests Completion	Completion of transfer-in applications.	Information provided within **2 months** of receipt of all required information.
Transfer out quotations Commencement	Transfer-out quotations issued.	Within **3 months** of the date of request or up to 6 months if the reason for a delay is outside the Fund's control.

Transfer out quotations Completion	Transfer out payments processed and notification to scheme member.	If Transfer-Out finalised within 3 month guarantee period, payment made within **1 month** of guarantee date.
Divorce administration – Requests for CETV	Cash Equivalent Transfer Value (CETV) estimates for divorce purposes.	Within **1 month** of receipt of request.
Estimate requests – Employees and employers	Provide requested estimates of benefits to employees / employers including any additional shortfall / strain costs in relation to the early payment of benefits.	Within **2 months** of receiving all required information from the employer. Bulk requests of more than 10 estimates per month will be subject to prior agreement between the Fund and the employer.[7]

- **Additional Pension Contributions (APCs)**

Notifications to employers of APC applications for the purchase of extra pension:

Function / Role	Description	Performance Target
Additional Pension Contributions – Notification to employers	Notify the scheme employer of any scheme member's election to purchase additional pension contributions, including all required information to enable deductions to commence.	Within **2 weeks** of receipt of election from scheme member to meet the employer's next available payroll.

- **Deferred Benefits / Refunds**

Administration of deferred members and refunds:

Function / Role	Description	Performance Target
Deferred members	Deferred benefits options letter to members.	Within **2 months** of the leaving date subject to the receipt of all necessary information.
Refunds of member contributions	Determine eligibility and process refund payments.	Within **2 months** from receipt of all necessary information.

[7] *Members may receive 1 estimate for a potential retirement date no later than 2 years ahead in any 12 month period*

- **Retirements / Deaths**

Administration of retirements and deaths:

Function / Role	Description	Performance Target
Retirement options to members who have ended active Fund membership aged 55 or over	Provision of retirement options letters detailing member options.	Within **2 weeks** from receipt of all necessary information.
Administration of retirement applications	Process of retirement benefits, including deferred benefits, for payment following receipt of a request to access benefits.	Within **1 month** of retirement date or from the receipt of all necessary information with the first pension payment made on next available payroll run.
Death notifications - Acknowledgement	Notification of death.	Acknowledge within **1 week** of initial notification.
Administration of death benefits (Death grant)	Process of death grant for payment.	Within **2 weeks** of receipt of all necessary documentation.
Administration of death benefits (Survivor's pension)	Processing of beneficiaries' pensions for payment.	Within **2 weeks** of receipt of all necessary documentation.
Pensioner members – Issuing of payslips	Provide payslips to scheme members in receipt of a pension.	In March, April and May of each year and where the monthly pension amount changes by at least 1%.

- **Appeals**

Administration of AADP Stage 2 appeals

Function / Role	Description	Performance Target
AADP Stage 2 appeal - Acknowledgement	Acknowledge receipt of AADP Stage 2 appeal.	Within **1 week** of receipt of Stage 2 appeal.
AADP Stage 2 appeal **Preparation of report for Pensions and Investments Committee**	Prepare a report for the Pensions and Investments Committee to consider an AADP Stage 2 appeal.	Within **2 months** of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.
AADP Stage 2 appeal Notification of Committee decision	Issue a formal letter to the appellant following the Committee's determination of the AADP Stage 2 Application.	Within **1 week** of the publication of the minutes of the Committee.

8. Performance monitoring

The partnership between the Fund and scheme employers is important for the successful, ongoing administration of the scheme. This document describes how the Fund supports employers in meeting their responsibilities, and how the cost of underperformance on the part of one employer is to be charged to that employer, rather than being shared across all employers.

If employers have concerns about the data they provide, they should contact the Fund without delay. This will allow the Fund to work with employers to resolve any issues and enable both parties to meet their requirements for the benefit of scheme members.

It is the responsibility of the Administering Authority and the scheme employers to ensure compliance with the LGPS regulations and the standards set out in this Pension Administration Strategy. This section describes how the Fund:

- monitors performance and compliance
- addresses the costs of underperformance
- sets the scale of the potential charges

The Fund and scheme employers must aim to ensure that all functions and tasks are carried out to the agreed quality standards set out in this strategy. The Fund will monitor, measure and report on the Fund's and scheme employers' compliance with the agreed service standards outlined in this document on a regular basis to the Pension Board and Pensions and Investments Committee.

The Fund will undertake a formal review of performance against this strategy on an ongoing basis and liaise with employers in relation to any concerns on performance.

The Fund monitors its own performance against internal key performance indicators (KPIs). Monitoring is carried out on a monthly basis and is reported to the Pensions and Investments Committee (the Committee) and Derbyshire Pension Board (the Board) periodically.

The performance of scheme employers against the standards set out in this document are incorporated into the reporting to the Committee and Board, as appropriate, including data quality.

The Fund will report back to employers where required about their individual performance, identifying any areas for improvement including outstanding data items.

Where an employer declines to work with the Fund to resolve problems and consistently fails to meet its responsibilities under the LGPS Regulations, the Fund (or stakeholders such as the Pension Board) has a duty to report such breaches to The Pensions Regulator, who has the regulatory power to take enforcement action and, if necessary, apply financial penalties.

Policy on charging for employer underperformance

Regulation 70 of *The Local Government Pension Scheme Regulations 2013* provides pension funds with the ability to recover any additional costs associated with the administration of the scheme from a scheme employer incurred as a result of the underperformance.

The Fund works to support employers to be able to deal with the increased complexity of the data that they are required to provide. This includes:

- site visits or remote support
- training events
- electronic newsletters
- guidance and information on the Fund's website

A consultation in the form of an employer questionnaire was undertaken in 2017 and the responses reflected a common agreement amongst the Fund's employers that the additional administration costs generated by an underperforming employer should be met directly by that employer, rather than shared across all employers in the fund.

As a result, the Fund's administration team monitors any additional costs incurred in the administration of the scheme as a direct result of underperformance and reserves the right, at its own discretion, to recover these costs further to taking the following steps:

a) **Write to the scheme employer**
Set out area(s) of non-compliance with performance standards and offer support. The Fund may also request attendance at a training / coaching session if required.

b) **Attend a meeting with Fund representatives**
A scheme employer will be asked to attend a meeting with representatives of the Fund to discuss area(s) of non-compliance with performance standards and to agree an action plan where the scheme employer has not:

   - demonstrated improvement
   - taken the agreed actions
   - responded the initial letter

   Where appropriate in respect of Admission Bodies, the outsourcing / letting employer will be informed and expected to work with the Fund to resolve the issues.

c) **Formal written notice**
If no improvement is seen within one month of meeting with the employer, or a scheme employer declines to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out:

   - the area(s) of non-compliance with performance standards that have been identified
   - the steps taken to resolve those area(s)
   - how the underperformance contributed to the additional cost
   - the amount of the additional cost incurred
   - provide notice that the additional costs incurred by the Fund as a direct result of the employer's poor performance will now be reclaimed

   An invoice will then be issued to the scheme employer with a notification setting out the calculations of any additional administration costs incurred by the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of poor performance, in accordance with the charging scales set out in this document.

A report will be presented to the Pensions and Investments Committee and the Pension Board meeting detailing charges levied against scheme employers and outstanding payments.

Additional administration charges

Summary of the Fund's determination of additional administration charges:

Reason for charge or fine	Level of charge (£)
Late payment of Employer and / or Scheme Member contributions.	£150 per occurrence plus interest as defined in Regulation 71 of LGPS Regulations.2013
Late submission of monthly i-Connect data transmission	£150 per occurrence
Late provision of year end contributions returns in prescribed format.	£1,000 per occurrence plus £100 for each week plus part week of continued non-provision.
Late provision of starter information, per case.	£50 initial charge plus £50 per month or part month of continued non-provision.
Late provision of leaver information, per case.	£50 initial charge plus £50 per month or part month of continued non-provision.
Charges for persistent incorrect and incomplete information provided by the Employer to the Fund (where the case has to be returned for incorrect information on more than 2 occasions).	£50 per case
Fine from The Pensions Regulator.	Amount requested by The Pensions Regulator.
Fine from The Pensions Ombudsman.	Amount requested by The Pensions Ombudsman.
Delay causing unauthorised payments.	Cost of tax from the HMRC and or reimbursement of charges imposed by HMRC on Derbyshire Pension Fund.
Fines from any other statutory body incurred as a result of the employer's actions.	As levied.

If poor performance continues and impacts the Fund's ability to perform statutory functions and / or measures are not being taken by the employer to address this, the Fund will report the employer to The Pension Regulator.

