PENSION FUND COMMITTEE INVESTMENT SUB-COMMITTEE

Cambridgeshire County Council

Thursday, 14 November 2024

Democratic and Members' Services
Emma Duncan
Service Director: Legal and Governance

New Shire Hall
Alconbury Weald
Huntingdon
PE28 4YE

10:00

Red Kite Room
New Shire Hall, Alconbury Weald, Huntingdon, PE28 4YE

AGENDA

Open to Public and Press

The County Council is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and encourages filming, recording and taking photographs at meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening, as it happens. These arrangements operate in accordance with a protocol agreed by the Chair of the Council and political Group Leaders which can be accessed via the following link or made available on request: Filming protocol hyperlink

Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting Democratic Services no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution: Procedure Rules hyperlink

The Council does not guarantee the provision of car parking on the New Shire Hall site. Information on travel options is available at: Travel to New Shire Hall hyperlink

Meetings are streamed to the Council's website: Council meetings Live Web Stream hyperlink

The Pension Fund Committee Investment Sub-Committee comprises the following members:

Councillor Alison Whelan (Chair) Councillor Mike Black (Vice-Chair) Councillor Chris Boden Liz Brennan Councillor Adela Costello Councillor Peter McDonald and Mr Howard Nelson

Clerk Name:	Richenda Greenhill
Clerk Telephone:	01223 699171
Clerk Email:	richenda.greenhill@cambridgeshire.gov.uk

Agenda item no. 2

Pension Fund Committee Investment Sub-Committee: Minutes (Public)

Date:	12 September 2024
Time:	10.00am – 11.55am
Venue:	Red Kite Room, New Shire Hall, Alconbury Weald PE28 4YE
Present:	Councillors M Black (Vice Chair), C Boden (to 10.47am), A Costello, P McDonald and A Whelan (Chair); L Brennan and H Nelson
Advisers/ Consultants:	J Crowther and P Gent (Mercer)

126. Apologies for Absence and Declarations of Interest

There were no apologies for absence or declarations of interest. Councillor Boden offered apologies that he would need to leave the meeting early.

127. Minutes – 23 May 2024 (Public)

The minutes of the meeting held on 23 May 2024 were approved as an accurate record, subject to the correction of the amended recommendation at minute 122: Cambridge and Counties Bank.

128. Minutes Action Log

The minutes action log was noted.

129. Petitions and Public Questions

No petitions or public questions were received.

130. Stewardship and Engagement Update

A correction to exempt Appendix A had been circulated before the meeting. The Chair confirmed that no members wished to discuss the exempt appendix to the report.

During the three month period to 31 March 2024 there had been 285 occasions to vote on each of the ACCESS sub-funds in which the Fund invested. 245 votes had been cast in favour, 37 votes against and 3 no votes or abstentions. Of the 282 votes cast one was subject classified as Environmental, one was classified as Social and 280 were classified as Governance. There were no occasions during this period where fund managers had overridden the ACCESS voting policy for assets held within ACCESS sub-funds. At 31 March 2024, the Fund's ACCESS investment managers had held seven confirmed engagements with companies within the reporting period. One engagement was on an environmental topic, none were on social topics and six related to governance. A summary of the companies with whom the Local Authority Pension Fund Forum (LAPFF) had engaged between April and June 2024 and the topics covered was included in the report.

In discussion of the report, individual members:

- asked for more information about the vote referenced at section 4.6 to approve political donations, including who this was paid to and the sum involved. Action required

- asked whether it was for ACCESS to say whether the three companies with whom engagement had taken place could not be named in the public domain. They welcomed the engagement which had taken place with Company C, but felt there was a need to be more robust with this company which had been subject to fines for its behaviours towards trades union members in the USA. Quite a lot of work had been done in relation to environmental and sustainability issues, but they were unsure that ACCESS had done as much in relation to workers' rights. They would like to see a proactive approach on this which would enable institutional investors to be a force for good, whilst fully respecting the fiduciary duty to the Fund. The Head of Pensions advised that once an ACCESS Voting & Engagement provider was in place further engagement would take place on matters of importance to ACCESS, and one of those was human rights. The investment and fund accounting manager would review the regulations and processes and report back. Action required

- suggested that it would be useful in future to include some examples of the types of engagement which had taken place and environmental and other factors discussed to enable members to report back to the groups they were representing about how funds were being managed. Action required

The report was noted.

131. Cambridgeshire County Council Pension Fund Quarterly Performance Report: Period ending 30 June 2024

The report by Mercer covered quarterly performance to the end of June 2024. Since then, the markets had generally ticked up over Quarter 2 and liabilities had fallen marginally, linked to long term interest rates. The funding level of 171% at end of June 2024 demonstrated a strong position. There had been a slight under-performance of the Fund over the quarter against the market-related benchmark with some underperformance of global equity managers. Active discussions had been taking place with those managers throughout the year to assess them against ACCESS alternatives. Overall, it had been a fairly quiet quarter in terms of the monetary position.

A member commented that it was always better to have a funding level above 100%, but that they understood that the current figure of 171% funding was substantially higher than other Funds around the country. They did not consider this level to be unacceptable or so high as to indicate something was wrong but felt it would be helpful to have a strategy to explain this better to the public to avoid misinterpretation. It would also be important for officers to challenge the assumptions underlying the 171% funding figure with actuaries as these assumptions had a substantial impact on the figures produced. Mercer advised that the Fund level was the domain of the scheme actuary, and that the actuary would review this at the actuarial valuation next year. Gilt yields over recent years had brought liabilities down while the value of the assets had increased. The stability of contributions was important to Government and their expectation was that contributions would remain relatively stable, with perhaps a marginal reduction.

Summing up, the Chair described the 171% as an uncertain figure which might better be shared in that context rather than as a headline figure. While long-term gilt rates were being impacted by global events it might be appropriate to look at alternate ways of valuing liabilities rather than having a single indicator to provide greater certainty.

The report was noted.

132. Exclusion of Public and Press

The Committee resolved unanimously to exclude the public and press from the remainder of the meeting on the grounds that the agenda contained exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed: information relating to the financial or business affairs of any particular person (including the authority holding that information).

The Chair asked that officers and advisers look carefully at the volume of Sub-Committee business being discussed wholly in confidential session. Action required

133. Cambridgeshire County Council Pension Fund Quarterly Performance Report: Period ending 30 June 2024 – Confidential report

The Sub-Committee received a confidential report from Mercer summarising the performance of the Pension Fund for the quarter to 30 June 2024

[Councillor Boden left the meeting at 10.47am]

The report was noted.

134. Investment Current Topics: Quarter 3 2024

The Sub-Committee received a confidential report from Mercer on the investment topics currently stimulating interest across the LGPS sector.

The report was noted.

135. Confidential minutes – 23 May 2024

The confidential minutes of the Sub-Committee meeting on 23 May 2024 were approved as an accurate record and signed by the Chair.

136. Equity Portfolio Review

The Sub-Committee received a confidential update on the current status of the equity portfolio review.

It was resolved unanimously to:

a) note the update on the review of the Fund's 'Quality' and 'Growth' investment managers.

b) note the next steps set out in Section 4.

137. Strategic Asset Allocation – Implementation Update

The Sub-Committee received a confidential implementation update on strategic asset allocation.

It was resolved unanimously to:

a) note the report and the presentation by Mercer.

b) approve recommendation b).

c) approve recommendation c).

d) continue as proposed at recommendation d).

e) continue as proposed at recommendation e).

The Mercer representatives left the meeting.

138. Investment Consultancy Contract

The Sub-Committee reviewed the investment consultancy contract.

It was resolved unanimously to:

a) note the report;

b) agree the contract timescale.

c) request further research.

(Chair)

CAMBRIDGESHIRE
PENSION FUND

Cambridgeshire Pension Fund Investment Sub-Committee
12th September 2024

Action log from ISC meeting held on 12th September 2024				
Item No.	Item	Action to be taken by	Comments	Completed
130	Stewardship and Engagement Update a) A member has requested further information regarding the vote referenced in the report on the approval of political donation. b) A member inquired about the rationale for not making the Appendix to the paper publicly available. c) A member suggested including examples of the types of engagement that had occurred, along with the environmental and other factors discussed.	Ben Barlow	a) Details of the donation provided by the manager have been communicated to the members. b) Managers have requested a redacted version of the examples to ensure the anonymity and confidentiality of portfolio holdings. c) Examples of engagement have been incorporated into the current paper.	Completed
132	Exclusion of Public and Press The Chair requested officers and advisers to carefully review the volume of Sub-Committee business being discussed entirely in confidential sessions.	Ben Barlow	Officers are coordinating with advisors regarding the volume of business handled in private sessions. Papers that do not contain any proprietary information are shared publicly.	Completed

Action log from ISC meeting held on 23rd May 2024				
Item No.	Item	Action to be taken by	Comments	Completed
123	Currency Hedging Review To switch the Fund's pooled JPM and IFM infrastructure mandates to currency-hedged share classes on 1st July.	Ben Barlow	The currency hedging share class switch for IFM and JPM has been completed.	Completed

CAMBRIDGESHIRE PENSION FUND

Agenda Item No: 5

To:	Investment Sub Committee
Meeting date:	14 November 2024
Report by:	Mark Whitby Head of Pensions Mark.Whitby@WestNorthants.gov.uk
Subject:	Stewardship & Engagement Update
Purpose of the report:	To update the Investment Sub Committee on stewardship and engagement matters relating to the Fund's investments.
Recommendations:	The Investment Sub Committee is asked to: a) Note the report.
Enquiries to:	Ben Barlow, Funding and Investments Manager. Tel – 07831 123167 E-mail – Ben.Barlow@Westnorthants.gov.uk

1 Background

1.1 The Fund believes that Environmental, Social and Corporate Governance (ESG) issues create material risks and opportunities which will influence long term investment performance and the ability of the Fund to achieve its investment and funding objectives. Therefore, good ESG and stewardship practices should be integrated throughout the investment process of the Fund.

1.2 Good stewardship can protect and enhance value for companies and markets as a whole. The Fund is committed to being a long-term steward of the assets in which it invests. It believes in the importance of investment managers acting as active asset owners through proactive voting and engagement with companies. In addition, the Fund believes that acting collectively with other investors is an effective way to engage with companies.

1.3 To promote good stewardship and ensure the diligent monitoring of engagement activities, this report is presented to the ISC on a quarterly basis.

1.4 The Fund includes in its Investment Strategy Statement a policy on the exercise of the rights (including voting rights) attached to investments. Specifically with regards to stewardship and engagement, the Fund expects its investment managers to:

1.4.1 Exercise our rights as owners of investments by actively participating in company level decisions tabled as shareholder votes at General Meetings.

1.4.2 Engage with companies where there are concerns over ESG issues.

1.4.3 Vote on pool-aligned assets in accordance with the ACCESS Voting guidelines on a “comply or explain” basis and inform the Fund of voting outcomes.

1.4.4 Report on their voting activity on a regular basis, with ACCESS Pool managers required to report on a monthly basis.

1.5 The Fund believes that acting collectively with other investors, for example, with partner authorities in the ACCESS pool or through membership of the Local Authority Pension Fund Forum (LAPFF), is an effective way to engage with companies.

2 Executive summary

2.1 The Cambridgeshire Pension Fund recognises the importance of promoting good governance and management in the companies in which the Fund invests. The Fund expects investment managers to exercise voting rights and engage with companies with the aim of good stewardship of the Fund’s assets.

2.2 This report updates the Investment Sub-Committee (ISC) on:

2.2.1 The Fund’s voting activity during the three months to 30 June 2024 for assets held within the ACCESS pool.

2.2.2 A summary of engagement activity on behalf of the Fund by ACCESS sub-fund managers covering the period between April and June 2024.

2.2.3 A summary of engagement with investment managers directly by the Fund covering the period between July and September 2024.

2.2.4 A summary of the Local Authority Pension Fund Forum (LAPFF) engagement and voting activity for the period between July and September 2024.

2.3 Further information on specific stewardship and engagement activities summarised in this report is available from Officers on request.

2.4 Officers have continued to share the LAPFF voting alerts with managers to understand their voting plans regarding each alert.

2.5 PIRC along with the ACCESS Responsible Investing (RI) sub-group have been reviewing the ACCESS voting guidelines. These revised guidelines have been considered and agreed by the ACCESS Joint Committee.

3 PIRC

3.1 ACCESS has appointed Pension & Investment Research Consultants Ltd (PIRC) as its external ESG and RI advisor following an LGPS Framework Procurement, to implement and refine the Pool's RI guidelines. PIRC will use the ACCESS RI guidelines as the starting point to deliver a universal reporting framework.

3.2 This will incorporate the expectations ACCESS places on asset managers into the framework. These expectations include outlining responsible investment principles, main risks, how ESG is incorporated into investment decisions, stewardship, voting and engagement activities and outcomes, and reporting against TCFD.

3.3 As part of this work, a comprehensive review of the ACCESS voting guidelines, in collaboration with the ACCESS RI sub-group, has been undertaken and the revised guidelines have been considered by the ACCESS Joint Committee.

3.4 The ACCESS Joint Committee agreed the updated guidelines at their 9th September meeting. The Committee was provided with oversight of the guidelines, along with the ACCESS paper at the October Pension Committee meeting.

4 Voting

4.1 The ACCESS Joint Committee agreed the original voting guidelines for inclusion by the pool operator, Waystone, in their Investment Management Agreements. These guidelines set out those matters of importance to the ACCESS authorities and promote good corporate governance and management in the companies in which investments are made. In circumstances where investment managers do not adopt the positions set out in these guidelines, they are required to provide a robust explanation of the position adopted.

4.2 ACCESS also expects that investment managers will be signatories to and comply with the Financial Reporting Council's Stewardship Code and Principles of Responsible Investment. The Stewardship Code submission was unsuccessful, and Officers are working on addressing the areas that did not meet the criteria.

4.3 A summary of the voting activity for the three months ending 30 June 2024, including votes for and against management, is set out below for each of the ACCESS sub-funds in which the Fund invests:

Sub-Fund Name	Number of Meetings	Number of Votes Cast		
		For	Against	Other
Dodge and Cox - WS ACCESS Global Stock	66	885	151	57
J O Hambro - WS ACCESS Global Equity – JOHCM	30	315	76	30

Longview - WS ACCESS Global Equity	21	111	183	15
	117	1311	410	102

4.4 During the three months ending 30 June there were 113 company Annual General Meetings (AGMs), 2 Annual/Special, 1 Extraordinary and 1 Mixed meeting.

4.5 Of the three ACCESS sub-funds in which the Cambridgeshire Pension Fund invests, there were 1823 occasions to vote by the investment managers. There were 102 instances where votes were not cast, or managers chose to abstain from voting. Of the votes cast, 1311 were for and 410 against management proposals.

4.6 Of the 1823 votes cast, 22 were subject classified as Environmental (E), 73 were classified as Social (S) and 1728 were classified as Governance (G).

4.7 Governance includes issues such as board structure, election of directors and remuneration. One example of this is JO Hambro voted to approve a qualified employee stock purchase plan.

4.8 The Social issues included changes to policy and disclosures. In one example, Longview voted for a shareholder proposal regarding a human rights impact assessment of AI-driven targeted advertising.

4.9 The Environmental issues included climate reporting and assessments. In one example, Dodge and Cox voted against a motion to disclose all material Scope 3 Green House Gas emissions. Dodge & Cox's rationale for the vote against the motion is as follows "Dodge & Cox expects companies to disclose financially material ESG risks and opportunities and may consider supporting shareholder proposals requesting information or data that enables us to better assess the financial materiality of ESG risks to the company relating to social and environmental issues such as climate change, energy transition, and human capital. When reviewing shareholder proposals requesting additional ESG disclosure, Dodge & Cox will typically vote against proposals that we deem overly prescriptive. Additionally, Dodge & Cox will review current company disclosures to determine whether the shareholder proposal is additive or unnecessary. A vote AGAINST this proposal is warranted, as the company appears to be taking sufficient action to measure and reduce its Scope 3 emissions and measuring emissions of all products sold on e-commerce platforms does not appear to be a standard industry practice.".

4.10 Investment managers use their discretion to cast votes not aligned to the ACCESS voting guidelines where they feel it is in the shareholders best interest to do so. There were no instances where the fund manager has overridden the ACCESS voting policy in the last three months for assets held within ACCESS sub-funds.

5 Engagement Activities – ACCESS Pool

5.1 The Cambridgeshire Pension Fund receives regular reporting on engagement activities for assets held within the ACCESS Pool. This includes dialogue between investment managers and Waystone in order to promote good corporate governance and management in companies in which the Fund invests.

5.2 At 30 June 2024 the Fund's ACCESS investment managers held a total of 161 assets and held 12 confirmed engagements with companies within the reporting period. There was 1 engagement on an environmental topic, 4 on social topics and 7 relating to governance.

5.3 A summary of engagements by managers covering the three months to 30 June 2024 is shown below. Dodge and Cox held 7 engagements during the reporting period, JO Hambro held 1, and Longview held 4. Please refer to exempt Appendix A for identification of the companies involved in the engagement examples.

Manager	**Number of Assets**	**Types of Engagement**			**Engagement example**
		E	**S**	**G**	
Dodge & Cox	90	1	2	4	Dodge and Cox spoke with company A about the unusual compensation program design and how they would address any potential liquidity desire by the CEO. They spoke about compensation alignment between management and shareholders and how to strike the right balance between the different groups. Additionally, they spoke about the upcoming say-on-climate proposal reiterating Dodge and Cox's view that they believe this is a strategy focused proposal and not one that shareholders should opine on. Dodge and Cox do not believe that it is their role as shareholders to vote directly on these type of strategy proposals. Dodge and Cox believe management and the board should set and oversee strategy. Dodge and Cox feel they communicated their views to the company and believe that company management adequately heard their voice.
JO Hambro	41			1	JO Hambro met with Company B to seek clarity on how the board is addressing senior management turnover, to further their understanding of Company B's strategic human capital challenges in the transition economy, to follow up previous conversations on culture in the mining industry, gain insight into the perspectives of other directors, and to encourage consideration of equitable employment practices as part of a DEI program. Company B attributed the high level of turnover at the exec level to 'bad hires' and alluded to poor cultural fit. The committee chair alluded to an expectation for more departures to occur and it remains unclear whether the board has identified a clear path forward to address investor concerns. Company B is making progress on the implementation of recommendations from the 'Enough is Enough' report on sexual harassment in the mining industry and there is evidence of board reporting and

Manager	Number of Assets	Types of Engagement			Engagement example
		E	S	G	
					monitoring of metrics. JO Hambro were assured that the Company applies the same environmental and stakeholder standards in developing country projects as its Australian operations.
Longview	30		2	2	In June 2024, Longview engaged with Company C to enquire about modern slavery risks in its supply chain, following specific issues flagged by Longview's ESG data provider, Sustainalytics. The first issue was highlighted in a report released in March 2024 by the Corporate Accountability Lab, a Boston-based organisation researching human rights violations worldwide, which detailed abuses in India's shrimp industry. It was reported that, in response, Company C had suspended all sourcing from one of the largest shrimp exporters to the United States. The second issue involved an investigation revealing North Korean forced labour in Chinese seafood factories. In response to our emailed questions regarding the above, Company C confirmed that earlier this year, they instructed suppliers to suspend production at all facilities associated with one of the Chinese factories identified in the reporting, as they investigated these allegations. The Company further explained that they sever ties with organisations found to have violated their Supplier Code of Conduct, consistent with their zero-tolerance policy for human and labour rights abuses. They emphasised their dedication to responsible sourcing and their commitment to taking necessary actions. While Company C did not disclose details about their relationship with the shrimp exporter in their emailed response, Longview has noted a statement published on Company C's website in March 2024. The statement indicated that the Company had instructed suppliers to suspend receipt of products from their seafood processing plants or facilities pending an investigation into allegations of human rights and labour abuses. Longview has also noted that the above issues have followed a separate lawsuit and

Manager	Number of Assets	Types of Engagement			Engagement example
		E	S	G	
					investigation by the US Department of Labor in 2023 into allegations of migrant children working at poultry plants owned by another company, a supplier to Company C, in Southern California. Longview has requested a follow-up call with Company C to discuss these matters in more detail and delve into their approach and due diligence methods for the assessment of modern slavery risks in their supply chain. It will also be an opportunity to request an update on other sustainability matters relevant to the company's supply chain including their approach to deforestation issues. By way of background, earlier this year, Longview had enquired into Company C's exposure to palm oil, given the commodity's link to higher risks of deforestation. The company explained that while palm oil is an ingredient in the products they distribute, they are not a manufacturer, except for one division, which produces soaps and lotions. They are committed to using only sustainably sourced palm oil. The company elaborated that they published their first Sustainable Palm Oil policy in 2016, joined the Roundtable for Sustainable Palm Oil (RSPO), and began communicating policy requirements to their suppliers while responding to the Annual Communication of Progress (ACOP) as part of their commitment. They are also working on developing an EU deforestation policy to meet regulatory requirements and plan to expand their oversight with a global policy to address the importance of these issues and maintain compliance with the Science-Based Targets initiative (SBTi).

6 Engagement Activity – Direct

6.1 The Fund engages directly with investment managers through regular meetings with officers on a rotational basis, the Investment User Group hosted by ACCESS and via quarterly Investment Sub-Committee meetings.

6.2 Discussions and challenge can cover a range of topics but a particular focus is always fund performance as well as stewardship and engagement activities the investment manager has undertaken on behalf of the Fund.

6.3 In addition to proactive voting, investment managers should act as active asset owners through engagement with companies where there are concerns over environmental, social and governance (ESG) issues.

6.4 The Fund has written to investment managers setting out it’s aims and ambitions for the Fund to reach net carbon zero by 2050 or earlier and asking how the investment manager can help the Fund achieve these goals. Investment managers have acknowledged these aims and ambitions and are keen to help the Fund on its decarbonisation journey and achieve the milestones set out within the Fund’s Climate Action Plan.

6.5 The table below represents engagement with our managers at meetings covering the period of three months to September 2024:

Date	**Meeting Type**	**Manager**
25th July	Local	Adams Street
16th August	Local	Schroders
20th August	Local	Aviva
18th September	Local- in person	Dodge & Cox*
24th September	IUG	M&G
24th September	Local	Catapult

* Officers met in person with representatives from Dodge & Cox, providing an excellent opportunity for an in-depth discussion on stewardship and ESG matters. During the meeting, several questions were raised with the manager regarding ongoing engagements, the establishment of net zero targets for companies, and climate-related reporting.

7 Voting and Engagement – Passive Funds

7.1 UBS invest in pooled passive funds on behalf of the Fund. The passive funds are not within the ACS structure itself, therefore UBS do not have to adhere to the ACCESS voting policy. However, UBS operate a high-quality programme of stewardship and engagement on behalf of the Fund. UBS produce an Annual Stewardship report, the report is available on request. The most recent was published for the year 2023.

7.2 UBS are responsible for the assets and the associated voting and ownership rights the Fund invests with Osmosis, as the assets are held in a segregated account managed by UBS against the Osmosis index. However, Osmosis have examined the UBS voting policy and believe it is significantly aligned with their own. Osmosis will continue to engage on the assets held within the Fund’s portfolio.

7.3 Osmosis is planning to launch a "Non-Disclosure+" campaign, aimed at addressing the critical challenges posed by non-disclosure and incomplete environmental reporting by some of the world's largest corporations. The campaign seeks to engage the top ten companies by market capitalization, which Osmosis has identified as failing to disclose sufficient data on carbon emissions, water consumption, or waste generation. The initiative will begin with the company's largest holding, which, despite ongoing dialogue, continues to inadequately report its water usage and waste generation in a manner that is comparable to industry peers. The campaign details have been shared with the S.151 officer and the Chair of the ISC, both of whom have reviewed the information provided by Osmosis and expressed their support for this initiative.

8 Local Authority Pension Fund Forum

8.1 The Cambridgeshire Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders, whilst promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.

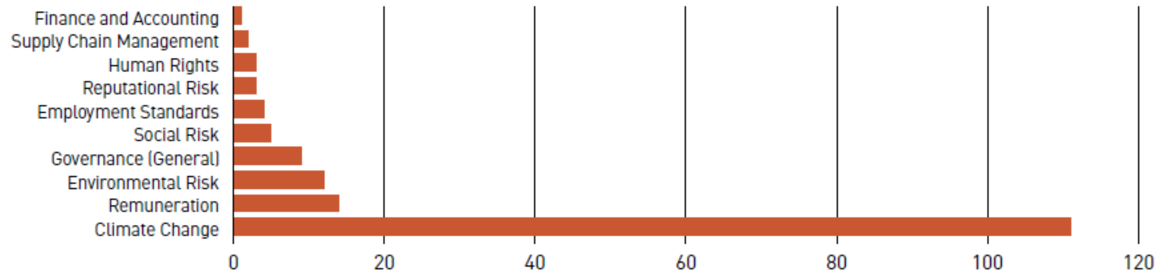
8.2 LAPFF engages with hundreds of companies to amplify the local authority voice and accelerate change. Their understanding of problems facing companies and ability to voice concerns is enhanced by also engaging with company stakeholders.

8.3 The following table is a summary showing the companies and topics which LAPFF has engaged between July and September 2024 including where voting alerts have been issued.

