

RESPONSIBLE INVESTMENT POLICY

This Policy details the SYPA's approach to fulfilling its responsibilities with regard to responsible investment and stewardship.

Context

This policy is set in the context of the implementation of the Government's agenda for the pooling of the investment assets of the Local Government Pension Scheme in England and Wales. SYPA has chosen to participate in the Border to Coast Pensions Partnership. While SYPA retains responsibility for setting a policy stance in relation to responsible investment issues this will be implemented by Border to Coast, who have developed a collective policy on responsible investment and associated voting guidelines in conjunction with the 11 partner funds.

While endorsing the collective policy adopted by Border to Coast SYPA would like to move further in some areas and this policy sets out where the Authority will seek to influence partners and other organisations, such as the Local Authority Pension Fund Forum, to go further. In this way there will ultimately be greater collective weight behind the achievement of the Authority's responsible investment objectives. However, the Authority, given that it retains responsibility in this area, reserves the right to act alone where the collective view does not coincide with its own in material respects.

Beliefs

Responsible Investment as a concept is fundamental to the Authority's statement of investment beliefs. Thus it is a key part of "how we do investment" (and how we expect those who manage money on our behalf to do it) rather than an add on or overlay. SYPA has adopted the following statement of its Responsible Investment beliefs.

South Yorkshire Pensions Authority believes that investing in well governed and sustainable assets is key to delivering the long term investment returns required by the Pension Fund. The Authority's goal is for carbon emissions from the totality of its investment portfolio to be zero by 2030 (the "Net Zero Goal") and has developed a net zero action plan to chart its route to this goal. This action plan includes the incorporation of this Net Zero Goal in the Authority's investment beliefs and investment strategy, and contemplates frequent review of the performance of its investments within the context of this goal, as well as monitoring of the delivery of the commitment and the transition towards it.

We believe that well governed assets will present the following characteristics:

- *A recognition of the key risks to the long term sustainability of the business, in particular climate change, and will have created action plans to address these risks over reasonable but not unduly prolonged timescales;*
- *Transparency in their governance, balancing the interests of shareholders, executives and other stakeholders including the workforce;*
- *Respect for the human rights of the communities with which they interact and their various stakeholders;*
- *Acknowledges the environmental impacts of their activities and takes steps to minimise and/or mitigate them.*

The Authority expects those managing money on its behalf to reflect these factors in their investment process and where specific risks or concerns are identified to engage with assets in order to ensure that these characteristics are met. Engagement activity will:

- *Have clear and specific objectives;*
- *Be time limited;*
- *Where unsuccessful link to clear consequences reflecting the degree to which the investment thesis for the asset has been undermined by non-compliance.*

The Authority will report each year on the impact of its investment portfolio on society using the framework of the UN Sustainable Development Goals and will where possible, given the constraints of pooling, seek to prioritise investments which address the opportunities presented in relation to:

- *SDG 13 – Climate Action*
- *SDG 6 - Clean Water and Sanitation*
- *SDG 7 – Affordable and Clean Energy*

The Authority's fundamental belief is that this approach is entirely consistent with securing the long term returns the Pension Fund is required to deliver, and that it is therefore in the best interests of both scheme members and employers.

In line with the net zero action plan the Authority will also report every year on the performance of its investments within the context of its Net Zero Goal, as well as on the delivery of the Net Zero Goal and the transition towards it.

This policy is set within the context of these beliefs.

Stewardship, Responsibility and ESG

The primary objective of any pension fund is to ensure that its assets are able to meet its liabilities when they fall due. In order to achieve this, funds have to produce the required levels of financial return without taking on undue levels of risk whilst also operating within the relevant regulatory framework.

Evidence shows that pension funds which consider how the companies they are invested in behave in relation to environmental social and governance issues, tend to achieve better returns. In other words, companies that are well managed and have strong governance are more likely to be successful long term investments. This accords with the expectations in SYPA's beliefs statement and reflects our overall attitude to the stewardship of the Fund. As an active investor working to a long time horizon, we are aware that businesses that operate to high standards of corporate governance along with environmental and social best practice, have the potential to protect and enhance investment returns.