Where it is necessary to ensure that Fund members' benefits are not delayed unduly as a result of employer underperformance in providing the required information, the Fund reserves the right to calculate and pay benefits based on the best information available. The basis of the calculation will be explained to the Fund member and employer in each case, and further to completing the process above, the costs of additional administration caused by the need for a subsequent revision of benefits will be charged to the employer.

Underperformance charges will apply at the discretion of the Head of Derbyshire Pension Fund and will be calculated based on a combination of the standard tariff of charges plus time spent at the daily rate outlined below.

Charges for 'time spent' on underperformance issues will be made on a half day basis. For less than quarter of a day, no charge will be made. For more than half a day, the full day charge will be made.

"Time spent" - Officer charges

Summary of officer charges for time spent on cases triggered by employer underperformance

	Charge levels		
Time taken	**Level 1 (Work at Assistant Pension Officer Level)**	**Level 2 (Work at Pension Officer Level)**	**Level 3 (Work at Pension Administration Manager / Head of Pension Fund Level)**
Daily	£90	£125	£180
Half day	£45	£65	£90

Where an employer fails to pay any amount due to the Fund (other than monthly contributions) within 30 days, interest for late payment will be charged accordingly.

This includes charges and recharges levied in respect of cost recovery.

Feedback from employers

Employers who wish to provide feedback on the performance of the Fund against the standards in this administration strategy should send their comments via email to the Fund's Regulations and Communications team: pensions.regs@derbyshire.gov.uk

Any feedback received will be incorporated into reports provided to the Pensions and Investments Committee and the Pension Board.

9. Audit

The Fund is subject to regular audits of its processes and internal controls. The Fund and its scheme employers are expected to fully comply with any requests for information from both internal and appointed external auditors. Any subsequent recommendations made will be considered by the Fund and where appropriate, implemented accordingly.

10. General Data Protection Regulations (GDPR)

In May 2018, the General Data Protection Regulation (GDPR) came into force. The regulation changed the way organisations process and handle data, with the aim of giving greater protection and rights to individuals.

The GDPR applies to the processing of personal data that is:

- wholly or partly by automated means, or
- the processing other than by automated means of personal data which forms part of, of is intended to form part of, a filing system

The UK's Data Protection Act 2018 is the UK's implementation of the EU's General Data Protection Regulation and controls how personal information is used by organisations, businesses and the government.

Under the Data Protection Act 2018, everyone responsible for using personal data has to follow strict data protection principles. They must make sure the information is:

- used fairly, lawfully and transparently
- used for specified, explicit purposes
- used in a way that is adequate, relevant and limited to only what is necessary
- accurate and, where necessary, kept up to date
- kept for no longer than is necessary
- handled in a way that ensures appropriate security, including protection against unlawful or unauthorised processing, access, loss, destruction or damage

Employers necessarily supply the Fund with personal data relating to their employees.

Personal data collected / held by the Fund includes:

- Contact details: name, address, telephone number and email address
- Identifying details: date of birth, national insurance number and employee number and folder reference
- Assessment information: used to calculate and assess eligibility for benefits, for example length of service or membership and salary information
- Financial information: relevant to the calculation or payment of benefits, for example bank account and tax details
- Family information: dependents or personal circumstances, for example marital status and information relevant to the distribution and allocation of benefits payable on death
- Health information: to assess eligibility for benefits payable on ill health
- Criminal convictions: if this has resulted in a member owing money to their employer or the Fund and the employer or Fund may be reimbursed from the member's benefits

Employers are under a statutory obligation, as detailed in Regulation 80 of the LGPS Regulations 2013, to provide certain personal data relating to their members to their pension administrators, including (but not exhaustively): the Pay Reference Number, Post Number, National Insurance Number, Surname, Forenames (or Initials), Title, Gender, Date of Birth, Address, Postcode, Date Pensionable Service Started, Marital Status, Hours, Weeks, Pay, Basic Employee and Employer Contributions Paid, Additional Employee and Employer Contributions Paid, Date Left Pensionable Service, Reason Left Pensionable Service and Periods of Absence from Pensionable Service.

The Pension Fund uses members' personal data to:

- contact members
- assess eligibility for pension benefits, to calculate benefits and to provide members (and their beneficiaries upon their death) with benefits
- identify members' potential or actual benefit options
- allow alternative ways of delivering benefits (for example under a power of attorney)
- carry out statistical and financial modelling and for reference purposes (For example when the Fund assesses how much money is needed to provide members' benefits
- comply with the Fund's legal and regulatory obligations

- address queries from members and other beneficiaries and to respond to any actual or potential disputes concerning the Fund
- manage the liabilities of the Fund
- to support the sale, merger or corporate reorganisation or transfer of, a business by employers that participate in the Fund

Employers must ensure that the personal data supplied to the Fund is correct. The supply of incorrect data (in particular, incorrect contact details) can lead to a data breach.

A personal data breach is a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data.

Breaches of personal data can expose the Fund / Administering Authority to substantial fines from the Information Commissioner's Office (ICO) www.ico.org.uk, financial claims from individuals whose personal information has been inappropriately disclosed and to severe reputational damage.

Privacy Notice

The Fund has published a full privacy notice in line with GDPR requirements, setting out why certain data is held, the reason for processing the data; who it shares the data with and how long the data will be retained. Within the notice, members are also provided with additional information about their rights under the legislation. The privacy notice is available from the Fund's website: derbyshirepensionfund.org.uk/GDPR

Memorandum of Understanding

The Fund has issued a Memorandum of Understanding to its employers, which confirms the joint roles and responsibilities with regards to the sharing of information which enables it to provide an efficient and effective service to scheme members and stakeholders. The Memorandum of Understanding is available from the Fund's website: derbyshirepensionfund.org.uk/GDPR

Employers should inform all new employees that their personal data is shared with the Fund for both to meet their statutory responsibilities of administering the LGPS.

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Appendix 2

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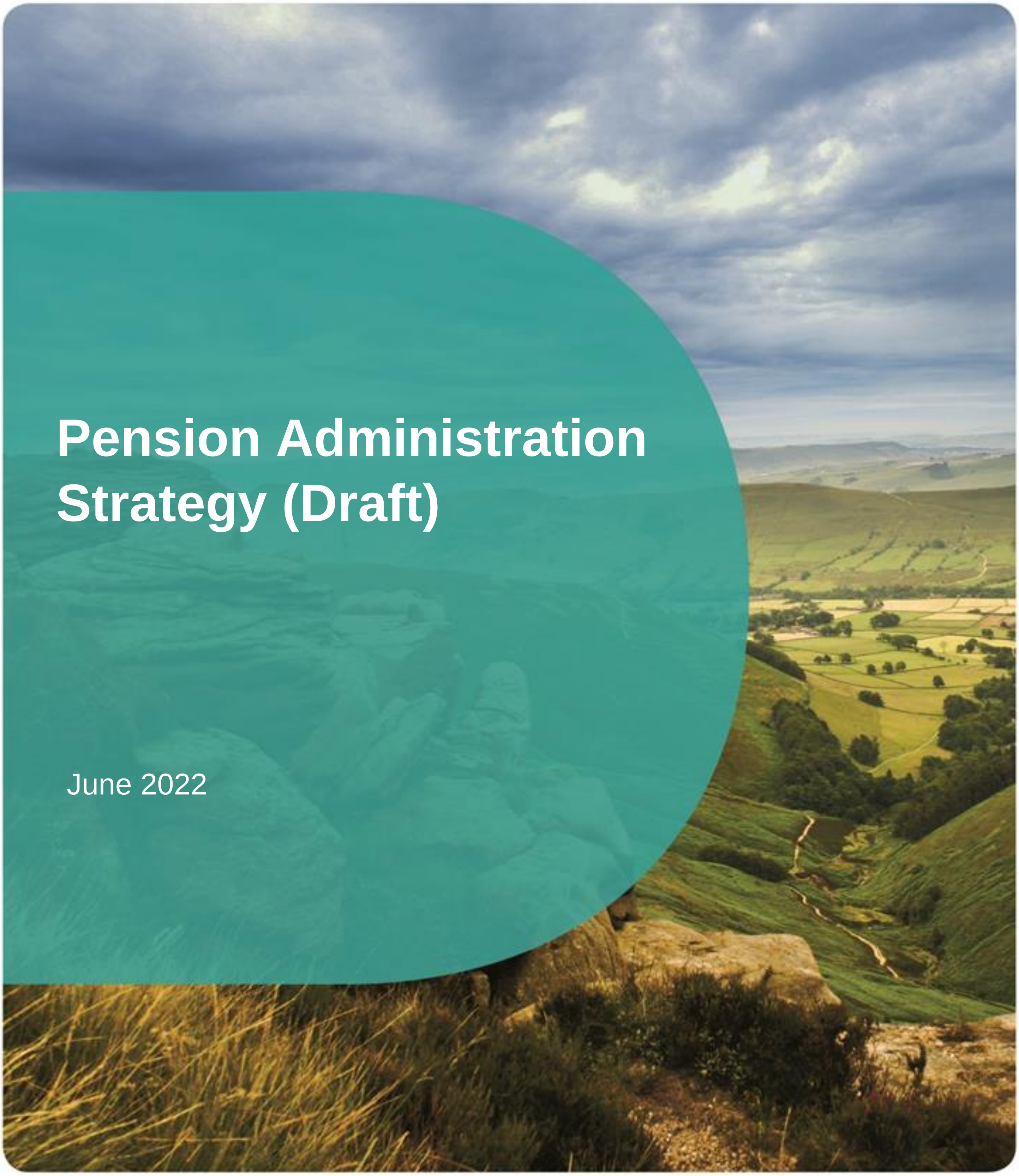

Pension Administration Strategy (Draft)

June 2022

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

lgps

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1. Introduction

This is the Pension Administration Strategy (the Strategy) of Derbyshire Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by Derbyshire County Council (the Administering Authority).

