



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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Item 6

26th November 2025

Investment Update

Purpose of Report:

To provide the Committee with an investment update including a summary of:

- investment performance to 30th September 2025
- distribution of portfolios and DIP investments as at 30th September 2025
- the Investment Advisory Panel meeting of 13th November 2025
- stewardship activity during Quarter 3 2025.

Recommendations:

The Committee is asked **to NOTE** the contents of this report.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes ☐ No ☐ consulted: Yes ☐ No ☐

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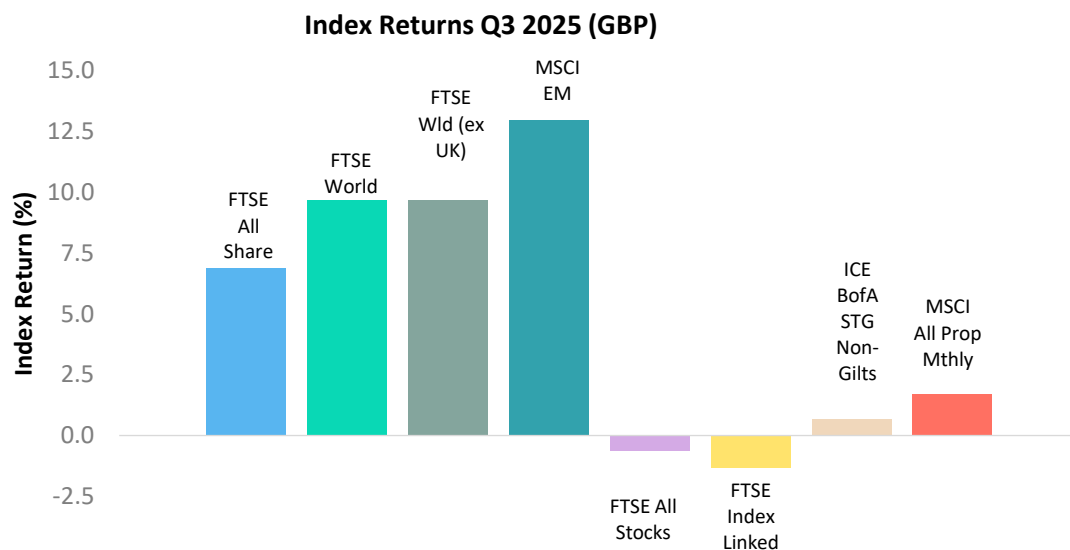
1 Background

The Fund's investment objective is to support the funding strategy by adopting an investment strategy and structure which incorporate an appropriate balance between risk and return. The Fund's current investment objectives and strategy are detailed in **Appendix 1**. The strategy is reflected in the Fund's strategic benchmark and individual portfolio benchmarks. Investment performance is measured by the Fund's global custodian, Northern Trust.

2 Market Performance

Global equity markets rose sharply over the third quarter of 2025, supported by continued optimism around artificial intelligence, progress on US trade agreements and hopes for lower US interest rates, despite ongoing global economic uncertainty. US shares surged as company earnings beat expectations strongly and the Federal Reserve cut interest rates for the first time in 2025. In the UK, markets were buoyed by the decision of the Bank of England to reduce interest rates. European equities rose but underperformed global markets due to limited exposure to artificial intelligence; meanwhile, despite a decline in corporate earnings, Japanese equities outperformed global equities on tariff clarity.

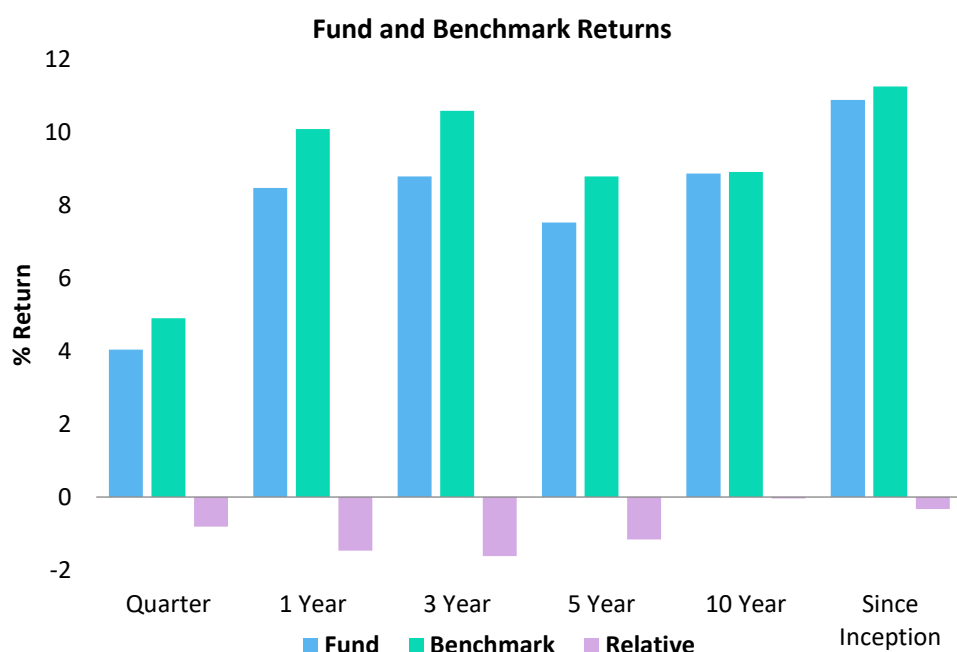
Global government bond yields were mixed; 10-year Treasury yields fell while yields on 10-year Gilts, 10-year German Bunds and 10-year Japanese Government bonds increased. In global credit markets, yields increased in the UK and declined in the US and eurozone. Spreads tightened in all 3 markets.



- The **FTSE All Share** Index returned **+6.9%**, the **FTSE World ex UK** index **+9.6%** and the **MSCI Emerging Markets** index **+12.9%**, compared with Q2 returns of **+4.4%**, **+5.7%** and **+5.7%** respectively.
- The **FTSE All Stock Index** returned **-0.6%** compared with **+1.9%** in Q2.
- **Sterling** fell by **-1.9%** against the euro and **-1.8%** against the US dollar.
- The **MSCI All property monthly return index** returned **+1.8%**. Capital returns remained steady, while income returns improved.

3 Fund Performance

The **Fund's value** at 30th September 2025 was **£33,092m**, an increase on the 30th June valuation of **£32,050m**.



The **Fund's total return** for Quarter 3 2025 was **+4.0%**, behind the benchmark return of **+4.9%**. Over 1 year, 3 years, 5 years and 10 years the Fund's total return has been positive but behind benchmark. Further analysis of Fund and asset class performance can be found in **Appendix 2**.

Each of the Fund's investment managers has an individual portfolio benchmark. In Quarter 3:

- 7 active managers outperformed their benchmark; and
- 16 active managers underperformed.

Further analysis of manager performance can be found in **Appendix 3**.

4 Asset Allocation

The Fund's asset allocation can be summarised as follows:

Asset Class	30 Jun 2025 (£m)	30 Jun 2025 (%)	30 Sep 2025 (£m)	30 Sep 2025 (%)	Target (%)
Equity	16,220	50.6	17,299	52.3	47.0
Hedging & insurance	3,361	10.5	3,326	10.1	10.0
Credit	1,279	4.0	1,289	3.9	5.0
Short term enhanced yield	5,190	16.2	5,066	15.3	17.0
Long Term enhanced yield	5,999	18.7	6,111	18.5	21.0
Total	32,050	100.0	33,092	100.0	100.0

All changes in asset class exposure are largely the result of relative market movements. Net inflows from private market programmes were also positive in Q3 2025.

