Cambridgeshire Pension Fund - UK Stewardship Report for the year ending 31 March 2023.

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West Northamptonshire Council

Cambridgeshire County Council

Administered in partnership

Contents

Introduction

As Administering Authority to the Cambridgeshire Pension Fund ("the Fund"), Cambridgeshire County Council understands the importance of providing insight into our stewardship practices and investment strategy for the year ending 31st March 2023. This report aims to highlight our commitment to managing risk, generating investment returns, prioritising social and environmental responsibilities, and maintaining strong corporate governance practices.

The Fund recognises the benefits of a diversified investment portfolio and strives to ensure that its investments encompass a wide range of assets, carefully selected to mitigate risk and align with its agreed investment strategy and objectives.

This report aims to show how the Fund encourages its investment managers to engage with companies, exercise voting rights, and advocate for sustainable practices, promoting stewardship that seeks to align investments with members' interests and contribute to positive societal and environmental outcomes.

The report will also show how further engagement is undertaken through ACCESS, the Funds investment pool which engages with investment managers and reports back to all member authorities. ACCESS encourages investment managers to engage with companies to adopt best practice with environmental, social and governance issues at the forefront.

In terms of investing with a sense of responsibility towards society, as a starting point the Fund has set ambitious targets to reduce the carbon footprint of its equity investments. The Fund aims to achieve a 23% reduction in carbon footprint from a 2021 baseline by 2024, and a 57% reduction in carbon footprint by 2030, ultimately reaching net-zero emissions by 2050 or earlier. These targets, emphasise a commitment to combatting climate change and supporting a sustainable future. The Fund's Climate Action Plan sets out plans to decarbonise other asset classes.

The Fund also has a materially significant local investment portfolio, including a regional private equity fund providing a pool of patient capital for small and medium-sized entities in and around Cambridgeshire.

Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for members leading to sustainable benefits for the economy, the environment and society.

1.1 The Fund is part of the Local Government Pension Scheme ("LGPS") and is adminstered by Cambrideshire County Council ("the Administering Authority" and "CCC") in partnership with West Northamptonshire Council. The Fund aims to provide efficient and effective pension arrangements for all Fund stakeholders, including scheme members, beneficiaries, and scheme employers, administered in accordance with the requirements of LGPS and overriding legislation and guidance.

1.2 The Fund adopts a long-term perspective, focusing its investment strategy on the generation of sustainable returns on a risk adjusted basis. This helps its assets to grow while reflecting long-term future liabilities.

The following link will take you to the Cambridgeshire Pensiond Fund Key Documents which include the business plan outlining the Fund's strategic initiatives and key objectives. Key documents (CCC) - Cambridgeshire and Northamptonshire LGPS (westnorthants.gov.uk)

As at 31st March 2023, the date of the latest published Annual Report and Statement of Accounts, the Fund has £4.2bn of assets and over 97,000 scheme members, of which circa 28,000 are active members and circa 22,500 pensioner members. There were 198 active employers within the Fund.

1.3 The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement, and/or benefits on death before or after retirement for their dependants, on a defined benefits basis. Pensions and benefits will be met by contributions, asset returns and income.

The Pension Fund Committee ("PFC") endeavours to ensure that in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is paid by each scheme employer to meet the cost of future benefits accruing.

The Fund is subject to an actuarial review every three years, in preparation for which the Fund, in conjunction with the Fund's Actuary and taking investment advice, prepares a Funding Strategy Statement ("FSS") that sets out the strategy to ensure the long-term solvency of the Fund whilst recognising the need for a minimum (where possible and subject to a level of prudence) and, stable level of employer contributions.

1.4 The employer contribution rate is made up of two components:

1. A primary rate: which is the level sufficient to cover all new/future benefits. The primary rate is the estimated cost of future benefits, expressed in percentage of pay terms. The primary rate will include an allowance to cover the fund's expenses

2. A secondary rate: is an adjustment to the primary rate, generally to reflect the costs associated with sufficiently funding benefits accrued up to the valuation date. Used to repair deficits. This may be expressed as a percentage of pay and/or monetary amount.

The primary rate at a whole Fund level is the payroll weighted average of the underlying individual employer primary rates, and the second

ary rate is the total of the underlying individual employer secondary rates.

Other significant factors occurring which affect the funding strategy of the Fund have been better than expected investment returns. This has had a material positive impact on the funding position and employers' secondary contribution rates. Secondary rates generally decreased following the latest triennial valuation, 31 March 2022, due to strong investment performance since the previous, 2019, valuation.

The investment strategy adopted by the Fund reflects the FSS requirements to invest surplus contributions appropriately with the aim that the Fund's assets grow over time with investment income and capital growth.

1.5 The Fund has agreed the following investment beliefs:

1. The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments and recognises that the Fund is a long-term, open scheme that has an obligation to pay benefits that are linked to inflation. The Fund also takes into account the covenant associated with its employers in deciding how much risk is appropriate.
2. Asset allocation and specifically the headline amounts invested in equities, fixed income and alternatives, will drive risk and return levels.
3. Investing over the long-term provides opportunities to improve returns.

   Asset classes that return over a reasonably long duration are suitable for this Fund.

   The Fund has a policy of holding investment managers over the longer-term to reduce the impact of transitions and believes in the benefits of compounded returns.
4. Due to their potential to generate returns above the growth of liabilities over the long-term and their indirect link to inflation, the Fund predominately hold equities as it is believed that this will help to ensure that contribution rates remain affordable for employers.
5. Inflation linked UK Government bonds provide a high degree of liability matching and a direct link to inflation.

   Investments in government bonds are not held for return purposes but are held in order to mitigate the risk that contribution rates need to increase significantly should yields fall.
6. Non-Government bonds are expected to provide a return above government bonds and can provide some interest rate protection relative to the liabilities.
7. Alternative assets are expected to generate returns above liabilities over the long-term, which can be linked to inflation, as well as providing diversification benefits.

8. Diversification across asset classes can help to mitigate against adverse market conditions, and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.

9. The Fund favours active management, where there are opportunities for active managers to add value, increasing overall expected return net of fees.

10. Passive strategies provide low cost access to market returns.

11. Responsible Investment ("RI") including Environmental, Social and Governance ("ESG") are important factors for the Fund. This is particularly relevant in the context of the Paris Accord and the Fund's net zero ambitions, and is increasingly important for seeking sustainable long-term investment returns.

12. Value for money is defined as recognising net return over absolute cost.

The Fund's investment beliefs serve as guiding principles that shape responsible stewardship practices.

These beliefs are instrumental in aligning stewardship efforts with the long-term goals and values of the Fund. They facilitate the integration of ESG factors into investment decisions, risk management, and active ownership strategies. They also play a crucial role in the selection of asset managers and investment partners. The Fund seeks managers who share these beliefs, ensuring that the chosen partners are aligned with the Fund's commitment to responsible and sustainable investing.

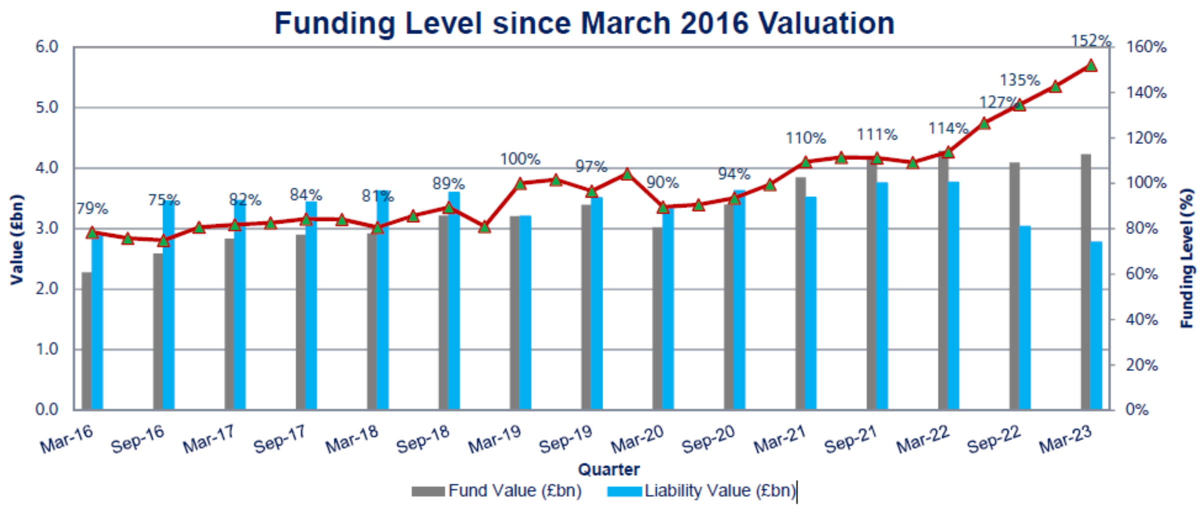
To support such tactical investment decisions, the Fund's retained investment consultant, Mercer, will provide an ESG rating for each investment manager, as well a main rating providing the prospect of outperformance.

Furthermore, the Fund's investment beliefs are not static; they evolve over time in response to changing market dynamics, regulatory requirements, and shifting societal expectations. Stewardship practices should remain adaptable and flexible, capable of accommodating adjustments to both beliefs and strategies.

The RI values the Fund adopts demonstrate a commitment to promoting sustainable and responsible business practices and aligns the Fund with the values and preferences of it's members (see Principle 6). By integrating ESG factors into its investment decision-making processes, the Fund can identify opportunities, manage risk, and promote positive social and environmental outcomes. The Fund feels this builds trust with stakeholders and contributes to a culture of responsible investing.

1.6 The Fund's current investment strategy, reviewed and updated in the 2022/23 financial year, involves increasing investments in Fixed Income while reducing investments in Listed Equities. Importantly, the Fund is currently in a surplus position, so a major goal is to reduce risk while preserving and still potentially increasing returns.

The below chart shows the funding level and the Fund's surplus position. For every £1 of liability (i.e. promised benefits payable to members), the Fund held £1.52 on 31st March 2023.



Outlined below is the high-level Strategic Asset Allocation ("SAA") that specifies acceptable ranges within each asset class, including a comparison to before the adjustments were made following the review of the investment strategy. The revised SAA was agreed by the PFC at its March 2023 meeting. This framework guides the Fund's investment decisions, ensuring alignment with its long-term goals and risk management principles.

Asset Class	Previous Target Allocation %	New Target Allocation %	Tolerances
Equities	55%	42.5%	+/-5%
Fixed Income	15%	25%	+/-5%
Alternatives	30%	32.5%	+/-5%
Total Target Allocation	100%	100%	

The tolerance ranges allow for short-term natural deviation from the target allocation due to the varying relative performance of each investment type. Exceeded tolerances will be reported in a quarterly performance report to the Investment Sub-Committee ("ISC"). Asset class allocations will be rebalanced periodically back to the target allocation.

The expected return of the Fund assuming the SAA is maintained is estimated at 4.9% per annum.