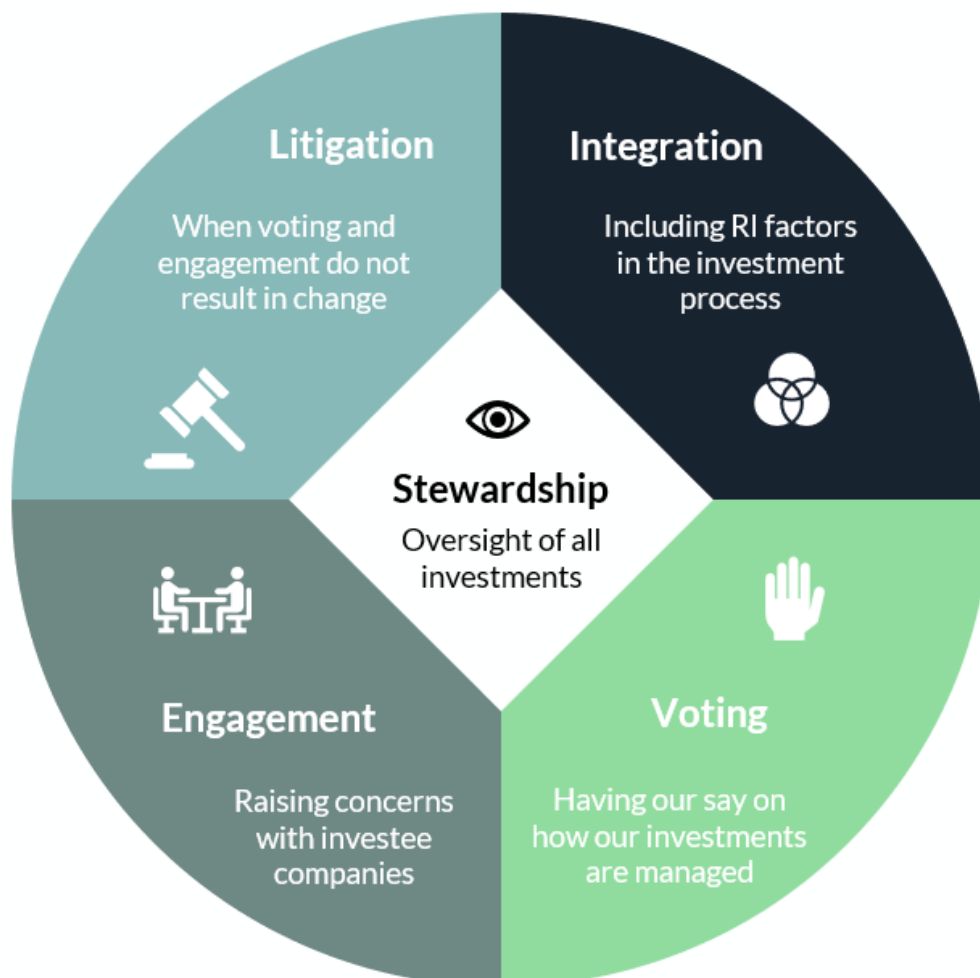
The Authority, though must also consider the views of stakeholders, principally scheme members, in coming to its views in this area. While it is difficult to establish member views with precision this is an area where a great deal of research is ongoing and it is possible to distil a generic member view from this research as wanting to "do no harm" with the funds being invested on their behalf. This provides a broad principle that underpins our beliefs in

this area.

There are five major components to our RI approach:

- 1) **Stewardship**: ensuring the Authority's RI expectations cover all assets and are being met through monitoring
- 2) **Integration**: ESG factors being included into the analysis process of investments managed by the Authority and its external asset managers
- 3) **Voting**: using shares to 'have its say' by voting at the meetings of the companies owned
- 4) **Engagement**: talking to companies in which it invests about issues of concern and encouraging them to adopt better practices
- 5) **Litigation**: acting against companies where voting and engagement have not solved specific issue(s) of concern, although in the context of pooling any litigation is likely to be undertaken by the pool company.

