SOUTH YORKSHIRE PENSIONS AUTHORITY

Responsible Investment Update Quarter 1 2025/26

September 2025

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Highlights and Recommendations

Highlights over the quarter to the end of June include:

- A quarter-on-quarter increase in the level of voting activity with over 5,500 votes cast at over 360 company meetings.
- The overall level of engagement activity increased quarter-on-quarter and compared to Q1 2024/25 as Border to Coast stepped up engagement taken with invested companies.
- The engagement focus remained on environmental topics, including net zero, with social and business strategy topics also remaining as a material proportion of engagement topics.
- The overall ESG performance of the listed asset portfolios with Border to Coast has continued to be strong relative to the respective benchmarks with an improvement in score for the UK Equity Fund. However, the Overseas Equity saw a drop in ESG score and is now in line with its benchmark.
- Overall financed emissions of the Border to Coast invested assets decreased over the quarter with the most significant decrease again coming from the Emerging Market Equity Fund due to a full exit from Fund's holding in its highest emitting company.
- Four of the five listed funds reached their interim 2025 financed carbon emission reduction targets of 50% reduction on 2019 baseline emissions. These four funds continued to decrease in financed emissions during the quarter. It should be kept in mind that actual emissions reductions is only one contributor to the carbon footprint of a fund, or a benchmark index. This can be outweighed by the impact of changes in market values and index constituents. Hence, it is important that we focus more on the long-term trends than shorter-term changes to these scores (as the latter can be more susceptible to this market "noise").
- Carbon emissions coverage decreased during the quarter, as the coverage of securities held in the four equity funds reduced, highlighting ongoing challenges in reporting emissions within financial markets.

The Authority are recommended to note the activity undertaken in the quarter.

Background

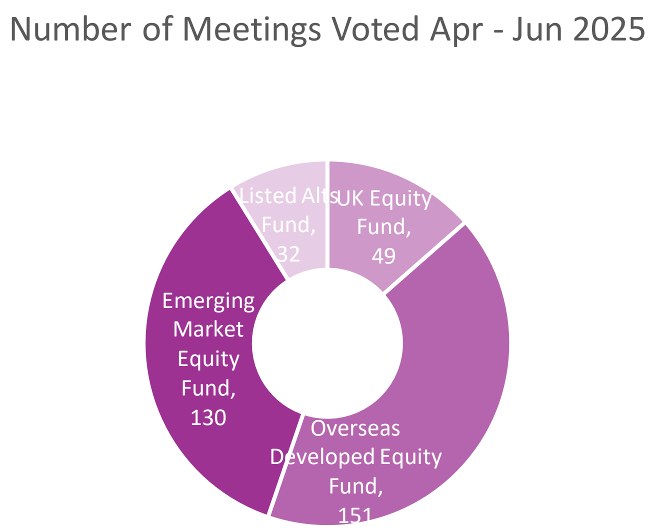
The Authority has developed a statement which sets out what it believes Responsible Investment is and how it will go about implementing it within its overall approach to investment. This statement is set out in the Responsible Investment Policy which is available on the website here.

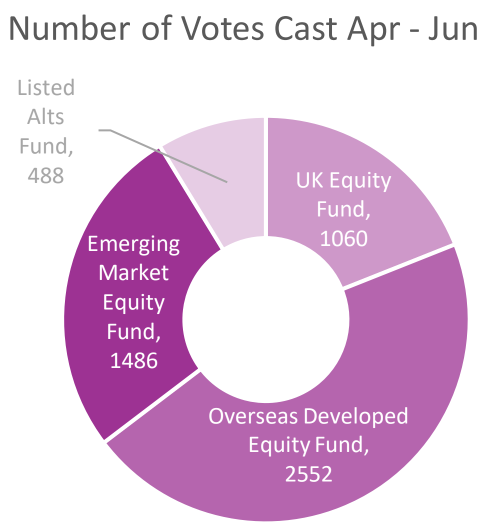
Our approach is largely delivered in collaboration with the other 10 funds involved in the Border to Coast pool. This report provides an update on activity in the last quarter covering:

- Voting – Information on how the voting rights attached to shareholdings have been used over the period to influence the behaviour of companies to move in line with best practice.
- Engagement – Information on the volume and nature of work undertaken on the Authority's behalf to engage in dialogue with companies in order to influence their behaviour and also to understand their position on key issues.
- Portfolio ESG Performance – Monitoring the overall ESG performance of the various products in which the Authority is invested, and on the commercial property portfolio.
- Progress to Net Zero – Monitoring the carbon emissions of the various portfolios where data is available in order to identify further actions required to support progress to Net Zero.
- Stakeholder Interaction – There is considerable interaction between the Authority and stakeholders around responsible investment issues which is summarised for wider accountability purposes.
- Collaboration – Working with others to influence the behaviour of companies and improve stewardship more generally.
- Policy Development – An update on broader policy developments in the Responsible Investment space some of which directly involve the Authority and others which are of more general interest.

Voting Activity

This quarter saw an increase in both the number of meetings and votes cast as we reach peak voting season. Detailed reports setting out each vote are available on the Border to Coast website here. The charts below show a breakdown of the meetings and votes cast by Border to Coast on behalf of SYPA investments.





Robeco highlighted the below in their (Apr - Jun 25) Q1 2025/26 Active Ownership proxy voting report how the topic of executive remuneration remains an ongoing cause of friction each annual general meeting (AGM) season. Further detail is provided in the box below:

Executive remuneration: A persistent AGM flashpoint

Executive remuneration remains a recurring and contentious topic during AGM season. It is central to corporate governance discussions, with growing attention from investors, stakeholders, and the public. The core issue lies in balancing pay levels that attract and retain talent while maintaining cost efficiency and meeting societal expectations, particularly around income inequality and corporate responsibility.

From an investor's standpoint, executive pay is closely tied to the corporate agency problem—the challenge of aligning management's interests with those of shareholders. While mechanisms like performance-based pay, share ownership guidelines, and independent remuneration committees have been introduced to address this misalignment, evolving economic and political landscapes continually present new challenges.

Evolving Compensation Practices

Historically, stock options were a popular tool to incentivise share price growth, but they encouraged excessive risk-taking without downside exposure. In response, companies have shifted towards simplified remuneration structures comprising a short-term incentive plan (STIP) and a long-term incentive plan (LTIP). The LTIP typically includes performance share units (PSUs), which align rewards with measurable targets, and restricted stock units (RSUs), which vest over time and are based on retention.

However, trends raise new concerns:

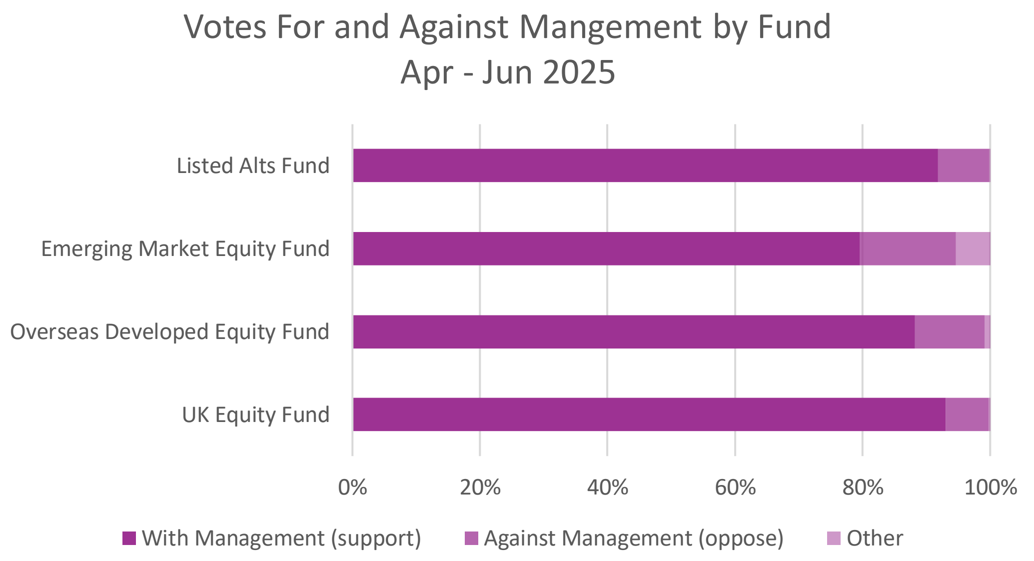
1. Return of RSUs: Increasingly used in LTIPs, RSUs are sometimes awarded alongside or instead of PSUs. Critics argue that RSUs may not adequately link pay to strategic execution or performance outcomes.
2. Moonshot Awards: Large, multi-year equity awards tied to ambitious goals are emerging to retain top executives. While they aim for transformational outcomes, they pose governance risks related to dilution, goal rigor, and windfall gains.
3. Rising CEO Pay and Pay Ratios: Despite economic uncertainty, CEO compensation continues to rise, widening the gap with median employee pay and intensifying debate on fairness and accountability.
4. Shift Away from ESG Metrics: A growing number of companies are reverting to financial and strategic metrics, possibly in response to investor scepticism and political pushback on sustainability-linked incentives. However, a balanced metric approach remains essential.

