Responsible Investment Update Quarter 2 2025/26

December 2025

Contents

Highlights and Recommendations

Highlights over the quarter to the end of September include:

- Following the end of peak voting season, voting activity fell quarter-on-quarter with c750 votes cast at 72 company meetings.
- The overall level of engagement activity also fell quarter-on-quarter and compared to Q2 2024/25 as LAPFF has taken a more targeted approach to engagement with invested companies.
- The engagement focus remained on environmental topics, including net zero, with business strategy topics also remaining a material proportion of engagement topics.
- The overall ESG performance of the listed asset portfolios with Border to Coast has continued to be relatively strong compared to the respective benchmarks. However, there was a decrease in the score of the Overseas Equity Fund, in line with the benchmark, and for the score of the Listed Alternative Fund.
- Overall financed emissions of the Border to Coast invested assets decreased over the quarter with the exception of the UK Equity and Listed Alternatives funds which both increased and highlight the volatility in financed emissions each 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 marginally improved during the quarter, as the coverage of securities held in the UK and Overseas equity funds increased, along with coverage in the Sterling Investment Grade Credit Fund.

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

Background

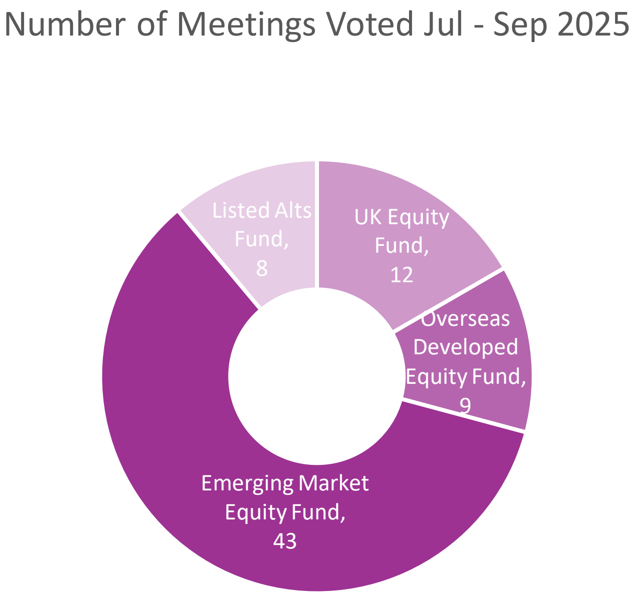
The Authority has developed a statement which sets out what it believes Responsible Investment is and how it will go about implementing it within its overall approach to investment. This statement is set out in the Responsible Investment Policy which is available on the website here.

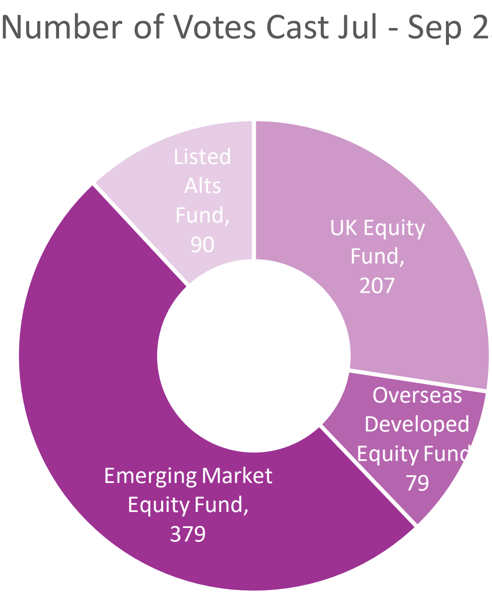
Our approach is largely delivered in collaboration with the other 10 funds involved in the Border to Coast pool. This report provides an update on activity in the last quarter covering:

- 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.





In their (Jul - Sep 25) Q2 2025/26 Active Ownership proxy voting report, Robeco highlighted how the topic of director election through shareholder voting remains an ongoing cause of friction each annual general meeting (AGM) season. Further detail is provided in the box below:

The strange world of director elections

Several persistent governance challenges continue to weaken the effectiveness and accountability of director elections, particularly in jurisdictions where outdated or flexible voting standards remain in place. One prominent issue is the ongoing presence of so-called "zombie directors"—individuals who fail to secure majority support from shareholders but nevertheless continue to serve on the board. This outcome is typically made possible when companies do not adopt a binding majority voting standard that would require the board to accept the resignation of any director who does not receive majority approval. Instead, many companies rely on mechanisms such as plurality voting, where a director can be elected with a single vote in an uncontested election, or majority voting frameworks that allow the board to reject a tendered resignation. These structures enable directors to stay in place despite clear shareholder disapproval, effectively undermining genuine accountability.

Robeco's approach is to expect any director who lacks sufficient shareholder support to resign from the board. When this does not occur, Robeco generally votes against the chair of the nomination committee, viewing this position as responsible for maintaining an appropriate and accountable board composition.

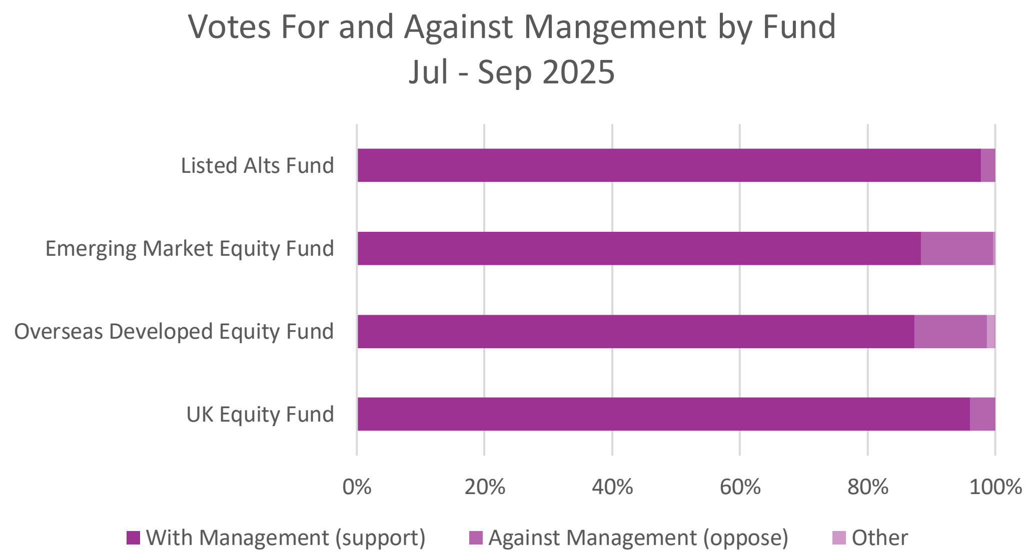
Accountability is further eroded by the use of staggered board terms and bundled or slate elections. Best practice recommends that all directors stand for election annually, enabling shareholders to evaluate the performance and suitability of each board member on a regular basis. Many boards, however, operate with multi-year terms, meaning only a subset of directors is up for election at any given meeting. This can entrench incumbents and weaken shareholder oversight. The practice of slate elections compounds the problem by requiring shareholders to vote on an entire group of nominees at once, rather than having a separate vote on the election of each candidate, preventing them from expressing targeted support or opposition to individual candidates. Robeco therefore regards individual director elections as essential and will oppose full slates if concerns about any individual nominee arise.

Shareholder influence may also be diluted by structural arrangements such as dual class share structures that grant enhanced voting power to insiders or controlling shareholders. While cumulative voting systems—recently mandated for large, listed companies in South Korea—can help improve minority representation by enabling shareholders to allocate votes strategically, Robeco maintains a preference for the "one share, one vote" principle as the most equitable and transparent standard. Where dual-class structures lack meaningful sunset provisions, Robeco generally votes against the chair of the governance committee.