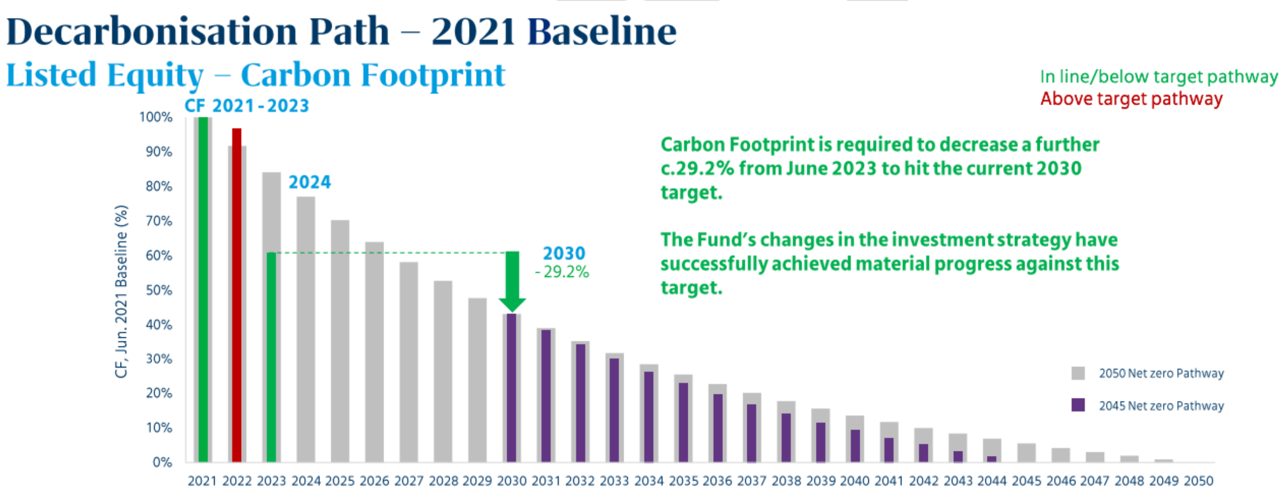
At the February 2022 ISC meeting, the Sub-Committee approved the Fund's Climate Action Plan which sets out key milestones, actions, and dates to decarbonise the Fund's portfolio, starting with the Equities asset class. 20% of the Fund's equity investment is in passive funds, therefore the Fund's passive portfolio was considered a priority area to investigate opportunities for carbon reduction.

In May 2022, the ISC were provided with a deep dive review of climate aware passive equity options which included background and education on climate aware passive investing, and high-level options that the Fund could implement. The Fund's adviser research identified seven Fund options from five Investment Managers for consideration.

In September 2022, presentations from four Investment Managers covering six of the identified options were held with ISC members and the Fund's advisors to gain a better understanding of the options available.

A decision was made at the February 2023 ISC meeting to restructure the Fund's passively managed equities to a 70% allocation in a climate aware fund and a 30% allocation in a resource efficient (carbon, water, waste) fossil-free fund. The transition was completed in three tranches by June 2023. This was a big step towards meeting the Fund's first decarbonisation target with its Climate Action Plan.

The Fund's decarbonisation pathway for its equity portfolio and current progress is set out in the diagram below:



Principle 2

Signatories' governance, resources and incentives support stewardship.

2.1 CCC has a Constitution which sets out how the Council operates, how decisions are made and what procedures are in place to ensure efficiency, transparency and accountability. Some processes are required by law, while others are a matter for the Council to decide.

Relevant sections of the CCC Constitution are referenced below. There are seven parts to the Constitution;

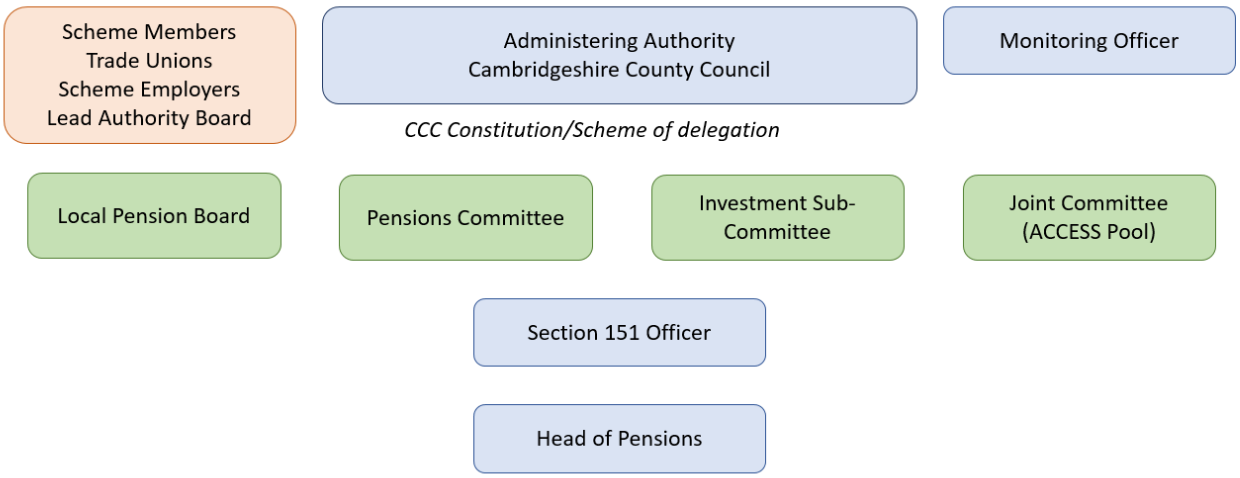
1. Summary and Explanation
2. Articles of the Constitution
3. Responsbility for Functions (subdivided into five parts, A to E)
4. Rules of Procedure
5. Codes and Protocols
6. Members' Allowances Scheme
7. Management Structure.

Further details can be found at the following webpage:

Council and committee meetings - Cambridgeshire County Council > Documents > Public Documents (cmis.uk.com)

Through the Constitution, CCC has delegated various functions in connection with the management, administration, and governance of the Fund to the PFC, ISC, Local Pension Board ("LPB"), ACCESS Joint

Committee ("AJC") and senior Fund officers. The below diagram illustrates the structure of Fund governance.



The below paragraphs detail the functions delegated to each of the goverannce bodies:

Pension Fund Committee

The PFC is a Section 101 Committee under the Local Government Act 1972.

The PFC is composed of eleven members, with a minimum quorum requirement of five members for a meeting to be considered valid. The PFC convenes a minimum of five times per council year, usually in March, June, July, October, and December. The PFC's composition includes six representatives from the administering authority (CCC), two representatives from all other local authorities, police, and fire services, one representative from the employers in the scheme, one active scheme member, and one deferred or pensioner member . A full membership list can be found here: Pension Fund Committee (CCC) - Cambridgeshire and Northamptonshire LGPS (westnorthants.gov.uk)

The PFC has the power to set the Fund's objectives and determine and maintain appropriate strategies, policies and procedures with ongoing monitoring in the following areas:

Funding Strategy	Ongoing monitoring and management of the liabilities including ensuring appropriate funding plans are in place for all employers in the Fund.
Triennial Valuation	Overseeing the triennial valuation and interim valuations and working with the actuary in determining the appropriate level of employer contributions for each employer.
Investment Strategy	To determine the Fund's investment objectives and to set and review the long term high level investment strategy to ensure these are aligned with

	the Fund's specific liability profile and risk appetite and to oversee the delivery of the investment strategy by the AJC.
Administration Strategy	The administration of the Fund including collecting payments due, calculating and paying benefits, gathering from and providing information to scheme members and employers.
Communications Strategy	Determining the methods of communications with the various stakeholders including scheme members and employers.
Discrections	Determining how the various administering authority discretions are operated for the Fund.
Governance	The key governance arrangements for the Fund, including representation.
Risk Management Strategy	To include regular monitoring of the Fund's key risks and agreeing how they are managed and/or mitigated.

In addition to the above areas, the PFC also has authority to:

- approve and apply the policy on, and to take decisions relating to, employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
- agree the terms and payment of bulk transfers into and out of the Fund in consultation with the Section 151 Officer.
- consider and agree business plans at least annually and monitor progress against them and to monitor compliance with the Myners Principles on an annual basis.
- develop and maintain a training policy for all PFC, ISC and LPB members and for all officers of the Fund, including:
    - determining the Fund's knowledge and skills framework;
    - identifying training requirements;
    - developing training plans; and
    - monitoring attendance at training events.
- select, appoint, monitor and where necessary terminate advisers to the Fund not solely relating to investment matters.
- agree the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.

- consider and determine where necessary, alternative investment strategies for participating employers.
- oversee the work of the ISC and consider any matters put to them by the ISC.
- set up sub-committees and task and finish groups including jointly with other LGPS Administering Authorities.
- review and amend strategic investment policies on an appropriate regular basis, in consultation with the Section 151 Officer.
- manage any other strategic or key matters pertaining to the Fund not specifically listed above.
- produce an annual report for consideration by the Council.

In relation to pooled asset arrangements under the AJC:

- Determining the requirements of the Administering Authority in relation to the provision of services by ACCESS to enable it to execute its investment strategy effectively.
- Receiving and considering reports from the AJC in order to ensure that the Fund's investor rights and views are represented appropriately.

Ensuring arrangements are in place to identify and manage the risks and costs associated with investment pooling.

Investment Sub-Committee

The ISC is a sub-committee of the main PFC, and its seven members are pulled from the wider membership of the PFC. The ISC meets quarterly. The ISC has seven representatives. A full membership list can be found here: Investment Sub Committee (CCC) - Cambridgeshire and Northamptonshire LGPS (westnorthants.gov.uk)

The ISC has the authority to implement the Fund's investment strategy including setting benchmarks and targets for the investment pool operator and reviewing performance against those benchmarks.

The ISC additionally has a diverse set of authorities to support the effective management of the Fund:

- Authority to review and maintain the asset allocation of the Fund within parameters agreed with the PFC.
- Power to appoint and terminate investment managers to the Fund and to monitor the performance of investment managers leading to review and decisions on termination where necessary and where this is not undertaken by the AJC.
- The ISC is entrusted with the responsibility to appoint, monitor, and, if necessary, terminate external advisors and service providers focused on investment matters, for example, the Fund Custodian,

Independent Investment Advisers, Investment Consultants and Investment Managers where this is not undertaken by the AJC.

- Authority to establish benchmarks and targets for the Fund's investment managers, along with the responsibility to monitor the inherent risks in the Fund's investment strategy concerning its funding level.
- Authority to monitor and review:
    - Legislative, financial and economic changes relating to investments and their potential impact on the Fund;
    - The investment management fees paid by the Fund and to implement any actions deemed necessary;
    - The transactions costs incurred by the Fund across its investment mandates and raise relevant issues and concerns with the investment providers as necessary;
    - The investment provider's adoption of socially responsible investment considerations, on an annual basis, including corporate governance matters and a review of compliance with the UK Stewardship Code.
- Authority to receive reports from investment providers.
- Authority to undertake any task as delegated by the PFC.

The Local Pension Board

The LPB plays a crucial role in overseeing and scrutinising the Fund's activities. The LPB was established on 1 April 2015, providing an additional layer of governance for the Fund.

The LPB comprises six members, with a minimum quorum of three members required for a meeting, provided that both the employer and member sides are represented. The LPB is scheduled to convene a minimum of four times per council year, usually in January, April, June, and November. The composition of the LPB includes three representatives from scheme employers (two councilor representatives determined by CCC and one representative from any other scheme employer), along with three scheme member representatives. A full membership list can be found here: Local Pension Board (CCC) - Cambridgeshire and Northamptonshire LGPS (westnorthants.gov.uk)

The LPB is non decision making but has the responsibility of assisting the Administering Authority to:

- Secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- Ensure the effective and efficient governance and administration of the Fund.

2.2 Chief Finance Officer (Section 151 Officer)

The Section 151 Officer has a wide-ranging set of delegated responsibilities, including with regards to the management and administration of the Fund. These include:

- Ensuring Lawfulness and Financial Prudence of Decision Making. After consulting with the Head of Paid Service and the Monitoring Officer, the Section 151 Officer will report to the Council or its committees and to the Council's external auditor if they consider that any proposal, decision or course of action will involve incurring unlawful expenditure or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully.
- Administration of Financial Affairs. The Section 151 Officer shall have responsibility for the administration of the financial affairs of the Council.
- Contributing to Corporate Management. The Section 151 Officer will contribute to the corporate management of the Council, in particular through the provision of professional financial advice.
- Providing Advice. In consultation with the Monitoring Officer, the Section 151 Officer will provide advice on the scope of powers and authority to take decisions regarding financial matters, financial maladministration, financial impropriety, probity and Budget and Policy Framework issues to all councillors and will support and advise councillors and officers in their respective roles.

  Give Financial Information. The Section 151 Officer will provide financial information to the media, members of the public and the community.

Head of Pensions

The Head of Pensions assumes a pivotal role in coordinating and executing fund-related functions and is supported by the following teams:

- Operations
- Employers & Communications
- Systems & Projects
- Investments & Accounting
- Governance & Regulations

This hierarchical structure ensures a clear and accountable chain of command within the Fund's stewardship, governance, and operational framework.