The Way Forward

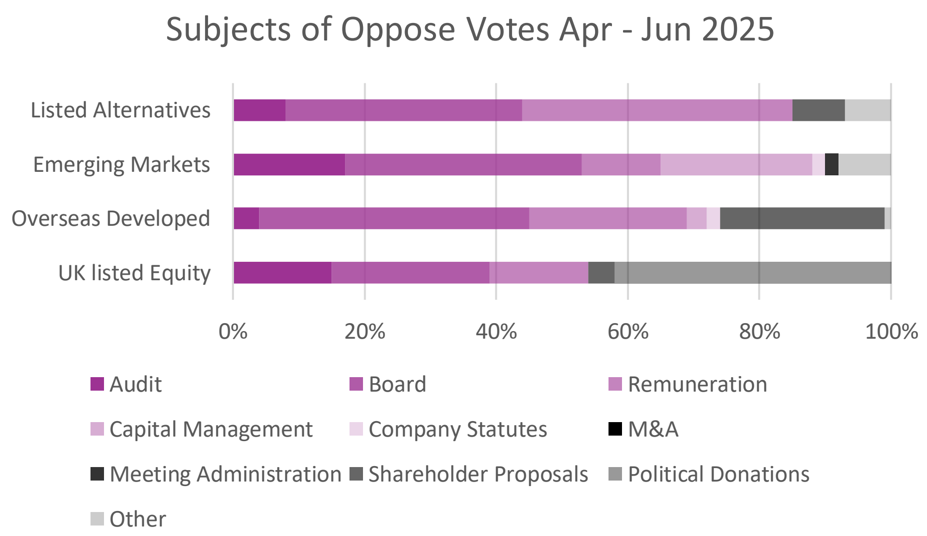
There is no one-size-fits-all solution. Boards must ensure that performance targets are meaningful, achievable, and aligned with company strategy. Transparency is key—clear communication of how compensation decisions are made and justified is essential. Underperformance should be reflected in lower payouts, and any changes to policy should be subject to shareholder approval. By adopting best practices, aligning incentives with long-term value creation, and actively engaging with stakeholders, companies can ensure executive pay is both effective and accountable.

Robeco Active Ownership Report July 2025

The breakdown of support and oppose votes, which align with votes for or against management, is shown in the chart below.



The above graph shows the breakdown of votes cast for (in support of management) and against (in opposition to management) resolutions during the quarter. The proportion of votes against the line taken by company management remained above 10% overall, with 11.0% of total votes cast against management, which was in line with the previous quarter. In absolute terms, the number of votes against management increased from 93 to 614, as the number of votes increased in total across all publicly listed funds as the quarter widely covered peak voting season.



The above graph indicates that votes against management were much more dispersed this quarter across topics in the Listed Alternatives and UK Listed funds this quarter. The three largest areas where voting continues to oppose management relate to Remuneration, Audit, Board composition and Political donations. The latter made up a significant proportion of votes against in the UK Listed fund. Further, it is worth reviewing the reasons why it is the case that votes are made against management.

- In the case of Board composition there are a number of factors which under the voting guidelines automatically trigger an oppose vote. These include insufficient independence, insufficient diversity within the Board, and insufficient progress in terms of adapting the business to the risks posed by climate change.
- In the case of remuneration votes against, these are triggered by executive pay packages which are either excessive in absolute terms, where incentive packages are not aligned with shareholder interests,or the performance targets are poorly defined or too easily achieved.
- In the case of votes against political donations in the UK, this reflects the fact that in the UK donations must be put to a shareholder vote and the voting guidelines oppose any donations of this kind.
- Auditor appointments are automatically opposed if reappointment would result in an unduly long term which is viewed as compromising the independence of the Auditor.

Shareholder resolutions, as can be seen within the information on notable votes in these reports linked below, can cover a whole range of issues. Over the course of the last year the focus of shareholder resolutions, aside from climate issues, has tended to be on diversity and human rights issues, particularly for US companies. The voting policy does not automatically support such resolutions, rather analysis is undertaken on a case-by-case basis covering both the company's and proponent's positions before votes are decided by Border to Coast on the advice of Robeco.

Notable votes in the quarter are summarised below and further details on the voting undertaken for each of the funds can be found here.

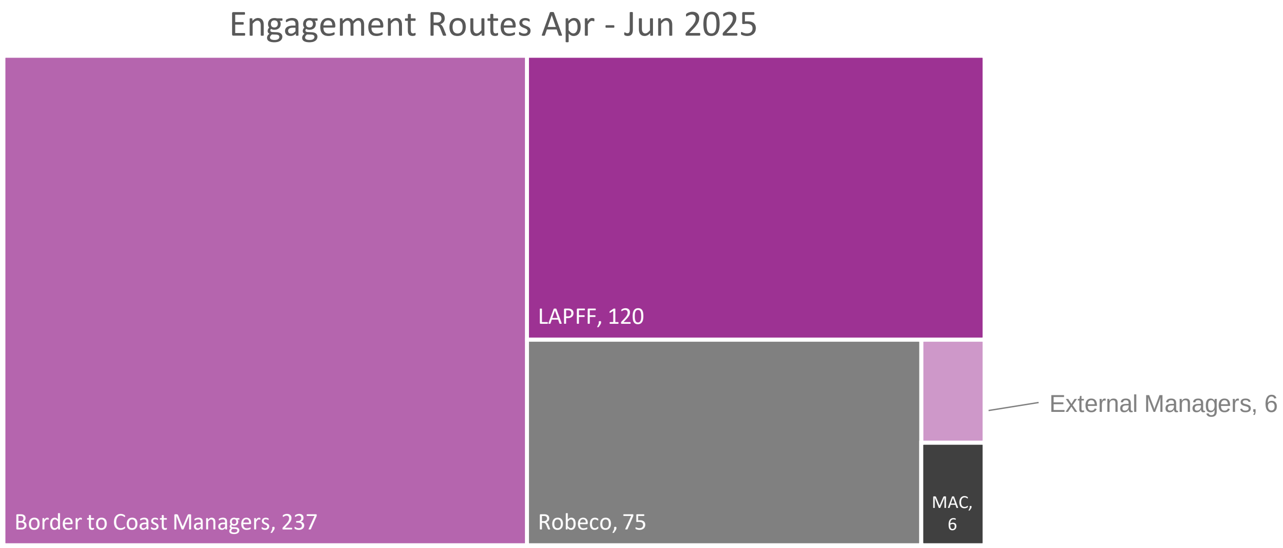
BP held their AGM where significant concerns were raised following the company's strategy update, which weakened its energy transition plans and increased focus on fossil fuel production. Despite backing its prior transition strategy in 2022, BP refused to offer a new Say on Climate vote, ignoring repeated investor requests. This inconsistency raised doubts about BP's climate governance and transition resilience. As a result, Robeco voted against the chairman, who oversaw both the initial transition steps and subsequent backtracking, and against the chair of the safety and sustainability committee, who led the removal of key climate targets. These votes reflect concerns over BP's failure to uphold the 2019 binding Say on Climate resolution and demonstrated effective climate oversight.