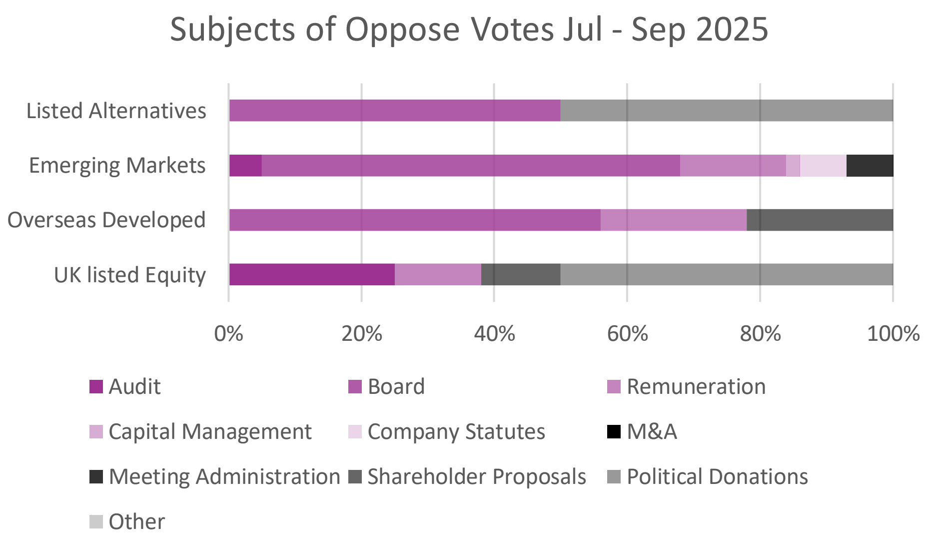
A further challenge is the insufficient disclosure of director nominees. Effective shareholder decision-making depends on receiving nominees' names well in advance, along with detailed information on each candidate's skills, experience, and relevance to the board's needs. When companies fail to provide adequate disclosure, Robeco votes against the nominee. Collectively, these issues highlight the need for transparent, equitable, and shareholder-aligned director election practices.

Robeco Active Ownership Report October 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 dropped below 10% overall, with 8.2% of total votes cast against management. In absolute terms, the number of votes against management decreased from 614 to 62, due to a significant decrease in the number of votes cast in total across all publicly listed funds following the passing of peak voting season.



The above graph indicates that votes against management were less dispersed this quarter across topics in all funds this quarter. The largest areas where voting continues to oppose management relate to Board composition and Political donations. The latter made up a significant proportion of votes against in the UK Listed Equity and Listed Alternatives funds. Further, it is worth keeping in mind some of the key reasons why 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.

MACQUARIE BANK

Macquarie, the Australian headquartered financial services firm, held their 2025 AGM, where shareholders voted on director elections, executive pay, and two shareholder proposals on non-binding resolutions and climate-related disclosure. Robeco opposed the re-election of the Audit Committee Chair due to persistent compliance failures, slow board responses to regulatory issues, and recent ASIC enforcement actions, signalling the need for stronger oversight. Robeco also supported enabling non-binding proposals to enhance shareholder rights and engagement. Additionally, Robeco backed improved disclosure of fossil fuel exposure and net-zero alignment, viewing greater transparency as essential for assessing climate risks and Macquarie's transition progress.

NASPERS

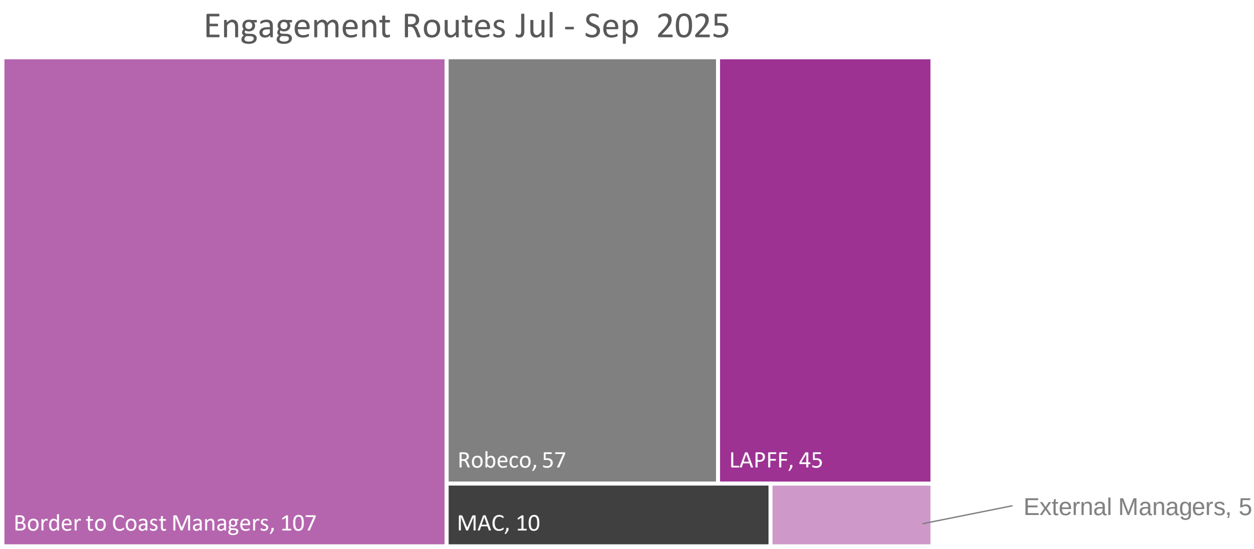
Naspers Limited operate in the consumer internet sector in Africa, Asia, Europe and Latin America. At Naspers's AGM, concerns were raised over the election of the Audit Committee Chair who, despite being labelled independent, is a former employee and long-serving director - thus compromising the required independence for this oversight role. Remuneration issues also persisted. Although Short-Term Incentive disclosure improved, the Long-Term Incentive Plan still relies on a sole metric which rewards executives for below median performance and only has a short vesting period. Excessive CEO pay is also a concern, including a potential $154m "moonshot" award. Additional payouts to the former CEO upon departure highlighted weak restraint. Ongoing shareholder dissent and unresolved structural flaws led to Robeco to vote against both the remuneration policy and its implementation.

R

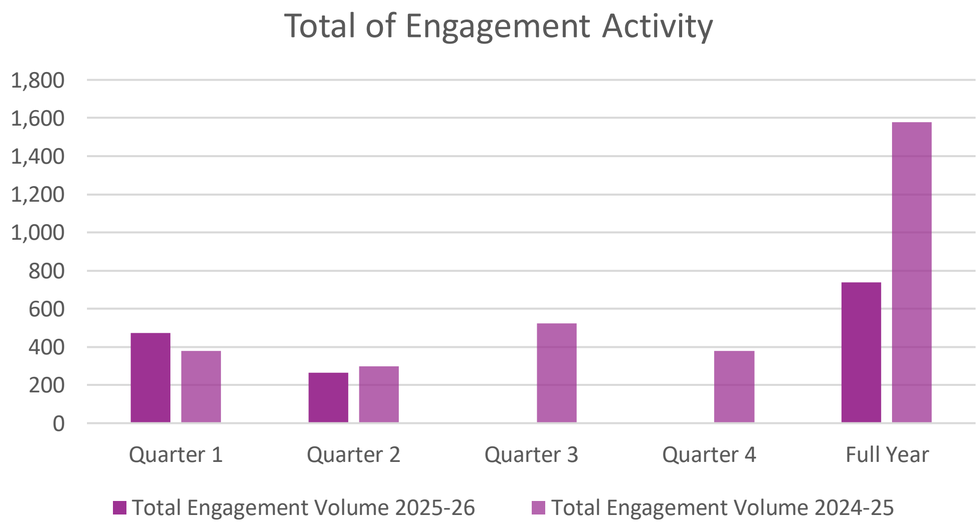
Compagnie financiere Richmond SA - an investment holding and luxury goods business - held their AGM on 10 September where shareholders voted on director elections. Fifteen directors were nominated - but two key concerns emerged. Johann Rupert, the non-independent founder with over 50% of voting power, was nominated as Chair of both the board and the Nominations Committee. His control over candidate selection and election raised serious governance concerns, leading Robeco to oppose his election. Additionally, Josua Malherbe was nominated to the Audit Committee despite long-standing ties to the Rupert family which undermine his independence. Robeco expect Audit Committees to be entirely composed of independent directors and voted against his election. Both directors were re-elected with 91.5% and 93.0% support respectively.