The way in which these relate together is shown in the diagram below:



Our awareness of ESG issues when making investments means that we have adopted what is known as a responsible investment (RI) approach; incorporating ESG issues into the investment decision making process allows us to better manage risk and to generate sustainable long-term value.

Governance and Implementation

Under the LGPS (Management and Investment of Funds) Regulations 2016, the Authority is responsible for stewardship, which includes shareholder voting. The implementation of policy is delegated to Border to Coast with the Authority undertaking monitoring, scrutiny and challenge to ensure that the objectives of SYPA’s policy are delivered. Regular reports to the Authority will aid the process of monitoring the effectiveness of the policy with a review at least annually to feed into the review of Border to Coast’s various collective policies.

Skills and competency

Officers at the Authority together with the staff at Border to Coast will maintain appropriate skills in responsible investment and stewardship through continuing professional development, and where necessary take expert advice from suitable RI specialists to fulfil obligations and responsibilities. In addition relevant training will be offered to members of the Authority as part of their learning and development programme.

Integrating RI into investment decisions

The Authority considers, and asks its service providers such as Border to Coast to consider environmental, social and corporate governance (ESG) issues when carrying out financial analysis and investment decision making and encourages companies to improve their practices in these areas. The factors considered are those which can cause financial and reputational risk, ultimately resulting in a reduction in shareholder value.

ESG issues will be considered and monitored in relation to both internally and externally managed assets. Border to Coast is accountable for the integration and implementation of ESG considerations. Issues considered include, but are not limited to:

Environmental	Social	Governance	Other
Climate Change Resource & energy management Water stress Single use plastics Biodiversity	Human rights Child labour Supply chain Human capital Employment Standards Pay conditions (e.g living wage in UK) Just transition	Board independence Diversity of thought Executive pay Tax transparency Auditor rotation Succession planning Shareholder rights	Business strategy Risk management Cyber security Data privacy Bribery & corruption Political lobbying

Border to Coast directly manages the majority of the Authority’s assets (including all its listed assets) and the steps it takes in order to ensure proper stewardship and consideration of ESG issues are set out in the policy endorsed by all 11 partner funds, which is available on the Border to Coast website and is reviewed annually.

Stewardship

The Fund, as a shareholder, has responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers and will practice active ownership through voting, monitoring companies, engagement and litigation to promote and support good ESG practices. In the pooled environment these activities will be exercised through Border to Coast in line with policies and guidelines agreed by the partner funds. The Authority, as an asset owner, seeks to operate in line with the UK Stewardship Code, which aims to enhance the quality of engagement between investors and companies to help improve long-term risk adjusted returns to shareholders. The Authority requires Border to Coast to be a signatory to both the UK Stewardship Code and the UN Principles for Responsible Investment.

Voting

Voting rights are an asset to the fund, and the Authority, in partnership with Border to Coast, will use them carefully to promote and support good corporate governance principles with the aim of voting in every market it invests in.

A specialist proxy voting advisor, Robeco has been appointed by Border to Coast to provide analysis of voting and governance issues and to ensure that votes are executed in accordance with its policies. The proxy voting advisor will implement a set of detailed voting guidelines provided by Border to Coast and agreed by the partner funds, which are available on the Border to Coast website, to ensure that votes are executed in accordance with policies. The voting guidelines are administered and assessed on a case by case basis. A degree of flexibility will be required to reflect specific company and meeting circumstances.

A process is available to allow the Authority to vote its proportion of any shareholding in a different way to the other Border to Coast partner funds should there be a difference in interpretation of the voting guidelines between the Authority and Border to Coast and Robeco. While this facility is only likely to be used rarely the Authority will consider its use in the case of shareholder resolutions where the common stance proposed by the operating company fails to meet the Authority's policy objectives, and in particular where companies are failing to deliver clear and deliverable climate transition plans. Votes will only be cast separately if the Chair in consultation with the s41 members agrees, as set out in the protocol for urgent decisions between meetings of the Authority.