Specific responsibilities may be delegated by the PFC to the Head of Pensions or other senior Fund Officers, for example through the Fund's Administering Authority Discretions.

The Key Officers of the Fund during the year were:

Mark Whitby – Head of Pensions (29 years of experience)
Ben Barlow – Investments and Fund Accounting Manager (15 years of experience)
Joanne Kent – Systems and Projects Manager (25 years of experience)

Akhtar Pepper – Operations Manager (13 years of experience)
Cory Blose – Employer Services and Communications Manager (14 years of experience)
Michelle Oakensen – Governance and Regulations Manager (19 years of experience)

2.3 ACCESS Joint Committee

The AJC is a Section 102 Joint Committee under the Local Government Act 1972. Its membership consists of a representive of each of the partner authorities in ACCESS, generally the Chair (or alternative locally agreed representative) of each Section 101 Committee (or equivalent). The AJC meets quarterly.

The AJC exercises functions delegated by the Council including:

- The procurement, appointment and management of the operator for assets pooled under the joint arrangement;
- The appointment of professional advisors as required for the effective management of asset pools pooled under the joint arrangement;
- Functions related to the management of pooled assets;
- Functions concerning pool aligned assets; and
- Functions relating to the development of the annual business plan and budget relating to the management of assets pooled under the joint arrangement.

In addition to the above functions as stipulated in the Constitution, the AJC also has:

- Authority to decide, in consultation with the PFC, the specification of services and functions that the operator will be required to deliver, including the sub-funds and classes of investments required to enable the Council to execute its investment strategy.
- Authority to agree the method and process for the procurement and selection of an operator.
- Responsibility for reviewing the performance of the operator and making arrangements to ensure that the Committee is provided with regular and sufficient reports from the Officer Working Group ("OWG") to enable it to do so including but not limited to:
    - The performance of the operator against its contractual requirements and any other performance measures such as any Service Level Agreements (SLA) and key performance indicators (KPIs) and OWG recommendations on any remedial action
    - Sub-fund investment performance
    - Investment and operational costs
    - Performance against the strategic business plan agreed by Councils
- Responsibility for making decisions on the termination or extension of the operator contract.
- Authority to determine any other action to be taken to manage the operator contract including the giving of any instruction or the making of any recommendation to the operator including, but not

restricted to, recommendations on investment managers (within any regulatory constraints that may apply).

- Authority to appoint such professional advisors on such terms as the committee sees fit. Any procurement of advisors must comply with the Constitution of the Host Authority.
- Functions in relation to management of Pool Assets, including making recommendations to the Council on the strategic plan for the transition of assets that are to be pooled.
- Functions in relation to pool aligned assets, including reporting to the Council's about pool aligned assets (including proposals concerning the migration of investments –such as passive investments via life fund policies – to become Pool Aligned Assets).
- Authority and duties related to business planning and budgeting of joint arrangements, including:
  - Reporting to the Council (through the PFC) about the annual strategic business plan for the Pool;
  - Determination of the budget necessary to implement that plan and meet the expenses of undertaking the specified functions;
  - Responsibility for reviewing the structure of the pooled arrangements and making recommendations to the Council about:
    - The future of the pool
    - Any changes to the inter authority agreement; and
    - The merits of continuing to procure operator services by means of a third party or by creation of an operator owned by the council party to the inter authority agreement.
- Responsibility for reviewing the pool at least eighteen months prior to the expiry of each operator contract.

2.4 ACCESS Pool

The Fund is working with ten like-minded LGPS funds to implement the ACCESS asset pooling in response to the Government's LGPS reform agenda. The main aim is to encourage LGPS funds to work together to form asset pools to reduce costs whilst maintaining investment performance. As at 31st March 2023 ACCESS has £34bn of pooled assets, serving 3,500 employers, 1.2m members and 340,000 pensioners.

ACCESS is comprised of eleven authorities across central, eastern and southern England; Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex.

ACCESS has been established to enable ACCESS authorities to meet the Government's reform agenda whilst, importantly, enabling them to continue to meet their strategic investment needs through the pool.

The roles and decision-making relationship between the eleven funds are informed by an Inter Authority Agreement. The ACCESS pool is governed by the AJC comprising the Chair, or other nominated representative, of the eleven constituent funds. The AJC have appointed Waystone (formerly Link Fund Solutions) as operator of the pool and the ACCESS Authorised Contractual Scheme ("ACS").

Apex have been appointed by the Pool as the Alternative Asset Consultant to assist with the onboarding of the Alternatives asset class to the pool. This involves understanding the strategic investment requirements of the eleven partner funds, then assessing investment opportunities to best meet those; this will include identifying appropriate opportunities, conducting due diligence, and giving the shortlisted investment managers ratings based on a pre-agreed asset-related scoring index.

The ACCESS Pool recently appointed CBRE Investment Management to control its UK and Global Property mandates. This was an important step, adding another asset class as an available pooled vehicle. Work continues to fully transition the Fund's current property investments to CBRE.

As at 31 March 2023, the Cambridgeshire Fund had invested £1,687.8m in sub funds with the ACCESS ACS and £884.7m in the UBS passive arrangement resulting in £2,572.5m under pool management representing 61.0% of the Fund's assets. As such, the ACCESS relationship is critical, and increasingly so, when considering how stewardship activities in connection with the Fund's investments are supported and reported.

The ACCESS structure, including its relationship to ACCESS authorities, is set out in the diagram below.

The ACCESS Support Unit (ASU) has been created to manage the Operator contract against specified KPIs and provide technical and secretariat support services to the AJC, OWG and other officer groups.

The ACCESS pool has established RI guidelines that align with all member Authorities. The RI guidelines were developed, in consultation with partner authorities, around 5 key pillars: Governance, Process, Implementation, Stewardship and Monitoring and Reporting. Individually and collectively the Councils that make up ACCESS believe that investments made on behalf of scheme members should be sustainable. ACCESS believes making long-term sustainable investments, whilst integrating ESG risk considerations into the investment process, promotes good governance and stewardship.

ACCESS has appointed, in November 2023, Pension & Investment Research Consultants Ltd (PIRC) as its external ESG and RI advisor to implement and refine the Pool's RI guidelines. PIRC will use the ACCESS RI guidelines as the starting point to assist in the delivery of a universal reporting framework, including for stewardship activities, such as voting and engagement, and climate-related financial reporting.

The Fund is aware of its responsibility to generate sustainable benefits for its members, the economy, the environment, and society. This involves ensuring fund managers and consultants engage with companies or projects that the Fund invests in, to address risks and maximise opportunities. The Fund regularly reports to the ISC on these engagements, as well as on the exercise of voting rights, recognising the influence that the Fund has as a shareholder to promote good governance and accountability.

Voting in connection with assets held within the ACCESS Pool should be undertaken in accordance with a set of Voting Guidelines agreed by all ACCESS authorities. Both the Fund and ACCESS are members of the Local Authority Pension Fund Forum (LAPFF), which provides collaborative stewardship activities on behalf of the Fund and Pool. These activities are also reported to the ISC through its regular stewardship reporting.

2.5 Training and Incentives

The Fund's Training Strategy aids members of the PFC and LPB, and Fund Officers, in performing and developing in their roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities. LGPS funds are expected to follow the Chartered Institute of Public Finance Accounting (CIPFA) Knowledge and Skills Framework.

The full training strategy can be found in the Key Documents section of the Fund's website - Key documents (CCC) - Cambridgeshire and Northamptonshire LGPS (westnorthants.gov.uk)

PFC members are required to complete The Hymans Robertson LGPS Online Learning Academy (LOLA) which is designed to support the training needs of Pension Committees, Pension Boards and Fund Officers, and is designed to supplement training plans. The learning consists of a series of short video presentations with supplemental learning materials and knowledge tests. The training is delivered in an efficient and engaging way and members can access it when convenient. The training program encompasses CIPFA framework topics and addresses contemporary issues relevant to the LGPS. Successful completion of the modules and participation in the Pensions Regulator e-learning program are mandatory components of the Training Strategy.

In addition to the compulsory training outlined above, the Fund strongly encourages the following:

- Participation in subject specific training organised by the Fund, often related to key decisions.
- Self-improvement and becoming familiar with pertinent regulations and documents.
- Attendance at relevant courses, seminars, and external events.
- Engagement in internally developed training days and pre/post meeting sessions.
- Collaborative training opportunities with other Funds or Asset Pools.
- Keeping up-to-date through regular updates from officers and advisers.

Fund Officers within the Pensions Service, under the Head of Pensions, are employed by West Northamptonshire Council ("WNC"). WNC has a comprehensive learning and development policy designed to ensure that team members have the tools and knowledge needed in order for them to excel in their roles and contribute to the organisation's success.

One of the key aspects of the learning and development policy is the requirement for all officers and employees, upon joining the team to participate in mandatory training sessions focused on equality in the workplace. A diverse and inclusive workplace enriches the organisation and enhances its ability to serve its stakeholders effectively.

Another important component is mandatory cyber training for officers and individuals sitting on the Fund's governance bodies; this supports the Fund's Cyber Action Plan.

WNC's commitment to fostering professional growth extends to its performance appraisal framework. "Valuing Individuals Performance (VIP) Conversations" are conducted monthly, providing the Fund's administration team members with timely feedback on their performance. VIP Conversations serve as an essential mechanism for goal-setting, performance improvement, and professional development, ensuring that the Fund's officers have the support they need to reach their full potential.

Officers are actively encouraged to gain professional qualifications and the Fund also reimburses professional membership or subscription fees. They also offer a generous annual leave entitlement; incremental salary increases and flexible working arrangements to support employee's work/life balance.

2.6 Advisors and key supplier relationships

The Fund has also engaged a team of experienced advisors and suppliers, all of whom provide significant specialist expertise to support the Fund's management and administration. These third parties are specialists in their respective fields and provide valuable insights, challenge, recommendations, and strategic advice to help the Fund navigate the complex pensions landscape.

Northern Trust
The Fund benefits from the expertise and support of Northern Trust ("the Custodian") who is entrusted with the safekeeping and administration of assets. They play a crucial role in ensuring the security and efficient management of the Fund's investment portfolio. The Custodian is responsible for ensuring that the Fund has good title to all investments, that all trades instructed by Investment

Managers are settled on time and that all income due to the Fund is received and recorded accurately. Northern Trust also maintain the investment accounting records for the Fund.
Mercer
As the Fund's Investment Consultant, Mercer is contracted to provide investment advice and expertise to help the fund to make informed investment decisions, optimise its portfolio, and achieve its financial objectives; this is "proper advice" in the context of the LGPS Investment Regulations 2016. They advise on asset allocation, manager selection and managing risks. Mercer works with Officers, conducting research to provide a range of background papers and presenting performance analysis and diversification proposals to the Fund's committees.
ACCESS Support Unit (ASU)
The ACCESS Support Unit (ASU) is the central unit providing support to the ACCESS pool. The ASU has been created to manage the Operator contract against specified KPIs and provide technical and secretariat support services to the AJC, other ACCESS governance bodies, and the ACCESS authorities. The Director of the ASU manages the ACCESS programme of activity, and therefore plays a critical role in ensuring ACCESS meets the strategic investment needs of the Fund.
Fund Actuary – Hymans Robertson
The Actuary advises on the assets and liabilities of the Fund. They conduct a triennial valuation for the purpose of setting employer contribution rates, with the aim of ensuring that future pension payments and benefits are met.
Governance and Benefits Consultant - Aon
To provide advice and support to the Fund in any aspect of delivering the LGPS that does not fall under an actuarial or investment remit we have procured a team of experienced advisors. These advisors help to shape the direction and delivery of the Funds aims and objectives ensuring regulatory compliance and best practice across all areas of benefits and governance.
Legal – Squire Patton Boggs
The legal adviser provides advice on general legal queries, benefits administration, employer bodies, governance, and investments.
Independent Advisor - Sam Gervaise Jones
The Fund's Independent Adviser (IA) is contracted to offer impartial investment advice, aiding the Fund's investment decisions. The IA collaborates with Officers as needed to effectively support the governance framework of the Fund.