The LGPS is a statutory scheme and governed by regulations. The current regulations relating to administration are The Local Government Pension Scheme Regulations 2013 (as amended).

The following link to the Local Government Association's (LGA) "LGPS Regulations and Guidance" website provides an up-to-date version of the LGPS Regulations 2013, including changes made subsequently through amending statutory instruments:
lgpsregs.org/schemeregs/lgpsregs2013

The Administering Authority and the Fund's employers are required to comply with any relevant overriding legislation. This includes following any regulatory guidance or Code of Practice issued by The Pensions Regulator in discharging their roles and responsibilities under these regulations regarding:

- data quality
- completeness
- timeliness

The legal context for this Strategy is Regulation 59 of The Local Government Pension Scheme Regulations 2013, which allows Administering Authorities the opportunity to prepare a Pension Administration Strategy.

This Strategy sets out the standards of performance and best practice that the Administering Authority and the Fund's employers should aim to meet when carrying out their scheme functions. It is reviewed annually and will be revised to reflect changes to:

- LGPS regulations
- policies determined by the Administering Authority
- administrative practices executed by the Fund and its employers in fulfilling its functions

i-Connect is now the standard method for the Fund's employers to submit member data to the Fund and is reflected as such in this Strategy.
Employers who have not engaged with the Fund on the process of implementing i-Connect should email the Fund's i-Connect team (pensions.iconnect@derbyshire.gov.uk) to begin arrangements towards its implementation.

It also includes a schedule of additional administration costs in accordance with Regulation 70 of the LGPS Regulations 2013, which provides scope for pension funds to recover costs where additional costs are being incurred due to an employer's level of performance.

Employers that do not take steps to implement i-Connect, are liable to have administrative costs recovered from them, due to the extra cost of maintaining a separate process for receiving their members' data.

Levels of performance achieved by both the Fund and scheme employers are reported;

- as part of a Pension Administration Report at the Administering Authority's Pensions and Investments Committee
- at Derbyshire Pension Board meetings
- in the Fund's Annual Report

This Strategy is published on the Fund's website (derbyshirepensionfund.org.uk/publications) and signposted to all participating employers in an Employer Newsletter. This is following its formal approval by the Pensions and Investments Committee in its role as the Administering Authority of the Fund. A copy will also be submitted to the Secretary of State as required in Regulation 59.

2. Aims of the Strategy

The aims of this Pension Administration Strategy are to:

- Support the provision of a high-quality pension service to Fund members delivered through efficient working practices
- Clearly set out the respective roles and responsibilities of the Administering Authority and scheme employers
- Ensure that the Fund operates in accordance with LGPS regulations and Codes of Practice issued by The Pensions Regulator
- Set out the quality and performance standards expected of the Administering Authority and its scheme employers in relation to each other
- Promote good working relationships and improve efficiency between the Administering Authority and its scheme employers for the benefit of Fund members
- Provide a framework to enable administration costs relating to significant employer underperformance to be met directly by the employer responsible, rather than shared across all the employers in the Fund[1]

The efficient delivery of the benefits of the scheme is dependent upon effective administrative procedures being in place between the Administering Authority and scheme employers, principally the timely exchange of accurate information in relation to scheme members.

This Strategy sets out the expected levels of performance of the Administering Authority and the scheme employers and provides details about the monitoring of performance levels.

The Strategy is implemented from 1 August 2022 following consultation with the Fund's employers and will be kept under review and updated as required to reflect changes in scheme regulations and Fund working practices.

Derbyshire Pension Board, in its role of assisting the administering authority to ensure the effective and efficient administration and governance of the Scheme, will also monitor the operation of this Strategy: derbyshirepensionfund.org.uk/pensionboard

[1] *Regulation 70 of the 2013 LGPS Regulations permits the recovery of additional costs from an employer where its level of performance has caused additional costs to the Fund*

3. Record Keeping

Record keeping is an essential part of running a scheme such as the LGPS. Funds and their employers have a legal obligation to collate and maintain certain data which is key to managing the scheme.

Derbyshire Pension Fund must keep accurate, up-to-date and long-term records, within the parameters of data protection legislation to ensure it can govern and administer the Fund efficiently for all scheme members.

Employers provide the data needed by the Fund and must ensure that they are meeting their legal obligations to the scheme.

The Fund has a legal duty to provide its members with accurate and timely information about their benefits, which cannot be issued without data from employers.

4. Development of the Fund's administration

i-Connect

Since 2019, the Fund has been working towards the full implementation of i-Connect. This is an additional module of the Aquila Heywood pension administration platform. The i-Connect module allows the Fund's scheme employers to automate the transfer of member data from their payroll systems to the Fund's pension administration system (Altair) on a monthly basis.

By onboarding the Fund's scheme employers onto i-Connect, this efficient solution will:

- reduce the need for manual inputting of pension related data
- allow ongoing data validation and a timelier resolution of queries
- reduce the workload of year-end reconciliation and reporting
- ensure the maintenance of a stable and accurate membership database
- receive data in line with statutory rules thus avoiding the risk of enforcement action and financial penalties by The Pensions Regulator for breaching legislative time limits and other requirements

Maintaining up to date member records ensures the accurate calculation of employers' pension contribution rates and the provision of a better service for fund members.

The 2021 version of this strategy applied a deadline of 31 December 2021 for all participating Fund employers to have commenced implementation of i-Connect and monthly transfer of data. To provide employers with additional time to prepare for the implementation of i-Connect, the Fund has extended this deadline to 31 March 2023.

Employers who have not engaged with the Fund towards commencing arrangements for the implementation of i-Connect should contact the Fund's i-Connect team by email without delay. (pensions.iconnect@derbyshire.gov.uk).

The team supports each employer in its transition to the i-Connect method of data submissions.

Where the Fund considers that an employer has not taken reasonable steps towards the implementation of i-Connect, the employer may be invoiced for the costs incurred in maintaining alternative procedures for the administration of data relating to active members of the Fund outside of the i-Connect process.

Such charges may be levied annually for employers who fail to engage with the Fund and continue to submit data to the Fund outside of i-Connect.

For participating employers who are considered by the Fund not to have made reasonable efforts to implement i-Connect for the submission of data for a scheme year (1 April to 31 March), the charging structure is as follows:

- Costs relating to the preparation and administration of non i-Connect documentation; **£1,500 per employer reference code**[2]

- Costs of the Fund's administration for data submissions and other member reporting outside of i-Connect;
  "Time spent" costs based on charges for officer time (see Section 8 – Performance monitoring)

These costs may be in addition to any other costs incurred due to an employer's poor performance, as detailed elsewhere in this strategy.

Member Self Service: My Pension Online

The Fund has launched a secure, online portal to allow its members to:

- Browse certain parts of their pension information
- Update some of their personal information
- Project their pension benefits.

This online service is called My Pension Online and will become the Fund's default method of communication with members.

The Fund is currently promoting this service to scheme members. It was reflected in the Fund's revised Communications Policy in April 2021 as an important development of the Fund's communications. Employers will be expected to assist in the promotion of the My Pension Online service and encourage their employees who contribute to the LGPS to register for the service.

My Pension Online is now the default method for supplying annual statements to active and deferred members, however, all Fund members can opt to receive their annual statement by post.