McDonald's held their AGM where shareholders voted on agenda items including three shareholder resolutions. Robeco supported a proposal requesting the company assess whether its climate transition plans can reasonably meet its 2030 and 2050 emissions targets. While McDonalds has SBTi-approved targets, Robeco believe that the requested disclosures would enhance transparency and credibility. The proposal received 10.5% shareholder support. Robeco opposed another shareholder resolution that sought to remove DEI (Diversity, Equity and Inclusion) goals from executive compensation. Robeco believe that integrating ESG metrics, including DEI, into pay structures promotes stronger governance and stakeholder alignment. This resolution received 1.4% of votes cast.

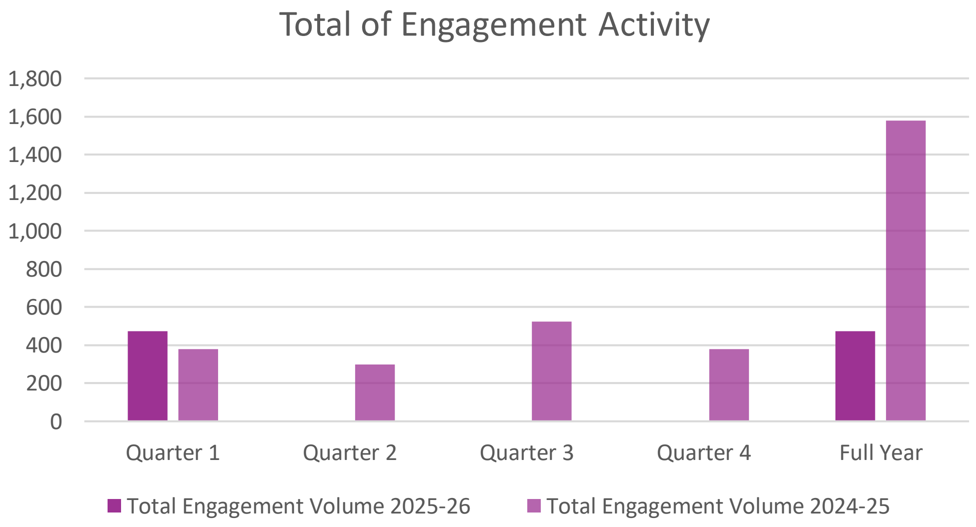
Shell Plc held their AGM on 20 May that was notably missing any management proposal addressing the firm's energy transition strategy. However, a key climate-related shareholder resolution requested additional disclosure on how Shell's LNG demand forecasts, production targets and capital expenditure align with its net zero by 2050 commitment. The proposal aimed to clarify how Shell reconciles its LNG growth with its climate strategy and to better assess related risks. While Shell claimed existing disclosures were sufficient, Robeco found the current information lacking and supported the resolution. Despite this the resolution was rejected, receiving only 20.5% shareholder support, highlighting continued investor concern but insufficient backing for formal adoption.

Engagement Activity

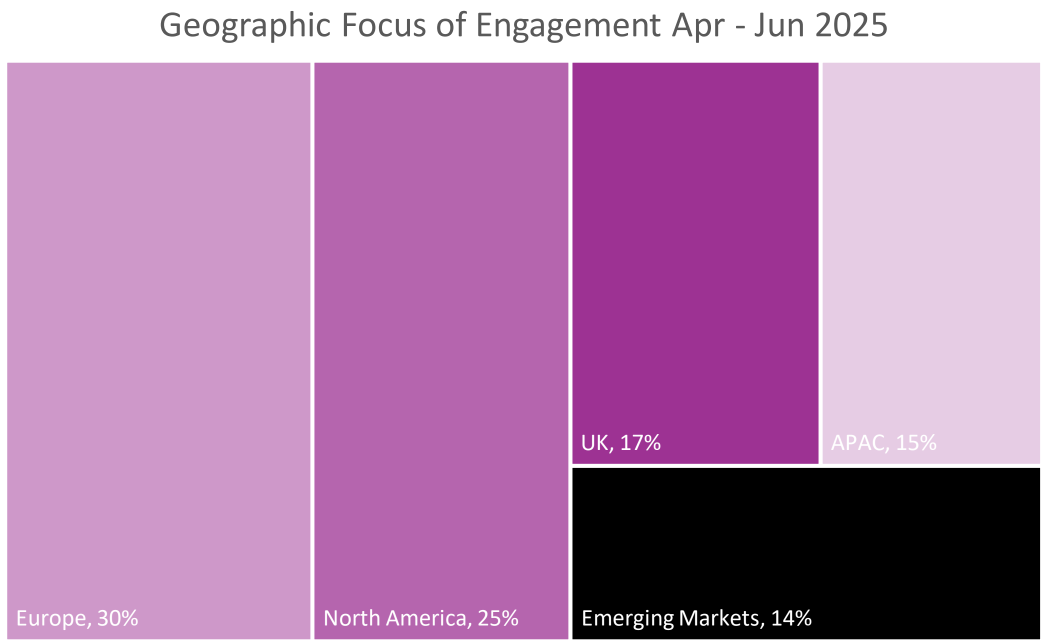
Engagement is the process by which the Authority, working together with other like-minded investors, seeks to influence the behaviour of companies on key issues. Engagement (in distinction to voting) is an ongoing process and is undertaken by those directly managing money for the Authority. This includes the investment team at Border to Coast and the external managers in the Investment Grade Credit fund together with Robeco who act on behalf of Border to Coast and the Local Authority Pension Fund Forum ("LAPFF") which acts on behalf of all its member funds. The graphs below illustrate the scale (in terms of the total number of pieces of engagement activity), the route for and the focus of engagement activity undertaken in the quarter, as well as the method of engagement undertaken.



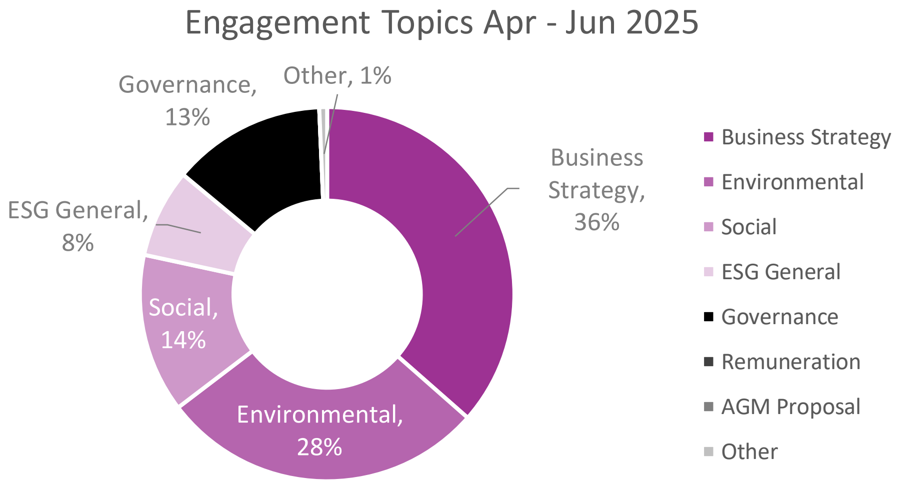
The graph below shows the overall level of engagement activity in the quarter increased compared to the same quarter last year. This increase was primarily driven by a greater level of direct engagement by the Border to Coast Responsible Investment team.