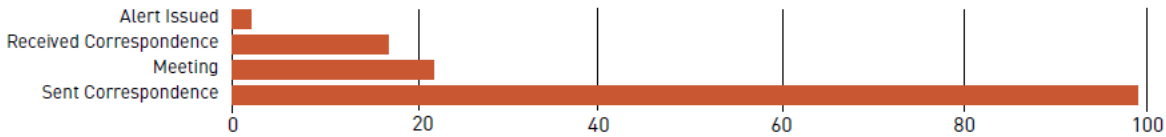
Company/Index	Activity	Topic	Outcome
ALIMENTATION COUCHE-TARD INC.	Alert Issued	Climate Change	
AP MOLLER - MAERSK AS	Meeting	Human Rights	Dialogue
ASTRAZENECA PLC	Meeting	Remuneration	No Improvement
BARRATT DEVELOPMENTS PLC	Sent Correspondence	Climate Change	Awaiting Response
BELLWAY PLC	Meeting	Climate Change	Small Improvement
BERKELEY GROUP HOLDINGS PLC	Sent Correspondence	Climate Change	Awaiting Response
BP PLC	Meeting	Climate Change	Dialogue
BURBERRY GROUP PLC	Meeting	Environmental Risk	Small Improvement
CEMEX SAB DE CV	Sent Correspondence	Environmental Risk	Awaiting Response
CIMB GROUP HOLDINGS BERHAD	Meeting	Climate Change	Moderate Improvement
CLARKSON PLC	Sent Correspondence	Remuneration	Awaiting Response
COMPASS GROUP PLC	Received Correspondence	Employment Standards	Dialogue
CRH PLC	Meeting	Climate Change	Change in Process
FRASERS GROUP PLC	Sent Correspondence	Employment Standards	Satisfactory Response
HEIDELBERG MATERIALS AG	Sent Correspondence	Environmental Risk	Awaiting Response
HOLLYWOOD BOWL GROUP PLC	Sent Correspondence	Employment Standards	Change in Process
HUANENG POWER INTERNATIONAL	Meeting	Climate Change	Moderate Improvement
HUNTING PLC	Sent Correspondence	Remuneration	Awaiting Response
IMPERIAL BRANDS PLC	Meeting	Environmental Risk	Dialogue
JAPAN TOBACCO INC	Meeting	Environmental Risk	Dialogue
KASIKORNBANK PCL	Meeting	Climate Change	Small Improvement
LOREAL SA	Meeting	Human Rights	Substantial Improvement
MITIE GROUP PLC	Meeting	Employment Standards	Dialogue
NIKE INC.	Alert Issued	Human Rights	
NOVO NORDISK A/S	Meeting	Environmental Risk	Dialogue
PEARSON PLC	Meeting	Remuneration	No Improvement
PERSIMMON PLC	Sent Correspondence	Climate Change	Awaiting Response
PHILIP MORRIS INTERNATIONAL INC.	Meeting	Environmental Risk	Small Improvement
PLUS500 LTD	Sent Correspondence	Remuneration	Awaiting Response
PURETECH HEALTH PLC	Sent Correspondence	Remuneration	Awaiting Response
RYANAIR HOLDINGS PLC	Meeting	Environmental Risk	Dialogue
SEVERN TRENT PLC	Meeting	Environmental Risk	Dialogue
SMITH & NEPHEW PLC	Sent Correspondence	Remuneration	Awaiting Response
SPIRENT COMMUNICATIONS PLC	Sent Correspondence	Remuneration	Awaiting Response
SSAB (SVENSKT STAL AB)	Meeting	Environmental Risk	Dialogue
STANDARD BANK	Sent Correspondence	Social Risk	Awaiting Response
SYNTHOMER PLC	Meeting	Remuneration	No Improvement
TAYLOR WIMPEY PLC	Sent Correspondence	Climate Change	Awaiting Response
TBC BANK GROUP PLC	Sent Correspondence	Remuneration	Awaiting Response
THYSSENKRUPP AG	Meeting	Environmental Risk	Dialogue
TRAVIS PERKINS PLC	Sent Correspondence	Remuneration	Awaiting Response
VISTRY GROUP PLC	Meeting	Climate Change	Small Improvement

8.3.1 LAPFF engagement data for the reporting period is below;

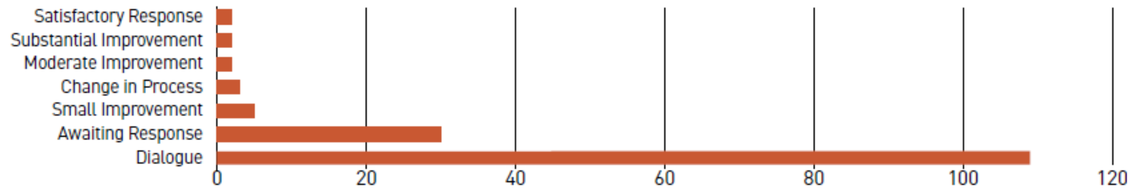
ENGAGEMENT TOPICS



ACTIVITY



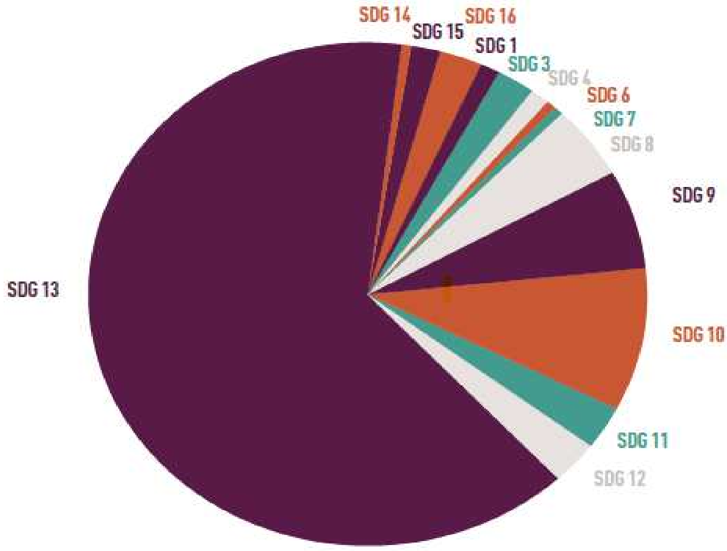
MEETING ENGAGEMENT OUTCOMES



8.3.2 An example of the engagement LAPFF has carried out during the period is below;

NOVO NORDISK & NA100
Objective:
Nature Action 100 (NA100) seeks to mobilise investors to drive corporate action in addressing biodiversity loss and nature-related risks. Its primary goal is to ensure companies integrate nature into their strategies, reduce negative impacts on ecosystems, and contribute to global biodiversity targets through enhanced accountability and transparency.
Achieved:
One of the companies that LAPFF is engaging through the NA100 initiative is the Danish Pharmaceutical company Novo Nordisk. Pharmaceutical companies have been identified by the initiative as a key sector to engage. Pharmaceutical companies face a range of physical and transition risks, including species loss affecting the ability of companies to develop new drugs. The investor group met a representative from investor relations. The representative answered the investor questions but did not engage in detailed discussion. Key points covered included the company's use of the Science-Based Targets Network, and timelines for assessments being made public. Whilst detail in the conversation was limited, the company appeared to be making sizable considerations about how to address its impact and dependencies on nature.
In Progress:
An aim of the engagement is to meet with companies involved at least twice a year. Whilst LAPFF and other investors have been discussing indicators of NA100's benchmark in company engagements, the benchmark itself, which will score companies across its six key pillars, is set to be published at COP16 in late October 2024. Companies have had a chance to respond with further information to this benchmark. Once published, it will provide industry comparisons, information on potential areas of best practice and a further basis for engagement.

8.3.3 The chart below illustrates LAPFF engagements categorised by Sustainable Development Goal (SDG) topics, with the accompanying table detailing each SDG goal and the corresponding number of engagements represented.



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	2
SDG 2: Zero Hunger	0
SDG 3: Good Health and Well-Being	4
SDG 4: Quality Education	2
SDG 5: Gender Equality	0
SDG 6: Clean Water and Sanitation	1
SDG 7: Affordable and Clean Energy	1
SDG 8: Decent Work and Economic Growth	8
SDG 9: Industry, Innovation, and Infrastructure	11
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	5
SDG12: Responsible Production and Consumption	5
SDG 13: Climate Action	111
SDG 14: Life Below Water	1
SDG 15: Life on Land	3
SDG 16: Peace, Justice, and Strong Institutions	4
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

8.4 Voting Alerts

8.4.1 LAPFF issued voting alerts for 2 different companies during the three-month period to September 2024. ACCESS is considering the treatment of LAPFF voting alerts as part of the ESG/RI Sub-Group chaired by the Fund's Head of Pensions.

8.4.2 Officers have been sharing the LAPFF voting alerts (via Waystone) with equities managers to understand their voting plans regarding the alerts. Of the two alerts distributed, only Longview held the relevant stock. Longview advised that they will vote against LAPFF's recommendation but will still be in line with ACCESS voting guidelines.

9 Recommendations

9.1 That the Investment Sub Committee:

9.1.1 Note the report.

10 Relevant Pension Fund objectives

10.1 To have robust governance arrangements in place, to facilitate informed decision-making, supported by appropriate advice, policies, and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.

10.2 To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.

10.3 To ensure the relevant stakeholders responsible for managing, governing, and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.

10.4 To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

11 Implications (including financial implications)

11.1 Resources and financial

11.1.1 There are no resource implications arising from the proposals in this paper. Legal fees for review of subscription documentation are included in the Fund's budget.

11.2 Legal

11.2.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

11.2.2. Squire Patton Boggs have reviewed the paper for legal implications.

11.3 Communication

11.3.1 None

12 Risk management

12.1 As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.

12.2 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below –

RISK MITIGATED	RESIDUAL RISK
Failure to respond to changes in economic conditions.	Amber
As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	Amber
Failure to understand and monitor risk and compliance	Green
Failure to provide relevant information to the Pension Committee/Local Pension Board to enable informed decision making.	Green

12.3 The Fund's full risk register can be found on the Fund's website at the following link: [Fund's Risk Register]

13 Consultation

13.1 Not applicable

14 Background papers

14.1 None

15 Appendices

15.1 Stewardship and Engagement Report Appendix A – (Exempt)

16 Accessibility

16.1 The information contained in this report is available in an accessible format on request from Ben.Barlow@Westnorthants.gov.uk

CAMBRIDGESHIRE PENSION FUND

Agenda Item No: 6

To:	Investment Sub Committee
Meeting date:	14 November 2024
Report by:	Mark Whitby Head of Pensions Mark.Whitby@WestNorthants.gov.uk
Subject:	Use of Derivatives
Purpose of the report:	To provide the Committee with information on what derivatives are and why and how the Pension Fund uses them.
Recommendations:	That the Investment Sub Committee: a) Notes the report.

Enquiries to: Ben Barlow, Funding and Investments Manager.
Tel – 07831 123167
E-mail – Ben.Barlow@Westnorthants.gov.uk

1 Background

1.1 This paper is bought to Committee following a request for more information on derivatives at the July 2024 meeting.

2 Executive summary

2.1 During the Fund year to 31 March 2024, the Fund had direct exposure to a number of derivative contracts.

2.2 This report summarises what derivatives are and what they may be used for, either currently or in the future.

2.3 Further detail is provided in Mercer's paper at Appendix 1.

3 Derivatives – Definition and applications

3.1 Derivatives are financial instruments whose value is 'derived' from an underlying asset (i.e. a stock, bond, currency or commodity) or benchmark.

3.2 There are four main types of derivatives.

3.2.1 Options - Give the holder the right, but not the obligation, to buy or sell an asset at a specified price within a specific timeframe.

3.2.2 Futures - Standardised agreements to buy or sell an asset at a predetermined price and date.

3.2.3 Forward contracts - Customised agreements to buy or sell an asset at a predetermined future price and date.

3.2.4 Swaps - The exchange of cash flows or liabilities between two parties based on predetermined terms.

3.2 They have a range of potential uses, improving the efficiency of portfolio management and risk management, including hedging or speculation.

4 Fund's Use of Derivatives

4.1 During the Fund year to 31 March 2024 the Fund had direct exposure to derivative contracts through Options, Futures and Forward Contracts.

4.2 The below chart was included in the Fund's Annual Report and shows the amounts of derivatives over the year across each type of financial instrument:

	Market value 01-Apr-23	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-24
	£000	£000	£000	£000	£000
• Purchased/written options	1,442	1,760	0	-3,202	0
• Futures	0	6	-152	173	27
• Forward Currency Contracts	0	71	0	-71	0

4.3 The Fund's use of derivatives has focused on risk management or 'hedging' purposes. All financial instruments included in the table above were direct exposures where the Fund was a named counterparty to the contract.

4.4 During the Fund year to 31 March 2024 the following activities resulted in direct derivatives exposure:

4.4.1 Equity Protection - The mandate, managed by Schroders (formerly River & Mercantile), sought to protect against equity downside risk by buying and selling options on underlying equity indices. The Fund's equity protection mandate expired in May 2023.

4.4.2 Portfolio Management - UBS use futures for efficient portfolio management in the segregated Osmosis portfolio – specifically, residual cash balances are used to purchase index futures (e.g. S&P 500 index future) to gain economic exposure to equity markets and reduce tracking error vs the benchmark index.

4.4.3 Transition Management - Forward Currency Contracts relating to a currency trade to manage US Dollar risk vs £ Sterling on c.£10m of cash balances involved in the transition from UBS passive equity to Osmosis in May 2023.

4.5 In addition, the Fund may have indirect exposure to derivatives where the Fund is not a named counterparty but has economic exposure to the contract e.g. in a pooled fund.

4.5 Further information on equity protection can be found in Appendix 1.

5 Potential Future Applications

5.1 Currency Hedging

5.1.2 A currency hedge overlay may be used to efficiently manage currency risk across the Fund's exposures. A segregated mandate would likely require the use of derivatives (e.g. currency forwards) to achieve the desired level of currency hedging, with regular trading to recalibrate the hedge profile.

5.2 Indirect Exposure

5.2.1 Underlying pooled fund managers will continue to use derivatives for efficient portfolio management purposes and for currency hedging.

7 Relevant Pension Fund objectives

7.1 To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies, and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.

7.2 To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.

7.3 To ensure the relevant stakeholders responsible for managing, governing, and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.

7.4 To continually monitor and measure clearly articulated objectives through business planning.

7.5 To continually monitor and manage risk, ensuring the relevant stakeholders can mitigate risk where appropriate.

7.6 To ensure the long-term solvency of the Fund, taking a prudent long-term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.

7.7 To maximise investment returns over the long term within agreed risk tolerances.

8 Implications (including financial implications)

8.1 Resources and financial

8.1.1 There are no resources or financial implications arising from the proposals.

8.2 Legal

8.2.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

8.2.3 Squire Patton Boggs have reviewed the paper for legal implications.

8.3 Risk management

8.3.1 The risks associated with implementing the strategy have been captured in the Fund's risk register as detailed below.

Risk	Residual risk rating
Fund assets are not sufficient to meet obligations and liabilities.	Amber
Failure to respond to changes in economic conditions	Amber
Information may not be provided to stakeholders as required.	Green
Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	Green
Failure to act appropriately upon expert advice and/or risk of poor advice.	Green

8.3.3 The Fund's full risk register can be found on the Fund's website at the following link: Fund Risk Register hyperlink

8.4 Consultation

8.4.1 This paper has been produced in conjunction with the Fund's Investment Consultants, Mercer.

9 Background papers

9.1 None

10 Appendices

10.1 Mercer Report – Use of Derivatives - Appendix 1

Mercer

welcome to brighter

Cambridgeshire Pension Fund

Use of Derivatives

November 2024

Chris West and Jonathan Crowther

A business of Marsh McLennan

Derivatives exposure

Fund year to 31 March 2024

14(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 01-Apr-23	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-24
	£000	£000	£000	£000	£000
Equities	0	215,860	-194,372	298,689	320,177
Bonds	197,030	0	-9,708	-187,322	0
Pooled investments	2,854,045	891,228	-975,264	260,874	3,030,883
Pooled property investments	267,510	130,198	-10,237	-5,833	381,638
Private equity/infrastructure	879,370	82,884	-46,397	13,715	929,572
	4,197,955	1,320,170	-1,235,978	380,123	4,662,270
Derivative contracts:					
• Purchased/written options	1,442	1,760	0	-3,202	0
• Futures	0	6	-152	173	27
• Forward Currency Contracts	0	71	0	-71	0
	4,199,397	1,322,007	-1,236,130	377,023	4,662,297

Source: Pension Fund annual report, 2023/24

During the Fund year to 31 March 2024, the Fund had direct exposure to a number of derivative contracts:

- Options
- Futures
- Forward contracts

- Direct exposure relates to derivatives **where the Fund is a named counterparty to the contract**. This is required where the Fund invests in a segregated portfolio (i.e. has direct ownership of the underlying assets), however an investment manager is responsible for any derivatives trading activity. The Fund has economic exposure to the terms of the contract.

- Indirect exposure relates to derivatives **where the Fund is not a named counterparty, but has economic exposure to the contract**. For example, where the Fund invests in units in a pooled fund, and the underlying fund manager enters into derivatives contracts.

Derivatives

What are they and what are they used for?

Derivatives are financial instruments whose value is ‘derived’ from an underlying asset (i.e. a stock, bond, currency or commodity) or benchmark (an index or a return based on an agreed measure of interest rate or inflation).

Options

Give the holder the right, but not the obligation, to buy or sell an asset at a specified price within a specific timeframe

Futures

Standardised agreements to buy or sell an asset at a predetermined price and date

Forwards

Customised agreements to buy or sell an asset at a predetermined future price and date.

Swaps

The exchange of cash flows or liabilities between two parties based on predetermined terms

They have a range of potential uses, improving portfolio management efficiency and risk management, including hedging (i.e. to mitigate risks associated with price fluctuations, interest rate changes, or currency fluctuations) or speculation.

Derivatives

What has the Fund used them for?

The Fund's use of derivatives has focused on risk management or 'hedging' purposes. During the Fund year to 31 March 2024 the following activities resulted in direct derivatives exposure:

Equity Protection

The mandate, managed by Schroders (formerly River & Mercantile), sought to protect against equity downside risk by **buying and selling options** on underlying equity indices[a].

The Fund's equity protection mandate expired in May 2023.

Portfolio Management

UBS use **futures** for purposes of efficient portfolio management in the segregated Osmosis portfolio – specifically, residual cash balances are used to purchase index futures (e.g. S&P 500 index future) to gain economic exposure to equity markets and reduce tracking error vs the benchmark index.

Transition Management

Forward Currency Contracts relate to a currency trade to manage US Dollar risk vs £ Sterling on c.£10m of cash balances involved in the transition from UBS passive equity to Osmosis in May 2023.

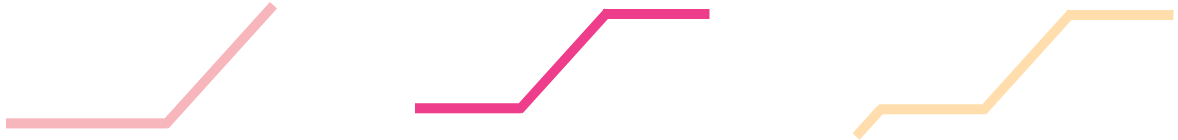
	Market value 01-Apr-23	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-24
	£000	£000	£000	£000	£000
• Purchased/written options	1,442	1,760	0	-3,202	0
• Futures	0	6	-152	173	27
• Forward Currency Contracts	0	71	0	-71	0

(a) Further detail of equity protection structure shown on slide 9.

Equity protection

Options on equity indices

TYPES OF PROTECTION



DOWNSIDE PROTECTION

"Pay a premium to protect against losses"

COLLAR PROTECTION

"Nil premium, full protection in return for giving up upside"

SPREAD PROTECTION

"Nil premium, limited protection, more upside"

INSTRUMENTS AVAILABLE

Call option – An option to buy an equity index at an agreed price & date

Put option – An option to sell an equity index at an agreed price & date

The Fund's equity protection mandate was structured as a "put spread collar" that provided some downside protection by foregoing upside above an agreed level. Slide 10 provides further details.

A 'nil premium' structure meant there was no initial "payment" to achieve this protection. Instead, options were both bought and sold.

The options expired in May 2023, aligned with a decision not to maintain the equity protection mandate in recognition of the Fund reducing its overall equity exposure following the investment strategy review.

Where might they be used in future?

Currency Hedging

If the Fund employs a currency hedge overlay to efficiently manage currency risk across the Fund's exposures (as discussed earlier in 2024), a segregated mandate may be appropriate in order to tailor the mandate to the Fund's specific exposures and objectives.

This would likely require the use of derivatives (typically currency forwards) to achieve the desired level of currency hedging, with regular trading required to recalibrate the hedge profile.

Indirect exposure

Underlying pooled fund managers will continue to use derivatives for efficient portfolio management purposes and for currency hedging. The Fund is not a direct counterparty to such contracts (and they would not therefore be reflected in the annual report) but it would retain economic exposure to the performance of these contracts.

Appendix

Key risks and mitigations

Regret risk:

a) Buying protection that expires worthless. However, like insurance, you hope it does not have to be used. This can be mitigated by entering into a ‘nil premium’ structure.

b) Missing out on market upside. The Fund will miss out on the opportunity to have made more returns. Can be mitigated through setting upside cap.

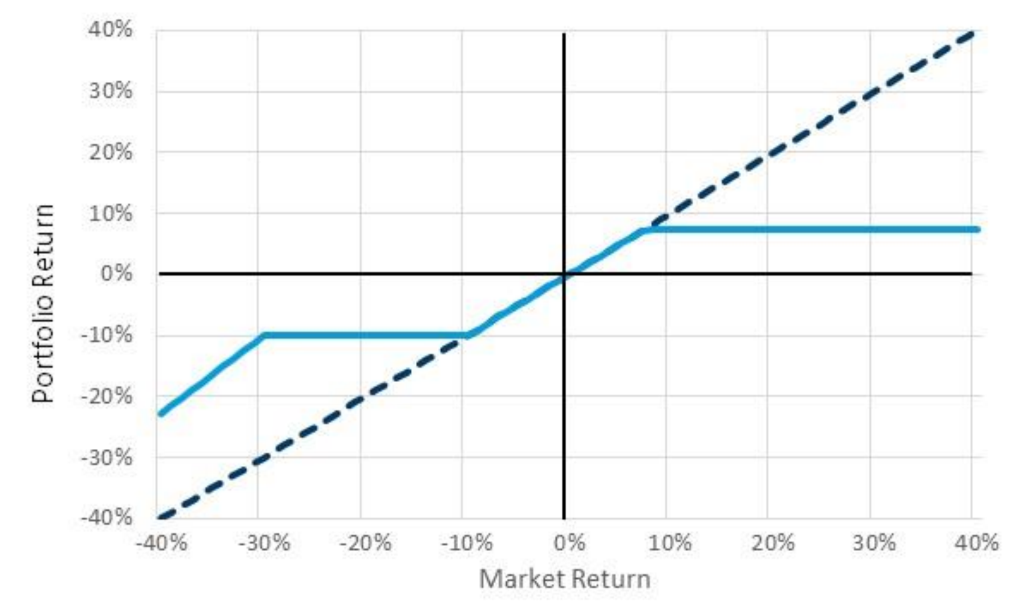
Basis risk: It may not be possible to exactly hedge the underlying ‘physical’ exposure. Performance of the derivative contract / structure may therefore deviate substantially from the underlying asset / index.

Derivative counterparty risk: Risk of counterparty to the contract defaulting. This is mitigated by the choice of counterparty, diversification of counterparty and via collateralisation.

Recapitalisation risk: May incur daily ‘market-to-market’ losses due to providing collateral to cover changes in value of the underlying assets / indices.

Equity protection parameters

Nil-premium 70-90 put spread collar



Parameters vs previous structure

Parameter	Target	Comments
Structure	A nil-premium put-spread collar	**As per current structure.** Protects against substantial market falls whilst providing sufficient scope to generate the level of equity return strategically required.
Coverage	Passive market cap exposure (£625m)	**Increased from £600m** to reflect the growth in the Fund's listed equity values. A partial approach remains appropriate (i.e. covering c.25% of the Fund's listed equity exposure).
Maturity/Term	12 months	**As per current structure.**
Starting Point	May 2022	To coincide with the existing contracts maturing
End Point	End May 2023	12 months from starting point.
Protection Start	10% fall	**As per current structure.**
Protection Ends	30% fall	**As per current structure.**
Upside cap and setting of minimum cap level	Set to make structure nil-premium. Determined at implementation.	**As per current structure.** Cap needs to allow sufficient scope for upside capture, we suggest **maintaining the minimum cap of 7.5% p.a.** Corresponding price level set for the term of the structure i.e. any rolled structure needs to be able to achieve this initial market price level. [1]
Equity Index	70% US 20% Europe 10% Japan	**As per current structure.** We believe this is an appropriate proxy for the Fund's global asset exposure, noting the 25% coverage, while providing a balance in terms of ongoing governance and costs.

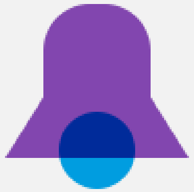
Importance of collateral

Collateral

Collateral is a term used to describe liquid, high quality assets (e.g. gilts and cash) that are required by an investor to back a derivatives contract.

It is typically smaller in value relative to the amount hedged.

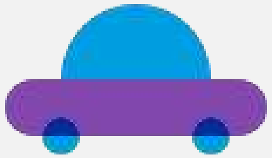
Daily process



The majority of derivatives contracts require daily collateralisation.

Each day, the contract is valued and it can be either negative or positive depending on the movements of the underlying asset.

Counterparty credit risk



If negative, the investor owes the other counterparty and must pass collateral to the counterparty.

If it is positive, the counterparty passes collateral to the investor.

This daily collateralisation process mitigates credit risk.