Engagement Activity

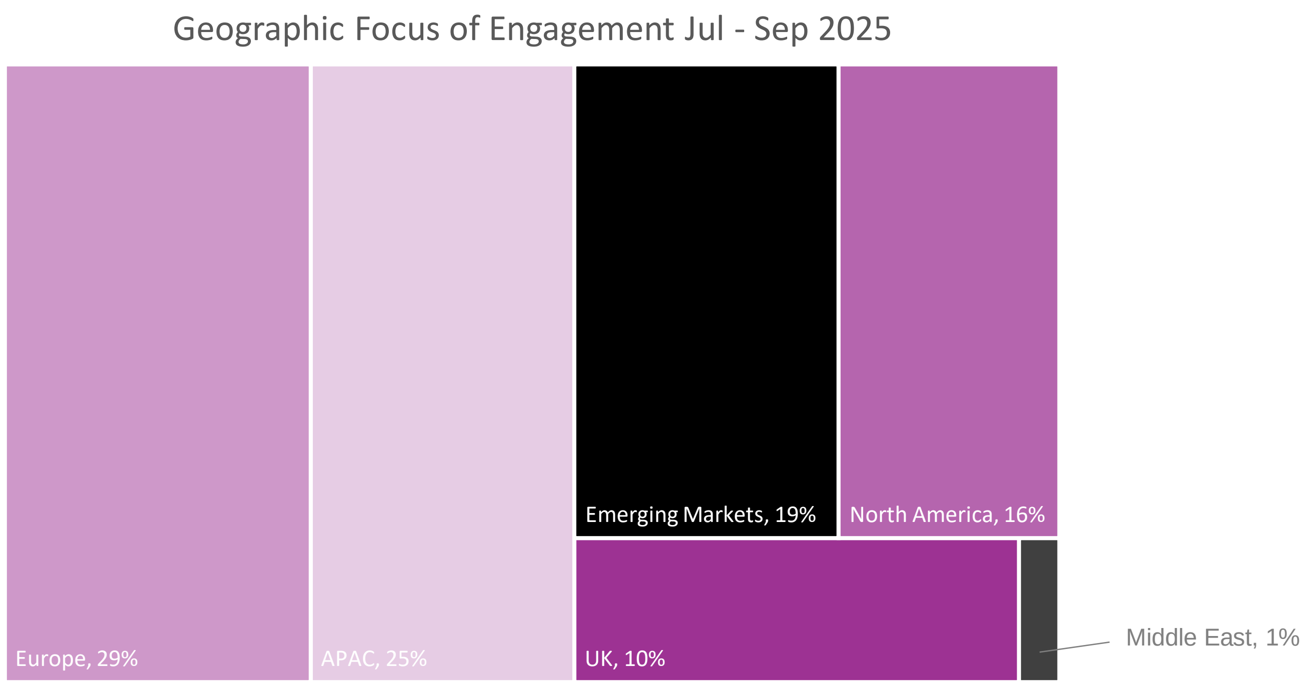
Engagement is the process by which the Authority, working together with other like-minded investors, seeks to influence the behaviour of companies on key issues. Engagement (in distinction to voting) is an ongoing process and is undertaken by those directly managing money for the Authority. This includes 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.



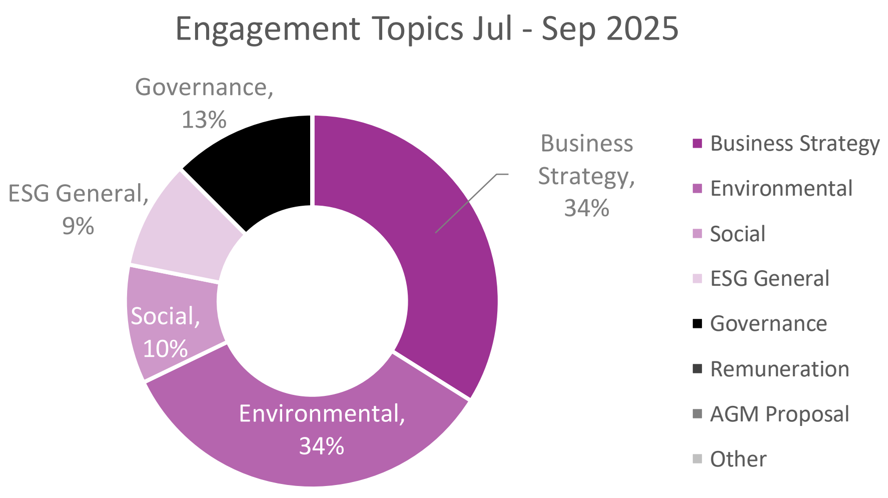
The graph below shows the overall level of engagement activity in the quarter decreased compared to the same quarter last year. This decrease was primarily driven by a drop in the level of engagement by LAPFF on behalf of members due to the implementation of a more targeted approach to company engagement.



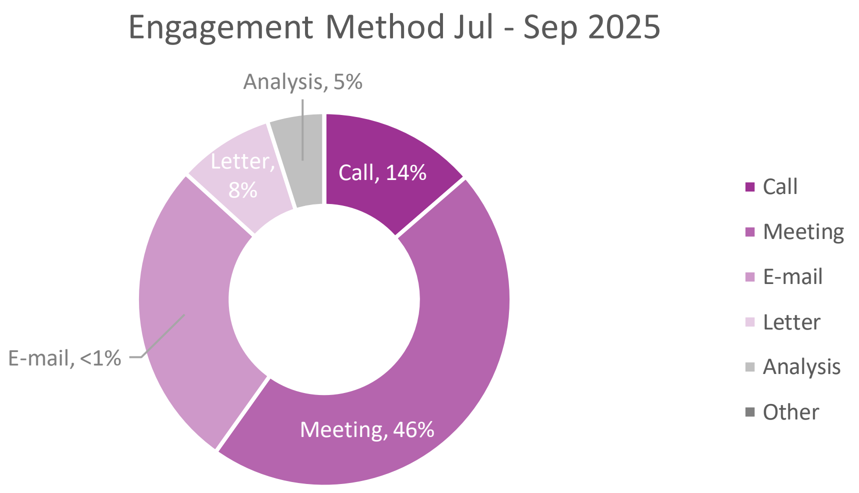
The chart below shows a breakdown of the geographic market focus in engagement over the last quarter. The proportion of engagement focus remains fairly equally weighted between major investment markets. The most notable changes come from a proportionate increase in Asia Pacific ("APAC") and Emerging Markets engagement, with a decrease in US and UK regional engagement.