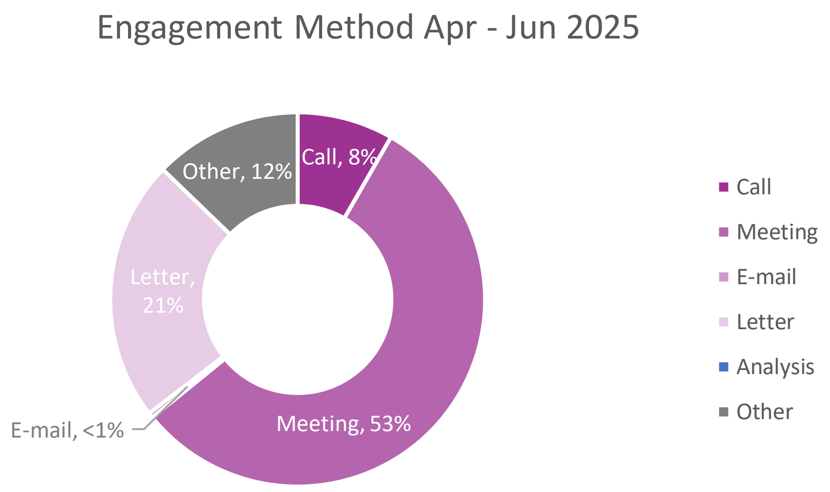
The chart below shows a breakdown of the geographic market focus in engagement over the last quarter. The proportion of engagement focus shifted this quarter with an increase in the APAC and US focus with a decrease in Europe and UK regions the most notable changes.



The range of topics covered through engagement is set out in the chart below with a continuing strong focus on business strategy and social topics with an increase in the focus on environmental issues this quarter.



The method by which companies are engaged is important. Letters and emails are much more easily ignored or likely to generate a stock response from companies, whereas calls or meetings allow for more effective and genuine interaction with the company. The positive momentum seen over recent quarters in the proportion of engagement taking place via calls or meetings has been maintained, increasing by 5 percentage points to make up over 60% of total engagement this quarter.



More details of the engagement activities undertaken by Border to Coast and Robeco in the quarter are available here. Robeco provided updates on their engagement covering the following areas: Good governance; Labour practices; climate and nature transition of financials and SDG engagement. The highlights from Robeco's engagement report are summarised below.

Sovereign engagement with Indonesia on deforestation

Since 2020 Robeco has been actively steering sovereign engagement work with Indonesia under the collaborative Investor Policy Dialogue on Deforestation (IPDD).

In February 2025, Robeco co-organised a field trip to Jakarta, Indonesia, alongside 82 global investors representing USD 11 trillion in assets, to support public policy dialogue on halting deforestation and promoting sustainable finance. Indonesia's tropical forests are vital for carbon sequestration, and the country has made notable progress in reducing deforestation since 2015. However, to meet its 2030 climate targets under its Nationally Determined Contributions (NDCs), Indonesia needs USD 285 billion in investment—far beyond what government budgets can provide—highlighting the critical role of private capital.

The investor group held 12 meetings with government agencies, industry bodies, and embassies to align climate goals with investment practices. Discussions focused on enhancing sustainable finance, improving environmental disclosures, and aligning green taxonomies with international standards. Robeco emphasised the importance of transparent use of proceeds from green bonds and better alignment with ASEAN and EU taxonomies.

Investor engagement also extended to listed companies and banks to improve nature-related disclosures and integrate frameworks like the Taskforce for Nature-related Financial Disclosures (TNFD). Discussions addressed green bond issuance and incentives for sustainability-linked financing.

Indonesia's forestry sector accounts for 60% of required emissions reductions to meet NDC targets. However, pressures from food security programs and rapid nickel sector expansion pose land use and biodiversity risks. The investor group stressed the need for environmental safeguards and credible voluntary carbon markets.

As Indonesia prepares to update its NDC ahead of COP30, ongoing investor dialogue will be crucial to ensure the country maintains ambitious climate goals supported by effective, transparent policy frameworks.

Navigating headwinds to stewardship and climate action

Between 2022 and 2024, 20–45% of Robeco's climate engagement cases were subject to climate-related shareholder votes, and around 40% of companies under engagement improved to the point that they no longer fell under Robeco's climate voting scope. Despite this progress, the global climate action landscape has become more difficult, marked by geopolitical instability, rising nationalism, and pushback against sustainability efforts. Many companies are backtracking on climate commitments, shareholder support for resolutions is weakening, and the number of climate proposals is expected to decline significantly in 2025.

Robeco remains firmly committed to reaching net zero by 2050 and continues to prioritise corporate engagement as a core strategy to drive emissions reductions in the real economy. In 2024, Robeco expanded its climate engagement program to cover 100 companies in high-impact sectors. These engagements employ a full suite of tools, including escalation strategies and collaboration with like-minded investors. Between Q1 2024 and Q1 2025, Robeco co-led engagement at 12 companies and supported engagement at nine others under the Climate Action 100+ initiative.

Annual General Meetings (AGMs) serve as key moments to provide feedback on climate transition plans. Robeco reaches out to approximately 300 companies each year ahead of AGMs to raise concerns. Where progress is lacking, Robeco may vote against directors or raise issues publicly, as seen in engagements with Shell and TotalEnergies. Public actions like pre-declaring votes and publishing letters are used strategically to drive momentum when private engagement stalls.

Beyond corporate engagement, Robeco also advocates for supportive regulatory frameworks. In response to the EU's 2025 review of sustainable finance legislation, Robeco supported a public investor statement coordinated by Eurosif and the IIGCC, calling for the preservation of the legislation's core principles.

Despite a more fragmented and resistant political and corporate environment, Robeco continues to push forward. Through expanded engagement, strategic voting, public advocacy, and policy influence, Robeco aims to hold companies accountable, support credible climate transition plans, and drive long-term positive change for a more sustainable global economy.

Good governance, from panacea to scapegoat

Governance plays a key role in aligning shareholder and management interests, yet recent trends show a shift back toward corporate control. Shareholder rights—especially voting and the ability to file ESG-related resolutions—have come under increasing scrutiny and restriction, particularly in the US. Regulatory changes, such as new SEC guidance and potential shifts in fiduciary duty definitions, are making it easier for companies to exclude shareholder proposals. Anti-ESG sentiment has grown, with some companies even suing shareholders to block climate-related resolutions.

In Europe, attention has shifted to implementing the EU Corporate Sustainability Reporting Directive (CSRD), which demands extensive reporting on sustainability from a double materiality perspective. While this has driven meaningful internal discussions, companies face challenges with its complexity and rigidity, often relying on limited assurance rather than full external verification.

Robeco continues to advocate for ESG engagement by attending AGMs to ask targeted questions and support sustainability accountability. This year, Robeco raised concerns or encouraged progress at AGMs for companies like Ahold Delhaize, Unilever, Shell, and TotalEnergies. Despite rising regulatory and political resistance, Robeco believes institutional investors should actively participate in these forums to foster transparent, long-term dialogue on ESG issues and reinforce responsible corporate behaviour.

Border to Coast Engagement

Border to Coast produced their quarterly Stewardship report which outlined a number of their key engagement highlights during the quarter and can be viewed here.

Total Energies
In June, Border to Coast met with TotalEnergies to review its transition strategy and Border to Coast's climate voting policy. At the AGM, Border to Coast voted against the re-election of a director due to gaps in emission reduction targets and decarbonisation strategy, despite the absence of a vote on the Chair. While the company met some key benchmarks, Border to Coast highlighted improvements needed to prevent future votes against management.

Border to Coast welcomed strengthened short-term targets for methane and CO_2 reductions, increased investment in energy efficiency, and measures to reduce flaring and venting. Additionally, Border to Coast acknowledged its long-term strategy to shift significantly toward electricity production.