5. Roles and responsibilities

The aims of this strategy will be achieved by:

- Clearly defining the respective roles of scheme employers and the Administering Authority
- Setting clear and achievable standards of service levels for the functions carried out by scheme employers and the Administering Authority

[2] *Where employers have multiple Fund reference codes, costs will be per code.*

- Setting out clear procedural guidance for the secure and effective exchange of information between scheme employers and the Administering Authority, including the mandatory implementation of i-Connect by all participating employers
- Monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve performance where required
- Applying additional charges where an employer consistently fails to meet deadlines and standards set out in this strategy, including not engaging with the implementation of i-Connect

6. Employer role and responsibilities

The primary responsibilities for the employer are to:

- **Communicate** details of the LGPS to eligible staff
- **Apply** the scheme regulations
- **Report** information to the Fund

The delivery of an efficient and cost-effective administration is dependent upon a successful joint working partnership between the Fund and individuals within or representing the scheme employer.

Each employer is asked to designate a primary contact to liaise with the Fund. This helps to support and develop a joint working partnership with the Fund.

This section summarises and provides more detail of the employer's responsibilities, and the performance standards employers are expected to achieve.

Summary of employer responsibilities

The following bullet points list the main employer responsibilities:

- Ensure that the standards and levels of service set out in this Strategy are met and relevant regulations are complied with
- Payment and reporting of pension contributions
- Submission of i-Connect member data
- Provide leaver information where additional details are requested by the Fund
- Supply evidence of pension-related employer decisions
- Share Fund communications with appropriate staff within the employer
- Arrange distribution of communications to LGPS eligible staff
- Assist and liaise with the Fund on promotional activities
- Inform the Fund of any TUPE of LGPS eligible staff as soon as possible
- Inform the Fund of changes to payroll provider or any other service delivery arrangements
- Notify the Fund of breaches of LGPS and related statutory regulations
- Notify the Fund of all applications received under the Adjudication of Disagreements Procedure (AADP)

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Employer responsibilities – Roles, Functions and Performance Targets

The following tables set out in more detail each employers roles in respect of the administration of the scheme in the areas of:

- Scheme Governance and Administration
- Individual Member Administration

The performance standards expected are expressed as targets expected in normal circumstances.

On an exceptional basis, it is accepted that it may not be possible to achieve the target indicated and a pragmatic approach will be adopted. This is subject to employers using their best endeavours to meet expected standards wherever possible.

Scheme Governance and Administration

This section details the functions which relate to overall governance and administration, rather than functions that relate to individual scheme members' benefits.

- **Employer contacts**

Notification to the Fund of employer contacts

Function / Role	Description	Performance Target
Main contact	Nominate a named primary contact to liaise with the Fund. Notification by completion of AS12 form available from the Fund on request.	**Within 1 month** of employer joining fund or change to nominated representative.
All Authorised Contacts	Designate and confirm other nominated representative(s) (Payroll, HR. Finance) to act on behalf of the employer in respect of administering the LGPS by submitting the Fund's Authorised Signatory forms to pensions.regs@derbyshire.gov.uk AS12 and AS2 Authorised Signatories forms are available from the Fund on request.	**Within 1 month** of becoming a scheme employer or **within 1 month** of a change in nominated representative(s).
Appeals Adjudicator	Appoint a person to consider appeals under Stage 1 of the Applications for the Adjudication of Disagreements Procedure (AADP) and provide full, up to date contact details to the Fund. Notify the Fund by email to pensions.regs@derbyshire.gov.uk	**Within 1 month** of becoming a scheme employer or **within 1 month** of a change in adjudicator**.**
Independent Registered Medical Practitioner	Complete the **AS3** – Medical Practitioners form to appoint an Independent Registered Medical Practitioner(s) (IRMP) qualified in occupational health medicine, or arrange with a third party, and seek approval of the appointment from the Fund, for the consideration of all ill-health retirement applications from active and deferred members. AS3 form is available from the Fund upon request: pensions.regs@derbyshire.gov.uk	**Within 1 month** of becoming a scheme employer or within 1 month of a change in IRMP(s).

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- **Employer Discretions Policy**

Setting an Employer Discretions Policy and notifying the Fund

Function / Role	Description	Performance Target
Preparing an Employer Discretions Policy	Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the LGPS (including providing a copy of the policy document to the Fund).	To be kept under review and a revised statement published **within 1 month** of any changes and no later than 6 months after being informed by the Fund of any relevant change in regulations.

- **Pension Contributions**

Applying, paying, and reporting of pension and AVC contributions

Function / Role	Description	Performance Target
The Employer's Rate	Apply the employer contribution rate agreed with the Fund on becoming a scheme employer and adjust as instructed by the Fund from a date determined by the Fund.	**Immediately** on receipt of information from the Fund effective from a date determined by the Fund following advice from the scheme actuary.
The Employee's Rate	Calculate and review the correct employee contribution rate band for all members at commencement and on 1st April each year. Also, to be reviewed at intervals during the year at the employer's discretion. Current employee contribution bandings and rates available at derbyshirepensionfund.org.uk/contributions	Immediately on commencement, on **1st April each year** and as per the employer's discretionary policy on adjusting the employee's contribution rate at intervals during the year.
Assumed Pensionable Pay	Ensure the correct application of Assumed Pensionable Pay (APP) during periods of reduced or nil pay in accordance with the LGA's HR and Payroll Guides. Information available at derbyshirepensionfund.org.uk/employers	Review of eligibility for APP **immediately** upon a member moving to reduced / nil pay.
Payment to the Fund	Arrange payment of Employee, Employer and any Additional contributions <u>and</u> submit the Contributions Report form (CR1) to the Fund.	By the **19th** of the month after collection from pay.
Payment of AVCs	Arrange payment of Additional Voluntary Contributions (AVCs) **to the AVC provider(s).**	By the **19th** of the month after collection from pay.
Salary Sacrifice Shared Cost AVC arrangements	Notify the Fund of the commencement of Salary Sacrifice Shared Cost AVC arrangements	Immediately on the commencement of arrangements

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- **Data Returns**

Submission of i-Connect data returns to the Fund or, where employers have not implemented i-Connect, a Year-End Return

Function / Role	Description	Performance Target
i-Connect (Secure Data Transmission Service)	Provide monthly, accurate and complete submission of i-Connect data in the format required.	By **19th** of the month following the relevant calendar month.
Queries from i-Connect submissions	To promptly resolve all queries relating to entries on i-Connect monthly submissions.	To respond fully to all queries from the Fund within **7 working days** of receipt of the query.
Year-End Return (Employers not yet live on i-Connect)	Provide an accurate, fully reconciled and completed year-end return in the format set by the Fund, in documentation issued by the Fund. Arrange payment without delay of charges for submitting data outside of i-Connect.	**By the date set by the Fund** in the April following the year-end.
Queries from the Year-End Return	To resolve all queries returned from the year-end return.	To respond fully to all queries from the Fund within **3 weeks** of receipt of the query. In circumstances where an employer submits a late year-end return limiting the Fund's time to complete its duties, the timescales may be reduced, as advised by the Fund.

- **Communications**

Supply of pension data to new and existing LGPS eligible employees and security of data submissions to the Fund

Function / Role	Description	Performance Target
LGPS content in Contracts	Ensure pensions information is included as part of any new employment induction procedures and included in all contract / appointment / adjustment communications for LGPS-eligible positions including signposting to the Fund's website - derbyshirepensionfund.org.uk	Review pension related content annually or immediately on receipt of revised details for LGPS contractual enrolment.
Fund Communications to Scheme Members	Distribute any information provided by the Fund to scheme members / potential scheme members including the promotion of My Pension Online. Refer new or prospective scheme members to the Fund's website derbyshirepensionfund.org.uk/newjoiners	Within **2 weeks** of its receipt. Within **2 weeks** of commencement of employment or change in contractual conditions.

Data Security	In accordance with the Memorandum of Understanding, ensure that any personal data submitted to the Fund outside of i-Connect is sent securely	Ensure the security of all non i-Connect submissions to the Fund at the point of sending.

- **Appeals**

Notification to the Fund of appeals submitted through the Applications for the Adjudication of Disagreements Procedure (AADP)

Function / Role	Description	Performance Target
AADP Stage 1 Appeals	The Employer's Adjudicator to notify the Fund of the **receipt** of a Stage 1 appeal through AADP. Notifications by secure email to pensions.regs@derbyshire.gov.uk	Within **1 week** of receipt of the appeal.
AADP Stage 1 Appeals	The Employer's Adjudicator to notify the Fund of the **decision** in respect of an appeal at Stage 1 of AADP. Notifications by secure email to pensions.regs@derbyshire.gov.uk	Within **1 week** of the decision.
AADP Stage 2 Appeals	The Employer's Adjudicator to provide the Fund with all documentation considered in the determination of the Stage 1 appeal for consideration in the adjudication of the appeal at AADP Stage 2	Within 1 week of the receipt of the request from the Fund.