Efficient Portfolio Management

Usage of Futures by UBS to manage regional market exposure

Exchange traded index futures may be used for purposes of efficient portfolio management to hedge cash balances and to ensure the portfolio is fully invested at all times. This cash reserve provides a useful source of funds to finance the purchase of new index constituents, thus reducing portfolio turnover. The amount of hedged cash is controlled to ensure it does not rise to a level that would jeopardize the overall tracking of the portfolio, with investment made into the underlying benchmark stocks when necessary.

Futures positions are valued at full economic exposure, so funds are never geared, and normally represent less than 2% of the fund value unless there is a known index event requiring a substantial cash investment in the near future when this limit may be temporarily exceeded. The main index futures contracts that we would typically use include: S&P 500 Index Futures, FTSE 100 Index Futures, FTSE 250 Index Futures, EUROSTOXX 50 Index Futures, CAC 40 Index Futures, DAX Index Futures, MSCI EMU Index Futures, MSCI World Index Futures, MSCI Emerging Markets Index Futures, TOPIX Index Futures, SMI Index Futures, S&P/ASX 200 Index Futures, TSE 60 Index Futures, Hang Seng Index Futures.

The use of index futures falls within our standard multi-layer risk control framework, implemented through our robust fully-automated portfolio management system where we monitor closely exposures and tracking errors, and view, via the futures look-through functionality, the underlying holdings of the index futures. In addition, every trade has to go through independent pre-trade checks and all positions are independently checked daily by Sentinel, our pre- and post- trade restrictions system. These checks ensure the portfolio remains within its set controls, is never geared on a full exposure basis or subject to a high unequitized cash balance that could cause performance drag.

Source: UBS

Important Notices

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualised investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This document is provided for information purposes only and does not contain regulated investment advice or legal advice in respect of actions you should take. No decisions should be made based on this document without obtaining prior specific, professional advice relating to your own circumstances.

This document does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest.

Mercer's universes are intended to provide collective samples of strategies that best allow for robust peer group comparisons over a chosen timeframe. Mercer does not assert that the peer groups are wholly representative of and applicable to all strategies available to investors.

CAMBRIDGESHIRE PENSION FUND	**Agenda Item No: 7**

To:	Investment Sub Committee
Meeting date:	14 November 2024
Report by:	Mark Whitby Head of Pensions Mark.Whitby@Westnorthants.gov.uk
Subject:	Analytics for Climate Transition
Purpose of the report:	To provide the Investment Sub Committee with an update on the decarbonisation progress for listed equities, corporate bonds, and combined assets.
Recommendations:	The Investment Sub Committee is asked to: a) Note the Analytics for Climate Transition (ACT) report from Mercer including decarbonisation progress to date. b) Agree the decarbonisation targets for i) the corporate bonds portfolio; and ii) the combined listed equity and bonds portfolio to be aligned with the already agreed decarbonisation targets for listed equity. c) Note the next steps outlined in section 8.
Enquiries to:	Ben Barlow Fund Accounting and Investment Manager Ben.Barlow@Westnorthants.gov.uk

1. Background

1.1 In November 2021 the ISC noted the climate change reporting baseline data presented by Mercer. This was restricted to the listed equity portfolio but provided a starting point to develop plans for carbon reduction.

1.2 The ISC approved the proposed metrics for the Fund's reporting of climate risk as:

1.2.1 Absolute emissions: tCO2e* (value of investment/company);

1.2.2 Emissions intensity: Carbon Footprint (tCO2e/$million invested) and Weighted Average Carbon Intensity ("WACI") (=tCO2e/$million sales);

1.2.3 Forward looking: implied temperature change.

1.3 At the February 2022 ISC meeting Mercer's report set out the starting point for climate metrics as at June 2021, covering scope 1 and 2 emissions within the listed equity portfolio. The baseline emissions were:

1.3.1 Absolute emissions 132,500 tCO2e

1.3.2 Carbon Footprint 44.4 tCO2e/$million invested

1.3.3 Implied Temperature Rise 3.1ºC

1.3.4 Weighted Average Carbon Intensity "WACI" 104.2 tCO1e/$million sales.

1.4 In May 2023 the ISC approved the adoption of the carbon footprint metric as the primary metric for monitoring progress against the existing decarbonisation targets. The target reductions remained 23% by 2024 and 57% by 2030.

1.5 ACT analysis as at June 2023 showed that 42.5% of the total Fund was analysed, all of which related to listed equities. In May 2024 the ISC agreed that a further 15% of the Fund relating to Multi Asset Credit would be analysed and an additional forward-looking, non-emissions metric, SBTi alignment, would be incorporated into the analysis.

2. Executive summary

2.1 Mercer's Analytics for Climate Transition (ACT) is a tool to assist funds in planning to align to a net zero outcome by 2050 using a step-by-step approach.

2.2 This June 2024 ACT report analyses listed equity and corporate bond mandates totalling c. £2,720 million (based on strategic asset allocation), representing 57.5% of the entire Fund. The Fund's primary metric for reporting decarbonisation progress is carbon footprint.

2.3 The carbon footprint of the Fund's listed equity portfolio decreased by 59.2% from June 2021 to June 2024. Weighted Average Carbon Intensity (WACI) and the Absolute Emissions have also decreased significantly.

2.4 Decarbonisation of the Fund's corporate bond portfolio has been measured for the first time. The overall carbon footprint of the corporate bond portfolio has decreased by c.27.4% from a 2021 baseline.

2.5 Decarbonisation of the Fund's combined listed equity and corporate bond portfolio has also been measured for the first time. In relation to a June 2021 baseline, the overall carbon footprint of the combined listed equity and corporate bond portfolio has decreased by c.35.8%.

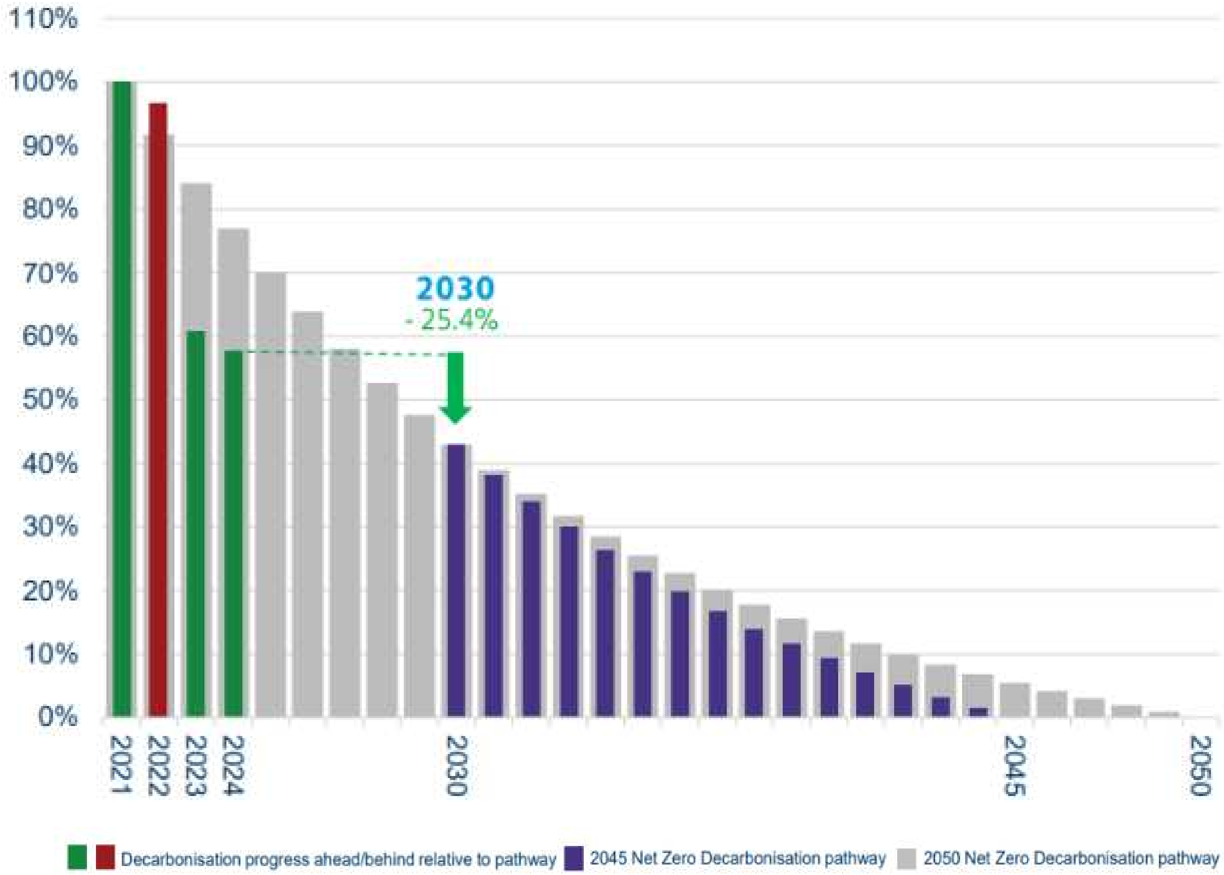
2.6 The SBTi metric has been incorporated into the current analysis to track the number of companies within the portfolio that have submitted climate transition plans approved by the SBTi. 40.9% of companies analysed have set SBTi-approved targets.

2.7 The ACT spectrum refers to a framework used to evaluate and categorise the alignment of financial assets or funds with the transition to a low-carbon economy. Further information is provided in Section 7 of this report.

2.8 A number of next steps have been recommended as set out in Section 8.

3. Decarbonisation progress – Listed Equity

3.1 The chart below, replicated from Appendix 1, illustrates progress against the agreed decarbonisation pathway for the Fund's listed equity portfolio, which is based on its carbon footprint, starting from a baseline of June 30, 2021.



3.2 It compares the Fund's listed equity portion against decarbonisation targets, which include a 23% reduction by 2024, a 57% reduction by 2030, and achieving net zero by 2050 or earlier.

3.3 The Fund's listed equity portfolio decreased by 42.4% on a carbon footprint basis, from June 2021 to June 2024. The Weighted Average Carbon Intensity (WACI) decreased by 43.7% in the same period, and the Absolute Emissions decreased by 52.1%.

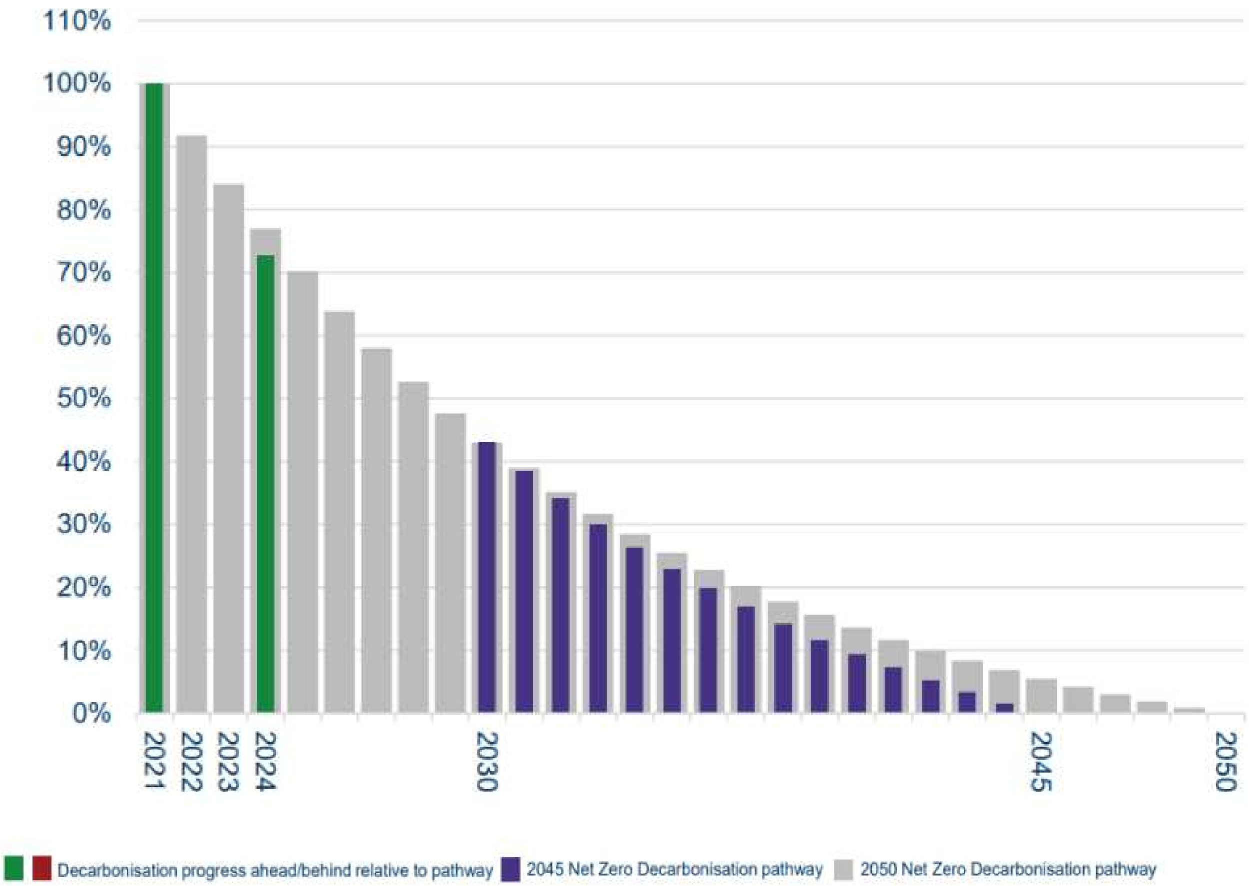
3.4 The JO Hambro Global Equity mandate experienced a significant increase in its carbon footprint, rising by approximately 70.2% over the past three years. Officers are currently reviewing this portfolio as part of the ongoing equity review.

3.5 The Dodge & Cox Global Equity mandate is the most carbon-intensive mandate by a significant margin; however, it has demonstrated substantial improvement in recent years. Notably, the mandate has achieved a reduction in its carbon footprint of approximately

23%. Officers are actively engaging with Dodge & Cox, alongside other ACCESS investors, in connection with a number of carbon intensive stocks.

4 Decarbonisation progress – Corporate bonds (MAC)

4.1 The chart below, replicated from Appendix 1, illustrates the decarbonisation progress for the Fund's corporate bond portfolio, based on its carbon footprint, starting from a baseline of June 30, 2021.



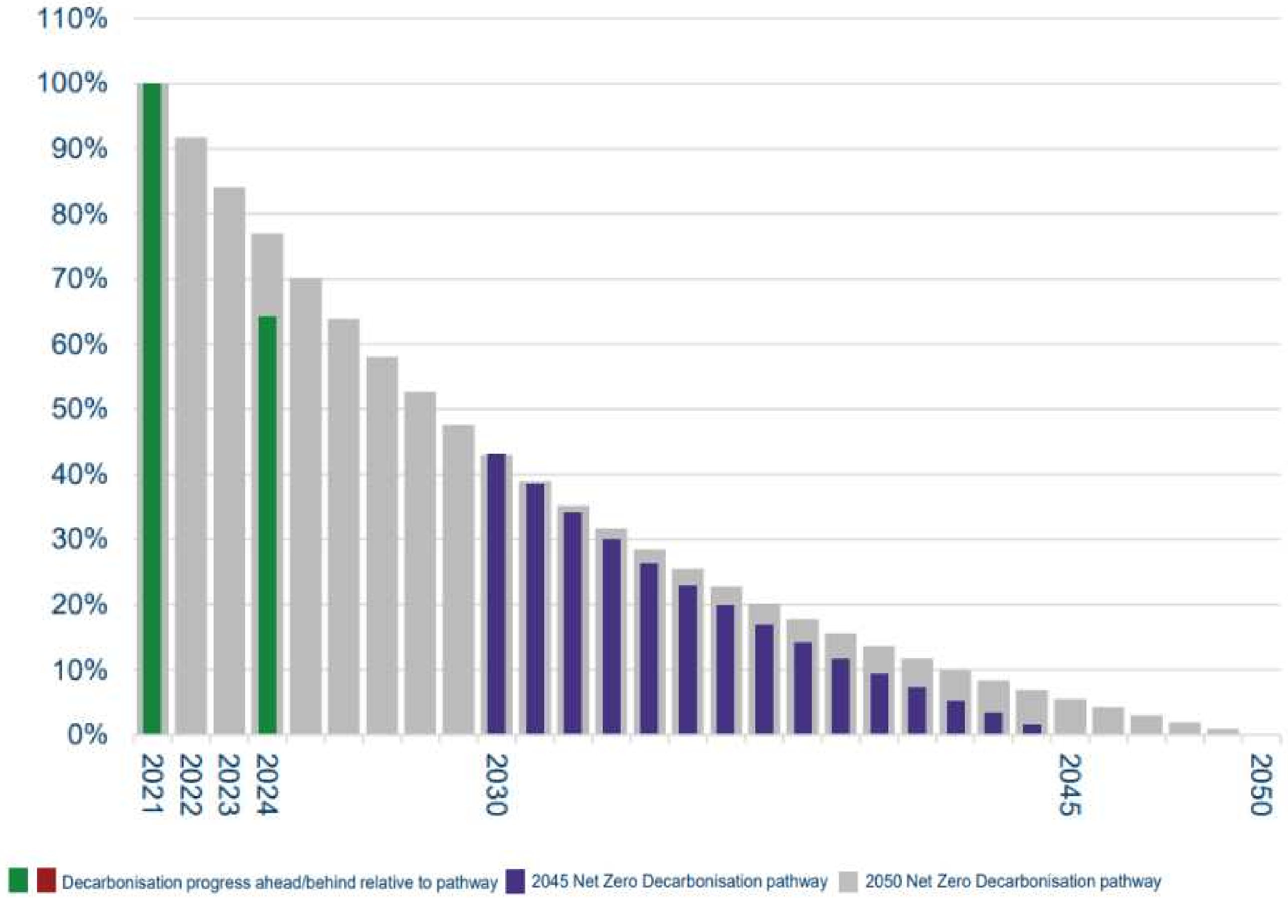
4.2 Mercer has increased its coverage over the year in order to extend the ACT analysis to the corporate bonds portion of the Multi-Asset Credit mandates. A 2021 baseline has been established using stocklists as at 30 June 2021. Further details are provided at the foot of page 27 of Appendix 1.

4.3 The chart above assumes the same decarbonisation pathway as for the listed equity portfolio i.e. it compares this portion of the Fund to the decarbonisation targets: a 57% reduction by 2030, and achieving net zero by 2050 or earlier. As this target has not previously been set, approval is sought for this target within the recommendations.

4.4 The overall carbon footprint of the corporate bond portfolio has decreased by c.27.4% from the 2021 baseline. To meet the 2030 reduction target, the carbon footprint of the corporate bond portfolio needs to decrease by 41% by 2030.

5. Decarbonisation progress – Combined

5.1 The chart, replicated from Appendix 1, illustrates the decarbonisation pathway for the Fund's combined listed equity and corporate bonds portfolio, beginning with a baseline carbon footprint as of June 30, 2021.



5.2 The chart compares this segment of the Fund against the decarbonisation targets of a 23% reduction by 2024, a 57% reduction by 2030, and the goal of achieving net zero by 2050 or earlier. As these targets have not previously been set for the combined portfolio, approval is sought for these targets within the recommendations.

5.3 In relation to the June 2021 baseline, the overall carbon footprint of the combined listed equity and corporate bond portfolio has decreased by c.35.8%.

5.4 To meet the 2030 reduction target, the carbon footprint of the listed equity and corporate bond portfolio needs to decrease by a further 33% by 2030.

6. Science Based Targets Initiative (SBTi)

6.1 The SBTi metric has been introduced in the current analysis to monitor the number of companies within the portfolio that have submitted climate transition plans approved by the SBTi.

6.2 As of the current analysis, 44.2% of companies in listed equities and 21.7% in corporate bonds have set SBTi-approved targets, with an overall figure of 40.9% across both equities and bonds.

6.3 A more detailed breakdown of this analysis is provided on page 11 of Appendix 1.

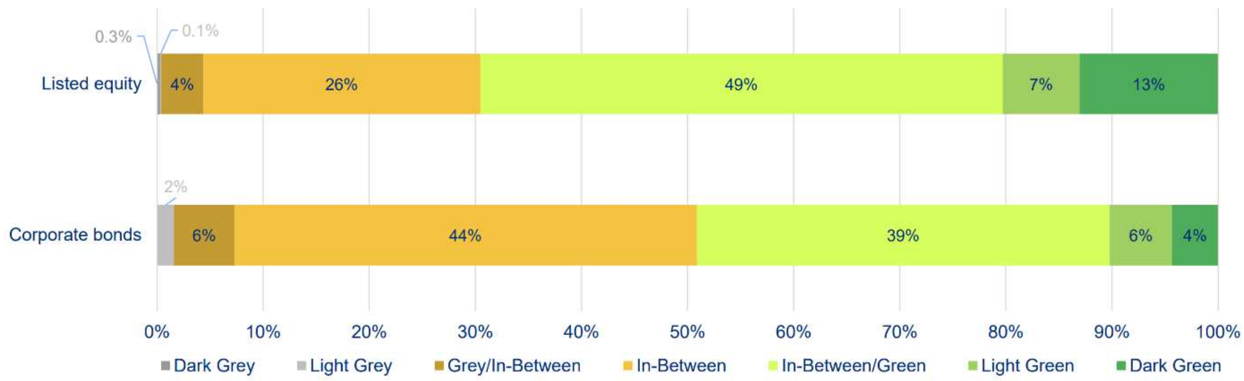
7. ACT Spectrum

7.1 The ACT spectrum provides an indication of climate transition capacity across the portfolio.

7.2 The green area shows where funds are well aligned with the low carbon transition and the grey area shows where they are not. The areas in between show a varied carbon intensity and transition potential.

7.3 Further details regarding the ACT Assessment by mandate and percentage are provided on page 18 of the Appendix 1.

7.4 The below chart repeated from Appendix 1, illustrates the assessment by asset class according to percentage allocation weight.



7.5 For listed equities, c. 70% of assets are "In-Between/Green" or better, which means that the majority of portfolio companies are transition aligned. For corporate bonds analysed this transition alignment is only reflected within c. 50% of the companies.

7.6 For both asset classes, the percentage of companies that show a "grey" alignment is very small (c. 0.4% for listed equity and c.2% for corporate bonds).

7.7 The top 10 contributors to carbon footprint of listed equities and corporate bonds are set out in Exempt Appendix 2.

8. Next steps

8.1 Mercer has recommended a number of next steps for working towards reduction targets.

8.2 Monitor interim decarbonisation targets for listed assets:

8.2.1 Listed Equity - Maintain a watching brief on the suitability of the 2030 decarbonisation target by evaluating the portfolio's carbon efficiency relative to MSCI ACWI, the overall 2050 net-zero target, and the heightened emphasis on portfolio alignment with climate solutions.

8.2.2 Corporate Bonds - Adopt separate decarbonisation target for corporate bond mandate. This has been added as a recommendation alongside a combined listed equity and corporate bonds target.

8.3 Adopt additional metrics:

8.3.1 The Fund has already commenced monitoring SBTi alignment, climate transition capacity, and top 10 contributors.

8.3.2 In future analysis the Fund could measure exposure to climate solution companies and agree a future target.

8.4 Implement an Engagement Plan:

8.4.1 Develop a more formal engagement plan for top contributors to carbon footprint within the portfolio (i.e. a “climate target list”) based on agreed criteria.

8.4.2 Currently, officers are engaging directly with Dodge & Cox alongside other investment partners as set out in paragraph 3.5. Additionally, JO Hambro is being evaluated as part of the ongoing equity review. ACCESS is also procuring a Voting & Engagement Provider to undertake engagement in the name of the ACCESS authorities against pre-agreed themes.

8.5 Progress private markets disclosures:

8.5.1 Some private market managers responded positively to the request for portfolio carbon metrics whilst others were unwilling or unable to provide meaningful data. This makes reliable aggregation at this point in time challenging.

8.5.2 Mercer recommend the focus at this stage should be on engaging with managers, in order to improve data coverage and quality.

9. Relevant Pension Fund objectives

9.1 To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.

9.2 To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers.

9.3 To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.

9.4 To put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.

9.5 To maximise investment returns over the long term within agreed risk tolerances.

10. Implications (including financial implications)

10.1 Resources and financial

101.1 All internal costs will be met by existing resources and the cost of the Fund’s Investment Consultants’ Mercer, are included within the 2023/24 budget. Any further financial implications will be included in Pension Fund Committee reports as required.

10.2 Legal

10.2.1 There are no legal implications arising from the proposals.

10.2.2 Squire Patton Boggs have conducted a review of the paper for legal implications.

10.3 Risk management

10.3.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk	Residual risk rating
As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	Amber
Fund assets are not sufficient to meet obligations and liabilities as they become payable.	Amber
Failure to act appropriately upon expert advice and/or risk of poor advice.	Green
Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

10.3.2 The executive summary of the Cambridgeshire Pension Fund risk register can be found here.

10.4 Consultation

10.4.1 This paper has been produced in conjunction with the Fund's Investment Consultants, Mercer and additionally supported by the Fund's appointed Independent Advisor.