Since Border to Coast began direct engagement two years ago, notable progress has been made, and Border to Coast are encouraged that TotalEnergies has no plans to weaken its climate commitments. However, Border to Coast emphasised the need for more detailed post-2030 transition plans to achieve its 2050 net zero goal, including interim emission reduction targets.

HSBC, Barclays and Standard Chartered Banks
Border to Coast endorsed three collective AGM questions at HSBC, Barclays, and Standard Chartered, coordinated by ShareAction and backed by 30 investors managing £1.2 trillion in assets.

HSBC was asked to reaffirm its commitment to strengthening climate targets and policies supporting its 2050 net zero ambition, following its internal review announcement. Barclays, due to publish a transition plan later this year, was urged to disclose a science-based methodology for its sustainable finance targets and set a renewable power target. Standard Chartered, given its significant exposure to emerging markets in transition-critical sectors, was asked to enhance its plan by outlining a strategy and target for financing renewable power in these regions.

Responses varied in quality. However, a constructive meeting with Standard Chartered provided assurances of its commitment to the transition plan and willingness to consider Border to Coast's request.

LAPFF Engagement

Local Authority Pension Fund Forum ("LAPFF") is another relevant organisation which SYPA is a member of where LAPFF carry out activity and engagement with invested companies. A detailed report of the work undertaken by LAPFF in the quarter is available here. A selection of key issues worked on during the quarter are summarised below and include:

Water Stewardship: Water scarcity is a growing global crisis, with the UN warning of a 40% shortfall by 2030. LAPFF (Local Authority Pension Fund Forum) is urging mining companies to adopt robust water stewardship practices that align with global frameworks such as SDG 6 and the Valuing Water Finance Initiative (VWFI). LAPFF seeks to integrate water and human rights due diligence into companies' risk and governance frameworks, promoting transparency, accountability, and community engagement.

Glencore: LAPFF welcomed Glencore's use of GIS and adoption of the TNFD LEAP framework for site-specific water assessments. Participatory water monitoring with local communities and investment in a desalination project with Anglo American show progress. However, the company lacks global water targets and consistent historical data. Its decentralised approach may hinder alignment with VWFI and SDG 6. LAPFF raised concerns about recent water-related fines and will continue engaging ahead of a scheduled meeting with Glencore's Chair.

Antofagasta: The company has shifted to using up to 90% seawater at some sites and aims to eliminate freshwater use at Zaldívar by 2028. It also uses 99% renewable energy and thickened tailings to improve water efficiency. LAPFF calls for greater transparency on the water stewardship unit's structure and detailed methodologies behind water impact assessments.

Anglo American: The company has reduced freshwater extraction by 27% toward a 50% target by 2030. Interim goals are embedded in executive pay, and TNFD LEAP is being adopted. LAPFF is monitoring the Los Bronces seepage remediation and urges clearer water risk disclosures and nature-related metrics.

Oil & Gas – BP & Shell: LAPFF aims to challenge the long-term viability of oil and gas companies that fail to align with a Paris Agreement-compatible pathway. Instead of accepting superficial decarbonisation claims, LAPFF promotes a managed decline of fossil fuel production, arguing that demand for hydrocarbons will fall and be met by the lowest-cost producers. As renewables expand through decentralised and unsubsidised investment, oil and gas majors face structural decline. Given these dynamics, LAPFF calls for capital discipline, reduced buybacks, and increased shareholder returns, rather than further fossil fuel investment. BP and Shell's recent strategic retreats from renewables undermine confidence in their transition credibility and underscore LAPFF's calls for accountability and governance reform.

BP: Following BP's 2025 “reset” to increase oil and gas production, LAPFF recommended voting against Chair Helge Lund. This resulted in 24% shareholder opposition, signalling governance concerns.

LAPFF is seeks a meeting with BP's Senior Independent Director to address governance failures post-reset. LAPFF continues to monitor both BP and Shell, reaffirming that managed decline, not superficial transition, remains the only path to Paris alignment.

Shell: LAPFF supported a shareholder resolution, led by ACCR and UK pension funds, questioning Shell's overinvestment in LNG versus IEA projections. The resolution gained over 20% shareholder support. At the 2025 AGM, LAPFF directly challenged Shell's claim that LNG is a low-carbon fuel. The response was unconvincing, prompting continued scrutiny.

LAPFF questions the viability and climate value of Shell's CCS and synthetic fuels strategies, arguing they fail to meet net-zero goals and divert focus from lower-emission alternatives.

Portfolio ESG Performance

Equity Portfolios

Each of the equity portfolios is monitored by Border to Coast in terms of its overall ESG performance with data reported quarterly. This section of the report provides a summary of performance and of changes over time. The full reports are available for Authority members in the on-line reading room, but this summary provides a high-level indication of the position of each of the listed funds.

Overseas Developed

- Weighted ESG Score 7.1
- 56.3% of portfolio ESG leaders v 50.1% in the benchmark.
- 1.8% of portfolio ESG laggards v 2.3% in the benchmark.
- 0.7% of portfolio not covered all of which are investment trusts, higher than benchmark
- Lowest rated 5 companies, 1.8% of portfolio
- Emissions below benchmark on all metrics.
- Weight of fossil fuel holdings greater than benchmark
- 5 top emitters rated on the Transition Pathway with 3 TPI scoring of 5 (the highest score)
- All 5 top emitters engaged through Climate Action 100+

United Kingdom

- Weighted ESG Score 7.7, v the index at 7.7
- 63.9% of portfolio ESG leaders v 65.8% in the benchmark
- 0.2% of portfolio ESG laggards
- 1.2% of portfolio not covered, mainly investment trusts; less than benchmark
- Lowest rated 5 companies 6.9% of portfolio, 4 of 5 BBB rated by MSCI
- Financed emissions below the benchmark, carbon intensity and WACI marginally above
- Lower weight of fossil fuel holdings than in benchmark.
- 5 of 5 top emitters rated 5 (highest ratings) on the Transition Pathway, 5 of 5 engaged through Climate Action 100+

Emerging Markets

- Weighted ESG score 6.1
- 35.2% of portfolio ESG leaders v 33.8% in the benchmark
- 6.5% of portfolio ESG laggards v 9.7% in the benchmark
- 8.3% of portfolio not covered
- Lowest rated 5 companies 3.4% of portfolio.
- Emissions below benchmark on all metrics
- Weight of oil and gas holdings below but thermal coal a small amount above benchmark.
- 4 of the top 5 emitters engaged with the Transition Pathway with scores above 3
- 2 of top 5 emitters engaged through Climate Action 100+

Listed Alternatives

- Weighted ESG score 7.2
- 45.0% of portfolio ESG leaders v 45.2% in the benchmark
- 3.0% of portfolio in ESG laggards v 5.0% in the benchmark
- 23.5% of portfolio not covered largely investment trusts etc
- Lowest rated 5 companies 6.1% of portfolio.
- Financed emissions below benchmark however carbon intensity and WACI above
- Materially lower weight of fossil fuel holdings than in benchmark.
- Top 5 emitters engaged with the Transition Pathway with 4 scoring TPI level 4 or above with the remaining one scoring a 3
- 2 of 5 top emitters engaged through Climate Action 100+

Overall, this continues to show a broadly positive picture, with the MSCI ESG score increasing by 0.1 for the UK Equity Fund from 7.6 to 7.7 and now in line with the benchmark. It continues to hold a significant proportion of ESG Leaders, including this quarter's feature stock, RELX, and maintains a relatively high overall ESG Rating. Conversely, the Overseas Developed Equity Fund saw a small reduction (-0.1) in its ESG score and is now in line with benchmark. The drop has been caused by a small reduction in the proportion of ESG Leaders. However, the Fund 's exposure to ESG Laggards has remained relatively static, continuing to hold four CCC-rated companies. The Fund continues also holds a significant proportion of ESG Leaders.