In March 2024, the SPF Committee agreed a revised investment strategy and structure to be effective from 1 April 2024. The process of transitioning to the revised strategy commenced in Q2 2024, with the switch to the new overall asset class exposures completed during 2024. One of two remaining mandate changes, the switch of the Fund's passive corporate bond allocation to new Low Carbon Transition funds within the 'Credit' asset class, was completed in July 2025. In Quarter 4 2025 the final mandate change, divestment from the Fidelity Emerging Markets Fund, will complete with the proceeds being invested in RBC Core Emerging Markets Fund.

For further details on the Fund's managers and current allocations, see **Appendix 4**.

5 Direct Impact Portfolio (DIP)

A summary of the performance and activity of the Fund's Direct Impact Portfolio and a schedule of current investments can be found at **Appendix 5**.

6 Investment Advisory Panel

The Fund's Investment Advisory Panel met on 13th November 2025. A note of the Panel's meetings is set out in **Appendix 6**.

7 Stewardship: Responsible Investment

A summary of responsible investment activity is included at **Appendix 7**. Quarter 3 highlights include:

- DTZ reported improved scores in the 2025 annual Global Real Estate Sustainability Benchmark (GRESB) assessment of the Fund's portfolio and that the Fund remains on target for 2040 net zero with a consistent reduction in emissions intensity across landlord and tenant emissions since 2019.
- On the basis of its 2024 report submission, the Fund was named as a signatory to the UK Stewardship (2020) Code during Q3 2025. The Fund has now been a signatory to the Code every year since it was first introduced.
- The Fund co-signed an investor letter to the **European Commission** urging EU policymakers to fully and timeously implement the **EU Deforestation Regulation (EUDR)**.
- The Fund concluded its third case as lead plaintiff in a securities class action litigation in quarter 3 by obtaining a class settlement of \$84m against **Dentsply Sirona Inc.** in the United States District Court for the Eastern District of New York.
- Officers of the Fund completed the annual PRI reporting and assessment survey in quarter 3. An assessment report on progress in implementing the Principles is expected in quarter 4.

8 Scheme Developments

The [Pension Schemes Bill](#) which is currently being progressed through UK Parliament will bring significant changes to different kinds of pension schemes. It consolidates Local Government Pension Scheme (LGPS) funds in England and Wales into six larger funds and provides for the management and governance of those funds. On introduction, the Bill had no impact on the LGPS in Scotland. However, at the request of Scottish Ministers, and in the interests of responsible authorities retaining parity of powers, the UK Government agreed to table amendments to the Bill so that powers are extended to the Scottish Ministers. This will be subject to legislative consent being agreed in Holyrood.

Scottish Ministers have advised that there are no current plans to mirror the approach to pooling being implemented in England and Wales, but that it is important that the Scottish Government retain equivalent powers. The amendments to the Bill remove the necessity of future Scottish Governments relying on further primary legislation in Westminster should any similar or related changes to the Scottish LGPS become desirable at a later date.

9 Policy and Resource Implications

Resource Implications:

Financial: None. Monitoring report.

Legal: None.

Personnel: None.

Procurement: None

Council Strategic Plan: SPF supports all Missions within the Grand Challenge of: ***Enable staff to deliver essential services in a sustainable, innovative and efficient way for our communities.*** The LGPS is one of the key benefits which enables the Council to recruit and retain staff.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-25? Please specify. Equalities issues are addressed in the Fund's Responsible Investment strategy. A summary of responsible investment activity is included at **Appendix 7**.

What are the potential equality impacts as a result of this report? N/a.

Please highlight if the policy/proposal will help address socio-economic disadvantage. N/a.

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify: Yes.
Strathclyde Pension Fund's Climate Change strategy aligns with Item 34 of the Council's Climate Action Plan.
SPF's stewardship activity addresses all of the SDGs to some degree. A summary of

responsible investment activity is included **at Appendix 7.**

What are the potential climate impacts as a result of this proposal? N/a.

Will the proposal contribute to Glasgow's net zero carbon target? N/a.

Privacy and Data Protection Impacts: No.

Are there any potential data protection impacts as a result of this report
Y/N

If Yes, please confirm that a Data Protection Impact Assessment (DPIA) has been carried out N/a

10 Recommendation

The Committee is asked **to NOTE** the contents of the report.

Appendices

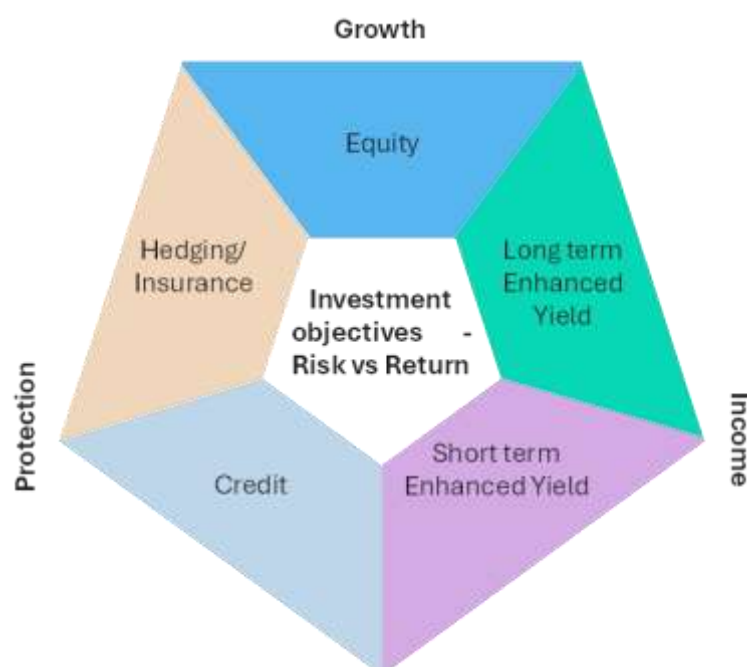
Appendix 1	Investment Objectives and Strategy
Appendix 2	Fund and Asset Class Performance
Appendix 3	Manager Performance
Appendix 4	Portfolio Summary
Appendix 5	Direct Impact Portfolio
Appendix 6	Investment Advisory Panel
Appendix 7	Stewardship Activity: Responsible Investment

Investment Objectives and Strategy

The Fund's investment objective is to support the funding strategy by adopting an investment strategy and structure which incorporate an appropriate balance between risk and return. The current objectives of the investment strategy should be to achieve:

- a greater than 80% probability of being 100% funded over the average future working lifetime of the active membership (the target funding period); and
- a less than 10% probability of falling below 80% funded over the next three years.

The Fund's investment strategy broadly defines the types of investment to be held and the balance between different types of investment. The strategy reflects the Fund's key investment principles, is agreed by the Committee and reviewed regularly. The Fund has adopted a risk-return asset framework as the basis for modelling and agreeing investment strategy.