11. Background papers

11.1 ISC paper November 2021 – Responsible Investment.

11.2 ISC paper February 2022 – Climate Action Plan

11.3 ISC paper May 2023 - Analytics for Climate Transition

11.4 ISC paper November 2023 – Analytics for Climate Transition

11.5 ISC paper May 2024 – Analytics for Climate Transition

12. Appendices

12.1 Appendix 1 Mercer paper – Analytics for Climate Transition (ACT) 30 June 2024 (Public).

12.2 Exempt Appendix 2 Mercer paper – Analytics for Climate Transition (ACT) 30 June 2024

Mercer

welcome to brighter

Analytics for Climate Transition ACT Advanced

Cambridgeshire Pension Fund

Analytics as at 30 June 2024

Chris West & Jonathan Crowther

A business of Marsh McLennan

Contents

Executive summary

Progress to date

How ACT analysis has been used to date

2021

Set targets

- Total Fund 2050 (or earlier) net zero target
- **Listed equity** portfolio carbon reduction targets set for 2024 and 2030, versus 2021 baseline

2022-24

Monitor progress

- Monitor progress vs. 2024 and 2030 equity decarbonisation targets

Investment manager decisions

- Helped inform decision to switch from UBS passive equity to climate aware passive mandates with UBS and Osmosis
- Supported work to allocate to timberland via ACCESS

Today

Decarbonisation

- Acknowledge achievement of 2024 target for listed equity
- Adopt corporate bonds decarbonisation target
- Adopt SBTi as additional metric

Monitoring targets & strengthening approach

- Monitor progress of listed equity and corporate bond carbon metrics, separately and combined
- Evolve approach to engagement – agree to form a "climate target list"

2025 and beyond

Scope 3

- Introduce targets when data quality / availability allows

Private markets

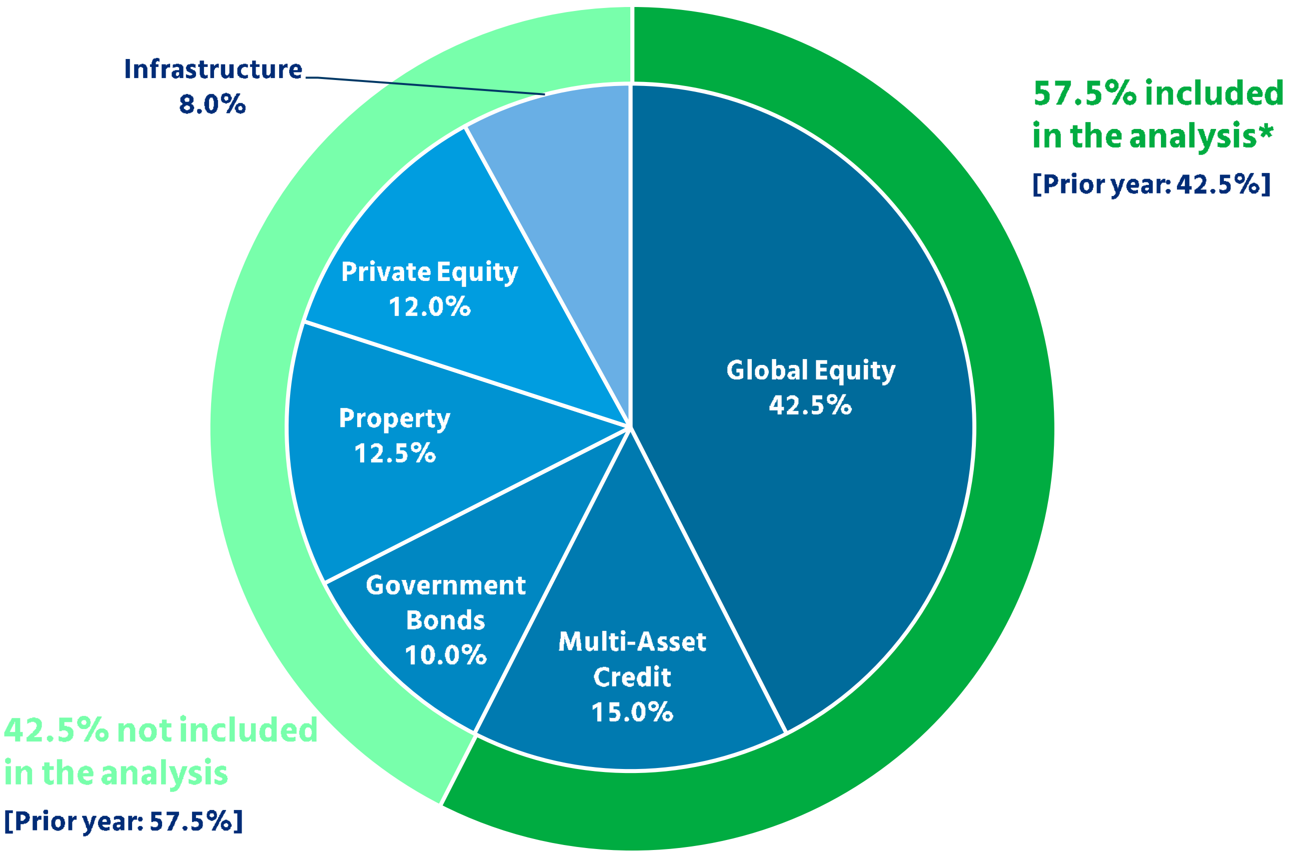
- Continue monitoring and consider net zero targets (where feasible)

New investments

- Consider further investment in sustainable / low carbon green assets and climate solutions
- Consider measuring exposure to climate solutions from 2025 and setting future targets

Portfolio asset allocation

What's included in the 2024 analysis?



This report presents direct analysis of:

- 5 **listed equity** mandates:
  - **JO Hambro - Global Equity**
  - **Dodge & Cox - Global Equity**
  - **Longview - Global Equity**
  - **Osmosis - Core Equity**
  - **UBS - Climate Aware Rules Based**
- 2 **multi-asset credit** mandates:
  - **Bluebay - Multi-Asset Credit**
  - **M&G - Multi-Asset Credit**

As at 30 June 2024, the mandates included in the analysis cover **c. £2,720m** (based on strategic asset allocation), which correspond to **57.5%** of the whole Fund.

This contrasts with a total of **£1,816m** (42.5% of the whole Fund) included in the previous analysis as at 30 June 2023.

Source: Mercer. All data as at 30 June 2024.

Note: Analysis is carried out based on the Fund's target SAA, rather than actual allocation. This provides consistency year-on-year and better represents the Fund's intentional exposures, noting the Fund is expected to rebalance towards its target SAA over time. Results based on actual allocations will therefore differ depending on the extent to which this deviates from target.

** 49.8% after allowing for data coverage of underlying assets. See climate metrics dashboard for further detail.*

Key findings / recommendations of 2024 analysis

Key findings:

- **Listed Equity decarbonisation is ahead of 2024 target and on track relative to 2030 target**
- **Too early to set net zero targets for private markets**

Monitor interim decarbonisation targets for listed assets

Listed Equity

- Maintain a watching brief on the suitability of 2030 decarbonisation target[(a)], taking into account:
  - Carbon efficiency of the portfolio relative to MSCI ACWI;
  - Overall 2050 net zero target;
  - Increased focus on portfolio alignment and climate solutions.

Corporate Bonds

- Adopt separate decarbonisation target for corporate bond mandate.

Adopt additional metrics

Assessing the alignment of assets with a low carbon transition, supported by stewardship, allows for a more holistic approach to a whole economy transition.

Continue to monitor SBTi alignment, grey to green analysis and top 10 contributors.

Measure exposure to climate solutions in 2025 and agree future target.

Implement an Engagement plan

Agreeing how to achieve targets is important, with stewardship playing a key role. Develop a more formal engagement plan for top contributors to carbon footprint within the portfolio (i.e. a "climate target list") based on agreed criteria.

Progress Private markets disclosures

Whilst some managers responded positively to the request for portfolio carbon metrics, some were unwilling or unable to provide meaningful data.

This makes reliable aggregation at this point in time challenging.

Rather than attempting to set targets based on incomplete data, the focus at this stage should be on engaging with managers, in order to improve data coverage and quality.

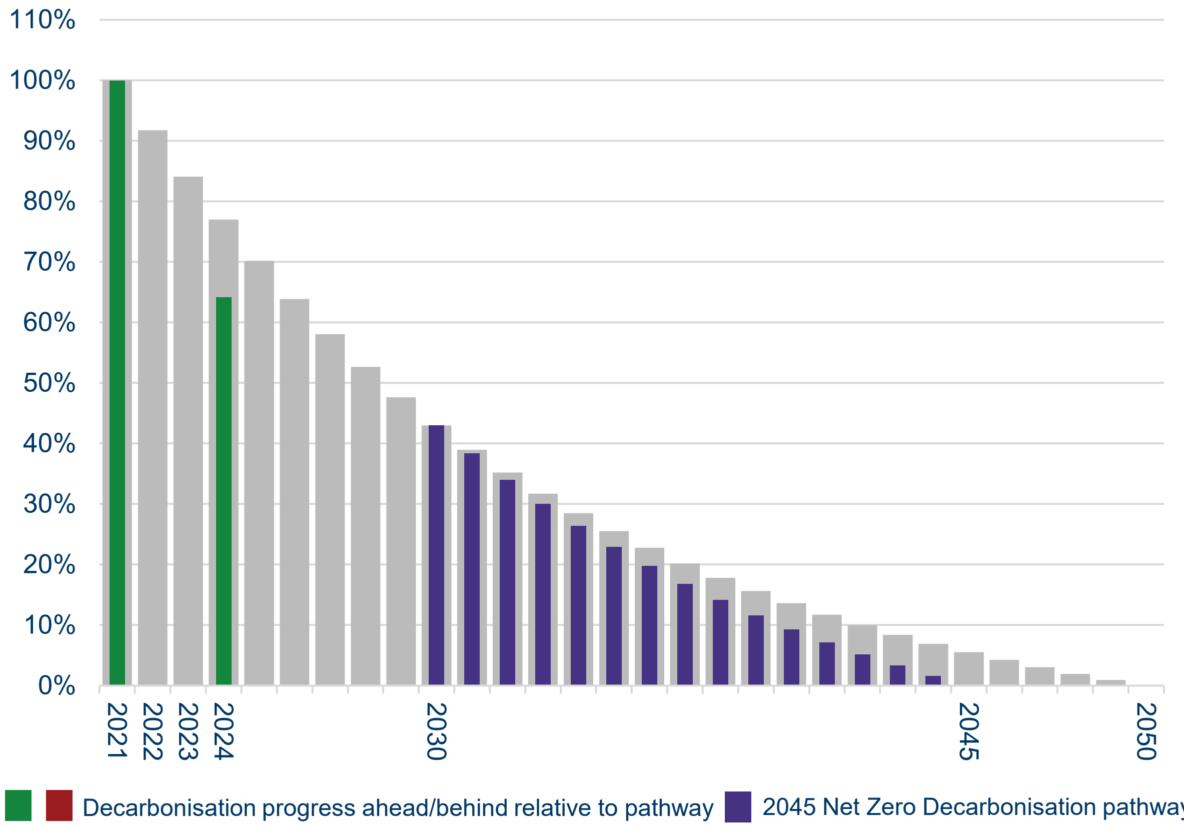
*Long-term alignment in 2050 , sourced from TPI https://www.transitionpathwayinitiative.org/
(a) See slide 14

Mercer

Decarbonisation progress - Combined *(49.8% of total assets)*

Progress relative to the decarbonisation pathway

Carbon Footprint (tCO2e / $M invested) **for the listed equity and corporate bonds, relative to 2021 Baseline** - Scope 1 and 2



- The chart shows a **decarbonisation pathway** for the **Fund's listed equity** and **corporate bonds portfolio**, based on its **Carbon Footprint**, starting from a baseline as at 30 June 2021. It compares this portion of the Fund to the decarbonisation targets: a 23% reduction by 2024, a 57% reduction by 2030, and achieving net zero by 2050 or earlier.
- In relation to the June 2021 baseline, the overall Carbon Footprint of the listed equity and corporate bond portfolio has **decreased** by **c.35.8%**.
- To meet the **2030 reduction target**, the **Carbon Footprint of the listed equity and corporate bond portfolio** needs to decrease by **33%** (from 2024) by 2030.

Source: Mercer, using data from MSCI. The most recent data is based on stocklists as at 30 June 2024, using metric calculations and data feeds as at 10 September 2024, or latest available. Prior data corresponds to stocklists from prior years and is taken from previous Mercer reports. For the corporate bond portions of the multi-asset credit funds, data for 2021 is based on stocklists as at 30 June 2021, using metric calculations and data feeds as at 13 September 2024, for historical data.

Mercer

Current and proposed targets

Key:
On Track
Further Progress Required
Not yet assessed

	Scope	Current Target	Proposed Target / Comment
FRONT-LOADED PORTFOLIO **DECARBONISATION** WITH A FOCUS ON MANAGING TRANSITION RISK	**Total Fund**	**Target 2050 net zero target (vs 2021 baseline)**	Incorporate corporate bonds alongside listed equities vs agreed decarbonisation pathway.
	Listed Equities	**Target 2050 net zero target with interim targets (vs 2021 baseline)**	**Maintain 2030 interim target:** The Fund's listed equity portfolio is efficient relative to the wider equity market. However, with manager changes possible following the current equity portfolio review, we recommend reconsidering interim targets in 2025.
	Corporate bonds (MAC)	n/a	**Proposal**: Adopt a 57% reduction target for the corporate bonds portfolio from 2021 to 2030. This equates to a c.41% reduction from 30 June 2024 (following the same trajectory as the listed equity portfolio).
	Private Markets	**Engage with 100% of investment managers on providing climate data for 2024 reporting.**	Engage with managers to seek **material improvement to data provision** for 2025 reporting. **Continue to explore feasibility of target setting:** Target setting on the Fund's property, infrastructure and private equity portfolios is currently not possible due to data constraints. Mercer recommends continuing to engage with managers on this point.

Mercer

Next steps

Key decisions and recommendations

Strengthen approach to alignment and stewardship targets, and adopt “climate target list”

Continue to evolve TCFD reporting for stakeholders, including climate solutions measurement from 2025

Targets

- Maintain a watching brief on the 2030 listed equity decarbonisation target - review in 2025 after equity review and possible manager changes concluded
- Proposed corporate bond target of 57% emissions reduction by 2030 (from 2021 baseline)
- Continue to engage with private markets managers to improve data provision by 2025

Incorporate conclusions / targets into ISS and Responsible Investment Policy

Decarbonisation Targets

(Scope 1 + 2)

Climate metrics dashboard

Scope 1 and 2 emissions – listed equity and corporate bonds

New metric used in 2024 analysis

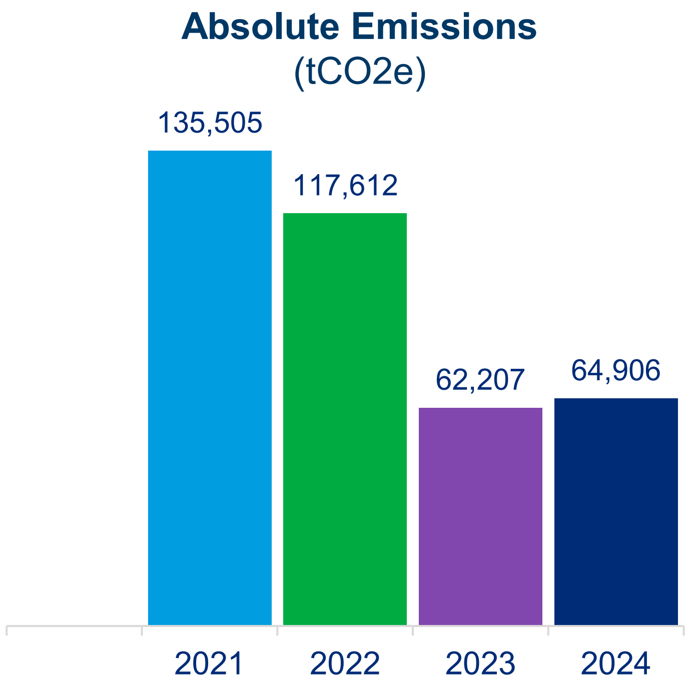
Asset Class	Mandate	WACI (tCO2e / $M sales)		Carbon Footprint (tCO2e / $M invested)		Absolute Emissions (tCO2e)		Implied Temperature Rise (ºC)		SBTi Targets	Allocation Weight
		Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage		
Listed equity	**Dodge & Cox** - Global Equity	**101.0**	96.7%	**55.2**	96.7%	**24,763**	96.7%	**2.4°C**	96.7%	**29.6%**	7.5%
	JO Hambro - Global Equity	**105.1**	93.8%	**30.3**	92.4%	**13,582**	92.4%	**2.5°C**	90.3%	**32.0%**	7.5%
	Longview - Global Equity	**12.0**	97.6%	**4.6**	97.6%	**2,044**	97.6%	**2.0°C**	97.6%	**57.9%**	7.5%
	Osmosis - Core Equity	**35.4**	99.6%	**14.0**	99.6%	**5,027**	99.6%	**2.2°C**	99.6%	**54.5%**	6.0%
	UBS - Climate Aware Rules Based	**46.0**	99.4%	**23.3**	99.1%	**19,490**	99.4%	**2.3°C**	99.3%	**46.7%**	14.0%
	MSCI ACWI	**120.3**	99.8%	**46.7**	99.6%			**2.5°C**	99.7%	**43.4%**	
Total listed equity		**58.6**	**97.6%**	**25.6**	**97.3%**	**64,906**	**97.4%**	**2.3°C**	**97.0%**	**44.2%**	**42.5%**
Corporate bonds	**Bluebay** - Multi-Asset Credit - Corporate Bonds portion	**99.1**	84.3%	**84.0**	78.8%	**16,486**	78.8%	**2.5°C**	72.2%	**16.2%**	3.3%
	M&G - Multi-Asset Credit - Corporate Bonds portion	**72.2**	88.7%	**49.2**	62.8%	**11,895**	63.1%	**2.1°C**	61.0%	**26.2%**	4.1%
Total corporate bonds		**84.2**	**86.7%**	**64.8**	**70.0%**	**28,381**	**70.1%**	**2.3°C**	**66.0%**	**21.7%**	**7.3%**
Total equity and corporate bonds		**62.4**	**96.0%**	**31.3**	**93.3%**	**93,287**	**93.4%**	**2.3°C**	**92.4%**	**40.9%**	**49.8%**

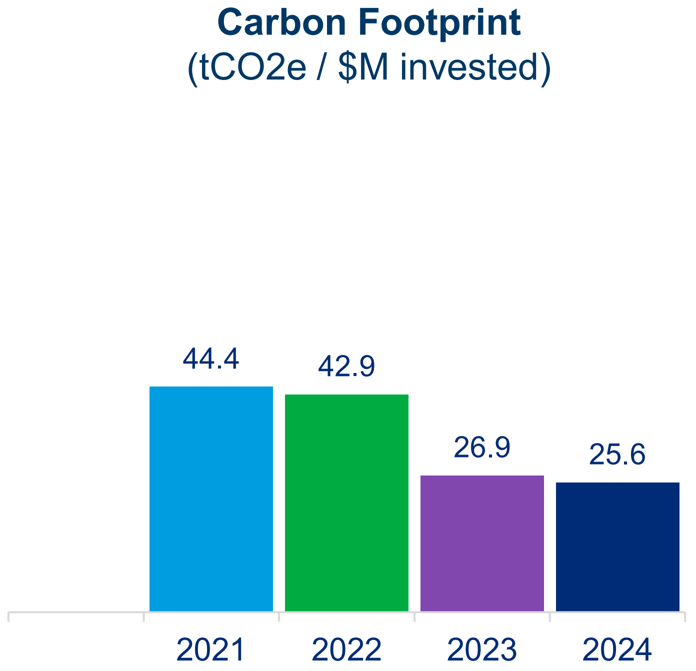
Source: Mercer, using data from MSCI. All data is based on stocklists as at 30 June 2024, using metric calculations and data feeds as at 10 September 2024, or latest available. An overview of these metrics is provided in the Appendix. Allocation weights represent the strategic asset allocation for that mandate or, for mixed mandates, the actual allocation to corporate bonds within the mixed mandate (c.43.7% and c.54.2%, respectively for Bluebay and M&G).

Mercer

Progress versus the baseline

Total listed equity





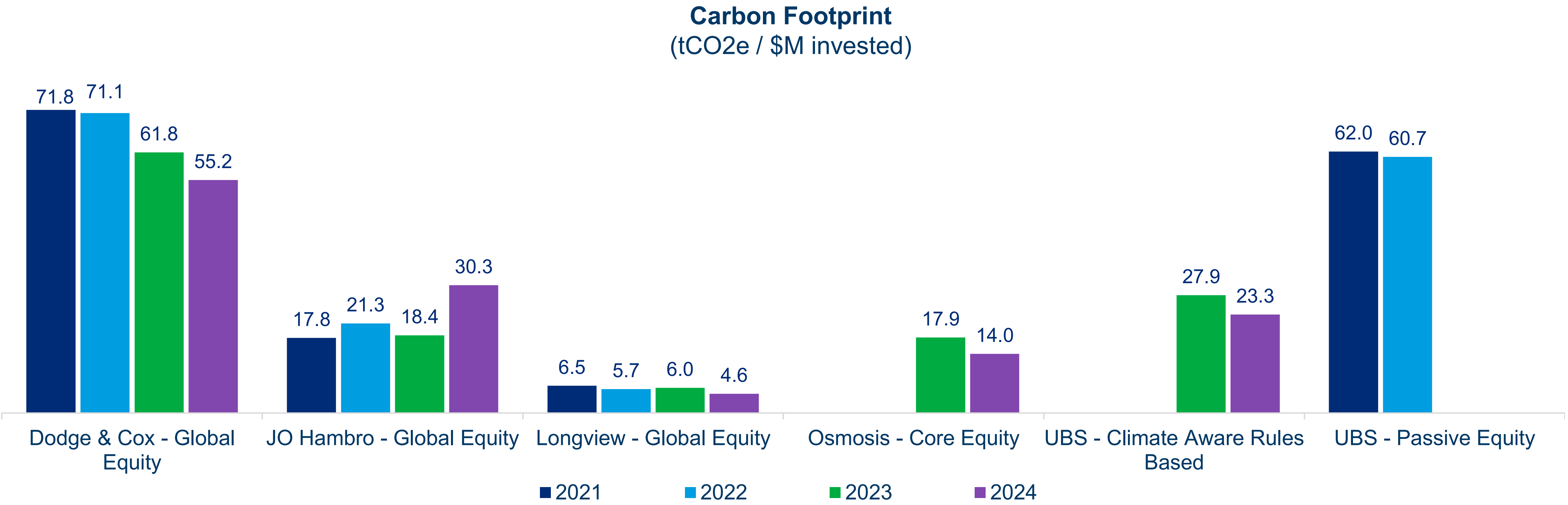
Source: Mercer, using data from MSCI. The most recent data is based on stocklists as at 30 June 2024, using metric calculations and data feeds as at 10 September 2024, or latest available. Prior data corresponds to stocklists from prior years and is taken from previous Mercer reports.

- The Fund's Listed Equity portfolio **decreased** by **42.4%** on a Carbon Footprint basis, from June 2021 to June 2024. The Weighted Average Carbon Intensity (WACI) **decreased** by **43.7%** in the same period, and the Absolute Emissions **decreased** by **52.1%.**
- The Fund's changes to its passive equity portfolio **led to significant decreases observed across all metrics** in 2023.

Mercer

Progress versus the baseline

Listed equity by mandate



Source: Mercer, using data from MSCI. The most recent data is based on stocklists as at 30 June 2024, using metric calculations and data feeds as at 10 September 2024, or latest available. Prior data corresponds to stocklists from prior years and is taken from previous Mercer reports.

- The Dodge & Cox Global Equity mandate is the most carbon intensive mandate by some margin (noting its value style bias) but has shown a **material improvement** over recent years. The mandate has experienced a **decrease** in its Carbon Footprint of c.23% (or 16.6 tCO2e per $M invested).
- The JO Hambro - Global Equity mandate witnessed an **increase** in its Carbon Footprint, with a rise of **c.70.2%** over the three year period.