Through the collaborative efforts of our custodian, advisors, and the ASU, the Fund has been able to ensure the long-term sustainability and prosperity of the Fund, safeguarding the financial future of scheme members.

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and members first.

3.1 In the LGPS environment, there is the potential for conflicts of interest to arise. This reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further to this, any of those persons may have an individual personal, business, or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds e.g., an investment consultancy advisor may generate fee income for an investment manager search should they recommend changes to the incumbent manager(s).

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interests of both the scheme members and participating employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. The Good Governance Review[1] recommended that each fund should have a fund-wide published conflicts of interest policy. This recommendation is still being considered by the Department for Levelling Up, Housing and Communities (DLUHC).

In the meantime, CCC has already put in place such a Conflicts of Interest ("COI") policy, recognising it is good practice to document how conflicts or potential conflicts are managed in relation to Fund matters. The policy was approved by the PFC in December 2022.

3.2 Aims and Objectives

The Fund's objectives in relation to governance are:

- 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
- to ensure that 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 challenging environment
- 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

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[1] *Phase 3 report published February 2021*
https://www.lgpsboard.org/images/Other/Good_Governance_Final_Report_February_2021.pdf and is being considered by DLUHC.

- to continually monitor and measure clearly articulated objectives through business planning
- to continually monitor and manage risk, ensuring the relevant stakeholders can mitigate risk where appropriate.

3.3 The identification and management of potential and actual COI is integral to us achieving these governance objectives.

The purpose of the COI Policy agreed in December 2022 is:

- to ensure that all actual and potential conflicts of interest are managed appropriately, through a robust process;
- to ensure all individuals to whom the policy applies have appropriate information for making an informed decision on whether there is a potential or actual conflict of interest.

Further details of the Fund's COI policy can be found at:

Key documents (CCC) - Cambridgeshire and Northamptonshire LGPS

3.4 To ensure the highest standards of integrity and transparency, the Fund employs a rigorous approach to managing COI in connection with management and administration of the Fund. In the published Statement of Accounts, the Fund provides a clear and comprehensive overview of financial transactions and disclosures to identify any potential conflicts. Members of the PFC and LPB are required to make declarations of interests to highlight any personal or financial relationships that could influence decision-making. This practice ensures that conflicts are promptly recognised and appropriately addressed in the decision-making process. Similarly, during officer recruitment, declarations of interest are required to assess any potential conflicts that might affect the hiring process. This step guarantees that all appointments are made impartially and without favouritism. The Fund also seeks legal advice from independent and qualified legal experts to ensure an objective assessment of any conflict situations that may arise. This external perspective enhances the effectiveness of the Fund's conflict management strategy.

The Fund encourages investment managers to provide examples of past conflicts and resolutions, demonstrating their proactive approach to addressing such issues.

A redacted example of a COI from an investment manager is detailed below;

In 2022, Company A sought shareholders' approval for the election of a director who was also an investment manager employee. The vote was referred to an independent voting provider to avoid the conflict, i.e., supporting the election of the Director because the Director was an employee. This demonstrates our existing processes on Conflict of Interest. This Conflict was included in Conflict summaries that are presented to the Proxy Committee on a quarterly basis to ensure adequate oversight.

This engagement aligns with the Fund's commitment to diligent stewardship and ensures that investments are managed with the utmost integrity and in the best interests of members.

Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

4.1 The Fund faces market risk primarily through its investments in equities, with the extent of this risk determined by market conditions, expectations of future price and yield movements, and its asset allocation. The Fund's risk management strategy aims to identify, manage, and control market risk exposure within acceptable boundaries while optimising returns relative to the risk involved.

To address excessive volatility in market risk, the Fund employs diversification strategies across geographic regions, industry sectors, and individual securities within its portfolio. The Fund and its investment advisors actively monitor market conditions and conduct benchmark analyses to mitigate this risk effectively.

4.2 The Fund's Risk Management Policy was first approved by the PFC on 24 March 2016. The Risk Strategy details the Fund’s approach to managing risk including:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the Fund's risk management process
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund

The policy sets out its objectives in relation to understanding and monitoring risk, the Fund aims to:

- integrate risk management into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers, and other partners)
- anticipate and respond positively to change
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

To assist in achieving these objectives the Fund will aim to comply with:

- the CIPFA Managing Risk publication and
- the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

The Pensions Regulator's code of practice guidance on internal controls requires scheme managers to produce a risk register which should be reviewed regularly.

The aim of the Risk Register is to ensure that an informed decision can be made on whether a risk can or should be accepted. Risk appetite is informed by an understanding of any existing controls and will also be influenced by the expected reward or outcome. Once risks have been identified the Fund assesses the impact and likelihood of a risk to enable effective decision making.

Risks recorded in the Risk Register are linked and managed in line with the Pension Fund objectives to ensure relevance and are reviewed by the PFC and the LPB regularly. New risks are therefore identified promptly, and current risks are monitored on a regular basis, with risk ratings revised where necessary.

Third party risks are managed through the Risk Register and associated policies, such as the Payment of Pension Contributions Policy. Mitigations are put in place to minimise third party risks and, in particular, the risks associated with Scheme Employers and effective covenant monitoring.

4.3 The Fund recognises the systemic risk associated with climate change as well as the Administering Authority's targets in this regard and the views and aspirations of other scheme employers and scheme members. To manage this systemic risk and to align with its support of the Paris Agreement and a "just transition," the Fund commits that its investment portfolio will be net carbon neutral by 2050, in line with the UK Government's target.

The Fund is assessing the implications of reporting fully in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD") framework across the four pillars of Governance, Strategy, Risk Management, and Metrics and Targets. Whilst awaiting Government guidance for the Local Government Pension Scheme on this area, the Fund has reported, for a number of years, in alignment with the four pillars in its Annual Report and Statement of Accounts; effectively this is a "TCFD-lite" disclosure.

The Fund has annually, since 2021, commissioned an assessment of the systemic risk posed by climate change on an ongoing basis by working with Fund advisers to produce an Analytics for Climate Transition (ACT) Report. This ACT analysis helps the Fund plan for meeting its 2050 net zero target and provides carbon metrics evidencing progress. These metrics are published within the TCFD-lite disclosure mentioned above and on the Fund's carbon dashboard, publicly available on the Fund's website.

The Fund also undertook climate change scenario analysis in 2021 to understand the impact on the Fund's investments of 2^oC, 3^oC and 4^oC warming scenarios. It is expected to repeat this analysis in alignment with the triennial valuation process going forward. Key findings of this 2021 analysis included:

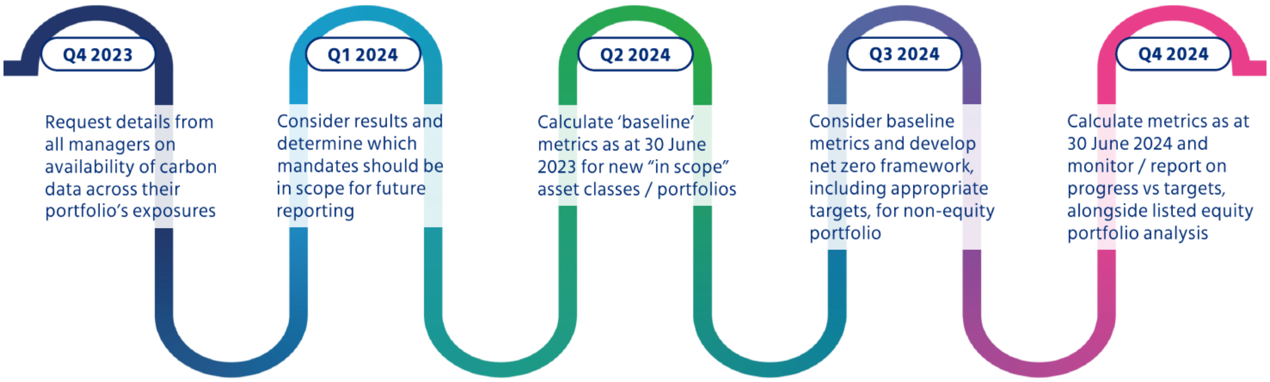
- investing for a 2^oC scenario is both an imperative and an opportunity
- the Fund should prioritise asset classes that capture low carbon transition opportunities

The Fund has acknowledged the risk of climate change in its Risk Register: "As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments."

The risks to the value of the Fund's investments arising from climate change are exposures to industries or companies that are valued based on business models that may be threatened by climate change, and/or based upon reserves of assets that may never be realised due to changes in technology, markets and societal habits arising from climate change ("stranded assets"). The incidence and timing of changes in value need to be analysed further to understand the risks to the Fund. Conversely there may be opportunities to invest in new industries, technologies or funds that assist in mitigating the speed of climate change.

The Fund believes that climate change presents risks over the short, medium and long-term and that the Fund should better understand and mitigate these where possible. Investment action is an important area for the Fund to further develop its approach, including collaborative engagement opportunities. The Fund is a member of the ACCESS Pool. The Fund believes in working collaboratively with ACCESS to set clear expectations for its investment managers and advisors on how ESG considerations are incorporated into investment activities. ACCESS should offer funds to investors that integrate ESG considerations into their investment process and develop a consistent policy approach to stewardship and climate change. The Fund's investment managers must actively develop and implement strategies that incorporate all financial factors, including ESG considerations. These factors should be integrated into the decision-making process for Fund investments and continuously monitored throughout.

4.4 The Fund's focus to date for carbon reporting has been listed equity. The Committee has agreed and begun working on a roadmap for carbon reporting beyond listed equities, to support the Fund in managing this systemic risk, as shown in the diagram below.



The Fund recognises the significance of fostering engagement between ACCESS and investment managers to ensure effective implementation and assurance of the Fund's policy commitments in this domain.

The PFC will ensure that appropriate reporting is available in order that progress can be monitored across pooled, pool-aligned, and non-pooled assets.

4.5 The Head of Pensions for the Fund chairs the ACCESS ESG/RI sub-group. Each member authority agrees that investments should be sustainable with ESG integrated into investment decision-making at all levels. ACCESS RI guidelines were agreed which include such ESG integration. The RI guidelines also set explicit expectations for investment managers and an overarching policy to incorporate the Pool's shared RI beliefs.

The ISC is presented with a stewardship report containing information on ACCESS pool fund managers' voting and engagement activities on a quarterly basis. This outlines the details of voting decisions and categorises engagement initiatives undertaken by the fund managers under the headings of Environmental, Social and Governance. These regular updates allow the PFC to monitor the effectiveness of pool fund managers in promoting responsible corporate governance and sustainable business practices, enabling risks, including the systemic risk of climate change, to be better managed.

The Fund uses a collaborative approach to enhance the value and sustainability of our investments. We actively engage with influential bodies like the Local Authority Pension Fund Forum (LAPFF) to foster knowledge-sharing, best practices, and collective engagement with companies and policymakers.

Our managers exercise voting rights on our behalf diligently and responsibly, aligning our votes with our principles and long-term objectives. ACCESS, as stated under Principle 2, has agreed a set of Voting Guidelines to protect and enhance the value of investments by promoting good practice in the corporate governance and management of listed companies by means of influence and engagement.

The areas covered by the Voting Guidelines are:

- Report & Accounts
- Audit-related Matters
- Directors & Remuneration
- Shareholder Rights
- Environmental Issues

The Fund's influence is therefore utilised to advocate for good corporate governance and sustainable business practices. The size of the ACCESS pool allows the Fund to achieve greater scale and efficiency in its investments and have a more significant voice when engaging. As mentioned above, PIRC have recently been appointed as the Pool's RI reporting partner to help develop and refine the existing guidelines to accommodate best practice and to align then with the new ACCESS RI Guidelines.

UBS, the ACCESS pool's passive manager, is not subject to the ACCESS Voting Guidelines as it sits outside the ACS structure but is still under pool governance. It exercises a high-quality programme of stewardship and engagement on our behalf, with a commitment to responsible investing in alignment with the Fund's values and investment philosophy.

Through these collaborative efforts, the Fund managers aim to actively participate in engagements with companies to promote sustainability, ESG integration, and long-term value creation for members.