The equity funds managed by Border to Coast form part of stock lending programmes. Where stock lending is permissible, lenders of stock do not generally retain any voting rights on lent stock. Procedures are in place to enable stock to be recalled prior to a shareholder vote. Stock will be recalled ahead of meetings when:

- There is a contentious resolution on the agenda
- The holding is of a size which could potentially influence the voting outcome
- Border to Coast needs to register its full voting interest
- Border to Coast has co-filed a shareholder resolution
- A company is seeking approval for a merger or acquisition
- Border to Coast deems it appropriate

Stock lending can also be restricted in these circumstances.

Where appropriate Border to Coast will consider co-filing shareholder resolutions which support the long term economic interests of shareholders and will notify the Authority in advance of doing so. Equally the Authority may encourage Border to Coast to co-file resolutions which support its objectives, where it is made aware of such opportunities for example through the Local Authority Pension Fund Forum (LAPFF).

The Authority will also look to Border to Coast and others managing money on its behalf to “join up” the voting position in relation to a company’s issued equity with action in relation to bonds issued by the Company including where appropriate “denying the debt” as a means of influencing behaviour change on behalf of companies.

Engagement

The best way to influence companies is through engagement. As a responsible investor, the approach taken will be to influence companies’ governance standards, environmental, human rights and other policies by constructive shareholder engagement and the use of voting rights. The services of specialist providers may be used when necessary to identify issues of concern. Meeting and engaging with companies is an integral part of the investment process. The Authority expects all those managing its assets, of whatever type, to engage with companies across all markets and to report back on the outcomes of such engagement.

Border to Coast’s contract with Robeco provides the principal (but not only) means of engagement with companies across the world, covering environmental, social and governance issues as well as UN Global Compact breaches. The UN Global Compact is a shared framework covering ten principles, recognized worldwide and applicable to all industry sectors, based on the international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption.

The Authority (along with the other ten Border to Coast partner funds and the pool Company) is an active member and supporter of the Local Authority Pension Fund Forum (LAPFF) and encourages LAPFF in its campaigns and initiatives. The Authority will also engage with regulators, public policy makers, and other financial market participants as and when required. It will encourage companies to improve disclosure in relation to ESG and to report and disclose in line with the Task Force on Climate related Financial Disclosures (TCFD) recommendations and other developing initiatives, such as the Workforce Disclosure Initiative (WDI) and Task Force on Nature Related Financial Disclosure (TNFD).

Engagement Themes

The Authority recognises that there are insufficient resources within the system to be able to engage across the whole range of possible issues and therefore it supports both Border to Coast and LAPFF to identify specific themes or areas of focus, based on the key issues identified in the beliefs statement. The Authority endeavors to ensure that each of these two major routes for engagement to some degree focus on different areas. The factors considered in choosing areas of focus are:

- that progress in the themes is expected to have a material financial impact on our investment portfolios in the long-term;
- that ambitious, but achievable milestones can be set through which we can measure progress over the period