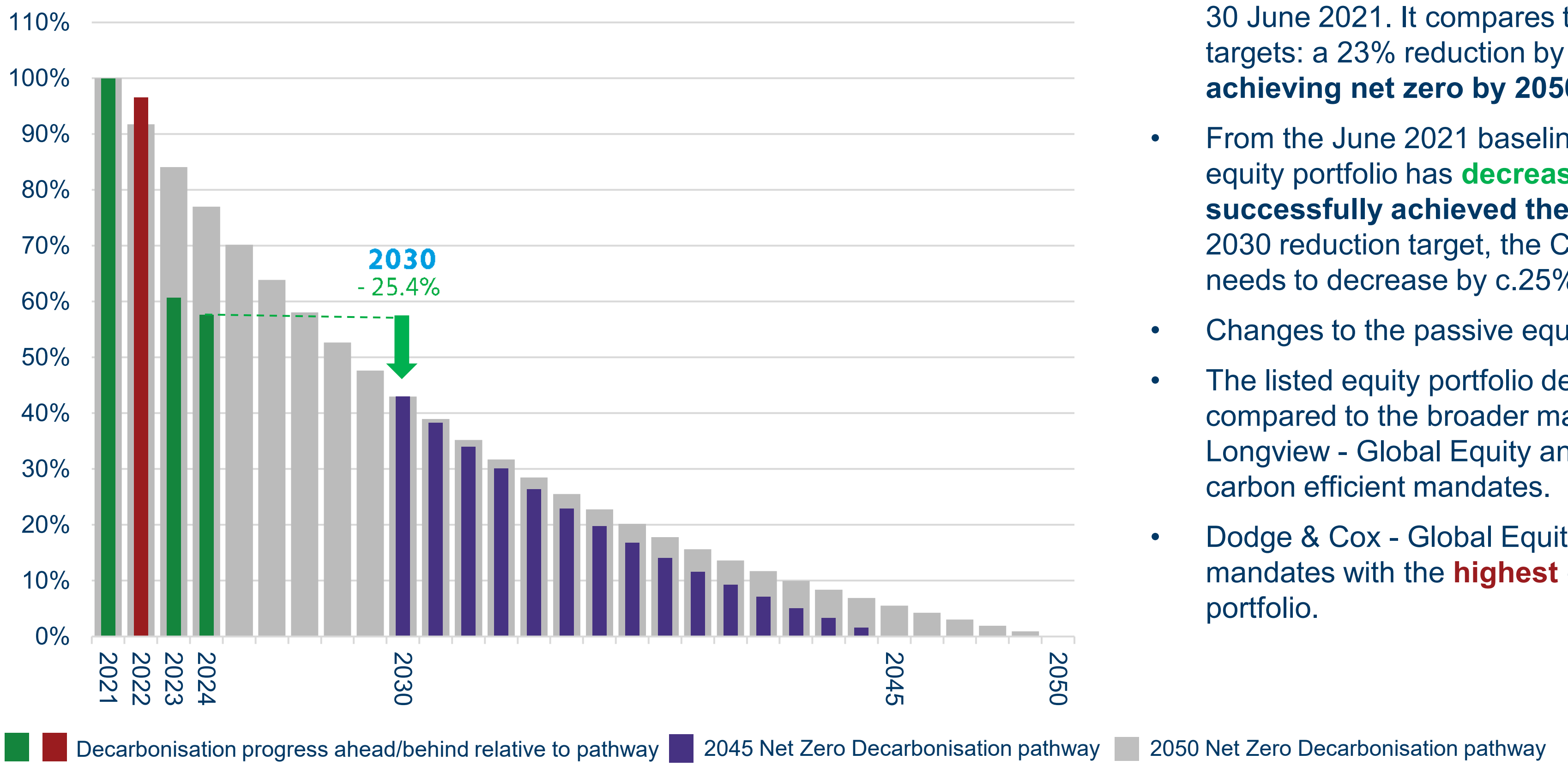
Mercer

Decarbonisation progress – Listed Equity

Progress relative to the decarbonisation pathway

In line/below target pathway
Above target pathway

Carbon Footprint (tCO2e / $M invested) **for listed equity, relative to 2021 Baseline** - Scope 1 and 2



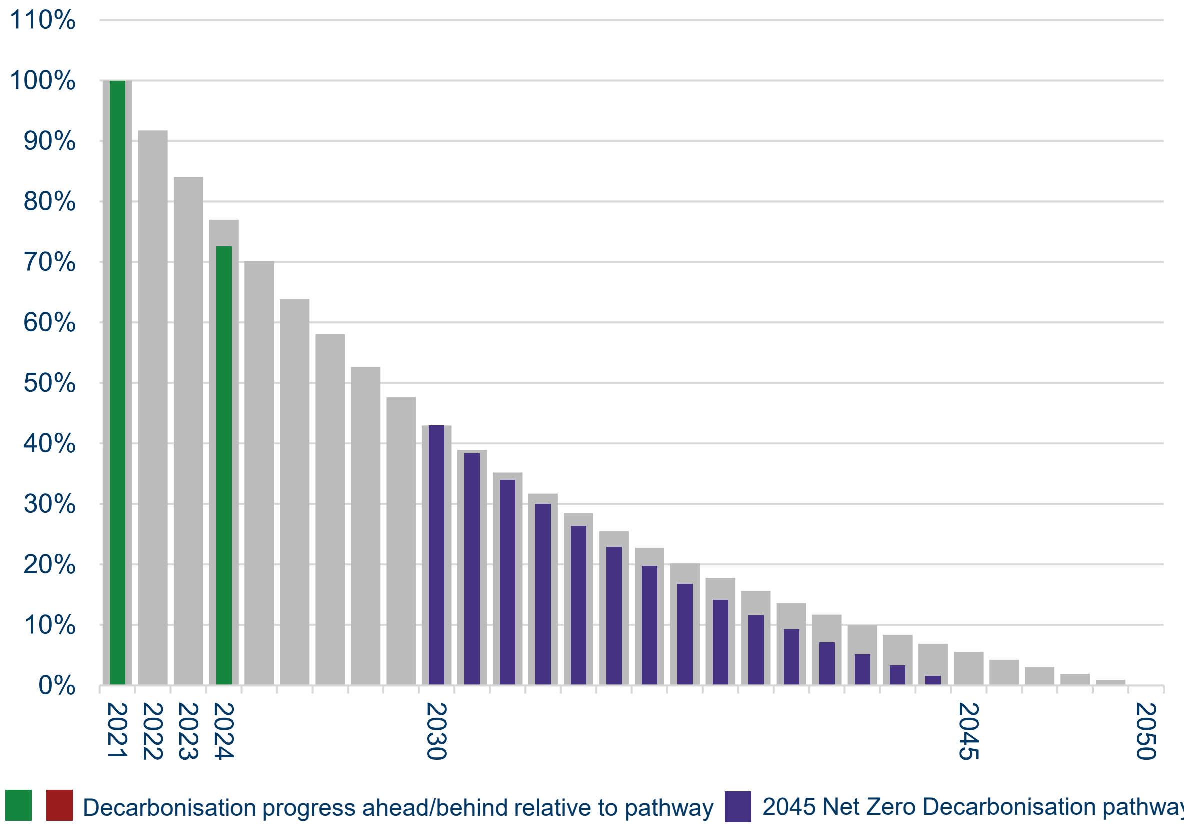
- The chart shows the agreed decarbonisation pathway for the Fund's listed equity portfolio, based on its **Carbon Footprint**, starting from a baseline of 30 June 2021. It compares this portion of the Fund to the decarbonisation targets: a 23% reduction by 2024, a 57% reduction by 2030, **and achieving net zero by 2050 or earlier**.
- From the June 2021 baseline, the overall Carbon Footprint of the listed equity portfolio has **decreased** by **42.4%**. This indicates that the Fund has **successfully achieved the reduction target set for 2024**. To meet the 2030 reduction target, the Carbon Footprint of the listed equity portfolio needs to decrease by c.25% by 2030.
- Changes to the passive equity portfolio in 2023 accelerated the reduction. :
- The listed equity portfolio demonstrates **significant carbon efficiency** compared to the broader market (**45.3%** lower vs MSCI ACWI), with Longview - Global Equity and Osmosis - Core Equity being the most carbon efficient mandates.
- Dodge & Cox - Global Equity and JO Hambro - Global Equity are the mandates with the **highest carbon intensity** within the listed equity portfolio.

Source: Mercer, using data from MSCI. The most recent data is based on stocklists as at 30 June 2024, using metric calculations and data feeds as at 10 September 2024, or latest available. Prior data corresponds to stocklists from prior years and is taken from previous Mercer reports.

Decarbonisation progress – Corporate bonds (MAC)

Proposed progress for MAC relative to the decarbonisation pathway

Carbon Footprint (tCO2e / $M invested) **for corporate bonds, relative to 2021 Baseline** - Scope 1 and 2



- The chart shows a proposed decarbonisation pathway for the Fund's corporate bonds portfolio, based on its Carbon Footprint, starting from a baseline as at 30 June 2021*.
- It assumes the same decarbonisation pathway as for the listed equity portfolio for illustrative purposes, i.e. it compares this portion of the Fund to the decarbonisation targets: a 57% reduction by 2030, and achieving net zero by 2050 or earlier.
- In relation to the June 2021 baseline, the overall Carbon Footprint of the corporate bond portfolio has **decreased** by **c.27.4%**. To meet the **2030 reduction target**, the **Carbon Footprint of the corporate bond portfolio** needs to decrease by **41% by 2030**.

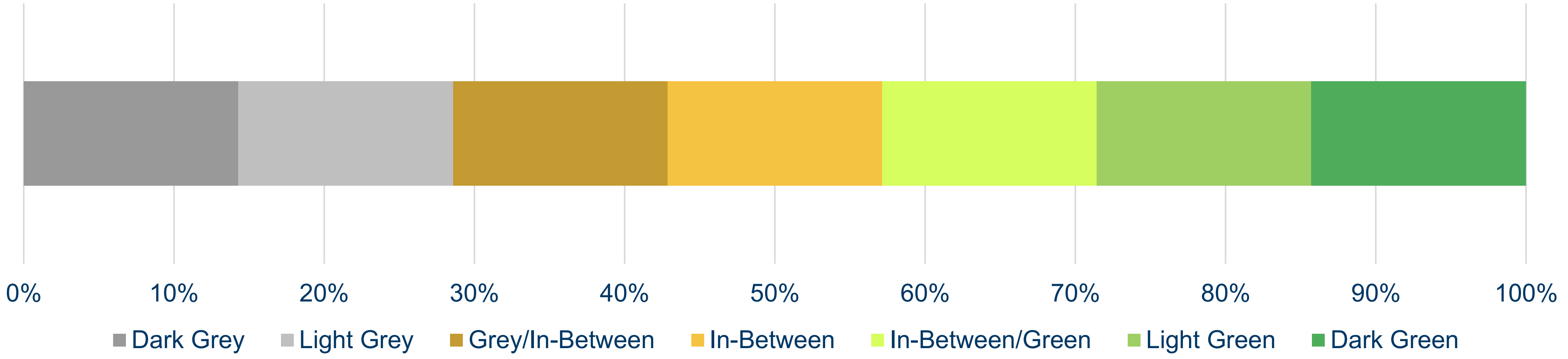
Source: Mercer, using data from MSCI. The most recent data is based on stocklists as at 30 June 2024, using metric calculations and data feeds as at 10 September 2024, or latest available. Data for 2021 is based on stocklists as at 30 June 2021, using metric calculations and data feeds as at 13 September 2024, for historical data.
*Mercer has increased its coverage over the year in order to extend the analysis to the corporate bonds portion of the Multi-Asset Credit mandates. The adjusted 2021 results can be found on slide 29.

Mercer

Alignment

The ACT spectrum

- The ACT spectrum provides an indication of climate transition capacity across the portfolio.



Grey Area

High Carbon Intensity

Low Transition Potential

In-Between Area

Varied Carbon Intensity

Varied Transition Potential

Green Area

Low Carbon Intensity

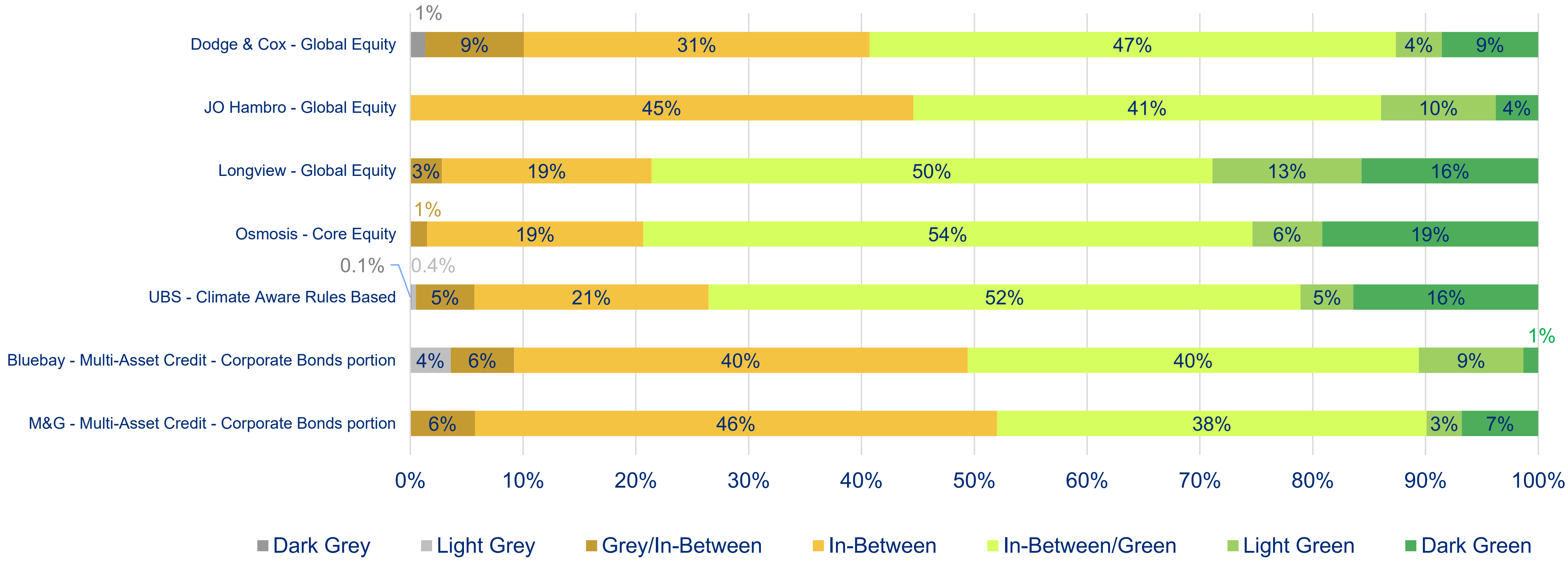
High Transition Potential

Not aligned with the low-carbon transition

Well aligned with the low-carbon transition

ACT assessment

Assessment by mandate by percentage

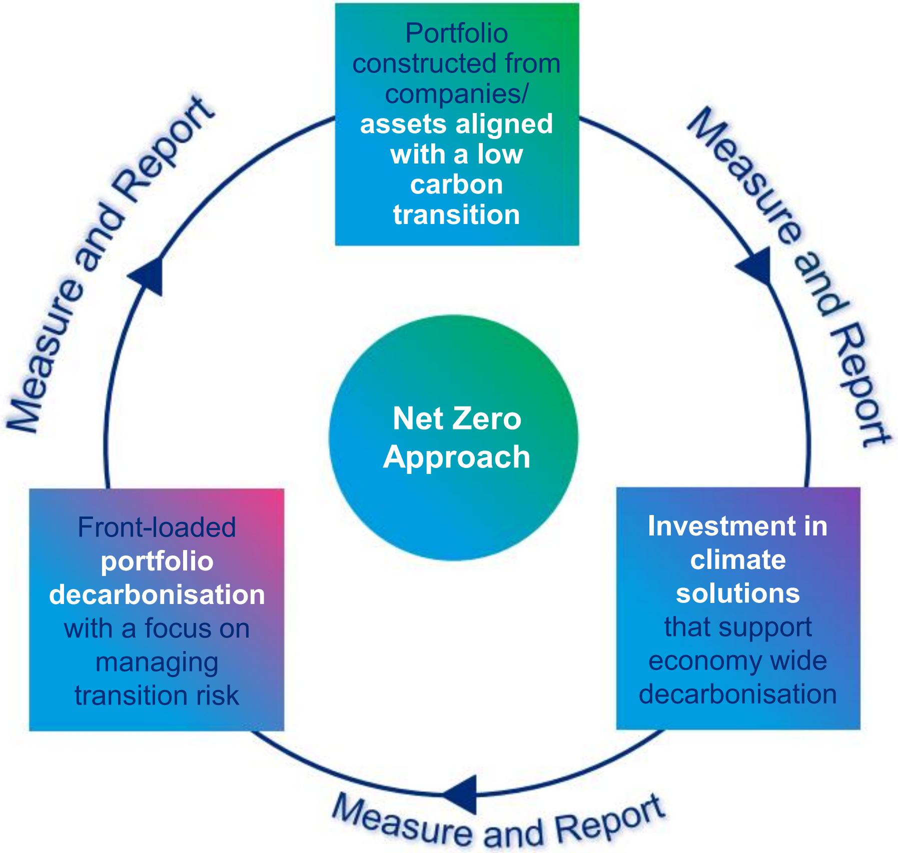


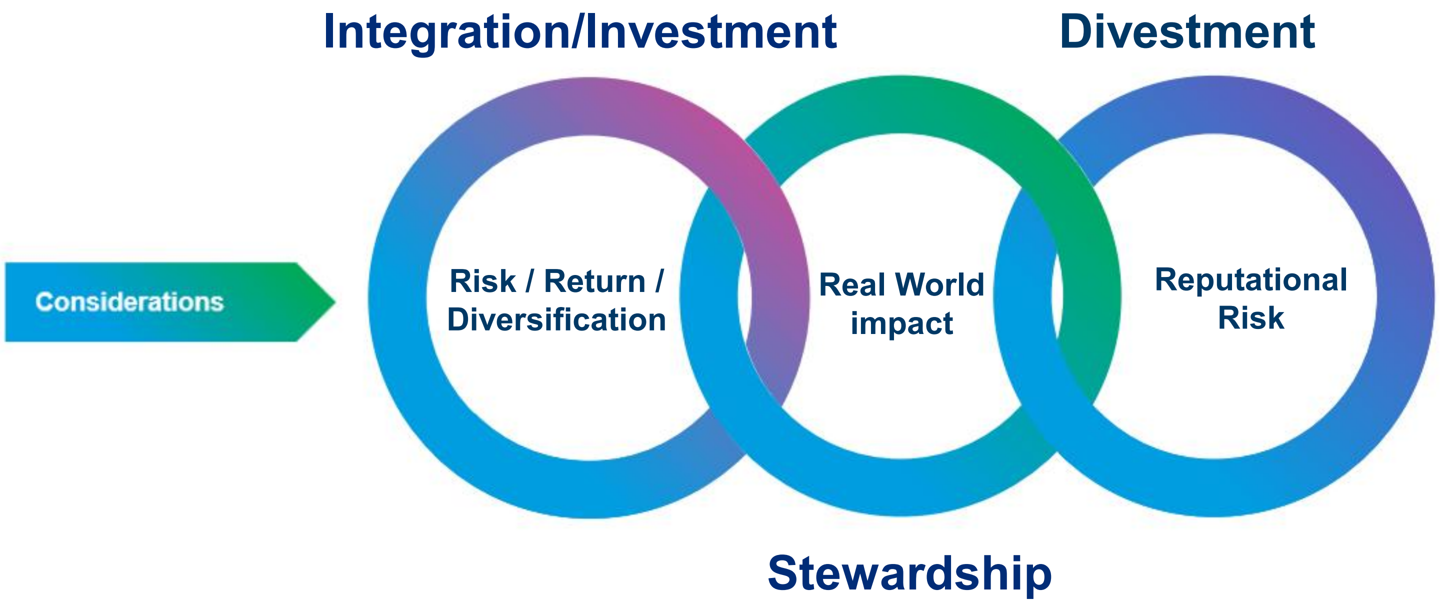
Source: Mercer, using data from MSCI and ISS. All data is based on stocklists as at 30 June 2024. Percentages are scaled up to 100% to reflect the data coverage available.

- The analysis above highlights there are areas for engagement across all mandates.

Appendix

Net zero approach
Key considerations & levers



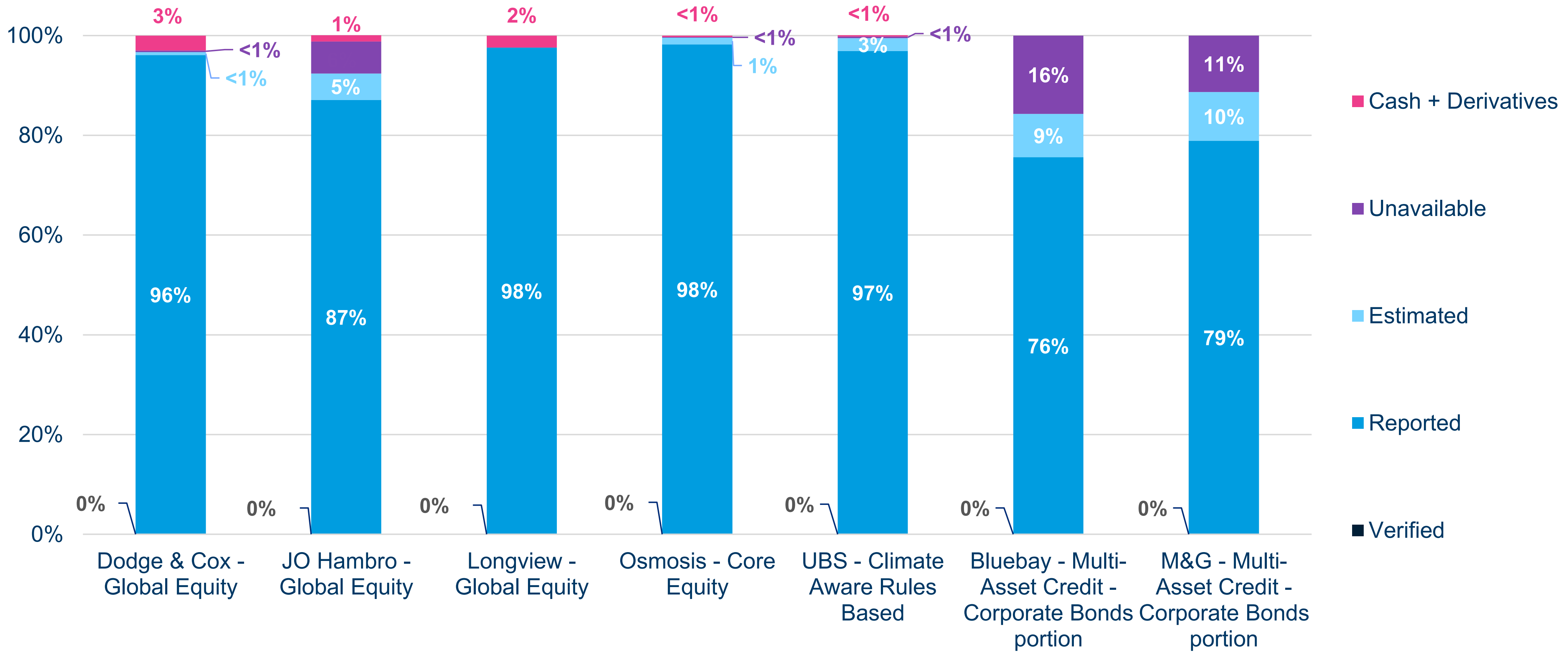


- It is **challenging to maximise every net zero approach** as there are trade-offs associated. When applied in isolation, they may lead to unintended outcomes from both a financial and sustainability perspective.
- Based on the Fund's objectives and commitments to stakeholders, it is important to **establish priorities and strive for balance** which supports financial objectives (risk, return, diversification) as well as real world impact.
- To date, the focus to reach net zero targets has been around decarbonisation followed by climate solutions with an increasing focus on alignment. The **alignment assessment of assets is critical** to enable a more holistic approach to a whole economy transition.

Mercer

Data quality

Scope 1 and 2 emissions – assessment by mandate



Source: Mercer, using data from MSCI. All data is based on stocklists as at 30 June 2024, using metric calculations and data feeds as at 10 September 2024, or latest available. More detail on the data quality metric is provided in the Appendix.

Mercer

Climate dashboard

In line/Ahead of MSCI ACWI — Behind MSCI ACWI

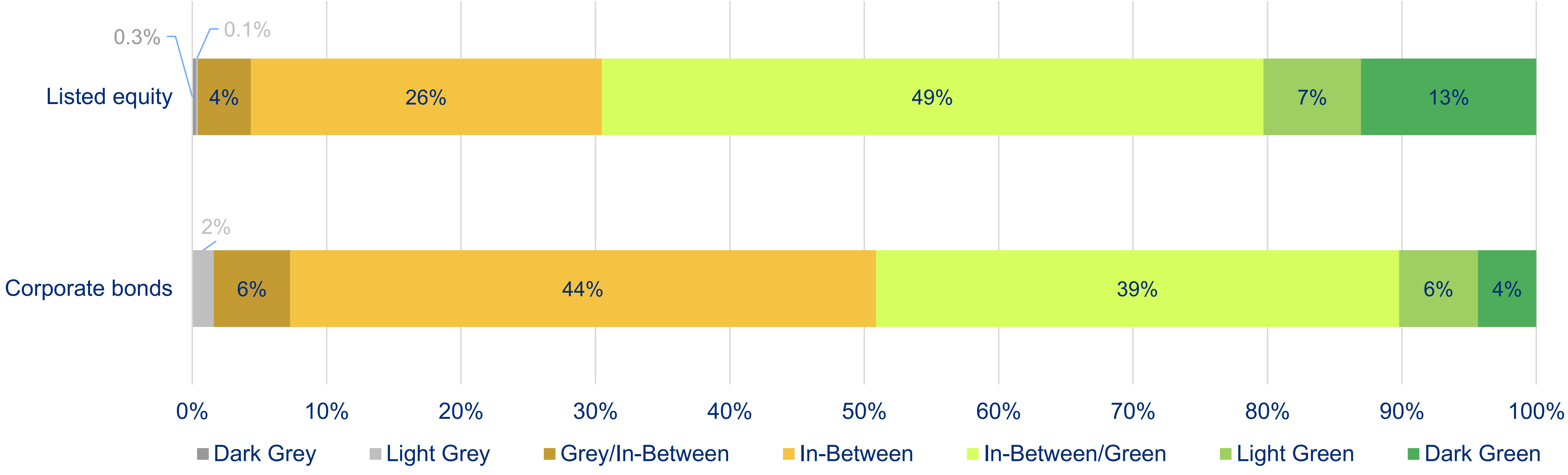
The "dashboard" below outlines the key metrics in relation to the Fund's climate and engagement assessment across the listed portfolios. Further details are provided elsewhere in this report.