Officers regularly meet with Investment Managers across asset classes relating to our fund for updates on their philosophy, performance and to challenge on various ESG matters such as carbon output, net zero aspirations, and biodiversity. This is done to better understand our possible investments, but also officers hope to make clear the expectations of the Fund to any prospective investment partners.

ACCESS also has the Investment User Group (IUG) to conduct similar meetings. The IUG meets at least twice on an annual basis or if a need arises. They receive updates from incumbent managers on fund performance, engagements, and portfolio holdings.

Principle 5

Signatories review their policies, assure their processes, and assess the effectiveness of their activities.

5.1 The Fund's policies, strategies, statements, and governance arrangements are available to view on the Fund's website at

www.pensions.westnorthants.gov.uk.

All policies, strategies, and statements are scheduled for a formal review at least every three years. However, in practice, they undergo regular scrutiny to align with broader market and regulatory changes and to verify that the Fund's policies remain suitable for their intended purposes.

5.2 Policies and strategies are reviewed by the PFC on a three-year cycle (unless stated otherwise) to ensure they remain relevant and fit of purpose.

Officers review all policies and strategies on an annual basis to ensure they remain appropriate and any non-material amendments are reported to both the PFC and LPB via the Governance and Compliance Report. If there are any material changes required for circumstances such as meeting a statutory obligation, to reflect process changes or following regulatory updates then PFC approval is required before the three-year formal review point. All PFC policy and strategy reviews are also presented to the LPB in either a pre or post scrutiny capacity for best practice and enhanced governance oversight.

For some policies and strategies, such as the administration strategy, consultation with stakeholders is undertaken to ensure a transparent approach. Any feedback is addressed as part of the process and changes are applied if deemed necessary.

The following table shows all of the Fund strategies and policies, and shows which were reviewed and updated accordingly in 2022-23:

Policy/Strategy	Updated in 2023	Review type
Annual Report and Statement of Accounts	ü	Committee (July 23)
Administering Authority Discretions	ü	Officer (changes reported via Governance & Compliance Report June 23)
Administration Strategy		
Admission Bodies, Scheme Employers and Bulk Transfer Policy		

Annual Business Plan and Medium-Term Strategy	ü	Committee (March 23)
Anti-Fraud and Corruption Policy	ü	Officer (changes reported via Governance & Compliance Report June 23)
Cash Management Strategy	ü	Committee (June 23)
Cessations Policy		
Climate Action Plan	ü	Officer (via the Business Plan update reports in Oct & Dec 23)
Communications Plan	ü	Committee (March 23)
Communications Strategy	ü	Committee (March 23)
Conflicts of Interest Policy		
Cyber Strategy – not published	ü	Officer (changes reported via Governance & Compliance Report Dec 23)
Data Improvement Policy	ü	Officer (changes reported via Governance & Compliance Report Dec 23)
Data Improvement Plan	ü	Committee (June 23)
Data Retention Policy	ü	Introduced December 2023
Employer Contribution Rates Policy	ü	Committee (July 23)
Funding Strategy Statement		
Governance Policy and Compliance Statement	ü	Officer (changes reported via Governance & Compliance Report Oct 23)
Investment Strategy Statement	ü	Officer (changes reported via Governance & Compliance Report Oct 23)
Overpayment of Pension Entitlement Policy	ü	Committee (March 23)
Payment of Employee and Employer Pension Contributions Policy		
Reporting Breaches of the Law to the Pensions Regulator		
Risk Register	ü	Committee (June & Dec 23)
Risk Strategy		
Training Strategy	ü	Committee (July 23)

Our approach to managing risks is detailed in our Risk Strategy and risks are managed through the Fund risk register. The risk register, including any changes to the internal controls, is reviewed on a quarterly basis by the LPB and on a biannual basis by the PFC. The PFC will be notified ahead of the next scheduled meeting where a risk has changed score significantly or a new major risk has been added. Risks are constantly monitored by Fund Officers. The accompanying Risk Strategy is reviewed on an annual basis to ensure it remains relevant to support the Risk Register.

5.3 Members of the PFC have a fiduciary duty to act in the best interests of the Fund's scheme members and beneficiaries in all financial and non-financial decisions. With respect to the Fund's investments, to do this there is recognition of the importance of generating sustainable long-term investment returns. This involves not only an appraisal of financial factors, but also takes into account non-financial factors such as ESG issues, including notably, climate change, which may be financially material to the Fund's investments.

There is a growing urgency and continual regulatory development regarding long-term sustainability issues, such as The Climate Change Act 2008 that legally binds the UK to bring all greenhouse gas emission to net-zero by 2050, and the comprehensive 'apply and explain' requirements for asset owners set out in the UK Stewardship Code 2020. Therefore, it is imperative that ESG and stewardship (or active ownership) considerations are integrated throughout investment processes and that they are considered as part of funding and investment strategy setting. A stewardship update is provided to the ISC quarterly to provide information on company engagement and voting by investment managers.

RI is the integration of ESG issues into investment processes and stewardship practices in the belief this can positively impact financial performance over the long-term and will serve the best interests of the Fund's members.

The Fund is committed to embedding RI into all aspects of the investment decision-making process and has adopted a set of RI Beliefs.

The RI Policy is part of the Fund's Investment Strategy Statement (ISS) and can be found at the link below.

Key documents (CCC) - Cambridgeshire and Northamptonshire LGPS (westnorthants.gov.uk)

5.4 Several key drivers can prompt the Fund to review its policies, processes, and activities. These drivers are essential to ensure the Fund's effectiveness, compliance, and alignment with changing circumstances. Regulatory changes have a direct and immediate impact on the Fund's operations and compliance requirements. Adapting to new regulations is essential to avoid legal issues and ensure the Fund's continued operation within the boundaries set by the governing authorities. Compliance with regulations helps protect members' interests and maintain public trust in the Fund's management.

Investment Performance is a critical driver as it directly affects the Fund's ability to meet its financial obligations and provide benefits to its members. A well-performing investment portfolio is essential for generating returns that can support the Fund's liabilities and sustain its long-term viability. Regularly reviewing and optimising investment strategies is vital to achieving financial goals.

Effective risk management is fundamental for the Fund to safeguard its assets and manage potential liabilities effectively. The Fund faces market risks, longevity risks, and operational risks. Implementing robust risk management practices ensures that the Fund can weather uncertainties and adverse events, protecting the interests of members and the overall financial health of the Fund.

5.5 Assurance ensures the integrity, reliability, and effectiveness of processes within a Pension Fund. It involves independent assessments and evaluations conducted by qualified professionals to provide confidence and validation that the Fund's processes are functioning as intended and in compliance with relevant standards, regulations, and internal policies. Assurance provides an independent and objective review of the Fund's processes, ensuring they are designed and implemented appropriately. This impartial assessment reduces the risk of bias and provides members with confidence in the integrity of the processes.

Risk identification and mitigation assurance helps identify potential risks and weaknesses in the Fund's processes. Early detection of vulnerabilities allows for prompt actions to mitigate risks, protecting the Fund and its members from adverse impacts.

Assurance verifies compliance with regulatory requirements and internal policies. Ensuring adherence to these standards maintains the Fund's legal and governance obligations and builds trust among stakeholders.

The Fund has several layers of assurance:

- The **PFC** oversees the Fund's overall governance, strategy, and risk management. The financial performance of the Fund is monitored against budgeted performance on a regular basis throughout the year by the PFC.
- Working closely with the PC, the **ISC** focuses specifically on investment-related decisions, ensuring alignment with the fund's objectives and risk tolerance.
- The **independent adviser** is contracted to provide impartial investment advice, assisting in the Fund's investment decisions. The IA collaborates with Officers as needed to effectively support the Governance framework of the Fund.
- The **external auditor** provides an additional layer of assurance by assessing the financial statements and annual report. At year end all Investment Managers, including Waystone are required to provide Service Organisation Control Reports which are made available to external audit.
- The objective of an **internal audit** is to educate management and employees about how they can improve business operations and efficiencies while giving reliability and credibility to the financial reports that go to the PFC and the LPB. Internal audit awarded the Fund substantial assurance following its testing within 2022/2023.

5.6 The Fund should provide a clear and comprehensive account of its stewardship activities, including investment strategies, voting practices, engagement efforts with companies, and how it addresses ESG considerations. The reporting should be detailed enough to give members a complete view of the Fund's actions.

The Fund aims to ensure that stewardship reporting is consistent and regular. Timely reporting is crucial to keep members informed about the Fund's ongoing efforts and recent developments. The Fund publishes various documents through the Fund's website to keep members up to date on its activities. Members and other stakeholders can access the business plan and strategy statements along with governance documents. Committee papers are also available to view on CCC's website which include Stewardship updates. The Annual Report and Statement of Accounts are also published.

The Fund is strategic in choosing suitable Investment Managers to deliver both positive returns as well as considering ESG and its impact. An example of this would be the Fund’s £100m commitment “*investment strategies are aligned with key themes shaping society and the planet, contributing to a resilient decarbonised world and creating the high-quality, sustainable jobs that will power tomorrow's economy*”.

During 2017 and 2018, Cambridgeshire Pension Fund were actively considering increasing the Fund’s allocation to local investing. The Fund met with several managers over the period to refine their options, and appointed BFinance as an adviser to assist with the strategy and manager selection process. The PFC were keen that the fund was to be a long-term commitment to the region, something around which in small and medium-sized enterprises (“SMEs”) and the local community could make plans. Equally, it needed to deliver strong economic returns for the Pension Fund. In early 2019, a final manager selection process was carried out and Foresight was selected as manager.

Foresight’s proposal was to raise a £100m hybrid evergreen fund making private equity (not venture capital) investments into SMEs with a focus on Cambridgeshire & Peterborough, Norfolk, Northamptonshire and Suffolk. The objective of the Fund is to provide a patient source of permanent evergreen capital to support SMEs, targeting long term capital value growth for investors. The Fund was launched in the Summer of 2019.

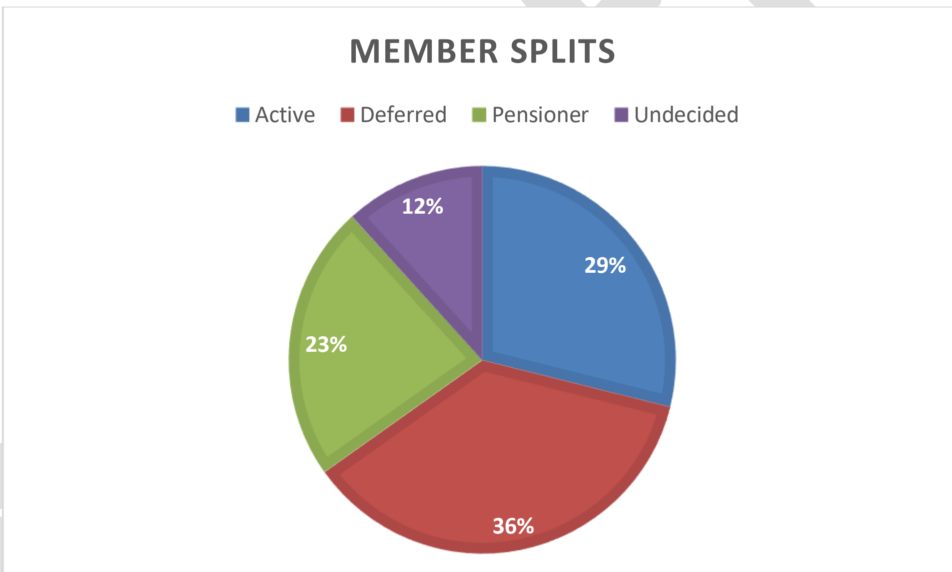
Foresight produces an annual ESG report where they dive into detail on their portfolio and its impact against their ESG criteria. They actively encourage the companies within their portfolio to adopt sustainable strategies to improve both performance and the impact on their local communities. The annual report highlights this engagement in detail and covers ESG developments for each company in its portfolio across a range of criteria, including:

- Environmental Footprint
- Leadership and Governance
- Human Capital
- Community Engagement
- Social
- Strategy and Awareness
- Third Party Interactions