The range of topics covered through engagement is set out in the chart below with a continuing strong focus on business strategy and 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, at 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.

Transition Minerals: Costing the Earth?

Demand for transition minerals is surging, with lithium up nearly 30% in 2024 and nickel and cobalt rising 8%. Meeting global decarbonisation targets will require doubling mineral supply by 2030 and tripling it by 2050, yet current production and planned projects fall far short. Extraction carries significant environmental and social risks, including land-use change, water stress, and human rights violations. Investors therefore face the challenge of supporting rapid energy transition while avoiding the harms associated with past resource booms.

Robeco's new engagement theme focuses on risks across the electric vehicle (EV) value chain – with mining, battery manufacturing and EV production being the three key sectors central to transition mineral demand. Major risks include biodiversity loss, water contamination, hazardous waste, unsafe labour conditions, displacement of communities, and violations of indigenous rights. Weak supply chain traceability further hinders responsible sourcing and compliance with regulations such as the EU Battery Regulation.

Poor management of these issues can lead to project delays, regulatory sanctions, reputational damage and disrupted supply chains. Conversely, companies that adopt robust ESG practices are better positioned to benefit from regulatory alignment, consumer trust and long-term value creation.

Running from Q3 2025 to Q3 2028, Robeco's engagement will target six companies across the three key sectors above. The programme focuses on six objectives: strong public commitments; strengthened governance; measurable targets on climate and nature; value chain goals including Scope 3; inclusive stakeholder engagement; and transparent disclosure aligned with global frameworks. Sector-specific priorities include the Initiative for Responsible Mining Assurance

(IRMA) standards and Free, Prior and Informed Consent (FPIC) compliance in mining, hazardous waste reduction and circularity in battery manufacturing, and due diligence and traceability improvements for EV producers.

Robeco will complement this with sovereign engagement to promote stronger policy frameworks supporting responsible sourcing and sustainability.

Hazardous Chemicals: Risks of PFAs continue to rise

PFAS (per- and polyfluoroalkyl substances) are classified as Substances of Very High Concern under the EU's REACH regulation and face mounting restrictions in both Europe and the United States. Their widespread use—in consumer goods, electronics, healthcare products and firefighting foams — combined with significant health and environmental risks makes them a major priority for regulators and investors. PFAS exposure is associated with cancer, infertility and immune dysfunction, and contamination commonly occurs through manufacturing activities and polluted water or food sources.

For investors, PFAS represent both financial and reputational risk. Litigation is rising rapidly, with major settlements already reached in the United States, including 3M's USD 10.3 billion agreement over contaminated drinking water and additional settlements exceeding USD 1 billion by DuPont and others. Europe is experiencing similar momentum, with class actions, government lawsuits and a Swedish Supreme Court ruling recognising elevated PFAS levels as injury. Regulatory trends—such as tighter disclosure requirements under the CSRD—are accelerating demand for transparency and safer alternatives.

Robeco launched a three-year engagement programme in 2024 to encourage chemical companies to improve PFAS reporting, develop phase-out plans and invest in safer substitutes. Early progress includes companies announcing PFAS manufacturing phase-outs and increasing disclosure of hazardous chemical production. Robeco also participates in the Investor Initiative on Hazardous Chemicals, a coalition of 74 investors managing USD 18 trillion, which advocates for timebound PFAS phase-outs, greater transparency and reduced hazardous product portfolios.

As regulatory pressure, scientific evidence and litigation intensify, companies face growing legal, operational and reputational risks. Investors have a key role in driving improved governance, transparency and innovation in safer chemical solutions.

Tax transparency – every cloud has a silver lining

Robeco considers corporate taxation highly relevant for investors, as effective tax rates directly influence net profits and shareholder returns. Beyond financial impact, aggressive tax strategies such as Base Erosion and Profit Shifting (BEPS) can expose companies to regulatory scrutiny and societal backlash. Investors therefore require clear, meaningful disclosure on tax practices to assess alignment between value creation and tax treatment, expected shifts in tax rates, and potential risks linked to investigations.

In early 2024, Robeco launched its Tax Transparency engagement theme, focusing on companies in the US and Europe. The engagement is built around three priorities: clearly articulated tax policies and principles; strong governance systems that ensure tax policies are properly implemented; and transparent reporting that reflects how tax payments align with economic activity. Engagement has revealed that many companies maintain robust internal tax processes yet provide only vague public disclosures, partly due to concerns about legal risks, uncertainty, and conflicting stakeholder expectations—some favour greater transparency, while others prioritise minimising tax burdens.

The regulatory landscape is evolving rapidly. The OECD's BEPS 2.0 project, involving over 145 jurisdictions, aims to introduce a global minimum corporate tax rate of 15% for large multinational groups. The GRI 207 tax standard is also shaping expectations by requiring detailed disclosure of tax governance and country-by-country reporting. However, US political developments have disrupted progress, with the 2025 administration withdrawing support for the OECD Global Tax Deal, creating greater uncertainty for American corporates.

In response, Robeco is shifting engagement efforts towards Europe, where regulatory alignment—such as EU public country-by-country reporting—is strengthening. By focusing on regions with clearer policy direction, Robeco aims to generate more impactful improvements in corporate tax transparency.

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.

BP and Shell – Climate Change

Border to Coast continued its direct engagement with BP and Shell, two of the largest contributors to its financed emissions, concentrating on net-zero commitments, interim reduction targets, and the strength of their transition plans. During the quarter, Border to Coast met BP to address concerns following the company's weakening transition strategy, which had prompted Border to Coast to take the unprecedented step of voting against management at BP's 2025 AGM. Border to Coast requested a post-2030 transition plan and clear interim targets demonstrating how BP intends to achieve its 2050 net-zero commitment. BP indicated it had no plans to present additional information to shareholders in 2026, leading Border to Coast to consider further escalation.

Border to Coast also met Shell to discuss its votes against management and the board's response to significant shareholder support for a proposal on liquefied natural gas (LNG) expansion. A further meeting with Shell's Chair, Sir Andrew MacKenzie, covered LNG plans, medium-term emission reduction targets, post-2030 strategy, and ensuring a just transition for North Sea oil and gas workers. Engagement remains constructive and ongoing.

Kingfisher and Tesco – Real Living Wage

In 2024, Border to Coast joined the Good Work Coalition, a collaboration of 47 institutional investors co-ordinated by ShareAction and representing $7.1 trillion in AUM.

As part of its support for the Coalition, Border to Coast joined the Living Wage workstream, which engages with FTSE350 companies in the retail sector to encourage them to become accredited real Living Wage Employers, ensuring the Living Wage is paid to both directly employed and third-party staff.

During the quarter, Border to Coast met Kingfisher and Tesco to promote accreditation. Engagement is ongoing.

St James's Place – Diversity of Thought

Border to Coast views diversity of thought on boards as a vital element of good governance, helping to reduce the risk of groupthink and supporting stronger decision-making.

To advance this agenda, Border to Coast joined the 30% Club investor group, which engages companies to promote improved gender and ethnic minority diversity on boards and executive teams.

During the quarter, Border to Coast met St James' Place on behalf of the collaboration to discuss the company's progress in this area. Border to Coast welcomed St James' Place's positive response and recent changes in board composition, and subsequently closed the engagement as the company now adheres to best practice.

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: LAPFF views water stewardship as a critical risk across sectors such as mining, energy, utilities, and food and drink, where poor management can lead to serious social, environmental, and financial harm. Engagement focuses on water scarcity, human rights impacts, pollution, and the growing threat of PFAS "forever chemicals". Climate change is intensifying pressures in water-stressed regions, increasing operational and reputational risks. In the UK, sewage spills from storm overflows remain historically high, prompting LAPFF to engage Pennon, Severn Trent and United Utilities on performance, regulatory change and pollutant management.