		CLIMATE STRATEGY EVALUATION			ALIGNMENT				ENGAGEMENT		Green Revenues	
		Carbon Footprint (tCO2e/$M) - Scope 1 and 2			ACT		Alignment		IIGCC Target alignment of 70% Material Sectors** Aligned or Under engagement		EU Taxonomy	
Asset Class	Mandate	Decarb. progress since baseline	12 month decarb. progress	June 2024 Carbon Footprint	Green Assets % Mkt Value	Dark Grey % Mkt Value	Implied Temperature Rise (ºC)	SBTi*	% of emissions derived from Material Sectors	% mat sectors aligned or engaged	EU Taxonomy Revenue contribution to Climate Mitigation	EU Taxonomy Revenue contribution to Climate Adaptation
Listed equity	**Dodge & Cox** - Global Equity	-23.1%	-10.6%	55.2	12.6%	1.3%	2.4°C	29.6%	82%	86.9%	1.4%	0.1%
	JO Hambro - Global Equity	70.2%	64.3%	30.3	13.9%	0.0%	2.5°C	32.0%	78%	92.5%	5.0%	0.0%
	Longview - Global Equity	-29.3%	-23.7%	4.6	28.9%	0.0%	2.0°C	57.9%	0%	0%	2.1%	0.0%
	Osmosis - Core Equity	-	-21.7%	14.0	25.3%	0.0%	2.2°C	54.5%	76%	77.5%	8.3%	0.1%
	UBS - Climate Aware Rules Based	-	-16.5%	23.3	21.1%	0.5%	2.3°C	46.7%	74.%	51.6%	9.7%	0.1%
Total listed equity		-42.4%	-5.1%	25.6	20.3%	0.4%	2.3°C	44.2%	76%	76.6%	5.9%	0.1%
MSCI ACWI		-	-14.3%	46.7	18.4%	2.1%	2.5°C	43.4%	81%	70.0%	8.0%	0.1%
Corporate bonds	**Bluebay** - Multi-Asset Credit - Corporate Bonds portion	-28.4%	-	84.0	10.6%	3.6%	2.5°C	16.2%	33%	90.8%	1.1%	0.0%
	M&G - Multi-Asset Credit - Corporate Bonds portion	-19.1%	-	49.2	9.9%	0.0%	2.1°C	26.2%	47%	52.9%	3.2%	0.3%
Total corporate bonds		-27.4%	-	64.8	10.2%	1.6%	2.3°C	21.7%	39%	71.7%	2.2%	0.2%
Total listed equity and corporate bonds		-35.8%	-	31.3	18.8%	0.6%	2.3°C	40.9%	71%	76.2%	5.3%	0.1%

*This metric measures the proportion of companies in the portfolio with one or more active carbon emissions reduction target/s approved by the Science Based Targets Initiative (SBTi). **Sectors are defined as material in line with IIGCC's classification, that sets out the most material sectors from an owned-carbon emissions standpoint, please note colour coding for this factor is according to IIGCC Target alignment of 70% Material Sectors Aligned or Under engagement.

ACT assessment

Assessment by asset class by percentage allocation weight

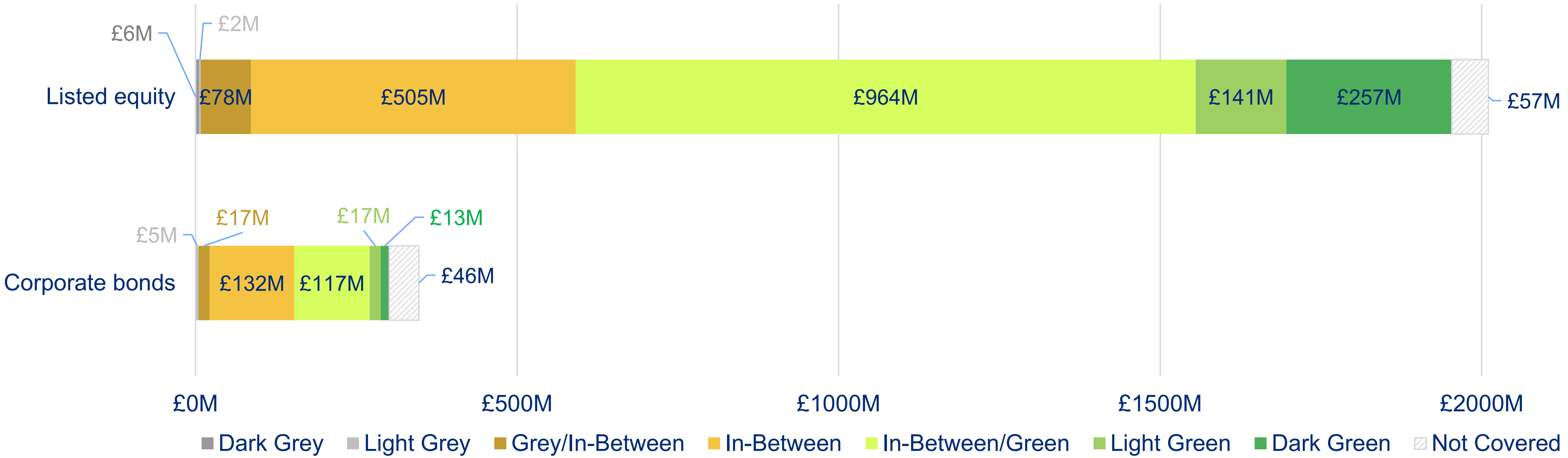


Source: Mercer, using data from MSCI and ISS. All data is based on stocklists as at 30 June 2024. Percentages are shown by strategic allocation weight within each asset class, and are scaled up to 100% to reflect the data coverage available.

- For listed equities, c. 70% of assets are "In-Between/Green" or better, which means that the majority of portfolio companies are transition aligned. For corporate bonds (assessed as a portion of the MAC mandates) this transition alignment is only reflected within c. 50% of the companies.
- For both asset classes, the percentage of companies that show a "grey" alignment is considered very small (c. 0.4% for listed equity and c.2% for corporate bonds).

ACT assessment

Assessment by asset class by value

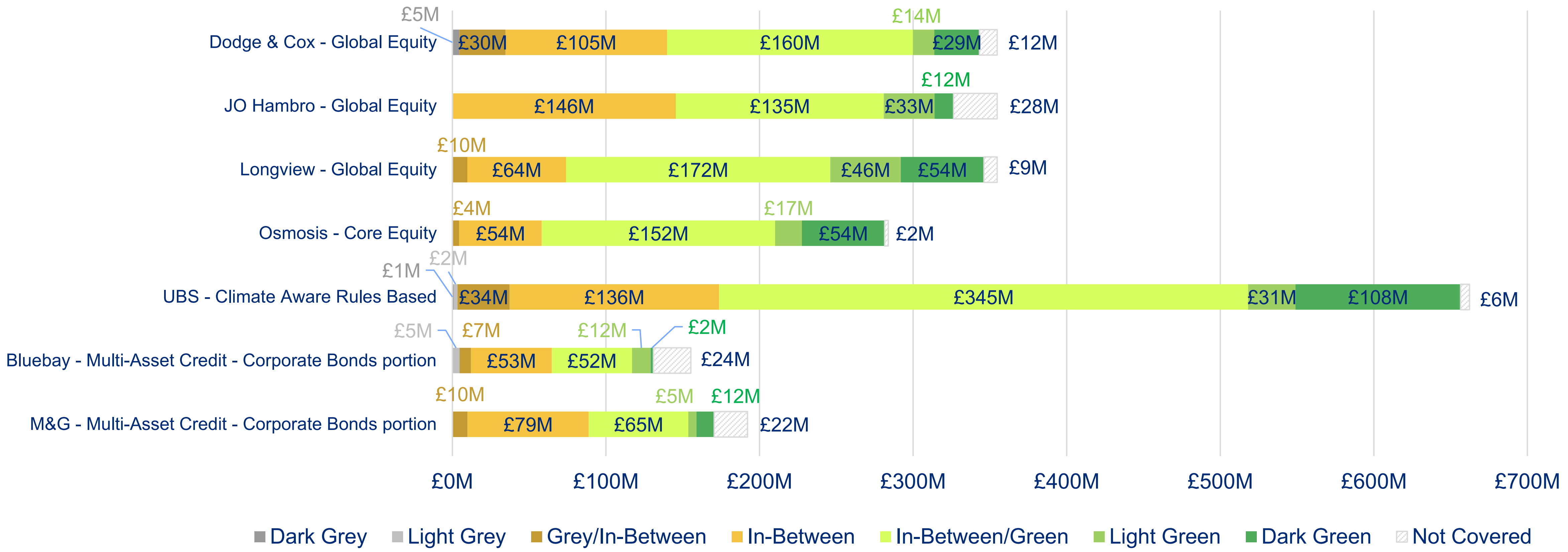


Source: Mercer, using data from MSCI and ISS. All data is based on stocklists as at 30 June 2024. Values are shown by strategic GBP value.

Mercer

ACT assessment

Assessment by mandate by value



Source: Mercer, using data from MSCI and ISS. All data is based on stocklists as at 30 June 2024. Values are shown by strategic GBP value.

Mercer

Overview of corporate metrics

This overview sets out various metrics related to the greenhouse gas (GHG) emissions attributable to the Fund's listed equity and corporate bond mandates. The metrics contained in this report are calculated using MSCI data, with portfolio stocklists sourced directly from the investment managers. The ACT assessment also makes use of data from ISS and IRENA.

Listed assets (equity and corporate bonds)		
Emissions metrics	**Metric expressed as**	**Description**
Weighted Average Carbon Intensity (WACI)	tCO2e / $million sales	Average exposure (weighted by portfolio allocation) to GHG emissions normalised by sales. It seeks to answer how carbon intensive the companies in the portfolio are.
Carbon Footprint	tCO2e / $million invested	Total GHG emissions figure normalised to take account of the size of the investment made. It seeks to answer how carbon intensive parts of the portfolio are.
Absolute Emissions	Total GHG emissions: metric tons of CO2 and equivalents (tCO2e)	Calculates an investor's share of the total emissions for each company/holding. It seeks to answer what emissions the investor is responsible for.
Alignment metrics	**Metric expressed as**	**Description**
Implied Temperature Rise (ITR)	Expressed as ºC	Prediction of temperature rise scenario over the rest of the century, given a company's emissions, commitments, and momentum. Shows how companies/portfolios compare to the 1.5ºC Paris agreement temperature rise goal.
SBTi	Percentage of portfolio with SBTi targets	A measure of how many companies in a portfolio have submitted climate transition plans that have been approved by the Science Based Targets Initiative (SBTi).
Non-emissions metrics	**Metric expressed as**	**Description**
Data Quality	Percentage of portfolio which is either verified, reported, estimated or unavailable	Classifies each mandate's company/holding data as one of the following four categories: Verified, Reported, Estimated, and Unavailable. Additional categories account for the remainder of the portfolio that is not included in the data quality analysis due to being cash or derivatives.

Mercer

Climate metrics dashboard – 30 June 2021

Scope 1 and 2 emissions – listed equity and corporate bonds

Asset Class	Mandate	WACI (tCO2e / $M sales)		Carbon Footprint (tCO2e / $M invested)		Absolute Emissions (tCO2e)		Allocation Weight
		Metric	Coverage	Metric	Coverage	Metric	Coverage	
Listed equity	**Dodge & Cox** - Global Equity	**130.1**	97.7%	**71.8**	97.7%	**50,447**	97.7%	12.7%
	JO Hambro - Global Equity	**71.9**	92.6%	**17.8**	92.3%	**12,969**	92.3%	13.1%
	Longview - Global Equity	**15.9**	97.8%	**6.5**	97.8%	**3,312**	97.8%	9.3%
	UBS – Passive Equity	**149.8**	96.7%	**62.0**	96.5%	**68,777**	96.8%	20.0%
	Total listed equity	**104.2**	**96.1%**	**44.4**	**96.0%**	**135,505**	**96.1%**	**55.1%**
Corporate bonds	**Bluebay** - Multi-Asset Credit - Corporate Bonds portion	**208.8**	62.6%	**117.3**	54.5%	**19,914**	51.3%	3.0%
	M&G - Multi-Asset Credit - Corporate Bonds portion	**92.9**	60.8%	**60.8**	50.5%	**10,259**	47.2%	3.0%
Total corporate bonds		**151.0**	**61.7%**	**89.2**	**52.5%**	**30,173**	**49.2%**	**6.1%**
Total equity and corporate bonds		**108.8**	**92.7%**	**48.8**	**91.7%**	**165,678**	**91.4%**	**61.2%**

Source: Mercer, using data from MSCI. The data for listed equity corresponds to stocklists as at 30 June 2021 and is sourced from previous Mercer reports. As for corporate bonds, the data is based on stocklists as at 30 June 2021, using metric calculations and data feeds as at 13 September 2024, for historical data. An overview of these metrics is provided in the Appendix. Allocation weights represent the strategic asset allocation for that mandate or, for mixed mandates, the actual allocation to corporate bonds within the mixed mandate (c.60.8% and c.60.4%, respectively for Bluebay and M&G).

Mercer

Climate metrics dashboard

Scope 3 emissions – listed equity and corporate bonds

Asset Class	Mandate	WACI (tCO2e / $M sales)				Carbon Footprint (tCO2e / $M invested)				Absolute Emissions (tCO2e)				Allocation Weight
		Scope 3 Upstream		Scope 3 Downstream		Scope 3 Upstream		Scope 3 Downstream		Scope 3 Upstream		Scope 3 Downstream		
		Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage	
Listed equity	**Dodge & Cox** - Global Equity	**207.5**	96.7%	**450.6**	96.7%	**107.7**	96.7%	**289.4**	96.7%	**46,956**	96.7%	**127,278**	96.7%	7.5%
	JO Hambro - Global Equity	**221.2**	92.4%	**421.0**	92.4%	**83.3**	92.4%	**229.3**	92.4%	**30,053**	92.4%	**82,819**	92.4%	7.5%
	Longview - Global Equity	**173.4**	97.6%	**114.6**	97.6%	**53.4**	97.6%	**37.9**	97.6%	**23,201**	97.6%	**16,666**	97.6%	7.5%
	Osmosis - Core Equity	**235.3**	99.6%	**238.8**	99.6%	**91.5**	99.6%	**91.6**	99.6%	**29,412**	99.6%	**31,591**	99.6%	6.0%
	UBS - Climate Aware Rules Based	**233.1**	99.5%	**407.8**	99.5%	**99.4**	99.2%	**249.2**	99.2%	**75,468**	99.4%	**187,753**	99.4%	14.0%
Total listed equity		**216.2**	**97.4%**	**342.1**	**97.4%**	**88.8**	**97.3%**	**193.3**	**97.3%**	**205,089**	**97.4%**	**446,107**	**97.4%**	**42.5%**
Corporate bonds	**Bluebay** - Multi-Asset Credit - Corporate Bonds portion	**182.2**	85.2%	**439.2**	85.2%	**102.6**	77.5%	**195.9**	77.5%	**21,530**	78.8%	**35,653**	78.8%	**3.3%**
	M&G - Multi-Asset Credit - Corporate Bonds portion	**194.2**	89.0%	**416.1**	89.0%	**116.4**	60.9%	**173.3**	60.9%	**28,463**	63.1%	**52,927**	63.1%	**4.1%**
Total corporate bonds		**188.9**	87.3%	**426.5**	87.3%	**110.3**	68.3%	**183.4**	68.3%	**49,993**	70.1%	**88,580**	70.1%	**7.3%**
Total equity and corporate bonds		**212.2**	95.9%	**354.5**	95.9%	**92.0**	93.1%	**191.8**	93.1%	**255,081**	93.4%	**534,687**	93.4%	**49.8%**

Source: Mercer, using data from MSCI. All data is based on stocklists as at 30 June 2024, using metric calculations and data feeds as at 10 September 2024, or latest available. An overview of these metrics is provided in the Appendix. Allocation weights represent the strategic asset allocation for that mandate or, for mixed mandates, the actual allocation to corporate bonds within the mixed mandate (c.43.7% and c.54.2%, respectively for Bluebay and M&G).

Green revenues/capex

EU Taxonomy Substantial Contribution to Climate Adaptation and Mitigation

			MITIGATION			ADAPTATION		
Asset Class	Mandate	Allocation Weight %	EU Taxonomy Estimated Substantial **Contribution to Climate Mitigation** – Maximum Percentage of Revenue (%)	EU Taxonomy Reported Percentage of **Total CapEx Mitigation Aligned** for Non-Financial Companies (%)	EU Taxonomy Reported Percentage of **Total CapEx Mitigation Enabling Aligned** for Non-Financial Companies (%)	EU Taxonomy Estimated Substantial **Contribution to Climate Adaptation** – Maximum Percentage of Revenue (%)	EU Taxonomy Reported Percentage of **Total CapEx Adaptation Aligned** for Non-Financial Companies (%)	EU Taxonomy Reported Percentage of **Total CapEx Adaptation Enabling Aligned** for Non-Financial Companies (%)
Listed equity	**Dodge & Cox** - Global Equity	7.5%	**1.4%**	**0.7%**	**0.4%**	**0.1%**	**0.2%**	**0.2%**
	JO Hambro - Global Equity	7.5%	**5.0%**	**1.3%**	**1.3%**	**0.0%**	**0.0%**	**0.0%**
	Longview - Global Equity	7.5%	**2.1%**	**0.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
	Osmosis - Core Equity	6.0%	**8.3%**	**1.3%**	**0.8%**	**0.1%**	**0.1%**	**0.3%**
	UBS - Climate Aware Rules Based	14.0%	**9.7%**	**1.8%**	**1.0%**	**0.1%**	**0.0%**	**0.2%**
	MSCI ACWI		**8.0%**	**1.0%**	**0.6%**	**0.1%**	**0.0%**	**0.1%**
Total listed equity		**42.5%**	**5.9%**	**1.1%**	**0.7%**	**0.1%**	**0.1%**	**0.1%**
Corporate bonds	**Bluebay** – Multi-Asset Credit – Corporate Bonds portion	3.3%	**1.1%**	**0.1%**	**0.1%**	**0.0%**	**0.0%**	**0.0%**
	M&G – Multi-Asset Credit – Corporate Bonds portion	4.1%	**3.2%**	**2.1%**	**1.0%**	**0.3%**	**0.0%**	**0.3%**
Total corporate bonds		**7.3%**	**2.2%**	**1.2%**	**0.6%**	**0.2%**	**0.0%**	**0.2%**
Total listed equity and corporate bonds		**49.8%**	**5.3%**	**1.2%**	**0.7%**	**0.1%**	**0.1%**	**0.1%**

Source: Mercer, using data from MSCI. All data is based on stocklists as at 30 June 2024, using metric calculations and data feeds as at 10 September 2024, or latest available. An overview of these metrics is provided in the Appendix. Allocation weights represent the strategic asset allocation for that mandate or, for mixed mandates, the actual allocation to corporate bonds within the mixed mandate (c.43.7% and c.54.2%, respectively for Bluebay and M&G).

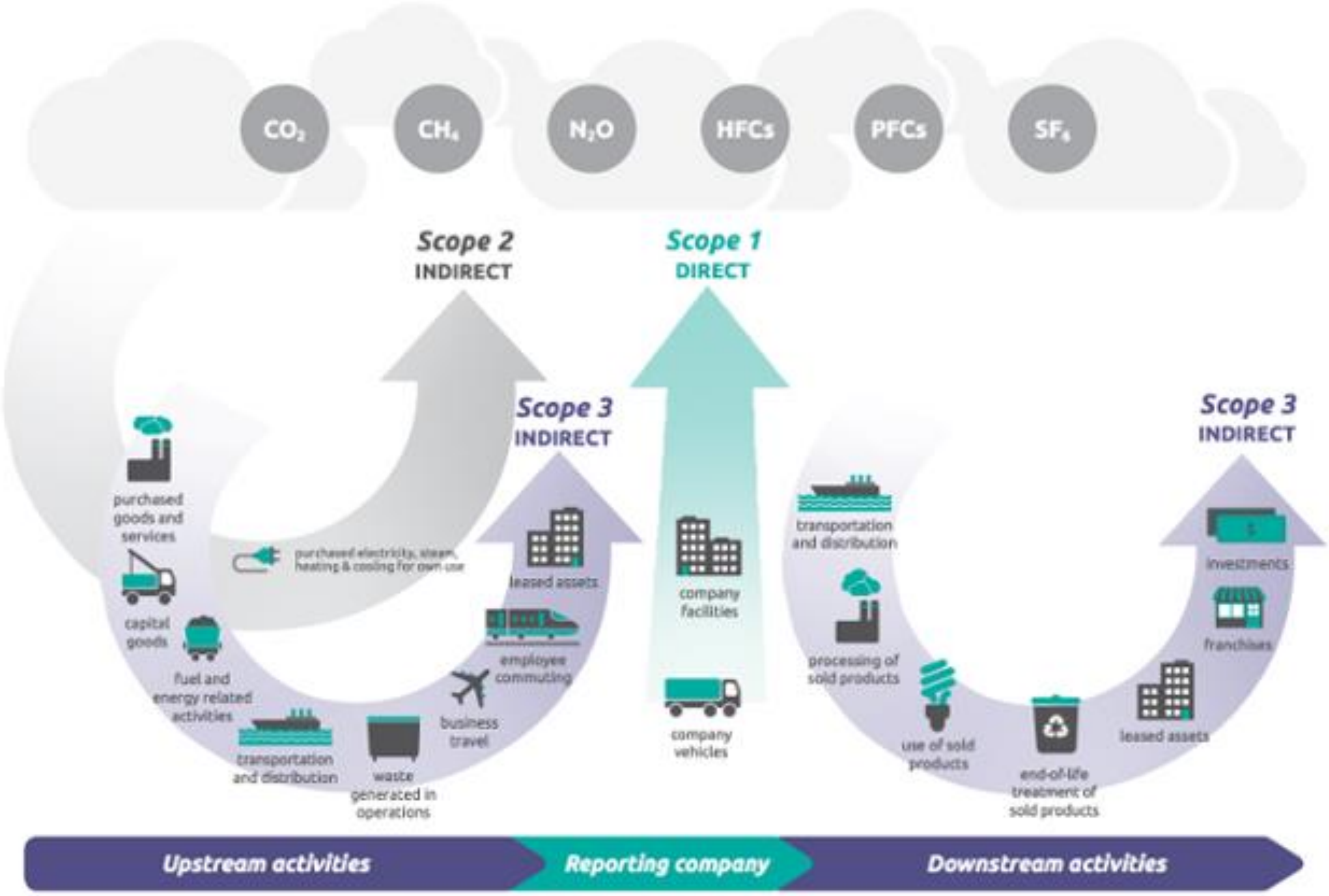
Mercer

Transition alignment – EU taxonomy

Definitions

	MSCI Factor	Definition
Mitigation	Estimated Substantial Contribution to Climate Mitigation **Maximum Percentage of Revenue (%)**	EU Taxonomy Estimated Substantial Contribution to Climate Mitigation – Maximum Percentage of Revenue is the proportion of total revenue from products and services that provide solutions for reducing GHG emissions.
	Reported Percentage of **Total CapEx Mitigation Aligned** for Non-Financial Companies (%)	For Non-Financial companies, the reported percentage of total capital expenditure from the activities aligned under the Climate Change Mitigation objective of the EU Taxonomy regulation. The data is provided for the most recent fiscal year available.
	Reported Percentage of **Total CapEx Mitigation Enabling Aligned** for Non-Financial Companies (%)	For Non-Financial companies, the reported percentage of total capital expenditure from aligned and enabling activities under the Climate Change Mitigation objective of the EU Taxonomy regulation. The data is provided for the most recent fiscal year available.
Adaptation	Estimated Substantial Contribution to Climate Adaptation **Maximum Percentage of Revenue (%)**	EU Taxonomy Estimated Substantial Contribution to Climate Adaptation – Maximum Percentage of Revenue is the proportion of total revenue from products and services that reduce the risk of adverse impacts resulting from climate change.
	Reported Percentage of **Total CapEx Adaptation Aligned** for Non-Financial Companies (%)	For Non-Financial companies, the reported percentage of total capital expenditure from the activities aligned under the Climate Change Adaptation objective of the EU Taxonomy regulation. The data is provided for the most recent fiscal year available.
	Reported Percentage of **Total CapEx Adaptation Enabling Aligned** for Non-Financial Companies (%)	For Non-Financial companies, the reported percentage of total capital expenditure from aligned and enabling activities under the Climate Change Adaptation objective of the EU Taxonomy regulation. The data is provided for the most recent fiscal year available.