Strategic asset allocations set following the 4 most recent actuarial valuations, along with the actuary's assumed returns are shown below:

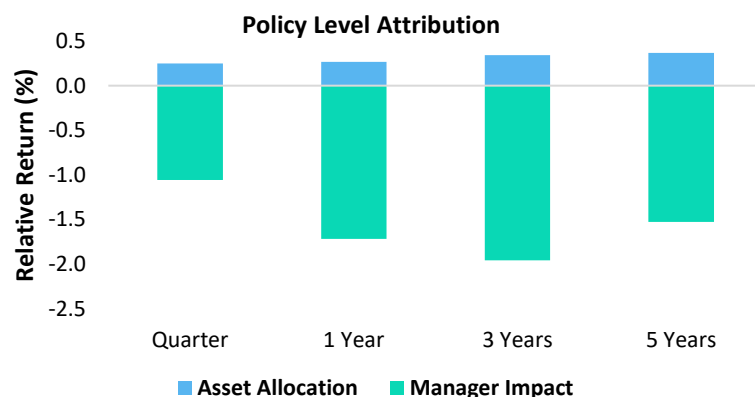
Asset	2014 %	2017 %	2020 %	2023 %
Equity	62.5	52.5	52.5	47.0
Hedging & insurance	1.5	1.5	1.5	10.0
Credit	6.0	6.0	6.0	5.0
Short term enhanced yield	15.0	20.0	20.0	17.0
Long term enhanced yield	15.0	20.0	20.0	21.0
	100	100	100	100

Fund and Asset Class Performance

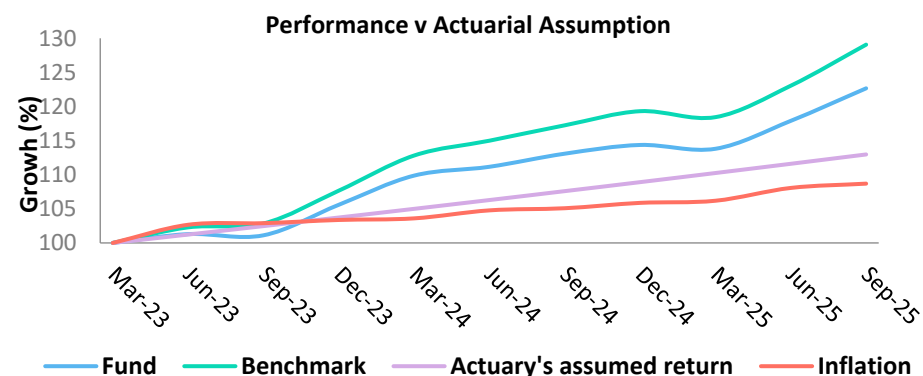
1. Returns by Asset Class

Asset Class	Latest Quarter			1 Year			3 Years			5 Years		
	Fund %	B'mark %	Relative %	Fund %	B'mark %	Relative %	Fund %	B'mark %	Relative %	Fund %	B'mark %	Relative %
Equity	7.1	9.2	(1.9)	13.6	16.9	(2.8)	12.9	16.8	(3.4)	10.7	13.4	(2.4)
Hedging & Ins	(1.0)	(1.2)	0.2	(5.4)	(5.9)	0.5	(0.2)	(1.6)	1.5	(0.8)	(7.6)	7.3
Credit	0.8	0.9	(0.0)	1.6	1.5	0.1	6.0	5.9	0.0	(1.9)	(1.9)	0.0
STEY	1.9	1.8	0.1	6.3	7.6	(1.2)	6.9	8.2	(1.1)	4.7	5.9	(1.1)
LTEY	1.2	1.6	(0.5)	6.3	6.8	(0.5)	2.4	2.0	0.4	5.1	5.4	(0.3)
Total Fund	4.0	4.9	(0.8)	8.5	10.1	(1.5)	8.8	10.6	(1.6)	7.5	8.8	(1.2)

2. Performance Attribution



3. Performance vs Actuarial Assumption



- In Q3, Hedging & Insurance and STEY outperformed their benchmarks. In absolute terms, all asset classes except Hedging & Insurance delivered positive returns, with Equity being the strongest performer.
- Over 1, 3 and 5 years, Equity is the best performing asset class in absolute terms but has underperformed on a relative basis.
- Over Q3, 1, 3 and 5 years, investment manager performance, particularly in active equity portfolios and STEY portfolios, has detracted from Fund return, however asset allocation has added value.
- Over the current actuarial cycle, Fund performance is behind benchmark but remains comfortably ahead of the assumed actuarial return and inflation.

Manager Performance

1 Equity

1.1 Manager Performance Summary

Equity						
Manager		Current Quarter (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford	Actual	8.9	16.4	13.9	6.3	9.1
	Relative	(0.7)	(0.8)	(2.0)	(6.3)	0.9
Lazard	Actual	6.5	6.5	8.7	8.5	9.4
	Relative	(2.7)	(8.8)	(6.0)	(3.7)	(0.1)
Oldfield	Actual	7.9	16.5	13.6	10.6	8.5
	Relative	(1.5)	(0.3)	(1.8)	(1.8)	(3.8)
Veritas	Actual	2.5	5.6	10.4	8.5	11.6
	Relative	(6.4)	(9.6)	(4.5)	(3.7)	(0.6)
Lombard Odier	Actual	(2.8)	(3.7)	6.0	6.1	6.8
	Relative	(6.2)	(13.0)	(0.7)	(0.4)	2.2
JP Morgan	Actual	6.5	14.2	10.1	4.2	11.4
	Relative	(2.7)	(0.2)	(1.7)	(3.8)	1.7
Fidelity	Actual	21.1	40.6	19.3	7.7	9.6
	Relative	8.2	21.6	7.3	0.5	1.3
RBC	Actual	10.7	-	-	-	13.4
	Relative	(1.7)	-	-	-	(3.6)
Pantheon	Actual	3.6	6.7	(2.4)	11.7	13.0
	Relative	(5.4)	(8.7)	(15.6)	(1.9)	3.9
Partners Group	Actual	1.9	4.7	3.5	9.9	10.8
	Relative	(7.0)	(10.4)	(10.5)	(3.4)	3.9
L&G Equity	Actual	8.7	18.4	20.0	13.8	10.3
	Relative	(0.1)	0.3	(0.3)	(0.3)	-
L&G RAFI	Actual	9.4	16.6	17.1	16.0	10.7
	Relative	0.1	0.4	0.4	0.3	0.0
Total	Actual	7.1	13.6	12.9	10.7	9.8
	Relative	(1.9)	(2.8)	(3.4)	(2.4)	(0.3)

1.2 Manager Performance Commentary

Equity underperformed the benchmark over the quarter with only 1 out of 9 active managers outperforming. **Fidelity** was the standout performer on both an absolute and relative basis being the only active manager to outperform the benchmark. On an absolute basis the weakest performer was **Lombard Odier**, the only manager to post a negative absolute return. On a relative basis **Partners Group**, **Veritas** and **Lombard Odier** delivered the weakest relative returns.

Over 5 years, the only active manager to outperform their benchmark was **Fidelity**. The passive **L&G RAFI** portfolio is also ahead of benchmark over 5 years.

Fidelity's outperformance can be attributed to stock picking in the UK, Canada and South Korea; an overweight position in materials; stock picking in materials and exposure to gold mining conglomerates which benefited from the continued strength in gold prices.

Manager Performance

The strong performance in emerging markets was reflected in the return delivered by **RBC (+10.7%)**. Portfolio performance was below benchmark however and at country and sector levels, asset allocation and stock selection detracted from returns. The overweight position in Peru and zero allocation to Saudi Arabia benefited relative returns as did the strategy's zero exposure to energy and utilities. On the downside, the overweight positions in Chile and the Philippines and the overweight exposure to healthcare and consumer discretionary detracted.

Lombard Odier underperformed their benchmark as appetite for UK small and mid-sized companies was held back as investors adopted a wait-and-see approach ahead of the autumn budget. The top performing holdings were Oakley Capital and TruFin, while the main detractors were On the Beach Group and Futura Medical.

Veritas underperformed their benchmark over the quarter. Stock selection detracted from returns as did country and sector allocations. At stock level, Thermo Fisher Scientific, a life sciences and diagnostics company, was the top contributor to performance as earnings per share (EPS) and revenue exceeded forecasts. Charter Communications, a business providing high-speed internet, cable TV and mobile wireless and voice services, was the main detractor as revenue and EPS failed to meet expectations.

Pantheon and **Partners Group (private equity)** underperformed over the quarter. Both managers have outperformed since inception. The most recent Total Value / Paid In multiples, which compares the total value (funds distributed and residual value) with capital called, remained stable at 1.78x and 1.79x respectively.