Pennon has shown improvement, with reduced pollution incidents and major investment programmes, though challenges remain. Severn Trent has retained strong environmental ratings and significantly reduced spill frequency, but regulatory uncertainty persists as the UK restructures oversight. LAPFF also engaged Coca-Cola over weakened water commitments and governance concerns, pressing for stronger targets and accountability. Engagements aim to ensure responsible water use, pollution reduction and protection of ecosystems and communities.

Cement production - Heidelberg and CRH: Cement production is a highly localised, carbon-intensive industry, accounting for up to 10% of some countries' CO_2 emissions. Key environmental challenges include decarbonising both the chemical process that releases CO_2 from calcium carbonate and the fossil-fuel energy used to heat kilns, as well as managing water use and aggregate supply. Carbon Capture and Storage (CCS) is currently the only viable route to reducing process emissions, with Heidelberg the first company to operate a full-scale CCS facility at its Brevik plant in Norway.

Engagements with Heidelberg and CRH focused on the credibility of their decarbonisation strategies, including substitution of clinker (a key cement ingredient and the main source of CO_2 emissions in cement production), alternative fuels, and CCS deployment. CRH has made progress on CCS, reduced its clinker factor to 75.9%, and increased alternative fuel use, though some targets remain undisclosed. Heidelberg has achieved significant milestones through CCS but remains reliant on government funding, with challenges around economic viability, material supply, and biodiversity impacts. Both companies face competitive pressures and evolving regulatory conditions.

Nature & Biodiversity: LAPFF continues to focus on nature and biodiversity, two years after the publication of the Taskforce on Nature-Related Financial Disclosures (TNFD) recommendations. It expects companies with significant impacts on nature to commit publicly to mitigating nature loss, disclose their material dependencies and impacts, and explain the concrete steps they are taking across operations and supply chains.

As part of its work with Nature Action 100, LAPFF led its first investor meeting with Pfizer. The company acknowledged links between climate change and biodiversity and shared findings from its 2023 biodiversity risk assessments, which identified sites located near sensitive ecosystems. LAPFF emphasised the need for transparent disclosures as a foundation for effective governance and target-setting.

Beyond collaborative engagement, LAPFF contacted several global companies dependent on natural resources, with Bunge responding and inviting LAPFF to an upcoming ESG investor call. LAPFF will continue to assess progress, pressing companies to integrate nature-related risks into strategy and disclosures and considering escalation where engagement is insufficient.

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 7.0 v the index at 7.0
- 53.3% of portfolio ESG leaders v 52.3% in the benchmark.
- 1.7% of portfolio ESG laggards v 2.2% in the benchmark.
- 3.7% of portfolio not covered all of which are investment trusts, higher than benchmark
- Lowest rated 5 companies, 1.7% 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 ratings of 5 (the highest score)
- All 5 top emitters engaged through Climate Action 100+

United Kingdom

- Weighted ESG Score 7.4, v the index at 7.5
- 51.0% of portfolio ESG leaders v 56.9% in the benchmark
- 0% of portfolio in ESG laggards
- 6.9% of portfolio not covered, mainly investment trusts;in line with benchmark
- Lowest rated 5 companies 10.0% of portfolio, 4 of 5 BBB rated by MSCI
- Financed emissions, carbon intensity and WACI all marginally above the benchmark
- Lower weight of fossil fuel holdings than in benchmark.
- 4 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
- 36.3% of portfolio ESG leaders v 36.1% in the benchmark
- 6.8% of portfolio ESG laggards v 9.2% in the benchmark
- 9.0% of portfolio not covered
- Lowest rated 5 companies 3.2% of portfolio.
- Emissions materially 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
- 1 of top 5 emitters engaged through Climate Action 100+

Listed Alternatives

- Weighted ESG score 7.1
- 46.4% of portfolio ESG leaders v 44.1% in the benchmark
- 4.7% of portfolio in ESG laggards v 3.0% in the benchmark
- 24.1% of portfolio not covered - largely investment trusts etc
- Lowest rated 5 companies 6.0% of portfolio.
- Financed emissions below benchmark however carbon intensity and WACI are above
- Materially lower weight of fossil fuel holdings than in benchmark.
- Top 5 emitters engaged with the Transition Pathway - four scoring TPI level 4 or above with the remaining one scoring a 3
- 2 of 5 top emitters engaged through Climate Action 100+

Overseas Developed Equity Fund

The Fund's overall ESG score declined by 0.1 to 7.0, in line with the benchmark, which also fell by 0.1. The Fund continues to score narrowly above benchmark.

The Fund maintains a lower exposure to ESG laggards compared to the benchmark and continues to hold four CCC rated companies.

UK Listed Equity Fund

Both the Fund and its benchmark experienced a notable decline in overall ESG scores over the period. The Fund, which previously matched the benchmark, now sits 0.1 points below it. This was driven by a reduction in the proportion of holdings classified as ESG Leaders. The Fund's exposure to ESG Leaders fell from 64% to 51%, driven by downgrades in the ESG ratings of AstraZeneca, Antofagasta, and Melrose Industries, as well as the exit of Intercontinental Hotels Group from the portfolio.

In terms of environmental risk, the Fund has a higher proportion of holdings exposed to high water stress compared to the benchmark. This is due to positions in mining companies such as Anglo American, Antofagasta, and Rio Tinto. Additional contributors to water stress exposure include Coats Group (a thread manufacturer), Imperial Brands and British American Tobacco (tobacco producers), Coca-Cola, and Cranswick (food producer/supplier). These companies operate in sectors with high water dependency.

Emerging Markets Equity Fund

The Fund's overall ESG score remained unchanged this quarter, while the benchmark improved by 0.1. Although the Fund continues to score above the benchmark, the gap eroded to a differential of 0.1.

Emerging market governance standards often diverge from global norms. However, the Fund maintains materially lower exposure to governance and ESG laggards compared to the benchmark. The number of CCC-rated holdings increased from three to four following the initiation of a new position in Lens Technology.

Listed Alternatives Fund

The Fund's overall ESG score declined slightly by 0.1 to 7.1, while the benchmark remained unchanged at 6.6. The Fund continues to outperform the benchmark, though the gap has narrowed.

Despite a higher overall exposure to ESG laggards, the Fund holds only one CCC rated company, Blue Owl Capital, and remains notably less exposed than the benchmark to issuers flagged as being at risk of breaching the UN Global Compact.

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 7.6	42.5% of portfolio ESG leaders compared to 60.5% in the benchmark	0.8% of portfolio ESG laggards compared to 1.0% in the benchmark
27.7% of portfolio not covered compared to 9.0% in the benchmark	The 5 lowest rated issuers represent 1.8% 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 ESG score remained stable at 7.4 quarter on quarter. The benchmark's score increased by 0.1 to 7.6, widening the gap above the Fund. Following the exit from Akelius, previously the Fund's only CCC rated holding, GB Social Housing was downgraded to CCC during the quarter. As a result, the Fund continues to hold one issuer rated CCC.

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.