The Listed Alternatives Fund and benchmark saw a small reduction (-0.1) in overall ESG score. The Fund remains significantly (+0.6) over the benchmark with the Fund holding an AA rating compared to the benchmark's A rating. The Fund continues to hold only one CCC-rated entity, Blue Owl Capital. Iberdrola, the Funds largest position and an ESG Leader.

Each quarter Border to Coast's reporting on carbon emissions features particular stocks and their plans for decarbonisation. To increase the level of transparency on the engagement undertaken with companies and the assessment of their future decarbonisation plans, case studies for each listed fund are included below. It should be recognised that these metrics do exhibit volatility quarter-on-quarter as companies report emissions data annually and metrics fluctuate as market capitalisation and reported revenues fluctuate.

Overseas Developed Fund

The Fund saw a 7% decrease in its financed emissions and a 3% decrease in its carbon intensity and 4% decrease in weighted average carbon intensity (WACI). The Fund remains below the benchmark across all emissions metrics.

Featured Stock: Qantas Airways

Qantas Airways is Australia's leading airline, holding approximately 70 percent market share in the domestic market through its premium Qantas and low-cost Jetstar brands. The company also operates the country's largest loyalty program and provides a range of ancillary services including catering, ground handling and engineering. Qantas benefits from strong brand equity, a dominant market position and a diversified revenue base. Its scale and operational efficiency support a resilient business model, while its post-pandemic recovery has been underpinned by disciplined capacity management and a focus on profitability.

Qantas announced its Climate Action Plan in 2022, targeting net zero emissions by 2050. The strategy is built on equal contributions from sustainable aviation fuel, operational efficiency and carbon offsets. Interim goals include a 25 percent reduction in net emissions and a 10 percent uptake of sustainable fuel by 2030, alongside an average annual fuel efficiency improvement of 1.5 percent. The company also aims to eliminate single-use plastics by 2027 and achieve zero waste to landfill by 2030. Emissions were reduced by 8 percent in 2024, indicating progress toward its targets. While aviation remains a hard-to-abate sector, Qantas has set credible goals and is actively working toward them.

UK Listed Equity Fund

The Fund saw a 10% reduction in financed emissions and remains below the benchmark. A key contributor to the drop was an 8% drop in Shell's reported emissions, which accounted for most of the reduction across emissions metrics. This was further supported by reduced positions in Shell (down 1%), BP, and Rio Tinto (both down 0.4%). As the Fund's largest emitters, changes in these holdings had a significant impact on the overall emissions profile.

Featured Stock: Shell Plc

Shell is a leading global integrated energy company, with a particularly advantaged position in LNG, allowing it to benefit from pricing volatility and regional pricing dislocation. LNG is seen as key contributor to energy transition away from more polluting fossil fuels, notably in Asia. Stricter capital discipline with a focus on returns combined with strong cash generation over recent years has enabled Shell to de-leverage its balance sheet, with a focus now on growing shareholder distributions through increased dividends and share buybacks. A lower cash breakeven point provides greater sustainability to those distributions compared to many peers.

Shell supports the goal of the Paris Agreement to limit the rise in the average global temperature well below 2° Celsius and has set an ambition to become a net zero emissions energy business by 2050 or earlier. In March 2025, as part of the Strategy to 2030 presentation, Shell re-iterated its commitment to all of its emission reduction targets as set out in the Energy Transition Strategy 2024. This introduced a new absolute emissions reduction target, including Scope 3, for oil of 40% by 2030, albeit there is no equivalent target for gas as Shell intends to expand LNG production to 2030. Shell has also weakened its intensity targets with the expected reduction to 2030 changed from 20% to 15-20% and the 2035 intensity target of 45% was "retired".

The Strategy to 2030 presentation also included plans for LNG expansion and as part of Border to Coast's ongoing challenge and engagement with Shell, they supported a shareholder proposal at the 2025 AGM seeking clarification how those plans align with Shell's climate commitments, specifically the goal to achieve net zero by 2050. Though Shell has a Net Zero GHG Emissions ambition for 2050 it only partially meets the Climate Action 100+ short- and medium-term ambition criteria, hence Border to Coast also voted against re-election of the Chair and continue to actively engage with the Company on its decarbonisation strategy.

Emerging Markets Equity Fund

Quarter on quarter, the Fund saw a further significant decrease in financed emissions (17%), carbon intensity (18%) and weighted average carbon intensity (WACI) (23%). This was primarily driven by the exit from Grasim during the quarter. Grasim was previously the Fund's top contributor to financed emissions. The Fund has initiated a new position in CEMEX, now the Fund's second highest emitter, as alternative cement exposure. CEMEX is this quarter's feature stock.

Featured Stock: CEMEX

Cemex is a global construction materials company headquartered in Mexico. It produces cement, ready mix concrete, aggregates, and urbanisation solutions across high-growth markets. With over 100 years of experience, Cemex integrates digital technologies and circular economy practices to deliver sustainable infrastructure solutions while advancing its long-term decarbonisation goals.

Cemex is committed to achieving net zero CO_2 emissions by 2050. Its decarbonisation strategy, Future in Action, is led by the CEO and overseen by the Board. It focuses on climate action, circularity, and responsible resource use, with targets validated by the Science Based Targets initiative. Cemex aims to reduce direct CO_2 emissions by 47 percent by 2030 from a 1990 baseline.

To embed climate considerations into business decisions, Cemex applies internal carbon pricing across all markets, using either local emissions trading rates or a minimum of 25 dollars per metric ton of CO2. This ensures that carbon costs are factored into capital allocation and project evaluation.

Cemex has also aligned its financing with its climate goals. Its Sustainability Linked and Green Financing Frameworks are independently validated and tied to international standards. As of now, 42 percent of its debt financing is linked to sustainability performance, with targets of 50 percent by 2025 and 85 percent by 2030. Failure to meet climate targets can trigger financial penalties, reinforcing accountability.

The company is investing in low carbon technologies, including proprietary low CO2 clinker and carbon capture projects.

Sterling Investment Grade Credit Fund

Similar information is now available for the Investment Grade Credit portfolio as is available for the equity portfolios. It is important to note that while the availability and quality of ESG data has been improving in recent years, there can still be material gaps across the fixed income market. This is particularly prevalent where a debt-issuing entity does not also issue publicly listed equity, which, in most cases, the fixed income issuer maps to. The highlights from this report are set out below:

Weighted ESG score 7.4 which is lower than benchmark at 7.5

41.9% of portfolio ESG leaders compared to 56.6% in the benchmark

0.8% of portfolio ESG laggards compared to 0.9% in the benchmark

26.3% of portfolio not covered compared to 9.2% in the benchmark

The 5 lowest rated issuers represent 1.5% of the portfolio

Emissions below benchmark on all three carbon emission and intensity metrics.

Below benchmark weight of companies with fossil fuel reserves.

2 of top 5 emitters engaged by Climate Action 100+ and three rated 5 (the highest level) on the Transition Pathway

The Fund’s weighted ESG Score improved by 0.1 to 7.3, closing the gap to benchmark compared to last quarter. Compared to benchmark, the Fund has a lower exposure to governance laggards. The Fund continues to hold Akelius Residential, one such laggard, and the only CCC rated entity held by the Fund. A substantial proportion of the Fund’s holdings are classified as ESG Leaders. The Fund saw small reductions in emissions metrics over the quarter with a 0.6% reduction in financed emissions, 3% reduction in carbon intensity and 3% reduction in Weighted Average Carbon Intensity since Q1 2025.

The most notable change in the Fund's emissions profile is the emergence of British Airways as a top contributor to financed emissions, driven by improved data coverage from MSCI. As an airline, British Airways has a significantly higher carbon intensity compared to the sectors that have traditionally dominated the Fund's emissions footprint.