Manager Performance

2 Short Term Enhanced Yield

2.1 Manager Performance Summary

Short-term enhanced yield						
Manager		Current Quarter (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
PIMCO	Actual	2.2	7.3	6.9	4.6	3.3
	Relative	0.5	(0.3)	(1.0)	(1.5)	(0.0)
Ruffer	Actual	2.9	4.6	1.8	4.4	5.1
	Relative	1.1	(2.5)	(5.4)	(1.5)	(0.4)
Barings (MAC)	Actual	1.9	6.8	9.4	5.3	3.8
	Relative	(0.1)	(1.4)	0.7	(1.6)	(2.1)
Oak Hill	Actual	2.1	6.2	10.2	6.2	4.6
	Relative	0.1	(2.0)	1.5	(0.7)	(1.3)
Barings (Private Debt)	Actual	1.3	7.6	8.7	8.3	6.3
	Relative	(0.6)	(0.7)	0.1	1.2	0.3
Alcentra	Actual	0.6	4.5	4.3	5.8	6.0
	Relative	(1.3)	(3.5)	(4.0)	(1.1)	0.1
ICG Longbow	Actual	1.5	5.1	3.5	4.8	3.8
	Relative	(0.4)	(3.0)	(4.7)	(2.0)	(2.6)
Partners Group (Private Debt)	Actual	1.8	7.3	8.4	8.3	5.2
	Relative	(0.1)	(1.0)	(0.2)	1.2	(1.4)
Pantheon (Private Debt Secondaries)	Actual	1.6	n/a	n/a	n/a	6.0
	Relative	(0.3)	n/a	n/a	n/a	0.1
Total	Actual	1.9	6.3	6.9	4.7	3.5
	Relative	0.1	(1.2)	(1.1)	(1.1)	(1.2)

2.2 Manager Performance Commentary

The return for Short Term Enhanced Yield (STEY) was marginally ahead of the benchmark in 2025 Q3 with 3 out of 9 managers outperforming and all managers delivering positive absolute returns. **Private debt** portfolios and **Barings (Multi-asset credit)** underperformed, while **PIMCO**, **Ruffer** and **Oak Hill** outperformed.

The STEY strategy is behind benchmark over 5 years, with only the **Barings** and **Partners Group private debt** portfolios outperforming.

Ruffer outperformed over the quarter and delivered the strongest absolute return with the STEY asset class. The allocation to gold and precious metals was the main contributor to performance as the price of gold continued to rise and gold mining equities performed well. Equity exposure more generally contributed positively to performance. On the downside, the portfolio's protection strategies and long-dated gilts were a drag on returns.

Private debt managers **Barings**, **Alcentra**, **Partners Group**, **ICG Longbow** and **Pantheon** underperformed their benchmarks over the quarter. Since inception, only **Barings** and **Alcentra** have outperformed.

Manager Performance

3 Long Term Enhanced Yield

3.1 Manager Performance Summary

Long-term Enhanced Yield						
Manager		Current Quarter (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
DTZ	Actual	1.8	8.2	(0.1)	4.4	6.2
	Relative	0.5	1.8	3.5	1.7	0.4
Partners Group RE	Actual	(1.4)	(3.3)	(8.4)	(1.9)	4.4
	Relative	(3.6)	(10.8)	(13.6)	(9.3)	(3.8)
JP Morgan IIF	Actual	2.1	10.6	11.2	9.1	7.7
	Relative	0.1	2.4	2.9	1.0	(0.3)
Total	Actual	1.2	6.3	2.4	5.1	5.1
	Relative	(0.5)	(0.5)	0.4	(0.3)	(0.1)

3.2 Manager Performance Commentary

Performance of the long-term enhanced yield (LTEY) allocation was below benchmark in Q3 2025. The **DTZ** UK direct property portfolio and **JP Morgan Institutional Infrastructure Fund** outperformed their benchmarks, while **Partners Group** underperformed.

The strategy has underperformed over the longer term due to underperformance from the **Partners Group** global real estate portfolio.

DTZ outperformed the benchmark over the quarter. The top performing sector was retail which delivered a strong income return. On the downside, transaction costs were a drag on performance as the portfolio completed on the purchase of an industrial estate and the sale of a former office building.

The **Partners Group global real estate portfolio** delivered a negative return in Q3 2025 and performance is behind its strategic benchmark and the FTSE/EPFA NAREIT Total Return [Global Real Estate] Index reported by the manager over all time periods except since inception. The portfolio has a Total Value / Paid In multiple of 1.14x, down from 1.15x last quarter.

The **JP Morgan Infrastructure Investments Fund** outperformed the benchmark in Q3 2025 and performance is ahead of benchmark over 1, 3 and 5 years. The underlying portfolio's operational cash yield was 1.4% over the quarter and the 10-year multiple of investment capital (MOIC) was 2.1x.

Appendix 4

Portfolio Summary at 30 September 2025

	Equity		Hedging & Insurance		Credit		Short Term Enhanced Yield		Long Term Enhanced Yield		Total		Target
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%	%
L&G	6,991	21.1%	3,326	10.1%	1,289	3.9%					11,607	35.1%	33.0%
Baillie Gifford	2,829	8.5%									2,829	8.5%	7.5%
Lazard	1,039	3.1%									1,039	3.1%	2.5%
Oldfield	1,008	3.0%									1,008	3.0%	2.5%
Veritas	1,003	3.0%									1,003	3.0%	2.5%
Lombard Odier	424	1.3%									424	1.3%	1.0%
JP Morgan	1,052	3.2%							1,562	4.7%	2,614	7.9%	7.5%
Active EM Equity	156	0.5%									156	0.5%	0.0%
Pantheon	1,286	3.9%					52	0.2%			1,338	4.0%	5.8%
Partners Group	863	2.6%					356	1.1%	581	1.8%	1,800	5.4%	5.5%
RBC	494	1.5%									494	1.5%	2.0%
PIMCO							1,229	3.7%			1,229	3.7%	4.0%
Ruffer							579	1.7%			579	1.7%	2.0%
Barings (multi-credit)							758	2.3%			758	2.3%	2.3%
Oak Hill Advisors							606	1.8%			606	1.8%	1.8%
Barings (private debt)							356	1.1%			356	1.1%	1.8%
Alcentra							235	0.7%			235	0.7%	0.0%
ICG Longbow							286	0.9%			286	0.9%	1.0%
DTZ									2,550	7.7%	2,550	7.7%	9.0%
DIP	154	0.5%					83	0.2%	1,417	4.3%	1,654	5.0%	7.5%
Cash							526	1.6%			526	1.6%	1.0%
Total	17,299	52.3%	3,326	10.1%	1,289	3.9%	5,066	15.3%	6,111	18.5%	33,092	100.0%	100.0%
Target		47.0%		10.0%		5.0%		17.0%		21.0%		100.0%	

Direct Impact Portfolio

1 Portfolio Summary

The portfolio can be summarised as follows.

	Since Inception (£m)	Current Portfolio (£m)
Total Commitments Agreed	2,544	2,431
Amounts Drawn Down by Managers	1,954	1,862
+ Increase in Value	646	601
- Received Back in Distributions	824	824
- Realisations	137	-
= Total Net Asset Value (NAV)	1,639	1,639

Based on a current total Fund value of **£33,092m**, DIP's **7.5%** target allocation is a NAV of **£2,482m**.

The portfolio comprises **69** separate investments including **4** co-investments.

In Q3, drawdowns and distributions amounted to **£81m** and **£40m** respectively.

2 Performance

Portfolio performance to 30th September 2025 is as follows:

	Current Quarter (%)		3 Year (% p.a.)		5 Year (% p.a.)	
	DIP	SPF	DIP	SPF	DIP	SPF
Equity	0.2	7.1	4.5	12.9	15.7	10.7
LTEY	0.1	1.2	4.9	2.4	5.5	5.1
STEY	0.9	1.9	6.4	6.9	7.2	4.7
TOTAL	0.2	4.0	4.9	8.8	6.3	7.5

DIP performance is positive over all time periods and all asset classes. Over 5 years, DIP performance at an asset class level is ahead of Fund asset class level performance, although at a total portfolio level, the DIP return is behind SPF's. This is due to DIP's higher allocation to lower returning LTEY investments.