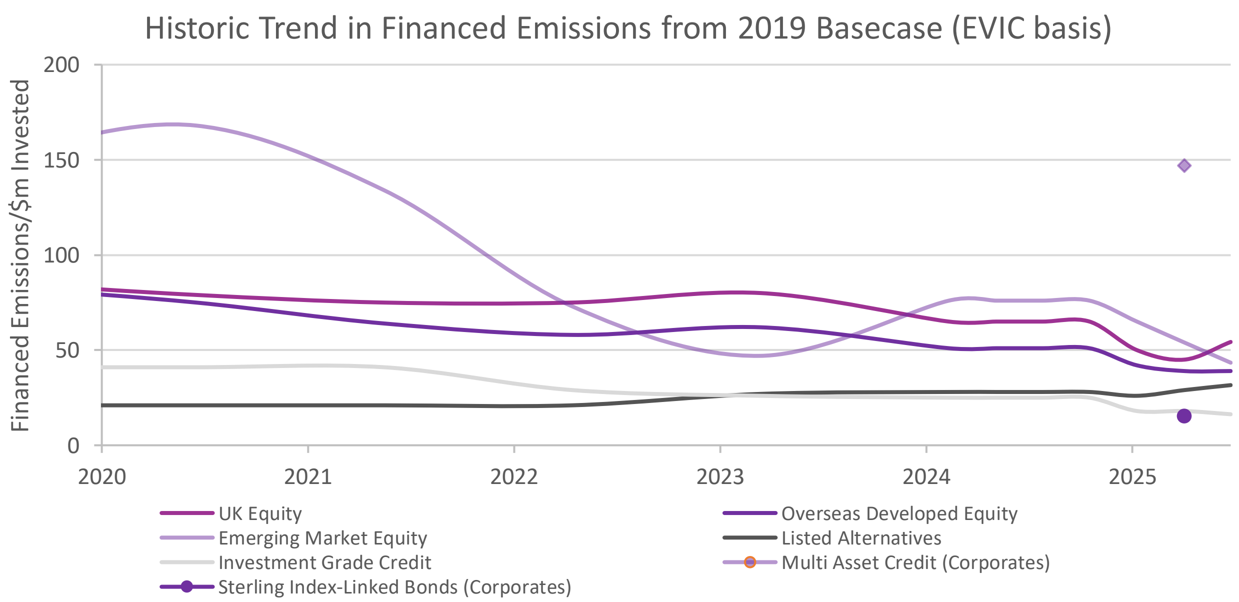
This transition of assets is in support of the pooling process; however, it limits the direct control that SYPA has over the specific assets to make dedicated decisions to reduce the carbon footprint. Instead, investment decisions will now be taken by Border to Coast with the continued support of Aberdeen 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

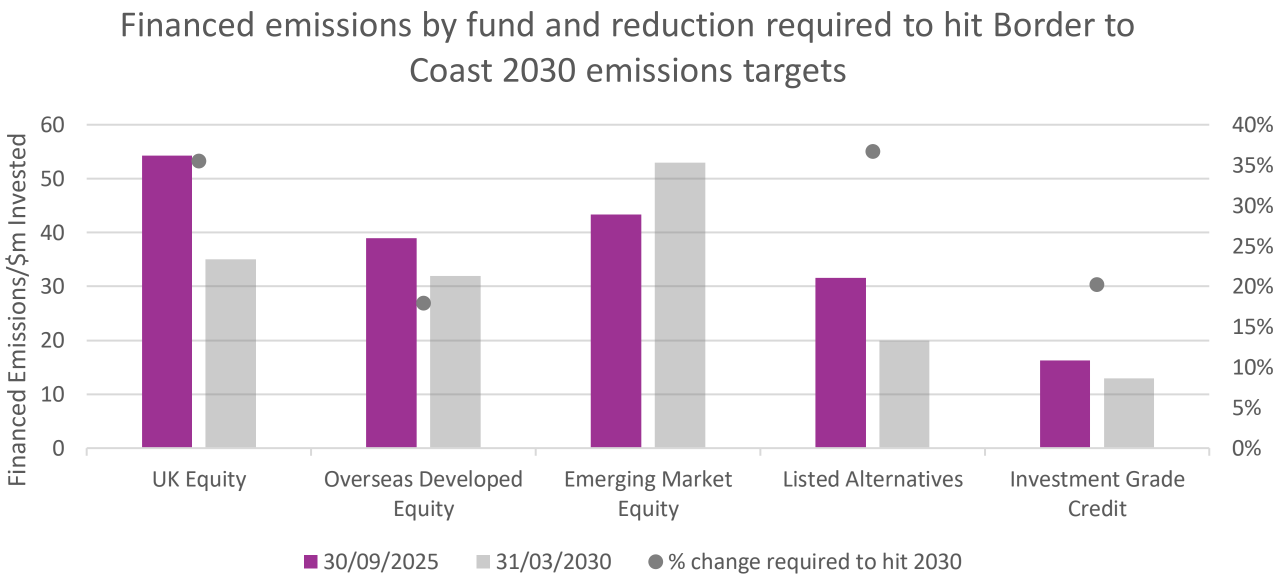
Each quarter Border to Coast's reporting on carbon emissions considers progress towards Net Zero and features particular stocks and their plans for decarbonisation. To increase the level of transparency on the engagement undertaken with companies and the assessment of their future decarbonisation plans, 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 are updated. 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 emissions data covers the publicly traded funds held with Border to Coast for which carbon emissions data is available and now includes emissions reporting for the corporate bond constituents of both the Multi Asset Credit and Sterling Index-Linked Bond funds however currently data availability for both of these funds currently lags by one quarter.

Border to Coast have recently shifted from reporting financed emissions on a market-capitalisation basis to an enterprise-value basis (EV or EVIC) which reflects a move toward a more complete and stable measure of a company's economic value. Market capitalisation captures only the value of equity and fluctuates with daily market sentiment, which can distort emissions-intensity metrics and make year-to-year comparisons unreliable. Enterprise value, by contrast, includes both equity and debt and represents the full value of the business that investors finance. This makes enterprise value a better proxy for the share of a company's activities that financial institutions actually support. As it is more comprehensive, less volatile, and better aligned with real economic exposure, an enterprise-value basis provides a more accurate and decision-useful foundation for assessing financed emissions.

The below graph shows the movement of actual financed emissions of the listed funds held over time with the financed emissions trend that has been directionally reducing, albeit with some volatility and in general, at a slowing rate over recent quarters.



The below chart shows the changes required by fund to meet the Border to Coast stated financed emissions targets by 2030. As previously noted, some level of volatility in financed emissions, at a fund level, should be expected quarter-on-quarter, as firms report emissions annually and changes in overall market value and in underlying securities will impact the reported metrics. 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.



Overseas Developed Equity Fund

The Fund saw minimal change in its scope 1 and 2 emissions profile this quarter, with financed emissions and weighted average carbon intensity both increasing by 1% quarter on quarter. In contrast, the benchmark recorded a 7% reduction in financed emissions and a 5% decrease in weighted average carbon intensity. Despite this, the Fund remains below benchmark on both metrics.

The benchmark's improvement was driven by small reductions in weights across top emitters and turnover that introduced lower-emission issuers. The most notable change in the Fund was the addition of NRG Energy, which has become the fourth largest emitter in the portfolio, replacing Qantas Airways. NRG is this quarter's feature stock.

Featured stock: NRG

NRG is an independent power producer (IPP) or merchant utility that sells utility in competitive states through the wholesale market. It is also one of the largest retail electricity providers in the US. serving 7m+ customers, primarily in Texas. Historically reliant on coal for generation, NRG has over the years transformed its generation mix to natural gas, now further enhanced through the pending acquisition of LS Power.

Natural gas is seen as the likely bedrock for US utility generation, now amplified by the uncertainty the One Big Beautiful Bill Act (OBBBA) brings to renewable project development. That said, NRG has net zero targets by 2050, and compared to its 2014 base year, the company has achieved a 57% reduction in CO_2 emissions. While Utilities and especially NRG are broadly fossil fuel emitters, NRG's Vivint platform offers energy savings and circular economy benefits which we see as a carbon positive feature.