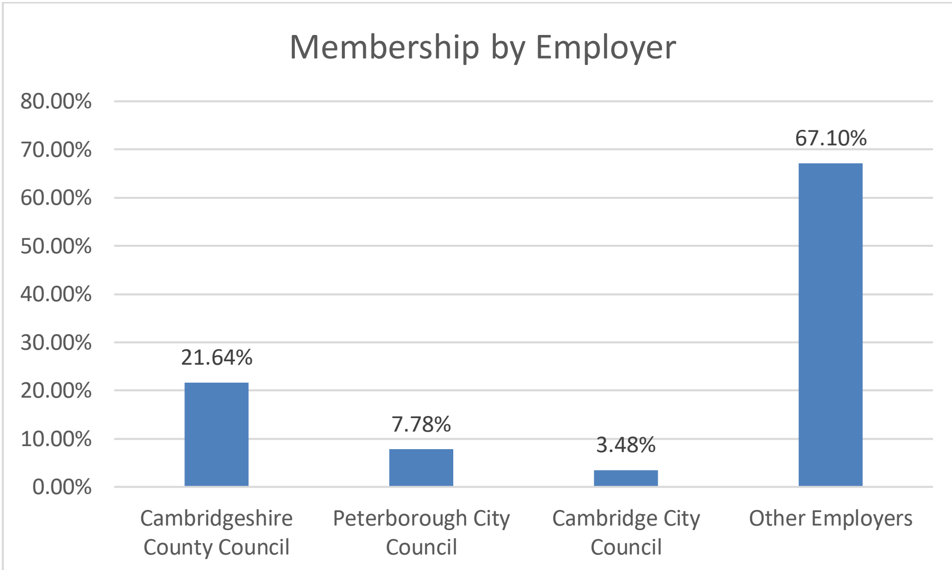
Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

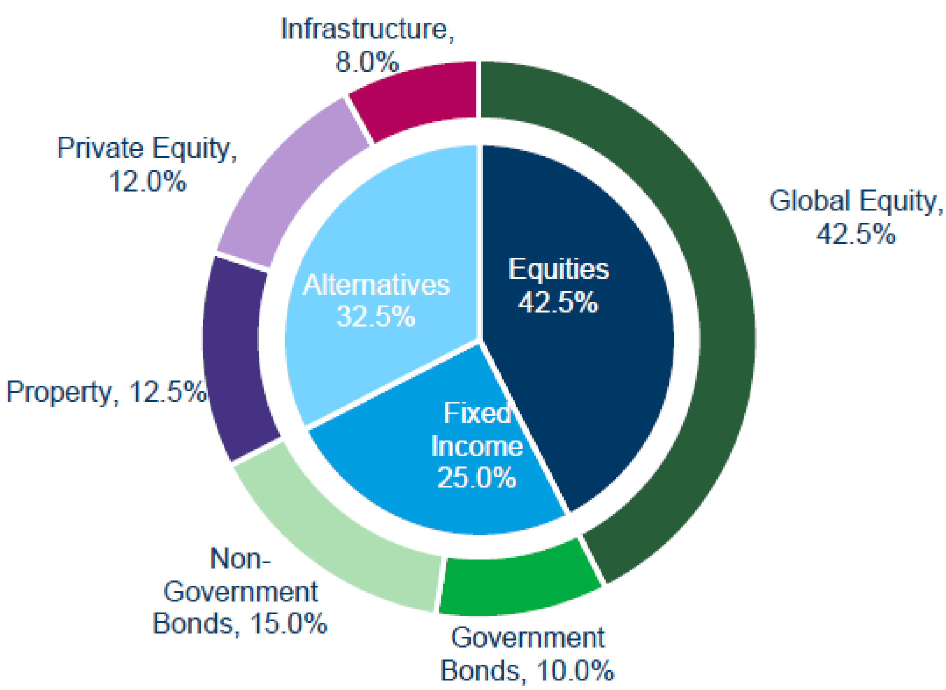
6.1 The Cambridgeshire Pension Fund is a part of the Local Government Pension Scheme (LGPS). As at 31st March 2023 the Fund has £4.2bn of assets and over 97,000 scheme members, of which circa 28,000 are active members and circa 22,500 pensioner members. There were 198 active employers within the the Fund. The chart below shows a breadown of membership as at 31st March 2023.



Scheme employer membership encompasses a diverse range of employer types within the Cambridgeshire and Peterborough region, including local authorities, town and parish councils, educational establishments, charities, and contractors. The chart below shows the membership by employer with a breakdown of local authority and other employers as at March 31st 2023.



The Fund's strategic asset allocation is reflected below.



The Fund's structure includes an investment portfolio with allocations to a diversified selection of asset classes such as equities, fixed income, and real estate, managed by external investment managers.

6.2 As responsible stewards of Pension Fund assets, the Fund expects fund managers to uphold high standards of transparency and accountability. They should provide clear and comprehensive disclosures of their investment philosophy, including how ESG factors are integrated into their decision-making process. Fund managers must actively engage with companies, exercise voting rights responsibly, and report on their stewardship activities regularly.
The Fund is transparent on portfolio holdings, climate risk management, conflicts of interest, and performance metrics related to ESG factors to help build trust with members and demonstrate a commitment to responsible investing.

We keep our members informed through regular website updates on:

- investment performance
- statements of accounts
- stewardship activities.

We also send communications to our members. These show them where to find out more information on the Fund. For example, through:

- newsletters
- our website
- key contacts.

The Fund's Communications Strategy can be found at the following link Key documents (CCC) - Cambridgeshire and Northamptonshire LGPS (westnorthants.gov.uk)

6.3 The Annual Report and Statement of Accounts published by the Fund serves as a comprehensive and transparent communication tool for Fund members, providing them with a detailed overview of various aspects. The report includes information on Fund administration, and management and performance, offering insights into the strategies and decisions that shaped the Fund throughout the year.

The Annual Report outlines the Fund's investment policy and highlights the guiding principles and strategies employed by the Fund to achieve its financial objectives. It also shows the Fund's approach to risk management, asset allocation, and adherence to sustainable and responsible investment practices.

The report features sections by the Fund's actuary and auditors, providing a summary of the Fund's financial health and performance. The actuarial report offers funding projections, while the auditors' findings ensure the accuracy and reliability of the financial information presented.

Fund members can gain an understanding of the Fund's financial position through the Fund financial statements. The statements provide a breakdown of assets, liabilities, income, and expenses, giving members a clear picture of the Fund's overall financial health.

6.4 There is dedicated website content relating the Fund's climate action plan and carbon reduction journey, including progress against the Fund's decarbonisation pathway (which is aligned with the European Policy Curve). There is also a "TCFD-lite" disclosure within the Fund's Annual Report.

To provide added transparency and reduce the need for the public to make Freedom of Information (FOI) requests, the Fund publishes quarterly a complete list of all Fund holdings.

The Fund's quarterly stewardship report on engagement and voting activity undertaken at either a Fund, Pool or LAPFF level is a public document, and available alongside other public Committee and Board reports on the Cambridgeshire County Council Democracy webpages:

Council and committee meetings - Cambridgeshire County Council > Cambridgeshire Committees > Pensions (cmis.uk.com)

6.5 Members and other interested parties can also access Fund information through FOI requests; as well as providing the requested information, the Fund reviews such requests to see whether the information requested should be regularly provided on its website.

Members of the public, including scheme members and beneficiaries, can also submit public questions for consideration by the Committee at any time. The Fund received several public questions regarding divestment from fossil fuels around decisions in connection with the agreement of the current Investment ISS and RI Policy. The ISS was subject to a period of formal consultation with stakeholders in May 2021 and the consultation responses, received from both scheme members and scheme employers, are summarised on the Key Documents page of the Fund's website.

Key documents - Cambridgeshire and Northamptonshire LGPS

6.6 The ACCESS website (link below) provides members with an overview of key aspects of the Fund's asset pool. It contains details of the organisational structure and decision-making processes, governance frameworks and the make-up and role played by the AJC.

Along with general information such as the pool history and details of the member authorities, the ACCESS RI Guidelines are available to view on the website as well reports on quarterly holdings and annual reports.

News updates in connection with asset pooling matters can also be found on the site. This informs members about ongoing efforts to integrate ESG factors, promote sustainable practices, and align investment decisions with values and long-term objectives. There is also information on how ACCESS fund managers engage with the companies they invest with to promote ESG and RI.

Access Pool | Effective – Collective – Investment

Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

7.1 Effective management of ESG issues is a key determinant of long-term shareholder value and good risk management. Their consideration is part of the Fund's fiduciary duty to members. The Fund therefore recognises the importance of its investment managers integrating all material financial and non-financial factors, including ESG considerations, into the decision-making process for fund investments and the ongoing monitoring of these same issues.

The Fund reviews the investment process and ESG practices of all prospective managers at the investment/manager selection stage, whether the investment opportunity is through the ACCESS Pool or outside the Pool.

Mercer's global manager research team assesses the extent to which ESG and stewardship is incorporated into the investment process and investment decisions - ESG ratings are assigned on this basis. These ratings are considered as part of any Fund investment decision.

The ACCESS ACS Operator, Waystone, performs a similar assessment of ESG, stewardship and the consideration of sustainable opportunities before any investment manager is appointed to a sub-fund within the ACS.

Assurance will be sought through engagement with investment managers and as part of ongoing reporting and presentations at a Fund and Pool level that the investment managers are appropriately integrating ESG into their investment processes and decision making. If managers are lagging behind their peers, they will be engaged and encouraged to improve.

The PFC will receive an annual report on the degree to which the Fund's investment managers integrate ESG within their investment practises and how they compare to peers. In addition, ongoing ESG developments will be monitored through performance reporting and appropriate action taken in response to these developments.

Consideration of an investment manager's ESG approach is an important component of all meetings whether held at a Fund or Pool level, with Fund officers being able to see all ACCESS sub-fund managers through regular Investor User Group meetings. These meetings have a defined template, including ESG and stewardship matters, with investment managers for example, discussing relevant carbon metrics for their portfolio and key engagement activities.

7.2 The Fund has delegated the exercise of voting rights to all investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. These findings are reported to the ISC for review periodically.

Waystone requires investment managers appointed to exercise the voting rights attached to investments held in sub-funds in line with its voting guidelines, agreed by all ACCESS funds. Where investment managers on the platform do not adopt the positions set out in the Waystone policy, they are required to provide a robust explanation of the position adopted on a comply or explain basis in each sub-fund prospectus. This information is also included in the Fund's own stewardship reporting.

The Fund's other investment managers (i.e. those where the investment is not accessed via the ACCESS ACS) are not obliged to follow the Waystone policy, but have all produced written guidelines and policies outlining their own stewardship process and practices (including voting and engagement). These managers are encouraged to vote in line with their respective guidelines, in respect of all resolutions, at annual and extraordinary general meetings of companies. As part of its manager selection and monitoring process, the Fund reviews such guidelines and policies and ensures that the practices adopted are aligned with the Fund's own RI Beliefs.

7.3 The Fund is committed to developing its reporting in this area, including with regards to carbon-foot-printing (for example, carbon intensity, fossil fuel reserves and potential emissions) and scenario analysis. We expand on this further below.

The reporting of carbon exposures in investment portfolios is a relatively new development and as such not all investment managers provide data on a comparable basis. The ACCESS Pool provides a basic report on sub-funds held in the ACCESS ACS but complete data is not yet available. ACCESS are currently developing their reporting requirements in this area and the Fund is actively supporting this development in order that the Fund's requirements can be fully met.

As previously mentioned, and listed in our RI Beliefs, The Fund supports the objectives of the Paris Agreement, and believes that keeping a global temperature rise this century to well below 2^{o}C relative to pre-industrial levels is entirely consistent with securing strong financial returns.

The Fund also believes in a "just transition" to a low carbon economy that ensures fair treatment for employees and communities that would otherwise bear the brunt of industrial change.