3 Individual Investment Performance

Overall, the portfolio has performed well as have the majority of individual investments. On a RAG analysis:

- **60** investments are rated **green**;
- **7** are **amber**;
- **2** in legals;
- **None** **red**.

Direct Impact Portfolio

4 DIP Investments

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
Asset Category: Equity								
Clean Growth Fund	2020	Venture Capital	Equity	20	16	4	0	16
Clean Growth Fund II	2025	Venture Capital	Equity	30	0	30	0	0
Corran Environmental Fund II	2024	Growth Capital	Equity	20	13	7	0	14
Epidarex Fund II	2013	Venture Capital	Equity	5	5	0	3	4
Epidarex Fund III	2019	Venture Capital	Equity	15	12	3	1	11
Foresight Regional Investment V LP	2023	Growth Capital	Equity	30	14	16	0	14
Maven UK Regional Buyout Fund	2017	Growth Capital	Equity	20	18	2	19	9
Maven UK Regional Buyout Fund II	2025	Growth Capital	Equity	30	0	30	0	0
Palatine Impact Fund II	2022	Growth Capital	Equity	25	12	13	0	8
Palatine Private Equity Fund IV	2019	Growth Capital	Equity	25	22	3	16	22
Palatine Private Equity Fund V	2024	Growth Capital	Equity	30	3	27	0	2
Panoramic Enterprise Capital Fund 1 LP	2010	Growth Capital	Equity	3	3	0	9	1
Panoramic Growth Fund 2 LP	2015	Growth Capital	Equity	13	12	1	17	5
Panoramic SME Fund 3 LP	2022	Growth Capital	Equity	25	7	18	1	7
Par Equity Northern Scale-Up Fund	2023	Venture Capital	Equity	25	9	16	0	9
Pentech Fund III	2017	Venture Capital	Equity	10	8	2	0	7

Direct Impact Portfolio

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
SEP III	2006	Growth Capital	Equity	5	5	0	18	0
SEP IV LP	2011	Growth Capital	Equity	5	5	0	8	2
SEP V LP	2016	Growth Capital	Equity	20	20	0	21	20
SEP VI LP	2021	Growth Capital	Equity	30	15	15	0	15
Total as at 30/09/2025	Q3			386	200	186	113	168
Asset Category: LTEY								
Albion Community Power LP	2015	Renewables	LTEY	40	40	0	21	32
Alpha Social Impact Fund	2015	Support Living	LTEY	15	15	0	6	19
Capital Dynamics Clean Energy Infrastructure VIII	2019	Renewables	LTEY	40	40	0	6	42
Capital Dynamics Clean Energy UK Fund	2023	Renewables	LTEY	60	20	40	0	17
Clydebuilt Fund II LP	2021	Property	LTEY	100	97	3	7	97
Clydebuilt Fund LP	2014	Property	LTEY	75	75	0	72	16
Dalmore Capital Fund 3 LP	2017	Infrastructure	LTEY	50	50	0	16	52
Dalmore Capital Fund 4 LP	2021	Infrastructure	LTEY	50	50	0	6	52
Dalmore II 39 LP	2021	Infrastructure	LTEY	50	45	5	6	44
Dalmore PPP Equity PiP Fund	2014	Infrastructure	LTEY	50	50	0	41	42
Equitix Fund IV LP	2015	Infrastructure	LTEY	30	30	0	14	29

Direct Impact Portfolio

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
Equitix Fund V LP	2018	Infrastructure	LTEY	50	50	0	19	50
Equitix Fund VI LP	2020	Infrastructure	LTEY	50	50	0	5	48
Equitix Fund VII LP	2024	Infrastructure	LTEY	50	46	4	0	48
Equitix MA 19 LP (Co-Investment Fund)	2020	Infrastructure	LTEY	50	50	0	9	56
Funding Affordable Homes	2015	Property	LTEY	30	30	0	0	27
Greencoat Solar Fund II LP	2017	Renewables	LTEY	50	50	0	19	41
Hermes Infrastructure Fund II	2017	Infrastructure	LTEY	50	42	8	12	46
Iona Renewable Infrastructure LP	2017	Renewables	LTEY	14	14	0	3	13
Iona Resource and Energy Efficiency (Strathclyde) LP	2021	Renewables	LTEY	6	6	0	0	7
Legal & General UK Build to Rent Fund	2016	Property	LTEY	75	75	0	6	75
Macquarie GIG Renewable Energy Fund I	2015	Renewables	LTEY	80	80	0	75	54
Man GPM RI Community Housing Fund	2021	Property	LTEY	30	28	2	0	27
Man RI Community Housing Fund 3	2025	Property	LTEY	50	0	50	0	0
NextPower UK ESG Fund	2022	Renewables	LTEY	60	38	22	2	43
NTR Wind I LP	2015	Renewables	LTEY	41	36	5	41	33
Octopus Affordable Housing Fund	2023	Property	LTEY	50	0	50	0	0
PIP Multi-Strategy Infrastructure LP(Foresight)	2016	Infrastructure	LTEY	130	120	10	67	80

Direct Impact Portfolio

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
Places for People Scottish Mid-Market Rental (SMMR) Fund	2019	Property	LTEY	45	40	5	4	48
Quinbrook Renewables Impact Fund (QRIF1)	2020	Renewables	LTEY	50	48	2	1	58
Quinbrook Renewables Impact Fund (QRIF2)	2024	Renewables	LTEY	60	10	50	0	9
Resonance British Wind Energy Income Ltd	2013	Renewables	LTEY	10	10	0	9	5
Temporis Impact Strategy V LP (TISV)	2021	Renewables	LTEY	50	32	18	13	38
Temporis Operational Renewable Energy Strategy (TORES)	2017	Renewables	LTEY	30	30	0	14	45
Temporis Operational Renewable Energy Strategy (TORES II) (prev. TREF)	2015	Renewables	LTEY	30	30	0	13	35
Total as at 30/09/2025	Q3			1,701	1,426	275	508	1,328
Asset Category: STEY								
Beechbrook UK SME Credit II Fund	2016	Credit	STEY	30	29	1	29	13
Beechbrook UK SME Credit III Fund	2021	Credit	STEY	40	34	6	14	26
Beechbrook UK SME Credit IV Fund	2025	Credit	STEY	50	3	47	0	3
Healthcare Royalties Partners III LP	2013	Credit	STEY	19	18	1	23	1
Invesco Real Estate Finance Fund II (formerly GAM REFF II)	2018	Credit	STEY	20	14	6	22	2
Muzinich UK Private Debt Fund	2015	Credit	STEY	15	15	0	15	0
Pemberton UK Mid-Market Direct Lending Fund	2016	Credit	STEY	40	37	3	46	15

Direct Impact Portfolio

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
Scottish Loans Fund	2011	Credit	STEY	6	6	0	7	0
TDC II (prev Tosca Debt Capital Fund II LP)	2017	Credit	STEY	30	24	6	24	8
TDC III (prev Tosca Debt Capital Fund III LP)	2019	Credit	STEY	30	21	9	20	15
Total as at 30/09/2025	Q3			280	201	79	199	83
Co-investment Programme								
Equitix Fund MA16 LP	2025	Renewables	LTEY	20	0	20	0	20
Schroders Greencoat Glasgow Terrace	2023	Renewables	LTEY	15	15	0	2	13
Temporis (TISV Co-invest1 LP) (TISV3)	2024	Renewables	LTEY	15	15	0	3	20
Temporis (TISV Co-invest1 LP) (TISV2)	2024	Renewables	LTEY	15	6	9	0	7
Total as at 30/09/2025	Q3			65	36	29	5	60
DIP Portfolio Total								
Total as at 30/09/2025	Q3			2,431	1,862	569	824	1,639
Total as at 30/06/2025	Q2			2,350	1,805	545	787	1,598

Investment Advisory Panel Meeting November 2025

MINUTES OF MEETING ON Thursday 13th November 2025

PRESENT:	Richard McIndoe	Director
	Prof. Geoffrey Wood	Investment Advisor
	Iain Beattie	Investment Advisor
	Alistair Sutherland	Investment Advisor
	David Walker	Hymans Robertson
	Jacqueline Gillies	Chief Investment Officer
	Richard Keery	Investment Manager
	Ian Jamison	Investment Manager
	Syed Muslim	Assistant Investment Manager
	Lorraine Martin	Assistant investment Manager
	Moir Gillespie	Investment Assistant

1. Minutes from Last Meeting & any Matters Arising

The minutes of the Panel meeting on 14th August 2025 were agreed to be an accurate record.