NRG, through its subsidiaries Vivint and CPower, is expanding beyond traditional electricity generation by contributing to grid efficiency via its Virtual Power Plant (VPP) initiatives. VPPs represent a strategic intersection of financial and ESG considerations. While some investor's view VPPs as lower quality compared to core generation assets, they can offer meaningful environmental benefits by enhancing grid flexibility and reducing peak demand. NRG's moderate exposure to smart home technologies positions the company to benefit from this segment without over-reliance. This is a balanced approach: supporting growth in a lower-emission business line while maintaining a core investment case rooted in more established operations.

UK Listed Equity Fund

The Fund recorded a 20% increase in scope 1 and 2 financed emissions, 14% increase in carbon intensity and a 4% rise in weighted average carbon intensity over the quarter. The Fund now sits above benchmark across all emissions metrics.

The increase in financed emissions occurred despite notable reductions in the portfolio weights of Shell and Rio Tinto. The primary driver for the increase was the introduction of a new active position in International Airlines Group, which is now the Fund's second largest contributor to financed emissions, this quarter's feature stock.

Featured stock: International Airlines Group (IAG)

IAG is one of the world's largest airline holding companies, comprising British Airways, Iberia, Aer Lingus, Vueling, and LEVEL. Operating across Europe, North America, Latin America, and Asia, IAG maintains a strong presence in long-haul and premium travel markets.

The group has a clear roadmap to achieve net zero carbon emissions by 2050 across its operations and supply chain. IAG is ahead of schedule on its climate goals, having already met its 2025 target of reducing emissions intensity to 78.1g CO_2 per passenger kilometre, beating its 80g target. It has committed to using 10% Sustainable Aviation Fuel (SAF) by 2030 and has secured one-third of the required supply. To meet its targets, IAG is pursuing a multi-pronged strategy:

- Fleet Modernization: €3.7 billion invested in fuel-efficient aircraft, including 53 widebody orders in 2025;
- SAF Agreements: Long-term deals include 785,000 tonnes of e-SAF from Twelve, a 10-year supply from Infinium, and 28,000 tonnes from Repsol for Spanish operations;
- SAF Innovation: Backing Alcohol-to-Jet technology via LanzaJet for scalable SAF production;
- Carbon Removals: Continued investment in verified offset schemes and carbon removal technologies;
- Climate Governance: All senior leaders now have climate-linked pay incentives;
- Operational Efficiency: Advanced analytics and planning help optimise routes and reduce fuel burn.

Despite challenges in scaling SAF and transitioning from fossil fuels, IAG remains a sector leader in aviation decarbonization, advocating for supportive policy and investing in innovation to meet long-term climate commitments.

Emerging Markets Equity Fund

The Fund recorded a 19% reduction in financed emissions, an 18% decrease in carbon intensity, and an 11% drop in weighted average carbon intensity this quarter. The Fund remains materially below benchmark across all emissions metrics. The primary driver for the reduction in emissions was the exit from CEMEX, which was the Fund's second-highest emitter in Q2, accounting for 17.5% of total emissions at the time.

Featured stock: Astra International

Astra International is one of Indonesia's largest conglomerates, with a diversified revenue mix: approximately 40% autos, 10% financial services, 35% heavy equipment (via 60% ownership of United Tractors), and 10% across property, agriculture, infrastructure, and technology. As the distribution partner for Toyota, Daihatsu, and Isuzu in Indonesia, it holds a dominant market position, controlling approximately 50% of the four-wheeler distribution market and 75% of the two-wheeler segment.

The company operates in environmentally and socially sensitive sectors, including coal mining and palm oil. Astra claims to be enhancing its ESG performance through sustainable practices in mining and agribusiness, and investments in renewables. However, governance concerns persist. MSCI rates Astra BB, citing limited board independence and concentrated ownership, 50.1% held by Jardine Cycle & Carriage and 4.7% by Toyota Motor Corp.

Astra's climate-related risks centre on its exposure to high emission sectors, particularly coal mining and palm oil. While the company supports Indonesia's 2060 carbon neutrality goal and has set an absolute emissions reduction target for Scope 1 and 2 by 2030, with a net zero ambition by 2050, its involvement in coal mining remains. Astra has expressed interest in zero emission vehicles and is investing in renewable energy, but the pace and scale of transition efforts will require ongoing monitoring.

Listed Alternatives Fund

The Fund saw a 9% increase in financed emissions, a 7% rise in carbon intensity, and a 3% increase in weighted average carbon intensity this quarter. The increase was primarily driven by higher portfolio weights in the Fund's three largest contributors to financed emissions: NextEra (+0.2%), Veolia (+0.5%), and Enbridge (+0.6%).

Featured stock: Iberdrola

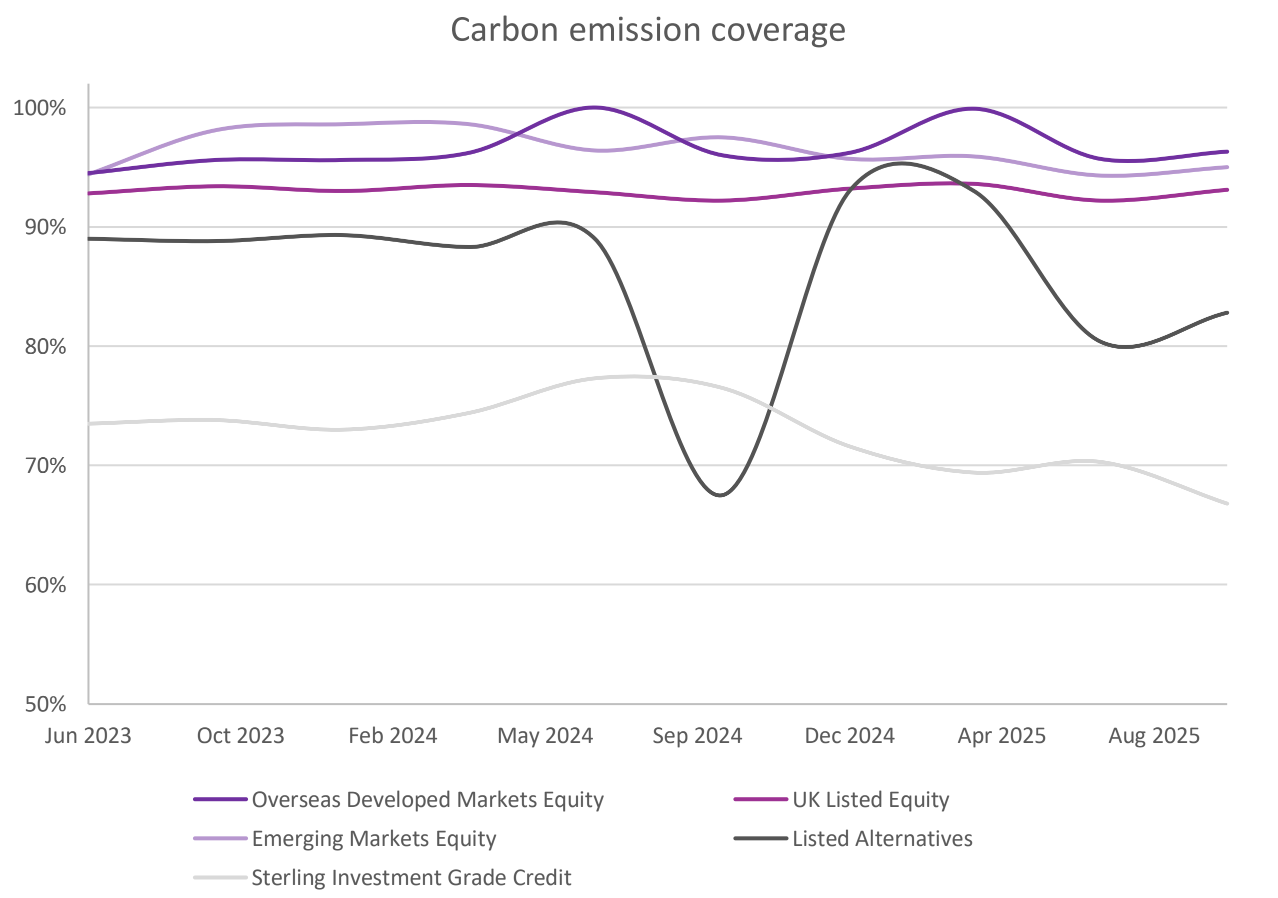
Iberdrola is a Spanish multinational utility company with a diversified portfolio encompassing hydroelectric, gas-fired, nuclear, and renewable power generation assets. As one of the world's foremost developers, producers, and distributors of renewable energy, Iberdrola is strategically positioned to benefit from the long-term global trend toward energy market decarbonisation. Its extensive experience in the renewables sector provides it with a significant competitive edge over smaller or less agile peers.