Commercial Property Portfolio

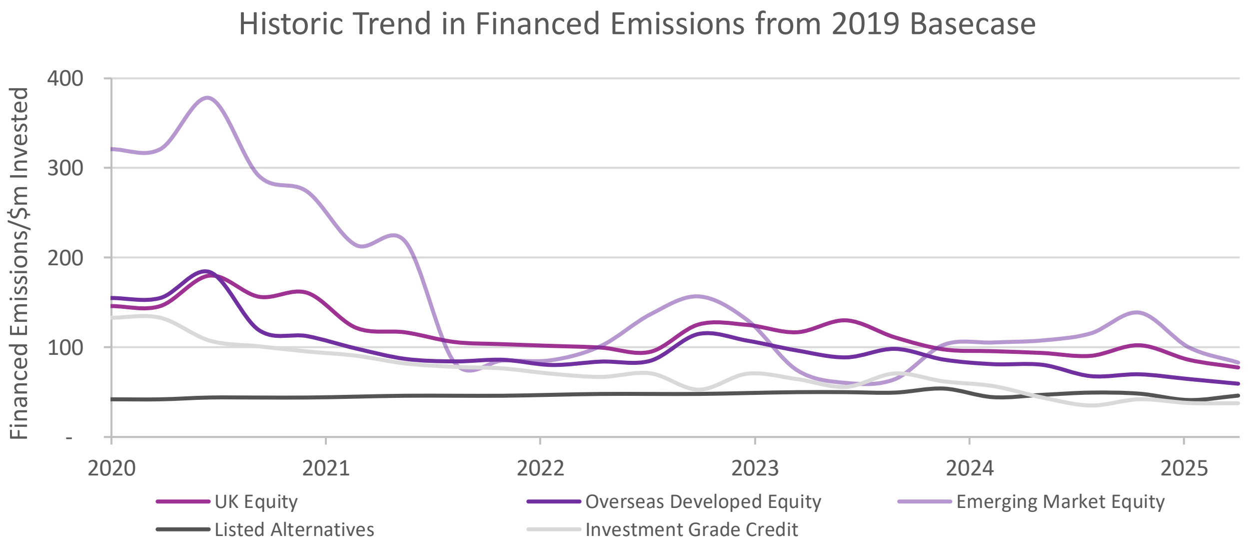
During the last quarter of 2024, part of the directly held property portfolio transitioned into a pooled investment vehicle managed by Border to Coast and made up of the direct property assets of other Partner Funds.

This transition of assets is in support of the pooling process; however, it limits the direct control that SYPA has over the specific assets to make dedicated decisions to reduce the carbon footprint. Instead, investment decisions will now be taken by Border to Coast with the continued support of Aberdeen who were the Fund Manager for the SYPA assets, when under direct ownership. Border to Coast is targeting net zero for the UK Real Estate Fund of 2050 and we will continue to push for a more ambitious target.

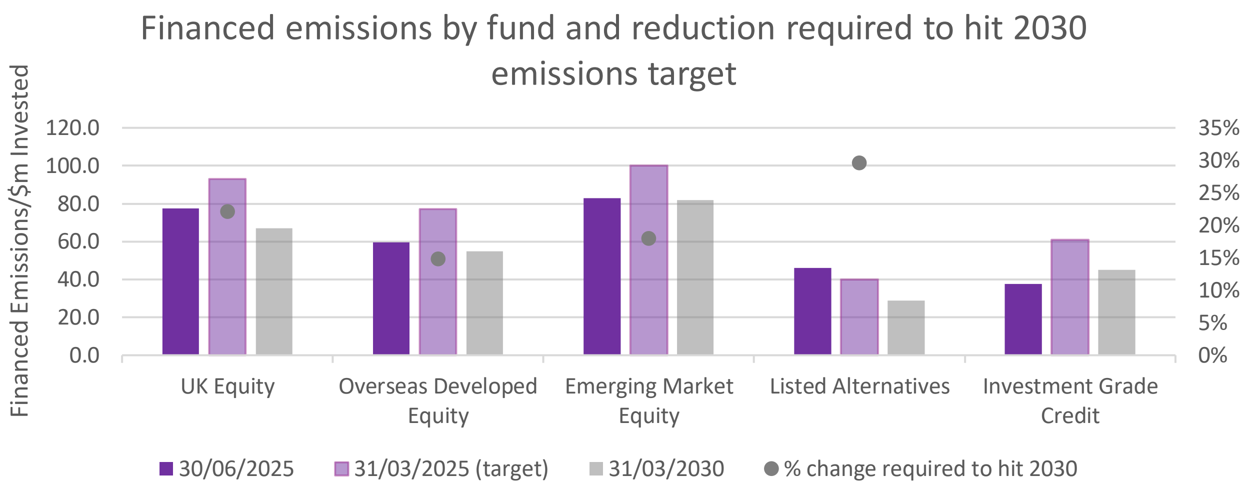
Progress to Net Zero

This section of the report considers progress towards Net Zero using the emissions data provided on a quarterly basis by Border to Coast. The graph below shows the historic trend for what is now termed financed emissions (i.e. absolute carbon emissions) which is the main indicator for which targets have to be set. This now includes emissions data for the Listed Alternatives fund, therefore covers five publicly traded funds held with Border to Coast for which carbon emissions data is available.

The below graph shows the movement of actual financed emissions of the listed funds held over time. It should be noted that some volatility in financed emissions quarter-on-quarter is to be expected as firms report on emissions annually. However, the financed emissions trend has been directionally reducing, albeit with some volatility and in general, at a slowing rate over recent quarters. However, with the exception of the Listed Alternative Fund, financed emissions from all other listed fund investments that are reported, fell over the quarter.

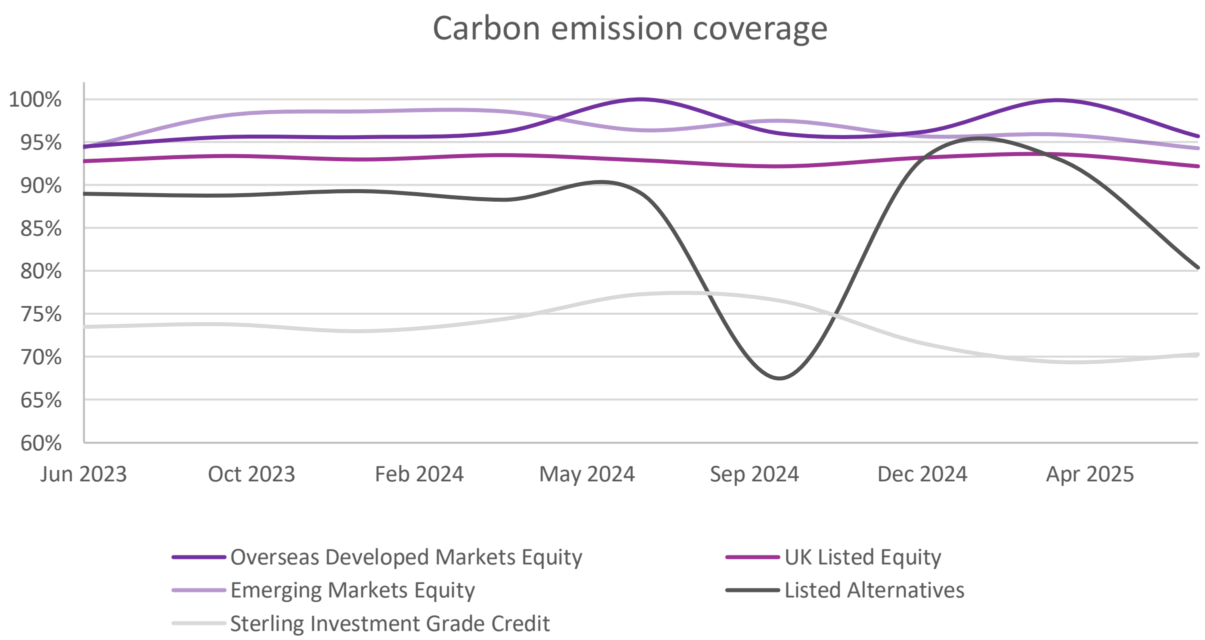


The below chart shows that the Overseas Developed Equity, UK Equity, Emerging Markets Equity and Investment Grade Credit funds are all below the interim 2025 financed emissions target to meet the net zero goal by 2030. The Listed Alternatives Fund missed its interim target by c3% as at 31 March 2025 and emissions increased further this quarter. This highlights a previously noted point that some level of volatility in financed emissions at a fund level can be expected quarter-on-quarter, as firms report emissions annually and changes in overall market value and changes in underlying securities will impact the reported metrics. However, overall the reduction in emissions from the portfolios has exceeded the interim target. As previously stated, reaching the net zero goal by 2030 will require a change in the emissions reduction trajectory of the reported Border to Coast funds that is significantly beyond the current Border to Coast targets.