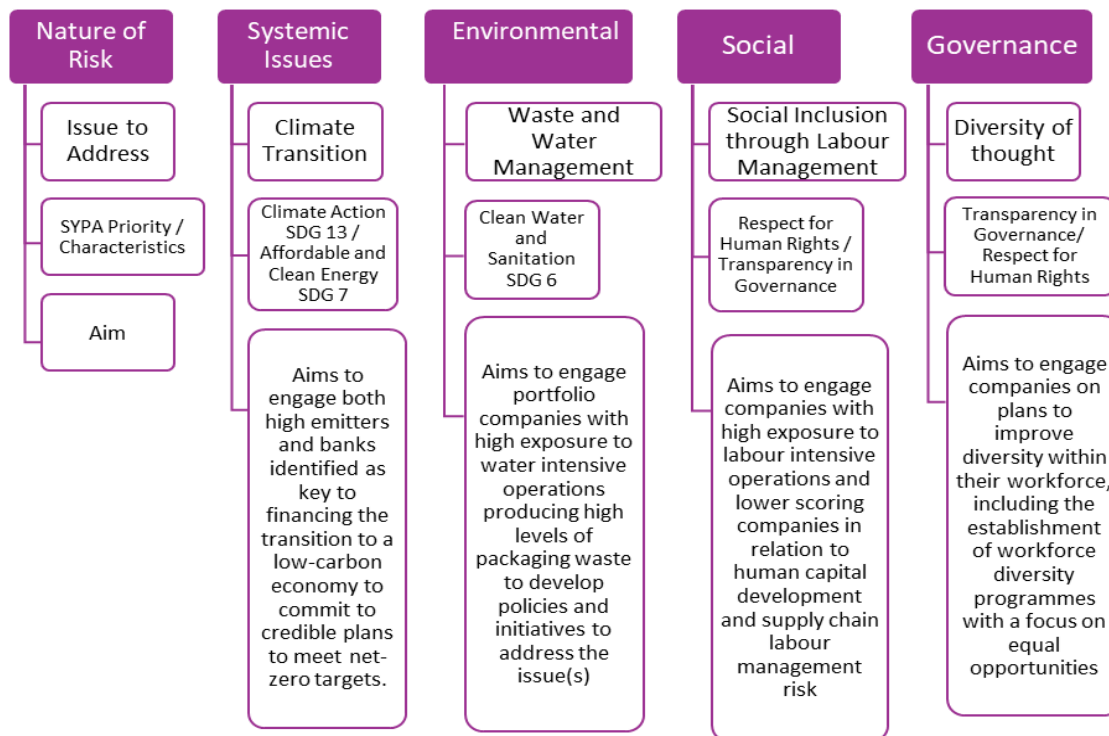
These factors mean that the choice of themes is driven by the material ESG risks facing the portfolios and their financial materiality.

In the case of both Border to Coast and LAPFF the views of the various partner funds involved mean a process of discussion is required which results in some degree of compromise.

For the 2022 – 25 period Border to Coast’s key engagement themes are:

- Low Carbon Transition – which is an explicit priority for the Authority within its beliefs statement as part of achieving the Net Zero Goal and links to the priority attached to SDG’s 7 and 13.
- Diversity of thought – which is reflected within the beliefs statement in relation to the way in which companies manage their activities and engage with stakeholders
- Waste and water management – which relates to the specific priority attached to SDG 6
- Social inclusion through labour management – which is reflected within the beliefs statement in relation to the way in which companies manage and engage with their workforce.

The diagram below shows how these themes relate to the Authority’s priorities



LAPFF's planning cycle does not fully align with that of the Authority, however the key engagement themes identified in the draft workplan and how they relate to the Authority's priorities are as follows:

- Climate – with themes around “netting” technologies, climate aligned accounts, company resilience, the Just Transition and Electric Vehicles. A number of these themes compliment the Border to Coast priority and this area reflects the priority attached to climate issues and Net Zero within the beliefs statement.
- Employment Standards and Supply Chains – with themes around supply chain standards, Covid risks, Human Rights and diversity. These issues are reflective of the standards of behaviour of companies set out as expectations within the beliefs statement.
- Sustainability and Shareholder Value – with themes around commodities, deforestation, plastics and public health; water security; housebuilders; and water companies and sewerage. Elements of this theme relate to the priority attached to SDG 6 while others have a connection to the priority attached to climate action.
- Good governance – with themes around reliable accounts and cyber security. These are areas where LAPFF has long had a focus and while not directly linked to the Authority's own priorities are recognised as important areas of work and focus on the basic standards of governance that should be expected of any organisation.

Based on this the resources on which the Authority relies for direct engagement are largely focused on the priorities identified in the beliefs statement, with the significant emphasis on climate issues reflecting the priority attached by the Authority to the achievement of Net Zero.

Escalation

The Authority believe that engagement and constructive dialogue with the companies in which it invests is more effective than excluding companies from the investment universe. However, if engagement does not lead to the desired result escalation may be necessary. A lack of responsiveness by the company can be addressed by conducting collaborative engagement with other institutional shareholders, registering concern by voting on related agenda items at shareholder meetings, attending a shareholder meeting in person and filing/co-filing a shareholder resolution. If the investment case has been fundamentally weakened, the decision may be taken by the relevant fund manager to sell the company's shares.