Officers updated the Panel on the final strategy switch that is required to complete the Fund's implementation of the revised investment strategy agreed in March 2024 - closing out the Fund's legacy position in Fidelity Emerging Markets Limited. The divestment from Fidelity is in progress, will be completed in November 2025, and the proceeds re-invested in RBC GAM by the end of the year.

2 Monitoring**2.1 Market and Inflation Update**

The Panel reviewed an investment market update from Hymans Robertson. Overall, the Panel acknowledged that volatile market conditions persist, but agreed that the Fund is well diversified, and that this diversification should continue to be beneficial.

2.2 Quarterly Investment Performance Review

The Fund's return for **Q3 2025** was **+4.0%**, behind the benchmark return of **+4.9%**. Performance for the year to 30th September 2025 was positive (**+8.5%**), but below benchmark (**+10.1%**). The Fund's return is positive on an absolute basis over five years but behind benchmark and positive on an absolute basis and in line with benchmark over ten years.

2.4 Manager Ratings

Current officer assessments of the Fund's investment managers had been circulated, together with Hymans Robertson's manager update. On a Red, Amber, and Green (RAG) analysis:

- 16 of the Fund's active managers were rated **green**
- 5 rated **amber**
- 1 was rated **red** following the Committee decision to review the emerging market equity portfolio.

Investment Advisory Panel Meeting November 2025

The Panel noted that the performance of half the active global and specialist equity mandates was now behind benchmark since inception. While this is a result of lower relative exposure across the board to the US and to the technology sector in particular, the Fund's equity allocation will be a focus of the 2026/27 review of investment strategy.

2.5 Direct Impact Portfolio Monitoring Report

The Panel reviewed the quarterly monitoring report for the Direct Impact Portfolio (DIP). Overall the portfolio and most of its investments are progressing well. On a Red, Amber, Green (RAG) analysis:

- **60** investments are rated **green**;
- **7** (previously 6) are **amber**;
- **2** in legals;
- **None red**.

2.6 Funding Level Monitoring

The Panel reviewed an updated Funding level report from Hymans Robertson. The funding level at the end of September 2025 was estimated to have increased to **194%**, compared with the funding level of **147%** at the last valuation date, 31st March 2023.

3 Allocation

3.1 Cash flow

The Panel reviewed a schedule of estimated cash flows for the Fund's private market investment programmes - private equity, global real estate, the Direct Impact Portfolio and private debt commitments.

Main points were that:

- 2025 forecasted net cash flow is **+£239m**

	2025	
	Estimate (£m)	Actual y.t.d. (£m)
Distributions	759	443
Calls	-520	-267
Net	+239	+176

- The central cash balance at 30th September was **+£526m**. This had decreased by **(£179m)** in the quarter.
- Flows from private market programmes amounted to **+£53m** during Q3 2025.
- **(£250m)** was transferred from investments to fund benefits cash flow.

The IAP will revisit investment cash balances, private market flows and potential sources of cash to meet benefit payments for 2026/27 at its February meeting.

3.2 Rebalancing Strategy

The Panel reviewed a rebalancing report showing Fund allocations vs strategy allocations as at 30th September 2025.

Investment Advisory Panel Meeting November 2025

The total allocation to Long Term Enhanced Yield was close to the lower limit of its target range, while passive and global equity were above the upper limit of their target ranges. All individual portfolios within these categories were within range.

The ICG Longbow portfolio was below the lower limit of its target range, but this allocation should increase over the next few months as the commitment to ICG Real Estate VII, which was finalised during Q1 2025, is drawn down. The Fund's credit and index-linked allocations were also below their target ranges, following the Panel's decision in Q1 2025 to move to an underweight position in credit and index-linked in favour of an overweight position in gilts.

There were no other breaches of ranges.

The Panel discussed the overweight position in passive and global equity and concluded that the Fund should divest 1% of total Fund (c£300m) from passive equity and 0.5% of total Fund (c£150m) from global active equities so that overall allocation to listed equity mandates fell back to within target ranges.

Other mandates that were currently outside their target range were either part of the relative value decision-making framework or had sufficient outstanding commitments to bring them back to target over time. The Panel decided that the proceeds from the equity portfolio sales should therefore be held in cash. Increased cash balances would assist the funding of remaining transfers to cover benefits cash flow in 2025/26 and in 2026/27.

3.3 Relative Value Framework

The relative value framework was introduced following the 2020/21 review of investment strategy to generate additional value and reduce the risk of capital losses by varying implementation of the Fund's allocation held in protection assets. The framework was reviewed following the 2023/24 investment strategy review to account for revised strategic allocations to Hedging and Insurance and Credit assets.

Decisions to move away from the new strategic – or neutral - allocation of 2.5% Passive Credit (50/50 UK/US investment grade) and 10.0% Hedging and Insurance (50/50 UK gilts and index-linked gilts) allocation are based on pre-defined metrics.

The quarterly relative value report from Hymans Robertson provided the following summary assessment of the framework metrics at 30th September 2025:

- Spreads on both US and UK investment grade credit remain substantially below 20-year medians. Global credit spreads have decreased further, reaching 10th percentile levels. This supports maintaining the underweight position in passive credit agreed at the February 2025 meeting.
- Nominal gilt yields remain attractive relative to Hymans' assessment of fair value. This supports retaining an overweight allocation to nominal gilts.
- 10-year real yields have risen with the AI investment boom placing pressure on real rates by increasing global demand for capital. This paints a challenging backdrop. As a result, Hymans have downgraded their

Investment Advisory Panel Meeting November 2025

technical assessment and this supports maintaining the underweight allocation to index-linked gilts implemented in Q1 2025.

The Panel discussed the report's assessment of the latest metrics and agreed to maintain the underweight position in index-linked gilts and credit in favour of nominal gilts.

3.4 Investment Income and Cashflow

Analysis and modelling of current and future investment income cash-flows is updated annually and reviewed by the IAP to ensure that the Fund can meet its benefits cash flow requirements.

Income analysis separately identifies:

- Income that is currently distributed within portfolios and available for drawdown;
- Income that is earned within portfolios but not currently distributed ("re-invested income").

An updated 10 Year benefits cash flow forecast was reviewed by the Panel alongside the latest income forecasts. The funding strategy agreed at the 2023 actuarial valuation has resulted in a significant reduction in income from employer contributions in 2024/25 and 2025/26. Employer contributions will increase in 2026/27 and then be reviewed as part of the 2026 actuarial valuation.