Outsourcing / TUPE arrangements

Notification to the Fund of the arrangements for outsourcing of services/functions involving the TUPE of LGPS eligible employees

Function / Role	Description	Performance Target
Initial notification to Fund of intention to outsource	Notify the Fund of contracting out of services which will involve a TUPE transfer of LGPS eligible staff to another organisation to enable LGPS information to be provided to potential contractors. Guidance available at derbyshirepensionfund.org.uk/admissionbodies	At the point of deciding to tender.

Lead contacts	Notify the Fund of the main contacts managing the outsourcing of service provision **before and during a contract** where a prospective contractor may request to join the Fund. Notification form is available at derbyshirepensionfund.org.uk/admissionbodies	At determination of successful tender.
Admission arrangements for new contractor	Work with the Fund to arrange for the admission of a contractor as a new employer in the Fund	A minimum of **2 months** in advance of the date of contract.
Contractual arrangements	Provide the Fund with relevant details, including copies of documentation, of agreements relating to responsibility for an LGPS funding deficit or surplus and requirements for Bond or Guarantor	Within **1 week** of the signed contractual agreement with the contractor
Changes to the contract	Notify the Fund of changes / extension / cessation of arrangements with a contractor	As soon as decision is agreed.
Management of Admission Agreement	Assist the Fund in ensuring that the terms of the contractor's admission as a scheme employer (Admission Agreement) are complied with.	Notify the Pension Fund if the terms of the Admission Agreement have been breached.

- **Strain / Shortfall Payments to the Fund**

Payment to the Fund of shortfall / strain costs and charges in respect of discretionary compensation / enhancements

Function / Role	Description	Performance Target
Shortfall / Strain payments to the Fund	Make shortfall / strain payments to the Fund in respect of early payment of benefits from redundancy, business efficiency and flexible retirements or where a member retires early with employer's consent.	**Immediate** payment upon receipt of invoice from the Fund.
Payments in respect of discretionary compensation and enhancement arrangements	Arrange payment of recharges in respect of pension members for example discretionary compensation or enhancement	**Immediate** payment upon receipt of invoice from the Fund.

Miscellaneous

Other pension-related arrangements with the Fund

Function / Role	Description	Performance Target
Payments in respect of FRS102/IAS19 reports	Payments in respect of FRS102 and IAS19 work carried out on behalf of employers by the Fund and the Fund's Actuary	**Immediate** payment upon receipt of invoice from the Fund.

Payment of other actuarial charges	Payments in respect of all other work carried out on behalf of or relating to the employer by the Fund's Actuary including matters connected to funding reviews and data quality assurance undertaken by the Fund	**Immediate** payment upon receipt of invoice from the Fund.
Payment for specific Fund services	Prompt payment of invoices issued by the Fund for specific services provided.	**Immediate** payment upon receipt of invoice from the Fund.
Non-standard Enquiries from the Fund	Respond to enquiries from the Fund.	Within **2 weeks** from receipt of the enquiry.
Non-compliance charges	Make payment of additional costs to the Fund associated with non-compliance with performance standards of the scheme employer.	**Immediate** payment upon receipt of invoice from the Fund.
Breaches of the law	Respond to enquiries from the Fund relating to Breaches of the Law.	Within **1 week** of the request.

Individual Member Administration

This section details the functions which relate to scheme member benefits from the LGPS.

- **New Starters**

Provision of information about new starters / joiners

Function / Role	Description	Performance Target
Standard contract wording	Ensure Fund approved wording relating to pensions is included in all contract / appointment communications for LGPS-eligible positions including direction to the Fund's web presence and signposting to registration for My Pension Online (derbyshirepensionfund.org.uk).	As part of standard contract / appointment templates.
Enrolment and assess contribution banding	LGPS eligible employees must be entered into the scheme from the commencement of their employment, except for employees with a contract of less than 3 months or casual / relief employees Employees not subject to contractual enrolment **must** be offered the opportunity to join the LGPS from commencement, or automatically entered upon meeting auto-enrolment criteria. Assess and apply the appropriate LGPS employee contribution rate.	From date of commencement or joining the scheme.

Function / Role	Description	Return method	Performance Target
Notifying the Fund of new entrants	Notify the Fund of new LGPS joiners. Evidence of an employee's election to join must be retained and copied to the Fund on request. If an employee is entered into the LGPS incorrectly, the	Monthly submission of i-Connect data transmissions (or the S1 form for employers not on i-Connect)	Within **1 month** of member's entry into the scheme by contractual enrolment, auto-enrolment, re-enrolment date or election to join.

	employer is responsible for the reimbursement of employee contributions.		

- **Changes**

Provision of information about changes to personal details, employment information and unpaid absence details:

Function / Role	Description	Return method	Performance Target
Changes to personal details	Notify the Fund of change, or correction to, employees' personal details: Name, Address, Marital / Civil Partnership Status, Date of Birth, NI number	Monthly submission of i-Connect data transmissions (or the C1 form for employers not on i-Connect)	Within **1 month** of the event or receipt of information.
Changes to Employment Details	Notify the Fund of changes or corrections in employment details, including changes in hours and moving to or from the 50/50 section	Monthly submission of i-Connect data transmissions (or the C2 form for employers not on i-Connect)	Within **1 month** of the event or receipt of information.
Notification of Unpaid Absences	Notify the Fund of periods of unpaid absence not covered by Assumed Pensionable Pay (APP)	Monthly submission of i-Connect data transmissions (or the C3 form for employers not on i-Connect)	Within **2 months** of the event or receipt of information.
Dismissal (Gross misconduct and recovery of financial losses)	Notify the Fund where recovery of financial loss is sought from the dismissed employee's pension.	C4 – Dismissal Form.	Within **3 months** of the employee's date of conviction.

- **Additional Pension Contributions (APCs)**

Payment and reporting of Additional Pension Contributions to cover lost pension due to authorised unpaid leave or industrial action, or to boost the member's pension at retirement:

Function / Role	Description	Return method	Performance Target
Notification to member of APC option – Buying lost pension	Ensure members are notified of the option to pay Additional Pension Contributions following absences not covered by Assumed Pensionable Pay (APP).	Not applicable.	Notify member within **2 weeks** of the return to work.
APCs – Buying lost pension	Apply APCs on receipt of application from member and notify the Fund with a copy of the application.	Not applicable.	Apply to next available payroll and notify fund within **1 month** of receipt of members application.

APCs – Buying extra pension	Apply APCs on receipt of receipt of notification from Fund.	Not applicable.	Apply to next available payroll.
APC adjustments and ceasing	Apply adjustments to APC amounts on notification from Fund.	Not applicable.	Apply to next available payroll.
Provision of APC data to the Fund	Include APC payments in member notifications to the Fund.	Notification of payments to fund by monthly i-Connect submission (or year-end return for employers not on i-Connect)	**i-Connect:** 19th of the month following the payment period. **Non i-Connect:** Year-end return deadline set by the Fund.

- **Additional Voluntary Contributions (AVCs)**

Payment and reporting of AVCs to Fund and AVC provider:

Function / Role	Description	Return method	Performance Target
Application of AVCs to payroll	Arrange for the deduction of AVCs from scheme member's pay following notification from AVC Provider.	Not applicable.	Commence deduction of AVCs on the next available payroll as advised by payroll provider.
Payment of AVC contributions to AVC Provider	Ensure payment of AVC contributions to AVC provider within required timescale.	Not applicable.	AVCs must be paid over to the AVC Provider by 19th of the following month.
Provision of AVC data to the Fund	Include AVC payments in member notifications to the Fund.	Notification of payments to fund by monthly i-Connect submission (or year-end return for employers not on i-Connect)	**i-Connect:** 19th of the month following the payment period **Non i-Connect:** Year-end return deadline set by the Fund.

- **Opt-Outs**

Function / Role	Description	Return method	Performance Target
Stop employee contributions	Apply an election to opt out of the LGPS to the member's payroll record.	Not applicable.	From the 1st of the month for the next available payroll.

Notification to the Fund (within 3 months of joining)	If the member opts out **within 3 months** of joining, they are treated as having opted out upon entry and the employer is responsible for refunding the pension contributions. (Employer to retain copy of Opt-out form and provide to Fund only on request)	Notification of opt out through monthly submission of i-Connect data transmissions (or an amended S1 form for employers not on i-Connect)	Within **1 month** of the opt-out being actioned on payroll.
Notification to the Fund (3 months or more from joining)	If the member opts out **3 months** or more from joining, the Fund will determine if the member is eligible for a refund of pension contributions and contact them directly. (Employer to retain copy of Opt-out form and provide to Fund only on request)	Notification of opt out through monthly submission of i-Connect data transmissions (or the L1 form for employers not on i-Connect)	Within **1 month** of the opt-out date. Where the opt-out is made within 3 months and is backdated to the start date, an **L1 – Leaver form must still be submitted** showing the scheme leaving date as the first date of employment.