Emissions Data
Understanding the Scopes



Mercer

Limitations of the analysis

- The decarbonisation analysis focuses on the listed equities and corporate bonds portfolios. Emissions metrics and decarbonisation targets used in this report are in respect of all greenhouse gases covered by the Kyoto Protocol and are expressed in terms of carbon dioxide equivalents (CO_2e) – the amount of CO_2 which would have the equivalent global warming impact. While different greenhouse gases are expected to have different net-zero dates under a 1.5°C aligned outcome, CO_2 pathways target a 2050 net-zero end point and this end point has been adopted in this instance.
- Caution should be exercised in interpreting individual data points, as in reality, emissions may differ, given the data coverage in the analysis is less than 100%. Where companies do not have data points, companies are assumed to have the same carbon metrics as the average of companies that we do have data points for. This means that, where we do not have data, we are not assuming that those companies have zero emissions.
- The focus of the decarbonisation curves is currently on Scope 1 and Scope 2 emissions. Mercer will seek to integrate Scope 3 emissions as methodologies improve. Decarbonisation progress is shown using the carbon footprint metric set out in this report. A fuller picture of progress can be provided by tracking progress against further metrics, such as on an absolute emissions and WACI basis, given limitations associated with relying on a single climate metric.
- Many of the IPCC's scenarios are reliant on net-zero (or net-negative) assumptions later this century. This can include the deployment of mitigation technologies, such as carbon capture and storage, as well as ecosystem approaches, such as land and forest conservation and restoration. There has been some scepticism as to whether such technologies and approaches are viable, at the required scale. Mercer will look to integrate further assumptions around net-zero emissions in due course, as the science and technology evolves.
- Scope 3 emissions for listed equities and corporate bonds are calculated using estimated data due to the lack of availability or poor quality of reported data. Even when reported data is available for scope 3 emissions, there is no guarantee of consistency between the reported figures across different companies, as companies often only report on a subset of the 15 categories of scope 3 emissions. MSCI estimates emissions across each of the 15 categories using a combination of revenue estimates and production data. Using MSCI estimated scope 3 data only ensures that data is consistent for all companies across similar sectors, providing a more robust understanding of where the risks lie and a better intertemporal understanding of how portfolios have evolved.
- In respect of verified data as part of the data quality output, this is in line with the PCAF definition. It refers to reported emissions being calculated in line with the GHG Protocol and verified by a third-party auditor. Very limited verified data is currently available, which highlights the difficulty in obtaining data approved by independent third-parties. It will be useful to keep track of this metric over time.

Mercer

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualised investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest.

Certain information contained herein (the "Information") is sourced from/copyright of MSCI Inc., MSCI ESG Research LLC, or their affiliates ("MSCI"), or information providers (together the "MSCI Parties") and may have been used to calculate scores, signals, or other indicators. The Information is for internal use only and may not be reproduced or disseminated in whole or part without prior written permission. The Information may not be used for, nor does it constitute, an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product, trading strategy, or index, nor should it be taken as an indication or guarantee of any future performance. Some funds may be based on or linked to MSCI indexes, and MSCI may be compensated based on the fund's assets under management or other measures. MSCI has established an information barrier between index research and certain Information. None of the Information in and of itself can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided "as is" and the user assumes the entire risk of any use it may make or permit to be made of the Information. No MSCI Party warrants or guarantees the originality, accuracy and/or completeness of the Information and each expressly disclaims all express or implied warranties. No MSCI Party shall have any liability for any errors or omissions in connection with any Information herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Mercer

welcome to brighter

LGPS Investment Current Topics

Q3 2024

1. Science Based Targets initiative ("SBTi") - April 2024 announcement to consider use of carbon credits
2. Middle East Note
3. UK Budget

Cambridgeshire Pension Fund

November 2024

A business of Marsh McLennan

Science Based Targets initiative (“SBTi”)

April 2024 announcement to consider use of carbon credits

1

Science Based Targets initiative (SBTi)

Why have they been in the news?

- The SBTi was launched in 2015 and is a collaboration between CDP, the UN Global Compact, the World Resources Institute (WRI) and the Worldwide Fund for Nature (WWF). Funded by prominent institutions and foundations like Amazon and the We Mean Business Coalition, it operates as a UK charity.
- The SBTi aims to support corporate climate decarbonisation plans and targets, in-line with climate science. Investors use the SBTI's data to assess portfolio alignment with science-based climate targets. In June 2024, over 5,500 companies had science based targets validated by the SBTi.[1]
- However, companies are not currently able to use carbon credits to offset any scope 3 emissions (which capture all indirect emissions that occur across the value chain of the reporting company).
- The SBTi announced in April 2024[2] that they are considering allowing reductions for certain Scope 3 emissions via carbon credits. If finalised, this decision would represent a significant shift from previous standards.

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Carbon Credits[3]

- *A carbon credit represents the reduction, removal or prevented release of greenhouse gases by natural or technological processes. Businesses and individuals can purchase credits on the voluntary carbon market and may use them to offset their own emissions.*
- *Projects generating carbon credits can fund initiatives that protect ecosystems and enhance biodiversity, but they may also negatively impact the environment and indigenous communities.*
- *Ensuring that credits accurately reflect genuine carbon reductions is complex, as it can be challenging to prove that emissions would have been emitted otherwise and to ensure the permanence of carbon storage.*

[3] https://researchbriefings.files.parliament.uk/documents/POST-PN-0713/POST-PN-0713.pdf2

The SBTi has announced they are considering allowing companies to use carbon credits to offset scope 3 emissions. No change has been made to the current SBTi standards, but a discussion paper with a draft proposal is expected to be released in July 2024.

[1] https://sciencebasedtargets.org/news/sbti-marks-5500-companies-with-validated-targets-announces-next-steps-in-transformation

[2] https://sciencebasedtargets.org/news/statement-from-the-sbti-board-of-trustees-on-use-of-environmental-attribute-certificates-including-but-not-limited-to-voluntary-carbon-markets-for-abatement-purposes-limited-to-scope-3

Science Based Target initiative

Implications of the potential change & opposition

- The SBTi's current rules do not allow for carbon offsets and this has, among other reasons, potentially limited the growth of the carbon offset market. A change in the SBTi's positioning could have major implications for the carbon credit market, which could now **exceed $1 trillion by 2050**.[4]
- The SBTi had been very public in its previous view that companies should not be using carbon credits to offset emissions, so this potential change marks a **key milestone for the carbon credit/offset market**.
- The opposition to the potential change, in particular from its own staff (as noted below), has raised questions about the **governance structures within the SBTi**.
- The CEO of the SBTi, Luiz Amaral, announced on 2 July 2024 that he will be stepping down from his role, citing personal reasons[5].

Opposition

- The SBTi's announcement came under criticism from a number of parties, including an **open letter from some members of its staff**[6] against the potential change, and **public criticism from WWF**[7] (a founding partner of the SBTi).
- WWF publicly stated that carbon credit offsets **"cannot be a substitute"** for decarbonisation.
- The SBTi's own staff in their letter noted that nobody on the SBTi's independent technical council was informed or consulted in this major policy shift.

[4] https://about.bnef.com/blog/mega-boost-for-carbon-offsets-market-seen-from-sbti-easing/
[5] https://www.businessgreen.com/news/4330850/science-targets-initiative-ceo-resigns-citing-personal-reasons
[6] https://future.portfolio-adviser.com/sbti-decision-to-allow-carbon-offsets-in-tackling-scope-3-emissions/
[7] https://wwf.panda.org/wwf_news/?11115466/WWF-statement-on-Scope-3-emissions

Carbon Credits
What does this mean for investors?

Some of the main risks and opportunities of allowing the use of carbon credits to close the Scope 3 emissions gap are presented below:

OPPORTUNITIES/PROS	RISKS/CONS
• **Immediate Emission Reductions:** Companies face challenges in reducing Scope 3 emissions. High-quality carbon credits enable companies to reduce their emissions quickly while they develop long-term emission reduction strategies, encouraging more companies to set climate targets. • **Support for Sustainable Projects:** Buying carbon credits supports projects that reduce or capture greenhouse gases, such as reforestation, renewable energy projects, and methane capture initiatives. • **Encourages Innovation:** The demand for carbon credits can drive technological innovation in carbon capture. • **Economic Benefits:** This decision would boost the demand for carbon credits, and these projects can stimulate local economies and create jobs, particularly in developing regions. • **Biodiversity Preservation**: High-quality carbon credits have the potential to help preserve biodiversity.	• **Delayed Action:** Risk of companies not prioritising reducing their own emissions over the use of offsets. • **Greenwashing:** There is a risk that companies may use carbon credits as a form of greenwashing, giving the appearance of sustainability without making substantial changes to their operations. • **Quality of Credits:** Not all carbon credits are created equal. There is a risk that some credits may not represent real, additional, verifiable, and permanent emission reductions. • **Verification Challenges:** Ensuring that projects genuinely reduce emissions and are not subject to double-counting or fraudulent claims is a significant challenge. • **Potential for environmental/ social harm**: Some offsetting projects have been found to be detrimental from other environmental or social perspectives (e.g. undermining natural species diversification/ negative impacts on indigenous peoples).

We believe investors should continue to **prioritise decarbonisation** over offsetting.

Middle East Note

2

Recent Market Developments in light of the Middle East Tensions

written on 11 October 2024

- Over recent days and weeks the conflict in the Middle East has seen a series of escalations. The region has long been one of the world's biggest geopolitical fault lines – where tectonic plates of power, religion and resources collide. In mid-September the conflict in the region escalated with a series of retaliatory attacks involving Israel, Lebanon and Syria.
- Financial market reaction to the events so far has been largely confined to the oil market, which has rallied by over 5% since 17 September, albeit from the lowest levels of 2024. The US dollar has also risen modestly while bond yields and equities have largely focused on macroeconomic data such as the recent strong US labour market report and the Fed's 0.5% interest rate cut.

Figure 1: Market Impact

Source: Intercontinental Exchange (ICE), U.S. Department of Treasury, MSCI, Macrobond, Mercer as of 09/10/2024

Mercer View & Outlook

Mercer View

Our initial take on events centres on the heightened risks of a broader conflict, potentially hitting oil output and thus prices. Geopolitical events are difficult to forecast and although initial market reactions can be volatile, they often dissipate. Please see our paper Peering through the fog from 2022 where we analysed the market impact of prior geopolitical events.

Any major Israeli strike on Iranian energy assets could potentially lead to a spike higher in oil prices. However, the oil market has significant excess capacity, and we would expect countries with excess capacity, such as Saudi Arabia, to increase output if Iranian output falls. However, a much bigger rise in energy prices and therefore inflation cannot be ruled out if hostilities pull in other energy producers or shipping lanes are targeted.

Mercer Outlook

The crisis in the Middle East is happening at the same time as the upcoming US election. A second Trump term could potentially lead to volatility especially if markets focus on the likelihood of large tariffs on US trade partners, which we think would be negative for equities, inflationary and positive for the US dollar. Financial markets do not appear to be pricing this, with equities at all-time highs in many markets and Chinese equity markets up c. 40% since mid-September (albeit driven by more local factors including long-awaited stimulus measures). Harris is not proposing broad new tariffs on trade partners hence may potentially lead to a more limited impact on markets.

From a dynamic asset allocation (DAA) perspective (i.e. short to medium term), we have had a broadly positive view on global equities since October 2023 as interest rates have started falling and economies have largely avoided recession. Global equities have risen by over 30% since then to all-time highs[1] . In light of the increased potential risk and uncertainties we have reduced that view to a more neutral position.

Specifically, within our DAA views, we have reduced our overweight conviction to Emerging Market Equities, Real Estate Investment Trusts (REITs) and Japanese Equities, although retain a small overweight relative to developed market equities in each. This has taken conviction in equities to neutral and we have re-allocated it back into defensive fixed income assets, where yields have risen. We have also slightly reduced our overweight to frontier market debt (FMD) following very strong performance year to date but still see it as an interesting opportunity. We will set out of broader views in our upcoming annual outlook paper in November.

[1] *Source: MSCI, Mercer calculations as at 30 September 2024.*

UK Client Perspective

As we alluded to in our 2022 paper *Peering through the fog*:

Positioning portfolios for the unfolding of geopolitical events whilst they are already developing **requires an ability to see into the future**. History shows us that any sell-offs driven by geopolitics can be so short-lived that even high governance investors may struggle to time them.

Attempting to position for geopolitical events is more often than not likely to lead to an overall reduction in risk assets. **Inflection points are easy to miss and the opportunity cost could be enormous in the long term.**

From a client perspective, gilt yields have recently risen further than in the US, driven by global as well as local factors. We continue to support the calls to action made in our recent UK Budget Briefing Note where in isolation we expect the Budget to slow the UK economy and put some downward pressure on yields. Dollar strength versus sterling is still something we would recommend clients consider but remain aware of the tail risk hedge that dollar exposure gives for UK investors.

UK Budget

3

30th October

A summary of the key investment and pension issues stemming from the upcoming UK Budget, scheduled for release on 30 October 2024, will be presented for discussion at the November Investment Committee Meeting.

Important Notices

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualised investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This document is provided for information purposes only and does not contain regulated investment advice or legal advice in respect of actions you should take. No decisions should be made based on this document without obtaining prior specific, professional advice relating to your own circumstances.

This document does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest.

Mercer's universes are intended to provide collective samples of strategies that best allow for robust peer group comparisons over a chosen timeframe. Mercer does not assert that the peer groups are wholly representative of and applicable to all strategies available to investors.

Mercer

Mercer

Cambridgeshire Pension Fund

Monitoring Report Quarter to 30 September 2024

Chris West

November 2024

Important Notices

Chris West

Overview

Executive Dashboard

Funding

The present value of the Fund's liabilities increased slightly over the quarter by c.£50m to a total of c.£2.85bn.

The Fund's assets (including cash) increased marginally over the quarter by £41m to £4,821m as at 30 September 2024 and have also increased by £537m over the last twelve months.

The estimated funding level at 30 September 2024 slightly decreased to c.169%, from c.171% as at 30 June 2024.

The funding level at 31 March 2022 (the date of the previous actuarial valuation) was 125%.

Asset Allocation

Over the quarter, a number of asset transitions were undertaken in order to move towards the Fund's target strategic asset allocation.

The most significant movements comprised the planned redemption of M&G Secured Loans, totaling c. £81m, a £15m investment in UBS index-linked gilts and the purchase of units in the JPM infrastructure fund totaling c.£23.9m (completed on 1st October).

Overweight		Underweight	
Equities	+4.3%	Fixed Income	-1.9%
		Alternatives	-2.4%

Performance

Short Term Performance

The Fund underperformed the benchmark over the quarter (returning 0.8% vs 2.1%).

Key Contributors to Relative Performance – Quarter

Underperformance in Private Equity	-0.8%
Underperformance by JO Hambro - Global Equity	-0.2%

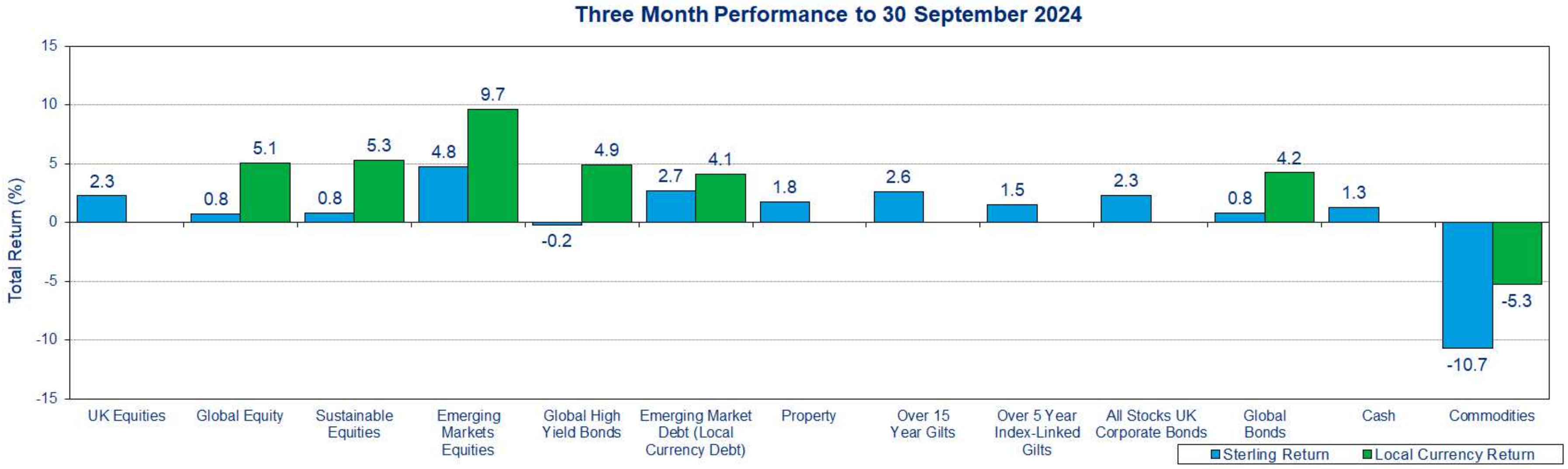
Longer Term Performance

	Fund	B'mark
Quarter (%)	0.8	2.1
1 Year (%)	12.1	15.7
3 Years (% p.a.)	4.4	6.0

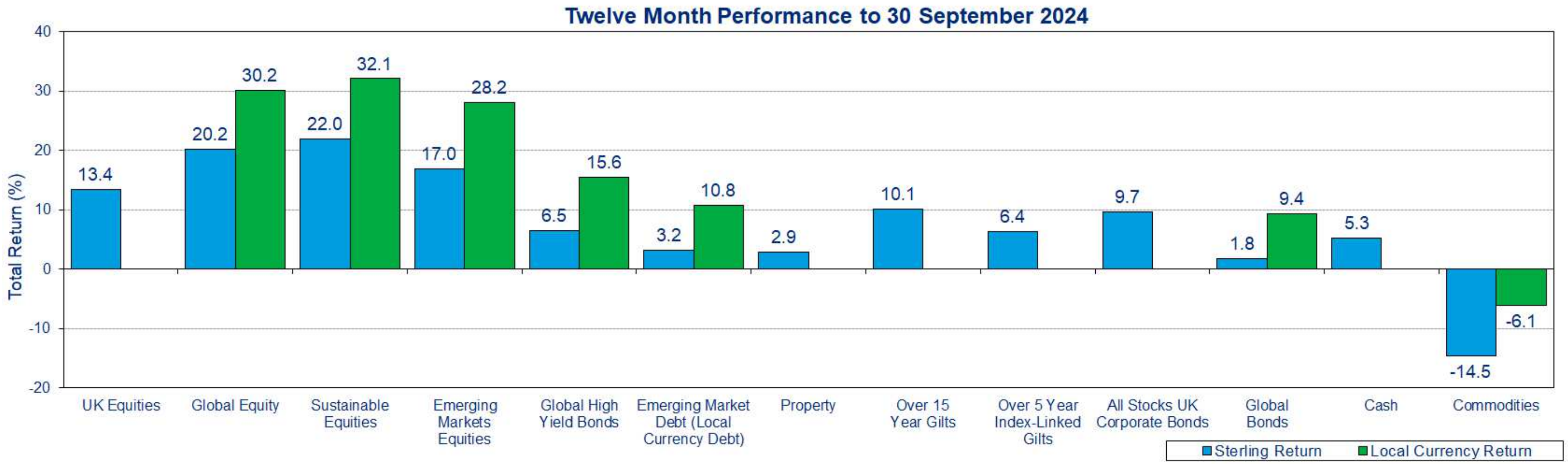
Manager Research

Redacted

Market Index Performance

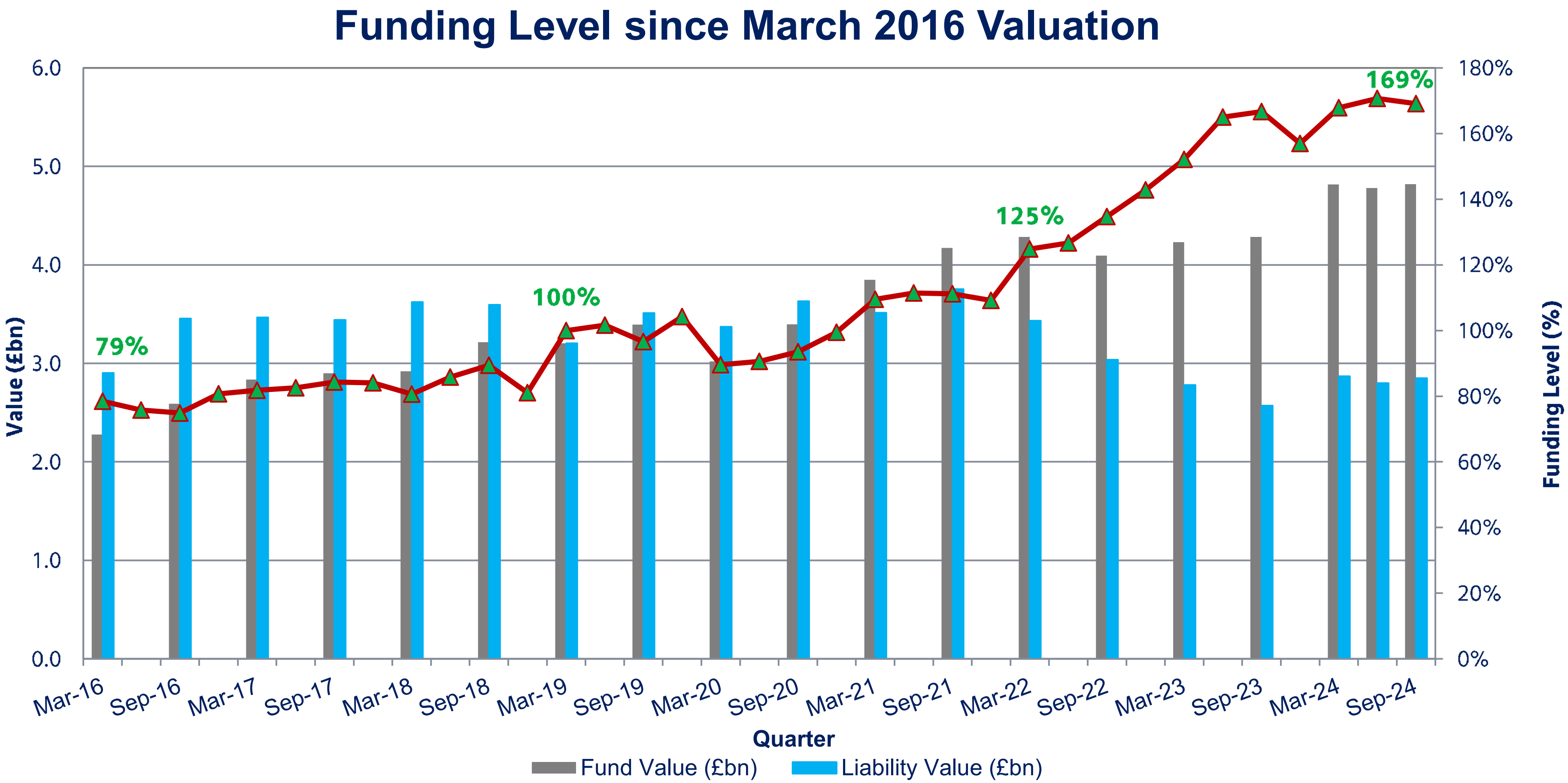


Source: LSEG Datastream.



Source: LSEG Datastream.

Funding



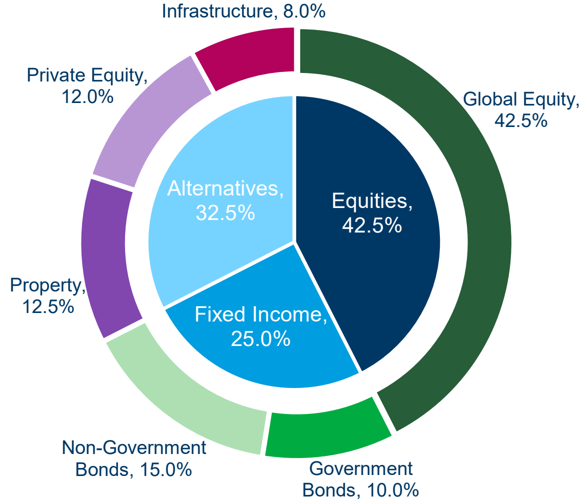
Source: Hymans Robertson & WM Performance Reports. Figures don’t reconcile with the Hymans Robertson Funding report due to differences in the total asset value.
The Funding Level is a ratio of assets to liabilities.

Allocation

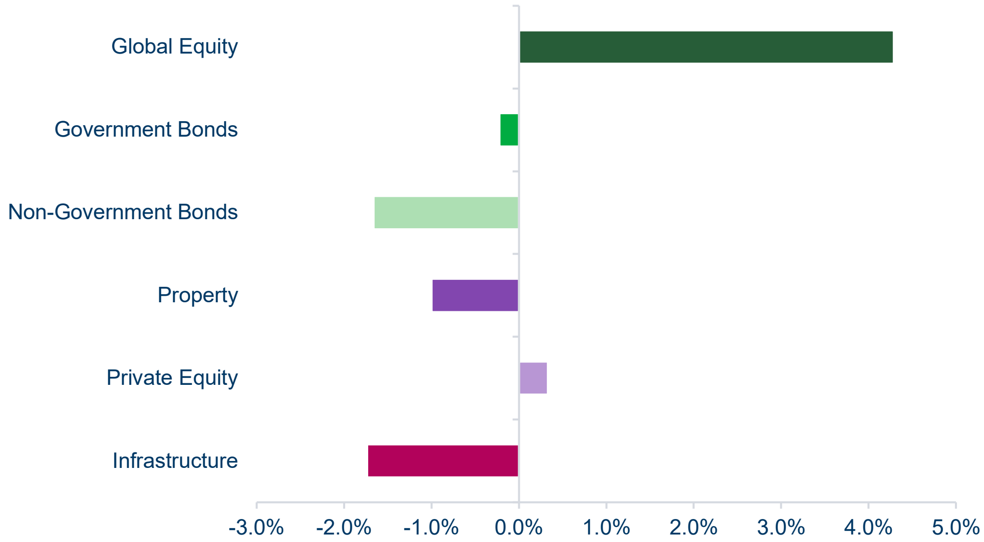
	30/06/2024 Market Value (£M)	30/09/2024 Market Value (£M)	30/06/2024 Allocation (%)	30/09/2024 Allocation (%)	30/09/2024 B'mark (%)
Total Invested Assets	**4,735.5**	**4,726.4**	**100.0**	**100.0**	**100.0**
Equities	2,170.6	2,211.4	45.8	46.8	42.5
Fixed Income	1,058.2	1,092.4	22.3	23.1	25.0
Alternatives	1,506.7	1,422.6	31.8	30.1	32.5

Source: Investment Managers, Link Asset Services and Mercer.
Figures may not sum to total due to rounding.
The total market value shown in the table above excludes cash (c. £44.2m at the start of quarter and c. £94.6m at the end of quarter).
Benchmark allocation reflects the Fund's agreed investment strategy. However, some deviation is expected in the short-term as the Fund transitions towards this. As such, for total benchmark performance measurements purposes, the benchmark allocation is equal to the actual fund allocation, from 31 March 2023.
End of quarter JPM Valuation includes £23.9m ($32.1m) purchase that settled on October 1st.