The main conclusions from the latest income and benefits cash flow analyses were as follows:

- Distributed income was not sufficient to cover the 2025/26 deficit in benefits cash flow, but with employer contributions set to increase again in 2026/27, distributed income is projected to be sufficient to cover the shortfall for 2026/27 and to cover predicted shortfalls over the next 10 years.
- Current investment cash balances should be sufficient to cover the benefits cashflow shortfall for the remainder of the 2025/26 financial year.
- Investment cash balances will fall over the next 3-4 months as a result of transfers to fund benefits however and, while they might still be sufficient to cover the benefits cash shortfall in 2026/27, the Fund also needs to consider future investment cashflows, mainly to and from private market programs, the timing of which can vary relative to manager forecasts on a quarter by quarter basis.

The Panel agreed that monies from the rebalancing of passive and active listed equity portfolios should be retained in cash when received. This should ensure that, at a minimum, the fund maintains its cash balances around current levels going into 2026/27.

The Panel agreed to consider whether additional cash was required to cover investment and benefits cash flow during 2026/27 at its February 2026 meeting.

3.5 Pantheon Private Debt Secondaries Fund

The Fund's allocation to private debt was reviewed in depth as part of the 2023/24 investment strategy review. A new allocation of 0.75% of Fund to private debt secondaries was agreed. The first commitment (£100m) to private

Investment Advisory Panel Meeting November 2025

debt secondaries was made in 2024 through Pantheon Private Debt Secondaries Fund III. It was noted at the time of this commitment that the Fund would need to make further commitments to private secondary debt funds in order to build towards the target allocation.

Hymans continue to rate Pantheon very strongly in this asset class. Pantheon separately presented its latest private debt fund to the Panel, PSD IV GBP, for which it is now raising funds and which is expected to hold a first close in December 2025.

Hymans had produced a paper covering initial investment diligence on PSD IV GBP to support the IAP in its discussions regarding an investment commitment, as well as an assessment of how different commitment amounts could support the Fund in reaching its 0.75% target allocation to private debt secondaries.

The Panel discussed the presentation and information provided by Pantheon and by Hymans Robertson and agreed that the Fund should invest £175m in PSD IV GBP LP, subject to completion of further investment and legal due diligence.

3.6 Barings Private Debt SMA Europe Allocation

In March 2024, the Barings private debt team suffered numerous senior departures from its global private finance team, mainly from the European investments team.

As the US investment team was less affected, the Fund had agreed to continue with a planned increase in its allocation to Barings private debt, via an increase in commitment to the Fund's Separate Managed Account (SMA) with Barings, but new investments were limited to the US and Asia only.

Since this increased commitment was finalised, the Barings private debt team have provided an investment update to the Panel and confirmed that the European investment team is now fully resourced.

The Panel considered a summary of Barings European private debt capabilities and the investment case for permitting investment in Europe again. The Panel agreed that the Fund should now permit investment in Europe, as well as the US and Asia.

4. Manager Reviews

4 investment managers attended the Investment Advisory Panel:

- **Pantheon**
- **Partners Group**
- **ICG**
- **JP Morgan IIF**

Performance of each of the managers was reviewed.

4.1 Pantheon

The Pantheon private equity portfolio is currently valued at **£1,286m**, or **3.2%** of total Fund, versus a target weight of 5.0%. Pantheon provided an update on the current portfolio and performance.

Investment Advisory Panel Meeting November 2025

The Pantheon private debt secondaries portfolio is currently valued at **£52m** or **0.2%** of total fund against a target weight of 0.75%. The Fund needs to make additional commitments to private secondary debt funds in order to build towards the target allocation. Pantheon presented its latest private debt fund to the Panel, PSD IV GBP. The Panel agreed that the Fund should invest £175mm in PSD IV GBP LP

4.2 Partners Group

The Partners Group private equity portfolio is currently valued at **£863m**, or **2.6%** of total Fund, versus a target weight of 2.5%; the Partners Group real estate portfolio is currently valued at **£581m** or **1.8%** of fund versus a target of 2.0% and the Partners Group private debt portfolio is currently valued at **£356m** or **1.1%** of total fund versus a target of 1.0% of fund. Partners Group provided an update on current portfolios and performance.

The private equity portfolio is currently over the Fund's target weight. Partners Group's cash flow modelling of the private equity portfolio demonstrated that distributions from the portfolio would result in the value of the portfolio falling below target weight in 2026. Additional commitments were therefore required to maintain the portfolios target allocation.

Based on cash-flow modelling of alternative commitment levels, the Panel agreed to commit a further £300m to the private equity programme, of which £100m should be allocated to co-investment opportunities.

4.3 ICG Longbow

The ICG Longbow portfolio is currently valued at **£286m** or **0.9%** of total fund versus a target of **1.0%**. ICG provided an update on the current portfolio and performance.

4.4 JP Morgan IIF

The JP Morgan International Infrastructure Fund is currently valued at **£1,562m**, or **4.7%** of total Fund, versus a target weight of 4.5%. JP Morgan provided an update on the current portfolio and performance.

5 Investment Strategy and Structure

5.1 Climate Action Plan – Updated Fair Share Analysis

In 2023 the SPF Committee agreed a high-level climate action plan focussed on the Fund achieving net zero by 2050. To support this plan, the Fund carried out Net Zero Journey fair share analysis to assess alignment of SPF portfolios with a net zero pathway.

The Panel discussed a paper from Hymans and agreed that an updated net zero 'fair share' analysis, that used the same methodology as in 2023, but which accounted for changes in investment strategy since then, should be carried out to assess progress against the SPF climate action plan.

5.2 Climate Action Plan – Review of Energy Company Analysis

As part of the climate change strategy, an annual assessment of energy companies in SPF portfolios has been undertaken to ensure that all are meeting minimum standards agreed with the Fund's investment managers and Sustainalytics. The first assessment of energy company holdings using the

Investment Advisory Panel Meeting November 2025

minimum standards framework was presented to Committee in Q1 2022, based on holdings at 30 June 2021. Updated analysis has been provided annually since then.

When the framework was first established, it was agreed that it should be reviewed periodically to reflect industry evolution in this area along with the Fund's changing climate ambitions. Hymans Robertson presented a paper outlining recommendations for the first stage of the review including:

- a proposal to shift from the current TCFD structure to one more aligned with transition plans;
- proposed amended weightings; and
- the potential to reduce the data sources used, given developments in reporting from MSCI.

The Panel discussed the report and were supportive of the proposed new approach. Hymans will finalise their review and present to the Panel at its meeting in February 2026.

5.2 Investment Strategy and Structure Review 2026/27

A review of investment strategy will be carried out in conjunction with the actuarial valuation of the Fund as at 31st March 2026.

At its meeting in August 2025, the Panel had discussed some potential areas for further consideration as part of the review, including the allocation between growth and protection assets, a review of equity allocations and performance, return expectations and benchmarking, global property, currency hedging and climate solutions.

The Panel agreed that these areas remained potential priorities for further discussion as part of the review.

6 Governance**6.1 Strathclyde Pension Fund Committee.**

The Panel noted the draft agenda for the next committee meeting on Wednesday 26th November 2025.

Stewardship Activity: Responsible Investment

Responsible Investment: Quarter 3 2025

A summary of activity against each of the six United Nations Principles for Responsible Investment is provided below.

1. We will incorporate Environmental, Social and Governance (ESG) issues into investment analysis and decision-making processes

In quarter 3, the Fund's property manager, **DTZ Investors**, provided a report on the results from the 2025 Global Real Estate Sustainability Benchmark (GRESB) annual real estate assessment. GRESB assesses ESG performance at the asset level for real estate operators, fund managers and investors that invest directly in real estate. The assessment offers high-quality ESG data and advanced analytical tools to benchmark ESG performance and identify areas for improvement.

The 2025 GRESB real estate benchmark saw 1,002 fund managers submitting 2,382 assessments covering over 500,000 buildings. This represented the largest year on year growth in entities since GRESB began. Within the UK over 260 entities participated and 80 of these were within SPF's peer group.