Long-term sustainability trends, including climate change, present opportunities that increasingly require explicit consideration. The Fund actively considers Investing in strategies that target long-term ESG themes (e.g. energy, water, demographic trends) including those themes set out in the United Nations Sustainable Development Goals (SDGs) on the basis that such opportunities will generate good risk-adjusted investment returns.

Climate risk is recorded as a key risk in the Fund's Risk Register - Risk No. 3: "As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments."

In order to manage this systemic risk and to align with its support of the Paris Agreement and a "just transition," the Fund commits that its investment portfolio will be net carbon neutral by 2050, in line with the UK Government's target.

The Fund is assessing the implications of reporting fully in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD") framework across the four pillars of Governance, Strategy, Risk Management, and Metrics and Targets. Whilst awaiting Government guidance for the Local Government Pension Scheme on this area, the Fund has reported, for a number of years, in alignment with the four pillars in its Annual Report and Statement of Accounts; effectively this is a "TCFD-lite" disclosure.

As mentioned in Principle 4, the Fund has annually, since 2021, commissioned an assessment of the systemic risk posed by climate change on an ongoing basis by working with Fund advisers to produce an Analytics for Climate Transition (ACT) Report. This ACT analysis helps the Fund plan for meeting its 2050 net zero target and provides carbon metrics evidencing progress. Work has begun towards this within the Fund's passive equity investments by moving to the climate aware and fossil free funds as detailed in Principle 1.

From this analysis, the following actions were identified in June 2022 to support management of climate change risk and support improved carbon reporting.

Key areas of focus for next 12-18 months:

- Expand net zero approach beyond the listed equity portfolio to other asset classes (data permitting)
- Consider potential connections to biodiversity / natural capital
- Consider setting more granular targets across sustainable / climate solutions, transition alignment and stewardship, linking in with the outcomes of the equity portfolio review

Over the last 3 years ACT has been used to:

- Set 2024 and 2030 decarbonisation targets for listed equity and monitor progress
- Provide insight into transition capacity
- Support the RI strategy and policy approach
- Set priorities for the Fund's climate action plan

As referenced earlier, the Fund is invested in a regional private equity fund managed on behalf of the Fund by Foresight. Foresight places ESG at the core of the of its investment approach using the following five principles;

- Awareness – Ensuring ESG is on the agenda for each company it invests in.

- Environmental – Implementing carbon footprint reduction programs and providing support during decarbonisation and energy transition.
- Social – Creating jobs and driving diversity and equality.
- Governance – Encouraging board diversity and restructuring companies by putting chairs in place and creating committees for remuneration, audit and risk.
- Local Interactions – Raising funds for local charities and creating a community focus at all companies.

Foresight invests in companies in some of the UK's most deprived areas with the goal of creating a positive contribution to the environment, the workplace, and the local community.

Principle 8

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

8.1 Implementation of the Fund's investment strategy and the monitoring of performance is delegated to the ISC, for which the membership is drawn from the PFC. Investment managers report to Fund Officers on a quarterly basis and set up regular meetings to discuss any issues as they arise. Any issues can be escalated to committee level if and when required.

Fund Officers also meet investment managers through regular Investment User Group (IUG) meetings at an ACCESS Pool level. Investment managers within the Pool's ACS sub-funds attend IUG meetings on a rotational basis. These meetings are facilitated and attended by representatives of Waystone, the Pool Operator.

Mercer, the Fund's investment consultant, actively oversees and assesses the performance of third-party managers on our behalf.

Mercer also evaluate performance, including the investment manager's compliance with established ESG reporting standards. By holding the investment manager accountable for providing comprehensive and accurate ESG data, the ensures that RI practices are upheld.

To assess the effectiveness of third-party managers, our consultants provide quarterly updates to the ISC on their progress, performance, and relevant news items. These updates gauge how well the managers continue to align with our investment philosophy and stewardship goals.

The Fund's investment managers are monitored regularly by the Investment Sub Committee, Officers and by the Fund's Advisors. The full Pensions Committee additionally receives an annual review of investment manager performance and an assessment of value for money.

As part of Mercer's approach, they have established a clear process for identifying and addressing underperforming investment managers. When they identify an investment manager within our portfolio that is consistently underperforming against predefined benchmarks and performance expectations, they initiate a comprehensive review. This review involves a thorough analysis of performance data, investment strategy alignment, and an assessment of market and economic conditions to ensure that the underperformance is not solely a short-term fluctuation.

Once any consistent underperformance is identified, the next step involves a transparent and collaborative approach. The Fund reports any findings to the ISC.

Mercer's analysis encompasses a review of the manager's investment strategy, risk management practices, historical performance, and alignment with the Fund's RI objectives. This evaluation helps gain a comprehensive perspective on the reasons behind the underperformance and whether any corrective measures should be implemented.

8.2 In cases where the Fund's investment consultants determine that underperformance persists despite efforts to rectify the situation, they assist in presenting options, up to and including divestment from the manager. This decision is reached with careful consideration of the potential impact on the overall investment portfolio, the ongoing commitment to responsible investing, and in the best interests of members. Throughout this process, the Fund's priority remains the prudent management of assets and the protection of our members' interests. The Fund ensures that the divestment decision, if taken, aligns with fiduciary responsibilities and reflects a commitment to maximising long-term value while maintaining RI practices.

8.3 The Government's asset pooling agenda has provided additional scrutiny of investment manager performance by introducing oversight responsibilities for the ACS Operator, Waystone. Waystone ensure the investment manager attached to a sub-fund continues to deliver on the objectives of the sub-fund within its prospectus.

The Pool also produces quarterly performance information of each ACCESS sub-fund which is considered by Fund Officers of the ACCESS authorities and the AJC. This quarterly reporting at a Pool level includes relevant stewardship information, including voting activity and alignment with the ACCESS Voting Guidelines.

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

9.1 The Fund's approach to engagement is active collaboration around responsible investing principles. We prioritise identifying and addressing material ESG issues to align our investments with long-term sustainability goals. Through dialogue with our investment consultants, and collaboration with fund managers, we advocate for positive change on prioritised issues. The selection and prioritisation of engagement issues are guided by their relevance to our members interests, and potential for sustainable value creation.

Transparency remains important, with regular reporting on our engagement efforts, voting activities, and outcomes shared with our members via our quarterly stewardship and engagement reporting. Officers review the detail of all stewardship activity and share relevant engagement examples as part of the quarterly stewardship reporting.

As part of the commitment to responsible investment, the Fund actively engages with our equity managers, who are all within the ACCESS pool. We place a strong emphasis on stewardship practices and request stewardship reports from the Fund's investment managers to ensure transparency and alignment with our responsible investment principles. Going forward the Fund is also looking to increase engagement with other asset classes currently held outside of the ACCESS Pool.

The Fund already has representatives sitting on the Advisory Committee of the Foresight East of England Fund, established on behalf of the Fund by Foresight, and referenced in earlier sections. This enables direct oversight of this investment and an understanding of value creation in the companies in which it invests, as well as the additional impact being generated within the region, for example through job creation.

9.2 Likewise, the Fund directly engages in connection with other directly held assets, Cambridge & Counties Bank ("CCB") and Cambridge Building Society ("CBS"). The Fund owns 50% of the equity of CCB and as such appoints a shareholder representative to the CCB's board; this enables the Fund to participate directly in decision-making that enhances value and sustainability of CCB – for example it recently become B Corp certified.

The investment into CBS was to facilitate an increase in the pace at which the Society was able to provide mortgages to families within the region, with the investment made after rigorous due diligence. The Fund monitors the progress of the growth of CBS due to this investment, including the growth of lending and saving, and seeks assurance on CBS's continuing ability to pay the annual coupon due.

9.3 As a member of LAPFF, the Fund can collaborate with like-minded investors and support LAPFF in delivering collective influence. This collaborative approach strengthens the Fund's ability to advocate for responsible investment practices and promotes positive changes within our investment portfolios.

The Fund actively encouraged the ACCESS Pool to become a LAPFF member to further align with the Fund's RI philosophy and enable LAPFF to leverage further LGPS assets.

9.4 Mercer's expertise in ESG issues and responsible investing underpins decisions, aiming for long-term value creation while considering ESG factors across all asset classes.

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.

Officers attend a number of conferences such the Pension and Lifetime Savings Association (PLSA) LGPS Conference and the LAPFF Annual Conference. This helps keep the Fund abreast of recent developments and maintain relevant knowledge for timely and informed decision making, often through hearing directly from investment managers, advisors, and other asset owners.

9.5 Examples of Engagement

An example of an engagement carried out by one of the ACCESS fund managers illustrates the breadth and the number of topics covered in these discussions. The following shows engagement on equality and diversity, as well as the direction towards achieving a net zero target.

In March 2023, the manager held a video conference call with members of a company's senior management team. They discussed various sustainability matters including changes to the company's executive compensation programme, their climate commitments and Diversity, Equity and Inclusion (DEI) initiatives.

The company's team described the changes they have made to performance-driven executive compensation. These were driven by feedback from investors. The company has increased the weighting of financial metrics for short-term incentives from 40% in 2022 to 60% in 2023. The company has returned to a full year performance period versus the bifurcated performance period they had in 2022. Bonus objectives are now tied to their 2025 ESG goals on gender representation, diverse recruiting, and carbon reduction. Finally, they discussed the Company's three-year DEI roadmap and the addition of three independent directors to their Board in 2022.

The manager referenced the annual climate commitment audit of the portfolio. Their audit revealed that the Company had not set a net zero target, albeit their carbon emissions reduction goals are aligned to the Science Based Targets Initiative (SBTi). The manager needed to understand the Company's approach to making future climate commitments. The team explained that that the feasibility of a net zero objective depends on the electrification of their fleet. Currently, they have a science-based climate goal to electrify 35% of their U.S. fleet by 2030. Management needs to be comfortable with the technology driving this electrification as the current range of electric trucks is not able to accommodate the routes that they need to achieve. The cost per truck is high however they recognise that the technology is constantly improving, and overtime costs should decrease. In the meantime, management are open to feedback from subject matter experts and are working with partners in the field. The Company explained that from a philosophical perspective, they want to ensure that their climate goals can be achieved by the leadership team of this generation.

The manager will keep track of the Company's progress regarding their climate objectives and will follow up with the company as appropriate.

Below is an example of engagement from another ACCESS sub-fund manager where they discuss governance issues.

Investment Rationale

The company is one of the world's largest pharmaceutical companies with major segments in pharmaceuticals, ophthalmology, and generics. The manager invested in the company because of its attractive valuation, emerging market and biosimilar exposure, financial strength, and growth opportunities.

The manager spoke with the company about its updated strategy to focus on more high value products as well as capital allocation, and research and development (R&D) efforts.

The manager spoke with the Chief Financial Officer (CFO) about the company's shifting strategy to focus on more high value products. We discussed potential consequences to the pipeline as a result of the shift, including eliminating some pipeline assets and accelerating others. The company reiterated that management is currently focusing on, and investing in, organic growth while also looking for opportunities to identify assets to supplement internal R&D efforts. They also discussed the general pros and cons of sharebuy- back programs versus mergers and acquisitions (M&A) capital allocation.

The manager didn't discuss the topic of access to medicine because the company ranks in the top 10 of the Access to Medicine Index and they find its policies in this area to be sufficient.

The manager felt they communicated their views to the company management and believe the company adequately heard their voice.

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

10.1 The Fund is a member of the ACCESS pool, formed with ten like-minded LGPS funds to implement asset pooling in response to the Government's LGPS reform agenda. The Government's aim is to encourage LGPS Funds to work together to "pool investments to significantly reduce costs, while maintaining investment performance. The eleven partners funds in ACCESS have collectively pooled £34bn as at 31st March 2023. The full membership of the ACCESS pool comprises the following pension funds: Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex.

All eleven funds are committed to working together to meet the criteria for pooling and have signed an Inter-Authority Agreement to underpin their partnership. The ACCESS funds are working in the expectation that over time, all investments will be pooled apart from where there is no benefit to pooling a specific investment as identified and agreed by an individual fund.

Asset pooling is intended to provide the benefits of scale that will enable the Fund to deliver Value for Money through improved net return. In the pooled investment structure individual funds will remain responsible for their own investment strategy and asset allocation decisions. The pool will be responsible for providing a suitable range of sub-funds to meet the requirements of all of the funds' investment strategies.