The Authority will be looking for those acting on its behalf (principally Border to Coast) to set out when launching an engagement process much clearer consequences of failure by companies to make progress particularly in relation to the production of clear and deliverable climate transition plans. It is expected that these consequences will include the identification of the point at which the investment case for a company is undermined by their failure to address the issues raised in the engagement to such an extent that divestment is the appropriate course of action. The Authority recognises that it cannot move on this alone given that all its listed investments are in pooled funds and will be

explicitly seeking to influence its partners to agree to policies of this sort.

Litigation

Where assets held by the Authority are subject to individual or class action securities litigation, it will, where appropriate participate in such litigation.

There are various litigation routes available dependent upon where the company is registered. The Authority will use a case-by-case approach to determine whether or not to participate after having considered the risks and potential benefits. The Authority in the past has used industry professionals to facilitate this. Border to Coast follow a similar model to the Authority on the assets it holds on SYPA's behalf, and given the fact that all listed assets are now managed by Border to Coast it is unlikely that the Authority will need to directly participate in litigation of this sort.

Due Diligence and Monitoring

Given the degree of reliance which the pooling arrangements mean the Authority has to place on Border to Coast we have to place reliance on the company's controls and processes both within the organisation and for monitoring other providers such as Robeco. We rely on the information provided by the company's auditors in their audit assurance (AAF) control review for assurance as to the effectiveness of the controls and processes in place within the company.

In addition we monitor the regular reports provided by both Border to Coast and Robeco to identify areas of potential non-compliance with agreed policies and also review Border to Coast's voting in relation to LAPFF voting alerts.

We also work with the other 10 funds within the Border to Coast Partnership to monitor the Company's progress on delivering its Responsible Investment Strategy through the Responsible Investment Officer Operations Group (RI OOG).

Communicating and reporting

The Authority will report on its RI activities periodically and will keep beneficiaries and stakeholders informed. This will be done by making publicly available the RI policy framework documents, publishing quarterly and annual reports on activity on the Authority's website and providing website links to information provided by Border to Coast.

The Authority will engage assistance to develop means of reporting on the impact of its investments across the full range of ESG issues and across all asset classes to supplement the information provided by Border to Coast in relation to the assets which they directly manage. This process will support enhanced reporting under the Stewardship Code.

Training and assistance

Training on RI and ESG issues will be offered by Border to Coast. Where requested assistance will be given on identifying risks and opportunities in order to help develop individual fund policies and investment principles for inclusion in the Investment Strategy Statements.

The Authority will also buy in training from other providers to support the learning and development of Authority members and officers in this area in line with the overall learning and development strategy.

Conflicts of interest

In an event of any potential conflict of interests, a suite of policies have been drawn up between the Authority and Border to Coast.

Climate Change

The Authority recognizes the global issues and risks arising from climate change and the material impact it can have on the performance of the Fund on its liabilities. Consequently the Authority has adopted a goal of making its investment portfolio “net zero” in terms of carbon emissions by 2030. As a long term investor the Authority acknowledges its responsibilities and is committed to looking at ways in which it can address this situation, by participating with like-minded investors and partners in initiatives such as Institutional Investors Group on Climate Change (IIGCC), the Taskforce on Climate Related Financial Disclosure (TCFD) and Climate Action 100+. The Authority will also expect Border to Coast to be aware of the investment risks associated with Climate Change and to take appropriate action to identify them and mitigate their impact, including involvement in appropriate collaborative groups. The specific actions to be taken by the Authority in relation to climate change are set out separately in the Climate Change Policy and Net Zero Action Plan.

Human rights

When considering human rights issues, we believe that all companies should abide by the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. Companies should have processes in place that both identify and manage human rights risks across their business and supply chain. Border to Coast engage on our behalf with investee companies on human rights as part of our social priority engagement theme, engaging on modern slavery and labour practices and human rights due diligence where companies operate in high-risk areas. Border to Coast have incorporated considerations into how votes are exercised on our behalf at company meetings and we will push towards zero human rights cases within our invested companies.

March 2024