- **Notifications of Leaver**

Notification of pay, contributions and other details in respect of leavers and retirements, including the accurate determination of the Final Pensionable Pay for all cases where the member had LGPS membership before 1 April 2014.

Function / Role	Description	Return method	Performance Target
Leavers under age 55	Notification of leaver	By monthly submission of i-Connect member data. Also, submission of **L3 Form** where requested, for employees with pre-2014 membership (or L1 Form for employers not on i-Connect)	Within **1 month** of date of leaving / opt out date.
Leavers aged 55 or over	Notification of leaver	Submission of completed L1 - Leaver form	For members in receipt of **regular** pay where the employer can accurately project pay to the date of retirement, up to **1 month** prior. For members in receipt of **variable** pay, within **1 week** of finalising the member's last contractual pay.

Redundancy / Business Efficiency and Flexible Retirement	Notification of employer decision and authorisation for payment of pension benefits.	Submission of completed L1 - Leaver form and letter to provide evidence of decision and agreement to shortfall / strain costs	For members in receipt of **regular** pay where the employer can accurately project pay to the date of retirement, up to **1 month** prior. For members in receipt of **variable** pay, within **1 week** of finalising the member's last contractual pay
Ill health Retirement **Active members**	Notification of employer decision relating to ill-health retirements.	Submission of completed L1 – Leaver form and Ill-Health Medical Certificate.	For members in receipt of **regular** pay where the employer can accurately project pay to the date of retirement, up to **1 month** prior. For members in receipt of **variable** pay, within **1 week** of finalising the member's last contractual pay.
Ill-health Retirement Tier 3 reviews	18-month review of Tier 3 Ill-Health Retirement awards and interim reviews at other times as requested by the member	Completion and submission of "Current Tier 3 Ill Health Pensioner Review Certificate"	At 18 months after the initial Tier 3 award, and at other times as required. Notification to the Fund immediately upon the review decision.
Ill health Retirement **Deferred members**	Notification of employer decision relating to applications for the early release of deferred pension benefits on the grounds of ill-health.	Ill-Health Medical Certificate (version to be completed based on member's last employment leaving date as determined by Fund)	Within **1 week** of employer decision on the application.
Death in service	Notify the Fund of the death of an Employee	Provide Next of Kin details on an L1 – Leaver form.[3]	Provide an initial notification within **3 working days** of the employer being informed of the death of the employee.

[3] *To ensure the timely calculation and payment of pension benefits to members and, where applicable, beneficiaries, employers using i-Connect are still required to submit a fully completed L1 – Leaver form in all such cases.*

- **Scheme members with a progressive life-limiting condition**

Function / Role	Description	Performance Target
Serious ill health	Notify the fund by email or phone **without delay** for guidance if an employee with LGPS membership has a progressive life-limiting condition	Not applicable.

- **Communication with scheme members in respect of formal appeals against pension-related decisions**

Function / Role	Description	Performance Target
AADP Stage 1 Acknowledgement	The employer's adjudicator to acknowledge receipt of the Stage 1 AADP.	Immediately.
AADP Stage 1 Decision	Determine appeals against the employer at Stage 1 of AADP in accordance with The Local Government Pension Scheme Regulations 2013 (Regs 74 and 75).	Within 2 months of receipt of the appeal. (Where a decision cannot be reached within 2 months, notify the appellant of reasons for the delay and the date when a decision can expected to be reached).

Derbyshire Pension Fund
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derbyshirepensionfund.org.uk

7. The Administering Authority's roles and responsibilities

The responsibilities for the Administering Authority are to:

- administer the LGPS in respect of all scheme members (Active, Deferred and Pensioner members) in accordance with this Strategy
- maintain and review the Fund's policies, strategies, statements, reports and all other matters relating to the governance of the scheme. The fund's policies, strategies and statements can be viewed on the fund's website: derbyshirepensionfund.org.uk/publications
- communicate and engage with employers on LGPS matters
- provide support and training to scheme employers
- maintain and develop an effective web presence for the benefit of members and scheme employers

The list of functions, which concentrates on the main roles, rather than being an exhaustive list, sets out the areas which involve interaction and liaison with scheme employers and / or scheme members.

Scheme Governance and Administration

This section outlines the responsibilities of Derbyshire County Council as the Administering Authority for Derbyshire Pension Fund and the performance standards which scheme employers and scheme members should expect. It is focussed on the activities which involve interaction with scheme employers and / or scheme members and should not be viewed as an exhaustive list.

- **Fund policies, strategies and statements**

Published Fund policies, strategies and statement for periodic review:

Function / Role	Description	Performance Target
Pension administration strategy	Roles and responsibilities for Employers and Pension Fund.	Annual review.
Admission, cessations and bulk transfer policy	Employer admissions and exits, including bulk transfer policy.	Annual review.
Communications policy	Statements of communications policy and strategy for communication development.	Annual review.
Complaints policy	Policy for Fund complaints procedure.	Annual review.
Fund discretions policy	Pension Fund's LGPS discretions.	Annual review.
Funding strategy statement	Actuarial strategy, including employer funding levels and calculation of contribution rates.	Reviewed at each Fund valuation and published by 31 March following valuation date or as required.
Governance policy and compliance statement	Statement of Fund governance arrangements.	Annual review.

- **Reporting**

Statutory and non-Statutory reports prepared by Fund involving employer information:

Function / Role	Description	Performance Target
Annual Report	Annual report of Fund management and performance, including annual statement of accounts.	By 1 December each year.
Annual scheme return to The Pensions Regulator (TPR)	Information for TPR's maintenance of register of pension schemes (including employer details).	Upon receipt of scheme return notice from TPR.
Periodic reports on pension administration and employer performance to the administering authority and Derbyshire Pension Board	Information relating to pension administration against key performance indicators and employer performance	As required by the administering authority and Derbyshire Pension Board

- **Fund Communications to employers**

Summary of communications to employers:

Function / Role	Description	Performance Target
Supply Year-end return template (for non i-Connect employers only)	Provide scheme employers with year-end template and guidance	No later than **28 February** before the year-end.
Employer forms	Maintain and publish all forms required for completion by scheme employers.	Within **1 month** of any revision.
Changes in scheme regulations	Notify scheme employers of changes to key scheme regulations and requirements.	Within **1 month** of the change(s) coming into effect.
Employer meetings	Host joint meetings for all scheme employers, in person or remotely.	At least **1 per year**.
New employer training	Provide training for new scheme employers.	All new employers invited to access training on employer responsibilities within **3 months** of becoming a scheme employer
Further employer training	Provide an ongoing programme of refresher or subject specific training or meetings with scheme employers.	As required.
Employer newsletter	Provision of a newsletter / briefing note to scheme employers.	At least **quarterly**.

Employer non-compliance	Notify a scheme employer of issues relating to its non-compliance with performance standards.	Within **1 month** of a performance issue becoming apparent.

- **Fund Communications – Scheme Members**

Summary of Fund communications to scheme members:

Function / Role	Description	Performance Target
Member forms	Publish and keep up to date all forms required for completion by scheme members or prospective scheme members.	Within **1 month** of any revision.
Annual Benefit Statements	Issue Annual Benefit Statements to active and deferred members as at 31 March each year (on "My Pension Online" service or by post)	By **31 August** following the year-end.
My Pension Online	Management of registrations to the member self-service website	Within 5 working days of submission of email address and within 1 working day of final registration.
Member information sessions	Arrange information sessions for scheme members.	At least **1 programme** of sessions per year.
Pension Saving Statements	Issue Pension Saving Statements each year to scheme members who have exceeded their Annual Allowance.	By **6th October**, subject to the scheme employer having provided all required information.

- **Pension contributions**

Summary of valuations and employer contribution rate reviews:

Function / Role	Description	Performance Target
Fund valuation **Consult with employers**	Consult with employers on the outcome of the periodic Fund valuation.	At least **2 months** before the issue of the final Rates and Adjustments Certificate.
Fund valuation **Employer results – Funding level and contribution rate**	Issue formal valuation results to individual scheme employer following the periodic Fund Valuation.	No later than **1 month** before the issue of the final Rates and Adjustments Certificate.
New employers **Pension contribution requirements**	Notify new scheme employers of their contribution requirements.	Within **2 months** of joining the Fund.