Waystone have been appointed the operator of the ACCESS ACS (Authorised Contractual Scheme – an HMRC approved tax transparent collective investment vehicle), through which the eleven funds invest in liquid listed investments. The ACCESS funds are investigating the structures through which Alternative assets can be pooled, alongside the pools Alternative Assets consultant, Apex. ACCESS has recently started working with CBRE who provide a pooled vehicle for Property investment opportunities in the UK and globally.

10.2 Through collaborative engagement, the Fund identifies common ESG objectives and jointly address issues like climate change, asset diversity, and sustainability. The Fund's investment managers actively engage with companies both directly and throughout the investment chain to advocate for improved ESG practices and long-term value creation.

To measure progress and ensure transparency, the Fund regularly reports on the outcomes of collaborative engagement, evaluating the effectiveness of joint efforts and refining the approach over time. The Fund adheres to robust RI guidelines, which underpin investment decisions, ensuring ESG factors are integrated into analysis.

ACCESS oversees the pooling of resources between the eleven LGPS Funds to create a larger and more influential investment pool. This collaboration expands investment opportunities and enhances expertise through shared knowledge. Being part of the ACCESS pool strengthens the Fund's negotiating power and promotes responsible investing practices.

The Fund plays a vital role within ACCESS, contributing assets and expertise, aligning investment strategies, and collectively engaging with investment managers to drive change. This collaborative approach helps the Fund to achieve long-term financial and ESG-related objectives while fulfilling fiduciary duty and serving the best interests of members.

10.3 The ACCESS AJC agreed the voting guidelines for inclusion by 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.

The ACCESS pool has established RI guidelines that align with all member Authorities. The RI guidelines were developed around 5 key pillars: Governance, Process, Implementation, Stewardship and Monitoring and Reporting. Individually and collectively the funds that make up ACCESS believe that investments made on behalf of scheme members should be sustainable and the RI guidelines help to ensure collaborative engagement towards this goal.

ACCESS has an ESG/RI Group that is undertaking a program of further activity in connection with the RI Guidelines, including the introduction of further reporting on TCFD and stewardship activities, a review of the ACCESS Voting Guidelines, and consideration of a Pool level Stewardship Code submission.

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.

A full breakdown of the voting cast for the ACCESS sub-funds in which the Fund invests over the reporting period 1 January 2023 to 31 December 2023 can be found in Principle 12.

10.4 During 2023, a total of 63 engagements were made by ACCESS Pool investment managers with companies they invest in on the Fund's behalf. This can be broken down into 13 engagements relating to environmental issues, 20 engagements relating to social issues, and 30 engagements relating to governance issues.

**The above figures only go up to September 2023, we will update these to include October – December figures once available.*

As well as engagement made by investment managers relating to ACCESS Pool assets, LAPFF also 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.

LAPFF promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds. It represents the majority of the UK's local authority pension and pooled funds, including ACCESS who are collaborating in the LAPFF forum to address issues such as executive pay, reliable accounting, and the transition to a net-zero economy.

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

11.1 Assessing the performance of external managers is critical to ensuring optimal portfolio outcomes. While most investment managers diligently strive to meet or exceed their mandates, there are instances when an investment manager's performance might consistently fall below expectations. In such cases, the Fund employs a systematic evaluation process, and if necessary, escalates the matter for further review and action.

In cases of persistent unremedied underperformance, the Fund will escalate the matter to the PFC and with our investment consultants bring options before them. The PFC then evaluate whether it's prudent to continue with the current manager or explore alternative options.

Like the Fund, ACCESS believes in a 'just transition' to a low carbon economy that ensures fair treatment for employees and communities that would otherwise bear the brunt of industrial change. Individually and collectively the Funds that make up ACCESS also believe in constructively engaging with companies on any identified ESG and RI issues, rather than immediate divestment from these assets.

ACCESS believe that the monitoring of RI activities and outputs is vital to ensuring alignment of RI performance with its Guidelines. Third parties such as Waystone, the pool custodian, asset managers, and other stakeholders are actively encouraged to provide relevant, transparent, and accessible ESG-related information through reporting. Reporting expectations may also be driven by other factors, such as reporting that is aligned with The Taskforce for Climate-related Financial Disclosures (TCFD). Any reporting arrangements put in place need to be able to meet the many and varied reporting requirements of the Councils, now and in the future.

11.2 LAPFF promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds. Emphasising corporate responsibility and long-term shareholder value, LAPFF, along with its members, actively addresses issues such as executive pay, reliable accounting, and the transition to a net-zero economy.

Through collaboration with UK local authority pension funds, the Forum leads initiatives to influence positive changes in some of the world's major corporations. With combined assets exceeding £350bn, LAPFF engages with company leaders, stakeholders, and regulators to promote responsible investment and corporate responsibility.

The Forum recognises the importance of considering not only individual companies but also broader market dynamics. By challenging regulators and advocating reforms, LAPFF contributes to advancing corporate responsibility and responsible investment. This collaborative effort aims to secure the value of pension funds, supporting millions of people in retirement both now and in the future. LAPPF engages with companies on a wide range of issues on behalf of the Fund, most of which can be classified into the following categories:

Climate risk – LAPFF encourages companies to align their business models with a 1.5°C warming scenario and pushes for carbon emissions reporting and their approach to carbon management to be part of their business strategy.

Social risk – To identify and address social risk, LAPFF engages directly with affected workers and communities. Engaging in this way enables LAPFF to deal with risk in a comprehensive way.

Governance risk – LAPFF believes that effective corporate governance minimises risk and maximises shareholder value. The majority of their engagement is on this topic as they feel this facilitates effective environmental and social practices. They can engage at board and company chair level to affect change.

Reliable accounting risk - LAPFF focuses on reliable accounts policy making looking to raise accounting and auditing standards. LAPFF has found that despite the Companies Act requiring accounts to be sufficiently reliable, current standards leave openings for issues with fraud, capital maintenance and funding. The focus also extends to climate change aspects of accounts including decarbonisation.

LGPS and Stewardship – LAPFF uses its role in the LGPS to engage on matters such as pooling and stewardship. They believe that pooling should show a clear sight of work and remain beneficial to both parties and that active stewardship by pension funds leads to the long-term success of the companies invested in. LAPFF also set up an all-party parliamentary group ("APPG") to discuss LGPS matters with ministers.

LAPFF engages with large global companies in which LAPFF members hold substantial numbers of shares. This engagement revealed shortcomings in the way some industry's approach climate change and LAPFF have encouraged improved climate policy and practice, aiming to use the largest companies in the sector to create positive incentives to others. Given the massive policy challenges on climate and the increasing interest by LAPFF members in natural resources depletion, including biodiversity and deforestation, LAPFF supports the Taskforce for Nature-related Financial Disclosure framework (TNFD) which aims to provide a framework for companies to report and act on nature-related risks and opportunities.

Principle 12

Signatories actively exercise their rights and responsibilities.

12.1 The Fund's RI Policy includes its approach to exercising of rights attached to investments. This includes the Fund's belief that if companies comply with the principles of the UK Corporate Governance Code published by the Financial Reporting Council, this can be an important factor in helping them succeed; but the Fund also accepts the need for a flexible approach that is in the common long-term interests of stakeholders including shareholders, company employees and consumers, and that the principles accepted as best practice in the UK may differ globally.

The Fund has delegated the exercise of voting rights to all investment managers including the ACCESS ACS Operator, Waystone, on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value.

The Fund's investment managers should exercise their rights as owners of investments to actively participate in company level decisions tabled as shareholder votes at General Meetings.

Assets held within the ACCESS ACS should be voted in accordance with the ACCESS Voting Guidelines on a "comply or explain" basis with voting outcomes regularly monitored and reported to both Joint Committee and the Funds.

The Fund's other investment managers (i.e. those where the investment is not accessed via the ACCESS ACS) are not obliged to follow the ACCESS Voting Guidelines but have all produced written guidelines and policies outlining their own stewardship process and practices (including voting and engagement). These managers are encouraged to vote in line with their respective guidelines, in respect of all resolutions, at annual and extraordinary general meetings of companies. As part of its manager selection and monitoring process, the Fund reviews such guidelines and policies and ensures that the practices adopted are aligned with the Fund's own Responsible Investment Beliefs.

Whilst the Pool allows stock-lending to provide added value to investors, this is a carefully managed approach that requires stocks to be recalled when they are required for voting activities. Voting at a Pool level is actively monitored to ensure sub-fund investment managers are appropriately voting when the opportunity arises, thus actively exercising rights and responsibilities on the Fund's behalf.

12.2 The following table shows the votes cast for and against management for the ACCESS sub-funds in which the Fund invests over the reporting period 1 January 2023 to 31 December 2023. Over this period the Fund's investment managers did not vote against the ACCESS Voting Guidelines.

Sub-Fund	Manager	No. of Meetings	Number of Votes Cast		
			For	Against	Other
WS ACCESS Global Stock	Dodge & Cox	85	1125	187	46
WS ACCESS Global Equity	Longview	42	515	84	46
WS ACCESS Global Equity – JOHCM	J O Hambro	30	236	229	44
Total		**157**	**1876**	**500**	**136**

12.3 In addition to proactive voting, the Fund's investment managers should act as active asset owners through engagement with companies where there are concerns over ESG issues. Officers provide quarterly reports to the committee, presenting updates on engagements and discussing any ongoing matters. If concerns arise during these discussions, they are promptly communicated to the investment managers for further attention. Officers also proactively seek updates on ongoing engagements informally, outside of the committee cycle.

The Fund also believes that acting collectively with other investors, for example, with fellow investors in the ACCESS pool or through membership of the LAPFF is an effective way to engage with companies. In the event that engagement is not effective the Fund will consider divestment from an individual stock, where agreed with the relevant investment manager that this is appropriate. If the Fund cannot reach agreement with the investment manager on a stewardship issue, it may be appropriate to divest from the manager.

Further information on engagement activities by ACCESS and LAPFF is included in the response to Principle 10.

Glossary

AA Administering Authority.

ACTUARY An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met.

ACS Authorised Contractual Scheme.

ADMITTED BODIES Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

AJC ACCESS Joint Committee.

ASU ACCESS Support Unit.

BOND Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured.

CCC Cambridgeshire County Council.

CIPFA Chartered Institute of Public Finance and Accountancy.

CUSTODIAN An external body responsible for ensuring Fund assets are registered in the name of the Fund, managing the settlement of trades entered into by the Fund, collecting income arising on Fund assets and reporting transactions and values to the Fund on a regular basis.

DEFERRED PENSION BENEFIT A pension benefit which a member has accrued but is not yet entitled to receive.

DLUHC Department for Levelling Up, Housing and Communities.

ESG Environmental, Social and Governance.

EQUITIES Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

FIDUCIARY DUTY Refers to the legal and ethical obligation the Fund has to act in the best interests of beneficiaries.

ISC Investments Sub-Committee.

IUG Investment User Group.

KPI Key performance indicators.

LAPFF Local Authority Pension Fund Forum.

LGPS Local Government Pension Scheme.

LOLA LGPS Online Learning Academy.

LPB Local Pension Board.

MYNERS PRINCIPLES Principles aimed at improving the effectiveness of institutional investors, particularly pension funds, in their decision-making processes.

OWG Officer Working Group.

PFC Pension Fund Committee.

PIRC Pension & Investment Research Consultants.

PORTFOLIO A collection of investments. This can refer to the investments managed by a particular Investment Manager, or to describe the whole Fund's investments.

PRIVATE EQUITY A form of investment that involves funds pooled from institutional and high-net-worth investors to acquire, invest in, or provide capital to private companies.

RI Responsible Investment.

SBTi Science-Based Targets Initiative.

SDG Sustainable Development Goals.

SLA Service Level Agreements.

SURPLUS An outcome as a result of taking away all expenses from income. Additionally, the Fund is in surplus when the assets are larger than liabilities.

TCFD Task Force on Climate related Financial Disclosures

YIELD The return generated by an investment.