Benchmark Asset Allocation as at 30 September 2024



Deviation from Benchmark Asset Allocation



Benchmark allocation is shown for representative purposes. For performance measurement purposes, from 31 March 2023 given the transitions, we have assumed that the benchmark allocation is equal to the actual fund allocation.

Manager Allocation (1/3)

	30/06/2024 Market Value (£M)	30/09/2024 Market Value (£M)	30/06/2024 Allocation (%)	30/09/2024 Allocation (%)	30/09/2024 B'mark (%)
Total	**4,735.5**	**4,726.4**	**100.0**	**100.0**	**100.0**
Equities	**2,170.6**	**2,211.4**	**45.8**	**46.8**	**42.5**
Active Global Equity	**1,102.5**	**1,107.4**	**23.3**	**23.4**	**22.5**
JO Hambro - Global Equity	371.7	365.0	7.8	7.7	7.5
Dodge & Cox - Global Equity	384.8	391.1	8.1	8.3	7.5
Longview - Global Equity	346.0	351.3	7.3	7.4	7.5
Passive Equity	**1,068.1**	**1,104.0**	**22.6**	**23.4**	**20.0**
UBS - Climate Aware Rules Based	738.9	772.0	15.6	16.3	14.0
Osmosis - Core Equity	329.1	332.0	7.0	7.0	6.0
Fixed Income	**1,058.2**	**1,092.4**	**22.3**	**23.1**	**25.0**
Government Bonds	**443.9**	**462.1**	**9.4**	**9.8**	**10.0**
UBS - Gilts	443.9	462.1	9.4	9.8	10.0
Non-Government Bonds	**614.3**	**630.3**	**13.0**	**13.3**	**15.0**
Bluebay - Multi-Asset Credit	310.1	321.0	6.5	6.8	7.5
M&G - Multi-Asset Credit	304.2	309.3	6.4	6.5	7.5

Source: Investment Managers, Link Asset Services and Mercer.
Figures may not sum to total due to rounding.
The total market value shown in the table above excludes cash (c. £44.2m at the start of quarter and c. £94.6m at the end of quarter).
The Private Equity and Infrastructure mandates (excluding IFM) end of quarter valuations are provisional.
JPM Infrastructure Equity: end of quarter Valuation includes c.£23.9m ($32.1m) which was in transit by the end of the quarter and settled on October 1st.
Benchmark allocation reflects the Fund's agreed investment strategy. However, some deviation is expected in the short-term as the Fund transitions towards this. As such, for total benchmark performance measurements purposes, the benchmark allocation is equal to the actual fund allocation, from 31 March 2023.

Manager Allocation (2/3)

	30/06/2024 Market Value (£M)	30/09/2024 Market Value (£M)	30/06/2024 Allocation (%)	30/09/2024 Allocation (%)	30/09/2024 B'mark (%)
Alternatives	**1,506.7**	**1,422.6**	**31.8**	**30.1**	**32.5**
Secured Loans	**76.2**	**--**	**1.6**	**--**	**--**
M&G - Secured Loans	76.2	--	1.6	--	--
Property	**542.6**	**543.6**	**11.5**	**11.5**	**12.5**
Schroders - Property	283.4	284.8	6.0	6.0	6.5
Aviva - Long Lease Property	150.8	149.6	3.2	3.2	3.0
M&G - Residential Property	56.7	57.4	1.2	1.2	1.5
M&G - Shared Ownership	51.8	51.8	1.1	1.1	1.5
Private Equity	**607.2**	**582.8**	**12.8**	**12.3**	**12.0**
Adams Street - Private Equity	218.9	208.0	4.6	4.4	--
HarbourVest - Private Equity	226.1	211.5	4.8	4.5	--
Foresight - Private Equity	62.5	63.5	1.3	1.3	--
Cambridgeshire and Counties Bank	84.8	84.8	1.8	1.8	--
Cambridgeshire Building Society	15.0	15.0	0.3	0.3	--

Source: Investment Managers, Link Asset Services and Mercer.
Figures may not sum to total due to rounding.
The total market value shown in the table above excludes cash (c. £44.2m at the start of quarter and c. £94.6m at the end of quarter).
The Private Equity and Infrastructure mandates (excluding IFM) end of quarter valuations are provisional.
JPM Infrastructure Equity: end of quarter Valuation includes c.£23.9m ($32.1m) which was in transit by the end of the quarter and settled on October 1st.
Benchmark allocation reflects the Fund's agreed investment strategy. However, some deviation is expected in the short-term as the Fund transitions towards this. As such, for total benchmark performance measurements purposes, the benchmark allocation is equal to the actual fund allocation, from 31 March 2023.

Manager Allocation (3/3)

	30/06/2024 Market Value (£M)	30/09/2024 Market Value (£M)	30/06/2024 Allocation (%)	30/09/2024 Allocation (%)	30/09/2024 B'mark (%)
Infrastructure	**280.7**	**296.2**	**5.9**	**6.3**	**8.0**
UBS - Infrastructure	6.3	5.7	0.1	0.1	--
Equitix - Infrastructure	30.6	30.0	0.6	0.6	--
Partners Group - Infrastructure	35.3	32.8	0.7	0.7	--
AMP Capital - Infrastructure Debt	26.3	25.3	0.6	0.5	--
Allianz - Infrastructure Debt	13.8	13.6	0.3	0.3	--
IFM - Infrastructure Equity	91.5	93.2	1.9	2.0	--
JPM - Infrastructure Equity	76.9	95.5	1.6	2.0	--

Source: Investment Managers, Link Asset Services and Mercer.
Figures may not sum to total due to rounding.
The total market value shown in the table above excludes cash (c. £44.2m at the start of quarter and c. £94.6m at the end of quarter).
The Private Equity and Infrastructure mandates (excluding IFM) end of quarter valuations are provisional.
JPM Infrastructure Equity: end of quarter Valuation includes c.£23.9m ($32.1m) purchase that settled on October 1st.
Benchmark allocation reflects the Fund's agreed investment strategy. However, some deviation is expected in the short-term as the Fund transitions towards this. As such, for total benchmark performance measurements purposes, the benchmark allocation is equal to the actual fund allocation, from 31 March 2023.

Manager Performance (1/2)

Fund and benchmark returns (%)	3 Mth	B'mark	1 Yr	B'mark	3 Yrs (p.a.)	B'mark (p.a.)	5 Yrs (p.a.)	B'mark (p.a.)
Total	**0.8**	**2.1**	**12.1**	**15.7**	**4.4**	**6.0**	**6.7**	**8.0**
Equities (inc. Equity Options)	**1.9**	**1.9**	**21.1**	**23.4**	**7.6**	**9.2**	**9.3**	**10.9**
Equities (ex. Equity Options)	**1.9**	**1.9**	**21.1**	**23.4**	**8.0**	**9.2**	**10.1**	**10.9**
JO Hambro - Global Equity	-1.8	0.5	19.8	19.8	-0.1	8.3	7.5	10.3
Dodge & Cox - Global Equity	1.6	3.3	10.9	16.2	9.7	9.5	10.4	8.0
Longview - Global Equity	1.5	0.5	16.0	19.8	9.3	8.3	--	--
UBS - Climate Aware Rules Based	4.5	4.6	30.1	30.4	--	--	--	--
Osmosis - Core Equity	0.8	0.9	21.4	21.5	--	--	--	--
Fixed Income	**2.2**	**2.6**	**9.3**	**9.8**	**-2.7**	**-2.6**	**-0.9**	**-0.9**
UBS - Gilts	1.6	1.5	6.4	6.4	--	--	--	--
Bluebay - Multi-Asset Credit	3.5	3.3	12.0	12.2	1.4	3.7	--	--
M&G - Multi-Asset Credit	1.7	3.3	11.3	12.2	5.7	3.7	--	--

Figures shown are net of fees and based on performance provided by the Investment Managers, Link Asset Services, WM, Mercer estimates and LSEG Datastream.
Total Equities, Total Fixed Income, Total Alternatives and Total Fund performance includes the performance of terminated mandates.
Total and Equities (inc. Equity Options) fund performance include the contribution of the equity protection strategy managed by Schroders during the period from 26 November 2019 to 5 June 2023.
The return for BlueBay MAC was estimated as the change in valuation, as the quarterly return was not available at the time of writing.
M&G Multi-Asset Credit performance figures are reported by Link Asset Group with one month lag.
M&G Shared Ownership last quarter performance is always assumed zero due the lag in final data.
Total Fund and Alternatives performances include quarterly performances for the private markets managers, calculated by Mercer using a Modified Dietz approach based on data provided by these managers. Over the long term, performances are chain linked using quarterly Total Fund performances. Performance shown is net of illiquid mandates' fees. Performance for the underlying private equity and infrastructure mandates is calculated by Mercer using an IRR approach and shown in the GBP currency with a quarter lag. Benchmark performance shown for the underlying private equity mandates is the rolling 3 year MSCI World Index return, averaged on a quarterly basis.
Dodge & Cox performance is monitored against the MSCI AC World Value Index, but the MSCI AC World (NDR) Index is used in total benchmark performance calculations.
For performance measurement purposes the benchmark allocation is equal to the actual fund allocation from 31 March 2023.

Manager Performance (2/2)

Fund and benchmark returns (%)	3 Mth	B'mark	1 Yr	B'mark	3 Yrs (p.a.)	B'mark (p.a.)	5 Yrs (p.a.)	B'mark (p.a.)
Alternatives	**-2.0**	**2.0**	**-0.1**	**7.7**	**2.8**	**5.7**	**5.7**	**7.4**
Schroder - Property	0.3	1.2	2.6	1.7	0.4	-0.4	2.1	1.7
Aviva – Long Lease Property	0.2	1.6	--	--	--	--	--	--
M&G - Residential Property	1.3	1.6	-1.0	3.6	1.5	2.0	1.4	3.2
M&G - Shared Ownership	0.0	1.6	3.9	3.6	2.6	2.0	--	--
Adams Street - Private Equity	0.0	2.6	2.0	10.6	4.2	10.6	14.1	12.5
HarbourVest - Private Equity	1.1	2.6	5.2	10.6	8.8	10.6	16.4	12.5
Foresight - Private Equity	1.4	2.6	10.4	10.6	16.9	10.6	--	--
UBS - Infrastructure	0.8	2.4	-12.0	10.0	-9.6	10.0	-10.8	10.0
Equitix - Infrastructure	1.7	2.4	1.6	10.0	3.6	10.0	1.6	10.0
Partners Group - Infrastructure	0.9	2.4	3.3	10.0	13.0	10.0	10.6	10.0
AMP Capital - Infrastructure Debt	0.7	2.4	5.8	10.0	6.9	10.0	4.7	10.0
Allianz - Infrastructure Debt	-1.1	1.0	9.3	4.0	-8.7	4.0	-4.1	4.0
IFM - Infrastructure Equity	-0.3	2.4	3.3	10.0	11.2	10.0	--	--
JPM - Infrastructure Equity	1.8	2.4	10.2	10.0	10.2	10.0	--	--

Figures shown are net of fees and based on performance provided by the Investment Managers, Link Asset Services, WM, Mercer estimates and LSEG Datastream.
Total Equities, Total Fixed Income, Total Alternatives and Total Fund performance includes the performance of terminated mandates.
Total and Equities (inc. Equity Options) fund performance include the contribution of the equity protection strategy managed by Schroders during the period from 26 November 2019 to 5 June 2023.
The return for BlueBay MAC was estimated as the change in valuation, as the quarterly return was not available at the time of writing.
M&G Multi-Asset Credit performance figures are reported by Link Asset Group with one month lag.
M&G Shared Ownership last quarter performance is always assumed zero due the lag in final data.
Total Fund and Alternatives performances include quarterly performances for the private markets managers, calculated by Mercer using a Modified Dietz approach based on data provided by these managers. Over the long term, performances are chain linked using quarterly Total Fund performances. Performance shown is net of illiquid mandates' fees. Performance for the underlying private equity and infrastructure mandates is calculated by Mercer using an IRR approach and shown in the GBP currency with a quarter lag. Benchmark performance shown for the underlying private equity mandates is the rolling 3 year MSCI World Index return, averaged on a quarterly basis.
Dodge & Cox performance is monitored against the MSCI AC World Value Index, but the MSCI AC World (NDR) Index is used in total benchmark performance calculations.
For performance measurement purposes the benchmark allocation is equal to the actual fund allocation from 31 March 2023.

Appendix

Appendix A

Benchmarks

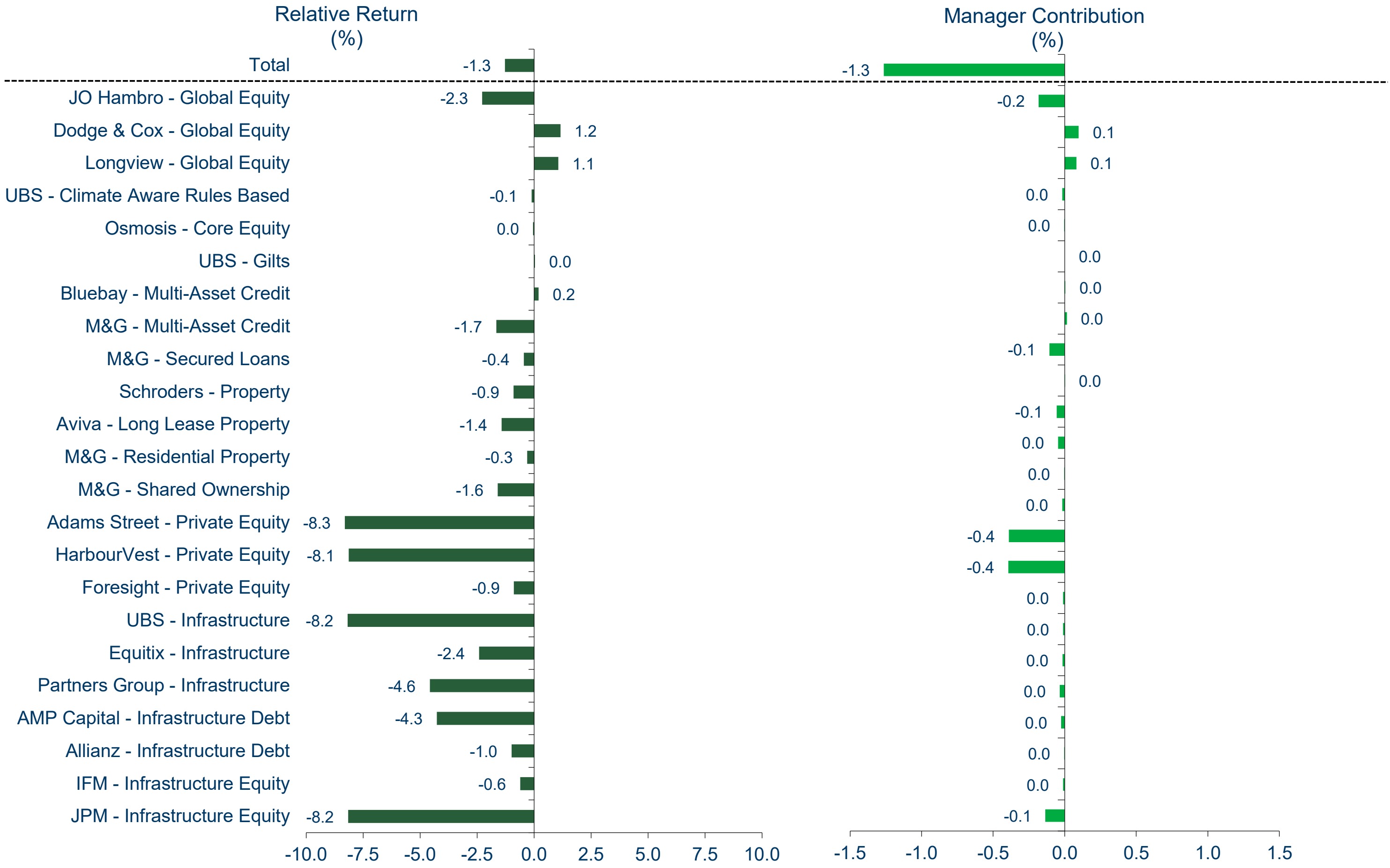
Name	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
Total Invested Assets	**100.0**	**--**	**--**	**--**
Equities (inc. Equity Options)	**42.5**	**--**	**--**	**--**
JO Hambro - Global Equity	7.5	MSCI AC World (NDR) Index	+3.00% p.a. (gross of fees)	5.00% - 12.00% p.a.
Dodge & Cox - Global Equity	7.5	MSCI AC World Value Index	+3.00% p.a. (gross of fees)	--
Longview - Global Equity	7.5	MSCI AC World (NDR) Index	+3.00% p.a. (gross of fees)	4.00% - 6.00% p.a.
UBS - Climate Aware Rules Based	14.0	FTSE Developed (GBP Hedged) Index	To match the benchmark	--
Osmosis - Core Equity	6.0	Solactive Osmosis Resource Efficient Core Equity Ex-Fossil Fuels Index NTR	To match the benchmark	--
Fixed Income	**25.0**	**--**	**--**	**--**
UBS - Gilts	5.0	FTSE A Over 5 Year Index-Linked Gilts Index	To match the benchmark	-0.10% - 0.10% p.a.
Bluebay - Multi-Asset Credit	7.5	Composite Benchmark	--	--
M&G - Multi-Asset Credit	7.5	Composite Benchmark	--	--
Alternatives	**32.5**	**--**	**--**	**--**
Schroders - Property	6.5	MSCI All Balanced Property Funds Index	+0.75% p.a. (net of fees)	--
Aviva - Long Lease Property	3.0	Composite Benchmark	--	--
M&G - Residential Property	1.5	Composite Benchmark	--	--
M&G - Shared Ownership	1.5	Composite Benchmark	--	--

Name	B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
Private Equity	**12.0**	**--**	**--**	**--**
Adams Street - Private Equity	--	MSCI World Index	+3.00% p.a. (gross of fees)	--
HarbourVest - Private Equity	--	MSCI World Index	+3.00% p.a. (gross of fees)	--
Foresight - Private Equity	--	MSCI World Index	+3.00% p.a. (gross of fees)	--
Infrastructure	**8.0**	**--**	**--**	**--**
UBS - Infrastructure	--	IRR of 10.0% p.a.	--	--
Equitix - Infrastructure	--	IRR of 10.0% p.a.	--	--
Partners Group - Infrastructure	--	IRR of 10.0% p.a.	--	--
AMP Capital - Infrastructure Debt	--	IRR of 10.0% p.a.	--	--
Allianz - Infrastructure Debt	--	IRR of 4.0% p.a.	--	--
IFM - Infrastructure Equity	--	IRR of 10.0% p.a.	--	--
JPM - Infrastructure Equity	--	IRR of 10.0% p.a.	--	--

Dodge & Cox performance is monitored against the MSCI AC World Value Index, but the MSCI AC World (NDR) Index is used in total benchmark performance calculations.
BlueBay - Multi-Asset Credit, M&G - Multi-Asset Credit: composite benchmark is 50% ICE BofAML Global High Yield Constrained and 50% Morningstar LSTA US Leveraged Loan 100 Hedged.
Aviva - Long Lease Property, M&G - Residential Property, M&G - Shared Ownership: composite benchmark is 66.7% MSCI UK Monthly Property Index and 33.3% Absolute Return of 5.0% p.a.
The benchmark allocation is shown for representative purposes, due to the client being in transition. As such, for total benchmark performance measurements purposes, the benchmark allocation is equal to the actual fund allocation, from 31 March 2023.

Appendix B

Detailed Attribution Analysis – Quarter



Please note that the relative return and relative weight charts use unrounded performance and allocation figures to calculate the relative difference, hence the numbers are not directly comparable to the implied relative difference given in the performance and allocation tables.
All Global Equity Funds use MSCI AC World index as the underlying benchmark. Total Fund performance figures exclude the Cambridgeshire and Counties Bank and Cambridgeshire Building Society private equity mandates so relative weights will not tie up with the allocation tables. Figures shown for the private equity and infrastructure mandates are estimated in GBP to the quarter end date. For performance measurement purposes the benchmark allocation is equal to the actual fund allocation from 31 March 2023.
The return BlueBay MAC was estimated as the change in valuation, as the quarterly return was not available at the time of writing.

Explanation of Attribution Analysis Chart

The purpose of the attribution analysis chart is to give a visual representation of the contribution of each portfolio to the relative performance of the Total Scheme against the Total Benchmark”. The contribution is apportioned between “Manager Contribution” and “Allocation Contribution. Further explanation of the terms used in the chart is given below. Contributions are calculated on a monthly basis; longer term (including quarterly) contributions are the sum of the monthly contributions.

Relative Weight - This is the difference in percentage terms of the actual Scheme allocation and benchmark allocation at both the start and end of the period. A bar greater (less) than zero indicates that the Scheme was overweight (underweight) to that portfolio.

Relative Performance - This shows the relative performance of the portfolio against its benchmark performance. A bar greater than zero indicates there was outperformance, whereas a bar less than zero indicates underperformance.

Manager Contribution - This shows the contribution at a total level of the relative performance achieved by the portfolio, taking into account the initial actual allocation. A larger allocation will lead to a greater contribution at a total level (all other things being equal).

Positive (negative) relative performance will result in positive (negative) manager contribution. Note that for passive mandates manager contributions should be close to zero, given its performance objective of tracking the benchmark. In calculation terms this is as follows:

$$\boldsymbol{Manager\ Contribution} = \left(Performance_{pi} - Performance_{bi}\right) \times Initial\ Actual\ Allocation_{pi}$$

Allocation Contribution - The allocation contribution shows whether a portfolio underweight / overweight position has had a positive or negative effect on the Total Scheme outperformance / underperformance in relation to the Total Scheme Benchmark.

For example, an overweight allocation to a portfolio whose benchmark performance was superior to that of the Total Scheme Benchmark would result in a positive contribution. In calculation terms this is as follows:

$$\boldsymbol{Allocation\ Contribution} = \left(Performance_{bi} - Performance_{bT}\right) \times \left(Actual\ Allocation_{pi} - Benchmark\ Allocation_{bi}\right)$$

Please note that the relative return and relative weight figures shown in the chart use unrounded performance and allocation figures to calculate the relative differences. Therefore, the numbers are not directly comparable to the implied relative differences given in the performance table and allocation tables.

Key: pi = portfolio I; bi = portfolio I benchmark; bT = Total Fund benchmark

Appendix C

Investment Performance

Investment Performance to 30 September 2024

Fund and benchmark returns (%)	Q4 2023	Q1 2024	Q2 2024	Q3 2024	1 Yr	3 Yrs (p.a.)
Total	**4.7**	**5.3**	**0.8**	**0.8**	**12.1**	**4.4**
Total Benchmark	5.7	5.3	1.9	2.1	15.7	6.0

Figures shown net of fess and are based on performance provided by the Investment Managers, Link Asset Services, WM, Mercer estimates and LSEG Datastream. Includes the performance of terminated mandates.
Total Fund performances include quarterly performances for the private market managers, calculated by Mercer using a Modified Dietz approach based on data provided by these managers. Over the long term, performances are chain linked using quarterly Total Fund performances. Performance for these managers is net of illiquid mandates' fees, in GBP, and last quarter returns are provisional.
Total Fund performance figures include the Cambridgeshire and Counties Bank and Cambridgeshire Building Society private equity mandates to 30 June 2021, and exclude these mandates thereafter.
Total performance figures include the contribution of the equity protection strategy managed by Schroders.
For performance measurement purposes the benchmark allocation is equal to the actual fund allocation from 31 March 2023.

10 Year Performance to 30 September 2024

Fund and benchmark returns (%)	10 Yrs (p.a.)	B'mark (p.a.)
Total	**7.9**	**9.0**
Schroders - Property	4.5	4.5
Adams Street - Private Equity	16.8	13.1
HarbourVest - Private Equity	18.1	13.1
UBS - Infrastructure	-1.3	10.0
Equitix - Infrastructure	8.6	10.0
Partners Group - Infrastructure	13.1	10.0

Figures shown net of fess and are based on performance provided by the Investment Managers, Link Asset Services, WM, Mercer estimates and LSEG Datastream. Includes the performance of terminated mandates.
Total Fund performances include quarterly performances for the private market managers, calculated by Mercer using a Modified Dietz approach based on data provided by these managers. Over the long term, performances are chain linked using quarterly Total Fund performances. Performance for these managers is net of illiquid mandates' fees, in GBP, and last quarter returns are provisional.
Total Fund performance figures include the Cambridgeshire and Counties Bank and Cambridgeshire Building Society private equity mandates to 30 June 2021, and exclude these mandates thereafter.
Total performance figures include the contribution of the equity protection strategy managed by Schroders.
Private Equity and Infrastructure figures are shown with a quarter lag.

welcome to brighter

Mercer Limited
1 Tower Place West
London
EC3R5BU
www.mercer.com