Iberdrola has positioned itself as a global leader in climate action, with a clear and ambitious roadmap to achieve carbon neutrality for scopes 1 and 2 by 2030 and net-zero emissions across all scopes, including scope 3, by 2040. These targets are aligned with the Science Based Targets initiative (SBTi) and the Paris Agreement. The company's Climate Action Plan integrates sustainability into its core business strategy, emphasising renewable energy, electrification, and digitalisation of its networks to reduce emissions and enhance resilience.

To support its decarbonisation goals, Iberdrola is investing heavily in renewable energy infrastructure, including offshore wind farms, solar plants, and energy storage systems. Between 2024 and 2026, the company plans to invest €50 billion, with almost one-third of it allocated to renewables and storage.

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 and reported emissions data is now available for both the Multi-Asset Credit Fund and Sterling Index-Linked Bond Fund, albeit both are starting at low levels of coverage. However, the progress of the more established reported funds has largely plateaued within the last year with a decrease in the coverage in three of the 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 Israeli based securities, with the team continuing 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 amid year conference and a business meeting during the quarter which included member input into the draft workplan for the year 2025/2026.

- Update for letter to FTSE100 on Risk Related to Conflict Affected and High-Risk Areas (CAHRAs)
- Draft Quarterly Engagement Report: January to March 2025
- Progress against the Work Plan; and
- An update on LAPFF board members' visit to Taiwan and the company engagements undertaken whilst there.
- LAPFF also produced a short guide for members about PTV and LAPFF voting alerts.

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 latest results from the Climate Action 100+ (CA100+) "Net Zero Company Benchmark" indicate that among the 164 highest-emitting companies assessed, there is encouraging progress in ambition but serious shortcomings in implementation. On the positive side, a majority of companies have established medium-term (85%) and long-term (80%) greenhouse-gas (GHG) reduction targets, and more firms are disclosing decarbonisation strategies which include offsets, abatement measures and climate solutions — though these disclosures still only amount to 8% of companies providing disclosures on decarbonisation strategies overall.

However, the pace of actual emissions reduction and strategy delivery remains weak. While many companies have reduced absolute Scope 1 & 2 emissions, only 32 % achieved emissions-intensity reductions aligned with credible 1.5 °C sectoral benchmarks in the past three years.
Short-term target setting is also lagging: only 41% set a short-term GHG reduction target in 2025, a drop from the prior year — despite a few more aligning with 1.5 °C benchmarks.

Other key gaps include corporate climate accounting and audit disclosures, which show little year-on-year improvement. Regionally, companies in the UK/Europe are further ahead (81% of those assessed partially met relevant accounting criteria) but many other markets, especially North America, lag considerably.

In addition, policy engagement via industry associations has regressed slightly, with a 2% drop in alignment of indirect engagement activities.

In summary: companies are increasingly setting targets and boosting disclosure, yet execution remains fragmented and far slower than required for alignment with the Paris Agreement 1.5 °C goal. Long term ambition is present, but the concrete investment, capital allocation planning and strategic follow through needed for meaningful transition are still underdeveloped.

IIGCC
The Institutional Investors Group on Climate Change

The Institutional Investors Group on Climate Change (IIGCC) published a progress report for its Finance Sector Deforestation Action (FSDA) initiative which reached several important milestones ahead of its transition into the new Deforestation Investor Group (DIG) in January 2026. All participating financial institutions have now introduced formal policies explicitly addressing agricultural-commodity-driven deforestation, and each has completed an assessment of their exposure to deforestation risk.

In addition, 73 % of participants are actively engaging with policymakers, while over 100 engagement meetings with companies and banks have been logged. Within those efforts, 27 participants have reported expanded outreach with their highest risk holdings. On the corporate side, the number of companies that disclose via CDP on deforestation-related matters grew from 30 in 2022 to 46 in 2024; supply chain traceability, deforestation free commodity volumes and collaborative supplier/jurisdictional approaches have also improved. The initiative has produced key resources including “Investor Expectations of Companies” and “Investor Expectations for Commercial and Investment Banks”, as well as seven case studies showcasing how signatories are implementing policies and engagement. While FSDA’s four-year mandate ends at year end, the momentum will be carried on through DIG, supporting investors to align with the goal to halt and reverse deforestation by 2030.

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.

Industry Net Zero Initiatives

In August, the remaining members of the Net Zero Banking Alliance voted to disband the initiative, citing sustained political pressure, particularly from Republican lawmakers in the US. The group ceased operations immediately following the decision. In October, the Net Zero Asset Managers Initiative released updated guidance and a revised commitment statement. The new version removes the requirement for specific targets and references to achieving net zero by 2050, significantly weakening the original pledge. This follows a period of suspended operations and member withdrawals, with State Street's US arm being the most recent to exit. Signatories now have three months to review and respond to the updated guidance.

International Political Environment

Political pressure in the US continues to weigh heavily on the ESG landscape. In July, the Florida Attorney General launched an investigation into the Science Based Targets initiative (SBTi) and CDP, citing potential antitrust and deceptive trade practices. This was followed by a letter from 23 State Attorneys General demanding information from SBTi over concerns about legal violations linked to net zero commitments. The Texas Attorney General also began investigating proxy advisors Glass Lewis and ISS, alleging they misled investors by supporting diversity and sustainability policies. The SEC Chair also warned the IFRS Foundation not to allow sustainability standards to undermine the funding for accounting standards. Otherwise, the Commission may reconsider its 2007 decision to allow foreign companies to file accounts using the IFRS standards.

Europe has also seen turbulence. In September, the EU deferred implementation of the Deforestation Regulation (EUDR) by 12 months, citing IT system capacity issues. While in July, the UK government announced it would not proceed with plans to develop a UK Green Taxonomy, a key part of its sustainable finance framework aimed at classifying climate and environmentally sustainable economic activities.

Meanwhile China announced its first ever absolute emissions reduction target in September. By 2035, China is aiming to cut net greenhouse gas emissions by 7% to 10% from peak levels and has committed to increasing non-fossil fuels to over 30% of total energy consumption by 2035.

ICJ Climate Opinion

In July, the International Court of Justice issued its Advisory Opinion on the Obligations of States in respect of Climate Change. The Court affirmed that under international law, states have binding obligations to protect the climate system from greenhouse gas emissions and to support adaptation efforts. It also stated that countries causing significant harm may bear legal consequences, particularly in relation to vulnerable states such as small island developing nations, potentially opening the door to compensation claims.

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