- **Scheme Employer Admissions and Cessations**

Fund role regarding new employer admissions and employer exits: This includes Admission Bodies and Academies

Function / Role	Description	Performance Target
New employer admissions	Process the admission of new scheme employers into the Fund including signed admission, bond and guarantor agreements where required, and obtaining the Fund actuary's contribution rate / opening funding position report.	Within **2 months** of date joining the Fund subject to the new scheme employer providing all relevant information upon request.
Bonds for new Admission Bodies	Arrange where required for employers who outsource services/functions to undertake, to the satisfaction of the Fund, a risk assessment of the level of bond in order to protect other employers participating in the Fund (For example, where the original employer is not a guarantor in respect of pension liabilities)	To be completed before the body is admitted to the Fund subject to the new scheme employer providing all relevant information upon request.
Bond reviews for Admission Bodies	Undertake a review of bonds or indemnity required to protect other scheme employers participating in the Fund.	**Annually**, or 3 months prior to bond expiry as necessary.
Employer exits	Carry out valuation assessments on cessation of admission agreements or a scheme employer ceasing participation in the Fund.	Within **2 months** of a cessation, subject to the employer providing all relevant information upon request. Where a cessation valuation reports a surplus position at the point of exit, the determination and payment of the exit credit to be completed within 6 months of the exit date.

Individual Member Administration

This section details the Administering Authority functions which specifically relate to the administration and processing of scheme member benefits from the LGPS.

- **General Enquiries**

Responding to general enquiries from scheme members:

Function / Role	Description	Performance Target
Enquiries from scheme members	Acknowledge or respond to written or verbal enquiries from scheme employers and scheme members or their representatives or dependents and other authorised persons.	**Within 10 working days** from receipt of an enquiry.

- **New Scheme Joiners and 50/50 Elections**

Actions relating to new scheme members and 50/50 elections:

Function / Role	Description	Performance Target
New scheme joiner	Set up a new scheme joiner and provide the statutory notification to the member.	**Within 1 month** from receipt of correctly completed starter form from a scheme employer.
50/50 election from scheme member	Set up a new 50/50 section membership.	**Within 1 month** from receipt of correctly completed notification from a scheme employer.

- **Aggregation, Transfers and Estimates**

Administration of aggregations, transfers and estimates:

Function / Role	Description	Performance Target
Aggregations of LGPS memberships	Issue statement to scheme member relating to the aggregation of previous LGPS membership.	Within **2 months** of receipt of all necessary information.
Transfer-in requests Commencement	Commencement of transfer-in requests.	Within **1 month** of receipt of request from scheme member.
Transfer-in requests Completion	Completion of transfer-in applications.	Information provided within **2 months** of receipt of all required information.
Transfer out quotations Commencement	Transfer-out quotations issued.	Within **3 months** of the date of request or up to 6 months if the reason for a delay is outside the Fund's control.
Transfer out quotations Completion	Transfer out payments processed and notification to scheme member.	If Transfer-Out finalised within 3-month guarantee period, payment made within **1 month** of guarantee date.
Divorce administration – Requests for CETV	Cash Equivalent Transfer Value (CETV) estimates for divorce purposes.	Within **1 month** of receipt of request.
Estimate requests – Employees and employers	Provide requested estimates of benefits to employees / employers including any additional shortfall / strain costs in relation to the early payment of benefits.	Within **2 months** of receiving all required information from the employer. Bulk requests of more than 10 estimates per month will be subject to prior agreement between the Fund and the employer.[4]

[4] *Members are limited to one written estimate for a prospective retirement date within two years of the request, in any 12-month period*

- **Additional Pension Contributions (APCs)**

Notifications to employers of APC applications for the purchase of extra pension:

Function / Role	Description	Performance Target
Additional Pension Contributions – Notification to employers	Notify the scheme employer of any scheme member's election to purchase additional pension contributions, including all required information to enable deductions to commence.	Within **2 weeks** of receipt of election from scheme member to meet the employer's next available payroll.

- **Deferred Benefits / Refunds**

Administration of deferred members and refunds:

Function / Role	Description	Performance Target
Deferred members	Deferred benefits options letter to members.	Within **2 months** of the leaving date subject to the receipt of all necessary information.
Refunds of member contributions	Determine eligibility and process refund payments.	Within **2 months** from receipt of all necessary information.

- **Retirements / Deaths**

Administration of retirements and deaths:

Function / Role	Description	Performance Target
Retirement options to members who have ended active membership aged 55 or over	Provision of retirement options letters detailing member options.	Within **2 weeks** from receipt of all necessary information.
Administration of retirement applications	Process of retirement benefits, including deferred benefits, for payment following receipt of a request to access benefits.	Within **1 month** of retirement date or from the receipt of all necessary information with the first pension payment made on next available payroll run.
Death notification acknowledgement	Notification of death.	Acknowledge within **1 week** of initial notification.
Administration of death benefits (Death grant)	Process of death grant for payment.	Within **2 weeks** of receipt of all necessary documentation.
Administration of death benefits (Survivor's pension)	Processing of beneficiaries' pensions for payment.	Within **2 weeks** of receipt of all necessary documentation.

Pensioner members – Issuing of payslips	Provide payslips to scheme members in receipt of a pension.	In March, April and May of each year and where the monthly pension amount changes by at least 1%.

- **Appeals**

Administration of AADP Stage 2 appeals

Function / Role	Description	Performance Target
AADP Stage 2 appeal - Acknowledgement	Acknowledge receipt of AADP Stage 2 appeal.	Within **1 week** of receipt of AADP Stage 2 appeal.
AADP Stage 2 appeal - Arrange adjudication	Decide adjudicator for completion of the AADP Stage 2 determination	Within 1 week of receipt of AADP Stage 2 appeal
AADP Stage 2 appeal - Preparation of information and evidence for chosen adjudicator	Prepare information and evidence as required for adjudicator to consider AADP Stage 2 appeal.	Within **2 months** of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.
AADP Stage 2 appeal - Notification of decision	Ensure the issue of a formal letter to the appellant following the adjudicator's determination of the AADP Stage 2 Application.	Within **1 week** of the adjudicator's decision.

8. Performance monitoring

The partnership between the Fund and scheme employers is important for the successful, ongoing administration of the scheme. The Fund has a duty to support employers in meeting their responsibilities. The cost of underperformance on the part of one employer is to be charged to that employer, rather than being shared across all employers.

If employers have concerns about the data they provide, they should contact the Fund without delay. This will allow the Fund to help to resolve any issues and enable both parties to meet their requirements for the benefit of scheme members.

It is the responsibility of the Administering Authority and the scheme employers to comply with the LGPS regulations and the standards set out in this Strategy. This section describes how the Fund:

- monitors performance and compliance
- addresses the costs of underperformance
- sets the potential charges

The Fund and scheme employers must aim to ensure that all functions and tasks are carried out to the agreed standards set out in this strategy. The Fund will monitor, measure and report on the Fund's and scheme employers' compliance with the agreed service standards outlined in this document on a regular basis to the Pension Board and Pensions and Investments Committee.

The Fund monitors its own performance against internal key performance indicators (KPIs). Monitoring is carried out on a monthly basis and is reported to the Pensions and Investments Committee (the Committee) and Derbyshire Pension Board (the Board) periodically. The performance of scheme employers against the standards set out in this document, including data accuracy, are also reported to the Committee and Board.

The Fund will report back to employers where required about their individual performance, identifying any areas for improvement including outstanding data items.

Where an employer declines to work with the Fund to resolve problems and consistently fails to meet its responsibilities under the LGPS Regulations, the Fund (or stakeholders such as the Pension Board) has a duty to report such breaches to The Pensions Regulator, who has the regulatory power to take enforcement action and, if necessary, apply financial penalties.

Policy on charging for employer underperformance

Regulation 70 of The Local Government Pension Scheme Regulations 2013 provides pension funds with the ability to recover any additional administrative costs that have been incurred, because of a scheme employer's underperformance.

The Fund works to support employers in the following ways:

- site visits or remote support
- training events
- electronic newsletters
- guidance and information on the Fund's website

The responses of a consultation undertaken in 2017, reflected a common agreement amongst the Fund's employers, that the additional administration costs generated by an underperforming employer should be met directly by that employer, rather than shared across all employers in the fund.