Coverage

The proportion of companies covered is an important metric when assessing the progress made to net zero. Without a high level of coverage, the emissions reduction picture will be incomplete and inaccurate. The graph below outlines how the level of coverage in the funds held with Border to Coast has developed over time. It can be seen that over time the % of the individual funds covered has in general improved. However, the progress has largely plateaued within the last year with a decrease in the coverage of the four listed equity funds.



As has been made clear previously, the forecast reduction in emissions shown is dependent upon Border to Coast delivering the targets set out in their own Net Zero Strategy. This further depends on changes within the investment process as well as on the actions of individual companies. Officers continue to engage with Border to Coast to further understand both the nature of the changes being made to the investment process and their likely impact.

Beyond this the current investment strategy, revised in 2023 and undergoing implementation, will result in changes to the mix of assets that reduce the level of emissions from the portfolio. However, this process is too early stage to determine the scale of any reduction. As has previously been reported there remains a very strong probability that the Net Zero Goal will be missed although there is a possibility, should all portfolios achieve the reductions targeted by fund managers, that a date earlier than 2050 could be achieved.

It should also be noted that while there is, rightly, a significant focus on emissions there is no credit in the calculations for the emissions avoided by the significant investment by the Authority in renewable energy, natural capital and other climate solutions and this is something that we are working with investment managers on and will look to begin reporting on in future.

Stakeholder Interaction

Over the quarter the Director has answered questions regarding the value of investments in defence companies, Israeli based securities, animal testing and tobacco company exposure and the team continue to seek answers from fund managers about specific investments where stakeholders have raised concerns that the decision making process has not been in line with the relevant policies.

Collaborative Activity

This section focuses on the notable activity and developments during the quarter through the various collaborations in which the Authority is either directly involved or indirectly involved through Border to Coast.

LAPFF held a business meeting during the quarter which included member input into the draft workplan for the year 2025/2026 and agreed the budget and subscription levels, allowing for an inflationary increase.

Climate Action 100+, is the world's largest investor engagement initiative on climate change made up of more than 600 investors. CA100+ investor members actively are engaging companies on improving climate change governance, creating transition plans that include cutting long-term emissions and strengthening climate-related disclosures in order to mitigate financial risk and maximise long-term asset value.

The *Climate Action 100+ Progress Update 2024* highlights collective investor engagement with 168 high-emitting focus companies as measured against the initiative's three pillars: climate governance, greenhouse gas emissions reduction, and enhanced climate-related disclosures

Key findings from the October 2024 Net Zero Company Benchmark reveal that a growing number of companies have set net-zero-by-2050 ambitions and board-level climate accountability and have adopted frameworks such as TCFD and ISSB. Over 40% have set long-term targets aligned with a 1.5 °C pathway, although only around 20% have aligned medium- and short-term targets, underscoring remaining gaps in transition planning.

Significant improvements are evident in capital-allocation disclosures toward low-carbon solutions and planning for a just transition, but comprehensive and credible transition strategies are still rare. Many firms are disclosing engagement activities and aligning with Paris-aligned lobbying standards, with "best practice" governance emerging within industry associations—23% of companies have reduced policy misalignment, and two companies now meet best-practice engagement criteria for the first time.

The update includes global case studies demonstrating tangible progress: examples of companies making concrete improvements in target-setting, disclosure practices, and capital alignment with low-carbon solutions. The report also reviews the 2024 proxy season, drawing attention to key investor-voted climate proposals across sectors to promote transparency and accountability.

Robeco and other signatories emphasise that the Benchmark remains an indispensable tool for guiding engagement and assessing corporate alignment with a 1.5 °C-aligned net-zero transition. The staged minor updates adopted between 2023 and 2024 enhance continuity tracking while maintaining methodological rigor.

The Progress Update underlines that, while meaningful action is underway, deeper ambition and robust implementation of transition strategies remain critical. Collective investor stewardship continues to drive corporate responses, yet the broader economy now needs accelerated momentum to deliver Paris-aligned decarbonisation at scale.

IIGCC
The Institutional Investors Group on Climate Change

The Institutional Investors Group on Climate *Change (IIGCC)* published its first investor-focused *Climate Resilience Investment Framework 1.0 (CRIF 1.0*) — the first investor-focused framework designed to help identify, assess, and manage physical climate risks across investment portfolios. As the frequency and severity of climate-related events rise, CRIF 1.0 addresses a critical gap in current due diligence practices, which often lack sufficient methodologies, data, and disclosures related to physical climate risk.

The framework is built around the *Physical Climate Risk Assessment Methodology (PCRAM*), a four-step process that supports investors in identifying risks, evaluating their financial materiality, exploring adaptation options, and informing decision-making. CRIF 1.0 provides practical and flexible guidance tailored to varying governance structures, mandates, and risk appetites. Initially focused on infrastructure and real estate—sectors already exposed to significant physical climate risks—the framework will soon expand to include sovereign bonds, listed equities, and corporate fixed income. Developed with broad stakeholder input, CRIF 1.0 also encourages engagement with policymakers, insurers, data providers, and others.

CRIF 1.0 complements IIGCC's *Net Zero Investment Framework*, enabling investors to integrate both mitigation and adaptation strategies. It supports financial resilience and value preservation, while contributing to the broader goal of building climate resilience in the real economy.

Policy Development and Industry Highlights

This section of the report highlights the key pieces of policy and industry related activity which have taken place that will impact SYPA in the future.

LGPS Fit for the Future Consultation

Following the Government's publication of its response to the LGPS 'Fit for the Future' consultation, Border to Coast is well placed to meet the new standards through their 2030 Strategy. As part of Border to Coast's continued evolution, they have introduced a new Portfolio Solutions function and appointed a Head of Investment Advisory. The Responsible Investment team will be supporting all areas of the business to ensure Border to Coast's RI principles are embedded across the organisation. These developments reflect Border to Coast's commitment to delivering long term value and resilience for Partner Funds.

US Political Environment

During the past quarter, the Trump administration halted a $5 billion offshore wind project, prompting a lawsuit from 18 states. Simultaneously, Trump and 24 states sued New York and Vermont over laws requiring fossil fuel companies to pay for climate damages. NYC pension funds announced plans to drop asset managers lacking credible net zero plans, while BlackRock exited climate alliances and was removed from Texas's anti-ESG boycott list. These developments reflect a chaotic and deeply divided policy environment, with federal rollbacks clashing against assertive state-level climate action and shifting corporate strategies.

Stewardship Code Consultation

The FRC released an updated UK Stewardship Code in June 2025, effective from January 2026, following a consultation process that remains open until the end of August.

While welcoming the streamlining, Border to Coast called for stronger language linking stewardship to long-term sustainable value, clearer recognition of environmental and societal factors, and explicit reference to fiduciary duty. Border to Coast also urged the FRC to support collaborative engagement, considering U.S. challenges to its legitimacy. Border to Coast were pleased to see references to fiduciary duty being added to the Code but were disappointed that the FRC did not offer explicit support for collaborative approaches. Border to Coast will be providing additional feedback before the end of August.

Note some data within this report is provided by Border to Coast using data provided by MSCI to which the following applies.
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