As a result, the Fund's monitors any additional costs incurred in the administration of the scheme as a direct result of underperformance and reserves the right, at its own discretion, to recover these costs, having taken the following steps:

a) **Write to the scheme employer**
Set out area(s) of non-compliance with performance standards and offer support. The Fund may also request attendance at a training / coaching session if required.

b) **Arrange a meeting with Fund representatives**
A scheme employer will be asked to attend a meeting with representatives of the Fund to discuss area(s) of non-compliance with performance standards and to agree an action plan where the scheme employer has not:

   - demonstrated improvement
   - taken the agreed actions
   - responded the initial letter

Derbyshire Pension Fund

Where appropriate in respect of Admission Bodies, the outsourcing / letting employer will be informed and expected to work with the Fund to resolve the issues.

c) Formal written notice

If no improvement is seen within one month of meeting with the employer, or a scheme employer declines to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out:

- the area(s) of non-compliance with performance standards that have been identified
- the steps taken to resolve those area(s)
- how the underperformance contributed to the additional cost
- the amount of the additional cost incurred
- provide notice that the additional costs incurred by the Fund as a direct result of the employer's poor performance will now be reclaimed

An invoice will then be issued to the scheme employer with a notification setting out the calculations of any additional administration costs incurred by the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of poor performance, in accordance with the charging scales set out in this document.

A report will be presented to the Pensions and Investments Committee and the Pension Board meeting detailing charges levied against scheme employers and outstanding payments.

Additional administration charges

Summary of the Fund's determination of additional administration charges:

Reason for charge or fine	Level of charge (£)
Late payment of Employer and / or Scheme Member contributions.	£150 per occurrence plus interest as defined in Regulation 71 of LGPS Regulations.2013
Non-engagement of employer with i-Connect by end of scheme year	Costs relating to the preparation and administration of non i-Connect documentation; £1,500 per employer reference code Costs per active member; £250 per active member
Late submission of monthly i-Connect data transmission	£150 per occurrence
Late provision of year end contributions returns in prescribed format.	£1,000 per occurrence plus £100 for each week plus part week of continued non-provision.
Late provision of starter information, per case.	£50 initial charge plus £50 per month or part month of continued non-provision.
Late provision of leaver information, per case.	£50 initial charge plus £50 per month or part month of continued non-provision.
Charges for persistent incorrect and incomplete information provided by the Employer to the Fund (where the case has to be returned for incorrect information on more than 2 occasions).	£50 per case
Fine from The Pensions Regulator.	Amount requested by The Pensions Regulator.
Fine from The Pensions Ombudsman.	Amount requested by The Pensions Ombudsman.

Delay causing unauthorised payments.	Cost of tax from the HMRC and or reimbursement of charges imposed by HMRC on Derbyshire Pension Fund.
Fines from any other statutory body incurred due to the employer's actions.	As levied.

If poor performance continues and impacts the Fund's ability to perform statutory functions and / or measures are not being taken by the employer to address this, the Fund will report the employer to The Pension Regulator.

Where it is necessary to ensure that members' benefits are not delayed unduly due to employers' underperformance in providing the required information, the Fund reserves the right to calculate and pay benefits based on the best information available. The basis of the calculation will be explained to the member and employer in each case, and further to completing the process above, the costs of additional administration caused by the need for a subsequent revision of benefits will be charged to the employer.

Underperformance charges will apply at the discretion of the Head of Derbyshire Pension Fund and will be calculated based on a combination of the standard tariff of charges plus time spent at the daily rate outlined below.

Charges for 'time spent' on underperformance issues will be made on a half day basis. For less than quarter of a day, no charge will be made. For more than half a day, the full day charge will be made.

"Time spent" - Officer charges

Summary of officer charges for time spent on cases triggered by employer underperformance

	Charge levels		
Time taken	**Level 1 (Work at Senior Pensions Assistant Level)**	**Level 2 (Work at Pension Officer Level)**	**Level 3 (Work at Pension Administration Manager / Head of Pension Fund Level)**
Daily[5]	£98	£142	£206
Half day	£49	£71	£103

Where an employer fails to pay any amount due to the Fund (other than monthly contributions) within 30 days, interest for late payment will be charged accordingly. This includes charges and recharges levied in respect of cost recovery.

Feedback from employers

Employers who wish to provide feedback on the performance of the Fund against the standards in this administration strategy should send their comments by email to the Fund's Regulations and Communications team: pensions.regs@derbyshire.gov.uk

[5] *Based on hourly rates from Derbyshire County Council's Salary Scales 2021/22. Level 1 (Salary point 15), Level 2 (Salary point 27) and Level 3 (Salary point 39)*

Any feedback received will be incorporated into reports provided to the Pensions and Investments Committee and the Pension Board.

9. Audit

The Fund is subject to regular audits of its processes and internal controls. The Fund and its scheme employers are expected to fully comply with any requests for information from both internal and appointed external auditors. Any subsequent recommendations made will be considered by the Fund and where appropriate, implemented accordingly.

10. General Data Protection Regulations (GDPR)

In May 2018, the EU's General Data Protection Regulation (GDPR) came into force. The regulation changed the way organisations process and handle data, with the aim of giving greater protection and rights to individuals.

GDPR applies to the processing of personal data that is:

- wholly or partly by automated means, or
- the processing other than by automated means of personal data which forms part of, of is intended to form part of, a filing system

The UK's Data Protection Act 2018 is the UK's implementation of GDPR and controls how personal information is used by organisations, businesses and the government. Under the Data Protection Act 2018, everyone responsible for using personal data must follow strict data protection principles. They must make sure the information is:

- used fairly, lawfully and transparently
- used for specified, explicit purposes
- used in a way that is adequate, relevant and limited to only what is necessary
- accurate and, where necessary, kept up to date
- kept for no longer than is necessary
- handled in a way that ensures appropriate security, including protection against unlawful or unauthorised processing, access, loss, destruction or damage

Employers necessarily supply the Fund with personal data relating to their employees.

Personal data collected / held by the Fund includes:

- Contact details: name, address, telephone number and email address
- Identifying details: date of birth, national insurance number and employee number and folder reference
- Assessment information: used to calculate and assess eligibility for benefits, for example length of service or membership and salary information
- Financial information: relevant to the calculation or payment of benefits, for example bank account and tax details
- Family information: dependents or personal circumstances, for example marital status and information relevant to the distribution and allocation of benefits payable on death

- Health information: to assess eligibility for benefits payable on ill health
- Criminal convictions: if this has resulted in a member owing money to their employer or the Fund and the employer or Fund may be reimbursed from the member's benefits

Employers are under a statutory obligation, as detailed in Regulation 80 of the LGPS Regulations 2013, to provide certain personal data relating to their members to their pension administrators, including (but not exhaustively): the Pay Reference Number, Post Number, National Insurance Number, Surname, Forenames (or Initials), Title, Gender, Date of Birth, Address, Postcode, Date Pensionable Service Started, Marital Status, Hours, Weeks, Pay, Basic Employee and Employer Contributions Paid, Additional Employee and Employer Contributions Paid, Date Left Pensionable Service, Reason Left Pensionable Service and Periods of Absence from Pensionable Service.

The Fund uses members' personal data to:

- contact members
- assess eligibility for pension benefits, to calculate benefits and to provide members (and their beneficiaries upon their death) with benefits
- identify members' potential or actual benefit options
- allow alternative ways of delivering benefits (for example under a power of attorney)
- carry out statistical and financial modelling and for reference purposes (For example when the Fund assesses how much money is needed to provide members' benefits
- comply with the Fund's legal and regulatory obligations
- address queries from members and other beneficiaries and to respond to any actual or potential disputes concerning the Fund
- manage the liabilities of the Fund
- to support the sale, merger or corporate reorganisation or transfer of a business by employers that participate in the Fund

Employers must ensure that the personal data supplied to the Fund is correct. The supply of incorrect data (in particular, incorrect contact details) can lead to a data breach.

A personal data breach is a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. Breaches of personal data can expose the Fund / Administering Authority to substantial fines from the Information Commissioner's Office (ICO) www.ico.org.uk, financial claims from individuals whose personal information has been inappropriately disclosed, and to severe reputational damage.

Privacy Notice

The Fund has published a full privacy notice in line with GDPR requirements, setting out why certain data is held, the reason for processing the data, who it shares the data with and how long the data will be retained. Within the notice, members are also provided with additional information about their rights under the legislation. The privacy notice is available from the Fund's website: derbyshirepensionfund.org.uk/GDPR

Memorandum of Understanding

The Fund has issued a Memorandum of Understanding to its employers, which confirms the joint roles and responsibilities with regards to the sharing of information which enables it to provide an efficient and effective service to scheme members and stakeholders. The Memorandum of Understanding is available from the Fund's website: derbyshirepensionfund.org.uk/GDPR

Employers should inform all new employees that their personal data is shared with the Fund, in accordance with the statutory responsibilities of administering the LGPS.

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