Key takeaways from the 2025 report include:

- A score of 79 in the 2025 submission, an increase of 5 marks compared to the previous year. This has brought the SPF portfolio closer to the peer average of 80 and demonstrates a significant improvement in performance.
- 30 out of 30 score in the management section, demonstrating that a clear governance structure is in place to manage ESG.

DTZ also reported that the Fund remains on target for 2040 net zero with a consistent reduction of emissions intensity across landlord (scope 1 & 2) and tenant (scope 3) since the 2019 baseline. 2024 did see a slight increase in tenant emissions and intensity compared to last year but DTZ will continue to work with tenants to drive down their emission intensity.

ANNUAL ESG METRICS

Reporting Metric	Unit of Measure	Type	2025 Target	2023 Performance	2024 Performance
Scope 1 & 2 Emissions	tCO ₂ e	Absolute Change vs 2019 baseline	-21.6%	-28%	-45%
	tCO ₂ e/m ²	Intensity Change vs 2019 baseline	-21.6%	-57%	-63%
Scope 3 Emissions	tCO ₂ e	Absolute Change vs 2019 baseline	-21.6%	-36%	-29%
	tCO ₂ e/m ²	Intensity Change vs 2019 baseline	-21.6%	-29%	-20%
Tenant Data Collection	% coverage by floor area	Absolute	70%	58%	65%

Stewardship Activity: Responsible Investment

2. We will be active owners and incorporate ESG issues into our ownership policies and practices

2.1 Voting

Managers' voting activity during the quarter to 30th September 2025 is summarised as follows.

Voting activity to 30th September 2025		
		(%)
Total meetings	2,788	
Votes for	15,367	75
Votes against	5,277	23
Abstentions	251	1
Not voted	159	1
No. of Resolutions	21,054	100

Voting activity in the quarter included:

- Baillie Gifford** opposed executive compensation at **Prosus N.V.** because of ongoing concerns with the company's approach. Targets under the long-term incentive plan are not in the best interest of long-term shareholders and conditions attached to a special 'moonshot' award for the CEO do not promote appropriate pay for performance (resolutions passed). Baillie Gifford opposed the approval of executive variable remuneration at **Compagnie Financiere Richemont SA Plc.**, due to ongoing concerns over the lack of detail of performance conditions and structure of the incentive plans that would allow shareholders to assess the stringency of target and achievement levels (resolution passed by 76%). Baillie Gifford opposed two resolutions on executive remuneration at the **Soitec** AGM because of concerns about the weighting and materiality of some non-financial metrics (resolutions passed by 88% and 86% respectively).
- Lazard** opposed management at the **Reliance Industries Ltd.** AGM by voting against the reappointment and remuneration of two directors, as it was deemed not to be in the best long-term interests of shareholders (resolutions passed).
- Lombard Odier** voted against the remuneration policy at the **Iomart Group Plc., AGM.** The overall dilution limit contained within the scheme rules allows the company to issue 15 percent of the issued share capital in 10 years, which is in excess of best practice limits of 10 percent in 10 years. The company did not put forward the long-term incentive plan for shareholder approval at this AGM (resolution passed).
- Veritas** voted against the executive remuneration report at the **Compagnie Financiere Richemont SA Plc.** AGM. The report continues to avoid disclosing specific targets and results underlying variable payouts. Vested

Stewardship Activity: Responsible Investment

LTI payouts are reported as an aggregate figure for the entire executive committee and without any individualised disclosure. Qualitative targets have a significant weighting under both the STI and LTI plans, though there is no indication of what metrics are applied (resolution passed). Also, at Richemont, Veritas voted against the re-election of Jasmine Whitbread as a member of the compensation committee. This was warranted as the company has failed to disclose quantitative and qualitative environmental information through CDP's climate change, water and forests questionnaires and the company has not committed itself to publish within the next 12 months' equality monitoring data for its workforce covering at a minimum gender, race and disability information, including for management and the Board (resolution passed).

2.2 Engagement

Engagement highlights during the quarter include the following.

- **Baillie Gifford** met with **Amazon.com Inc.** ESG and investor relations teams ahead of the 2025 AGM to understand how US political headwinds and tariff policy may be influencing the company's approach to climate, packaging, governance, and health and safety. Baillie Gifford also sought further detail on the disclosures planned for its upcoming sustainability report.

The team reaffirmed its net-zero 2040 pledge and the early achievement of 100 per cent renewable electricity but will not introduce interim power targets. Progress will instead be demonstrated through deals such as a new 600 MW power purchase agreement and advocacy for grid modernisation. Nuclear, gas, and carbon capture and storage (CCS) are being examined as AI workloads increase. Renewable sourcing is region-agnostic - Texas provides a significant share - and management highlighted alignment across both 'red' and 'blue' states. Scope 3 disclosure will now include suppliers representing about half of emissions, with fuller reporting expected after the AGM.

The 'frustration-free' packaging incentive has been expanded to all third-party sellers, though quantitative data on volumes is still absent. Board confidence in warehouse safety metrics is high, following a regulatory probe that resulted in only one citation; directors see limited value in commissioning another external audit. Governance refresh is ongoing, with Andrew Ng joining the board, while AI oversight remains spread across existing committees. Management intends to oppose shareholder proposals on warehouse conditions, anti-ESG advertising, and AI, but will support resolutions on alternative emissions reporting and data centre energy use.

Baillie Gifford will continue to monitor the company's progress on climate, particularly in the absence of interim goals. Baillie Gifford are supportive of progress on packaging and will continue to encourage greater disclosure.

Stewardship Activity: Responsible Investment

In addition, they will stay engaged on any future updates to the company's governance practices.

Baillie Gifford engaged with **Meta Platforms Inc.** leadership, including chief executive officer (CEO) Mark Zuckerberg, to understand their artificial intelligence (AI) strategy and its role in shaping future growth. The discussion focused on Meta's investments in AI talent, multimodal integration, and the potential of augmented reality (AR) glasses as a new computing platform.

Meta is dedicating substantial resources to building one of the world's leading AI teams, recognising the exponential leverage of top-tier talent. The company's AI strategy is anchored in three major systems: Facebook's algorithm, Instagram's algorithm, and the advertising engine. All are increasingly driven by AI. Zuckerberg emphasised multimodal integration, with future versions of Meta's platforms envisioned as AI-native environments where models generate content dynamically based on user interests. This shift transforms the user experience, making AI the core product. In parallel, Meta views AR glasses as the next computing platform, merging digital and physical interaction in ways that could replicate the smartphone's impact. Business applications of AI are already materialising. Improvements in ad ranking, recommendations, and AI-generated creative tools are delivering measurable gains. By offering advertisers highly personalised, AI generated content, Meta expects to drive higher returns on ad spend and strengthen its competitive moat.

The engagement confirmed confidence in Meta's trajectory. Their focus on talent, multimodal AI, and AR positions the company to capture future growth opportunities. Baillie Gifford remain constructive on Meta's ability to leverage AI to both enhance user engagement and expand its monetisation capabilities.

Baillie Gifford engaged with the **Microsoft Corporation** investor relations team to discuss Microsoft's AI strategy, including its partnership with OpenAI and the implications for long-term resilience and sustainability.

Microsoft stressed its emphasis on resilience, highlighting fungible data centre infrastructure that can flex between training, inference and enterprise applications. This reduces stranded asset risk and supports margins in the long term. Turning to OpenAI, Microsoft acknowledged competitive tensions but underscored the long-term benefits of the partnership, including perpetual IP rights to 2030, exclusive Azure hosting and revenue-sharing. The relationship was presented as a balance of collaboration and competition, reinforced by strong contractual protections. Finally, the Microsoft team reaffirmed its 2030 goal to be carbon negative and water positive, despite AI accelerating energy demand. The company framed this as both a challenge and an opportunity: Scope 1 progress has been driven by renewable contracts, while scope 3 remains more difficult.

Stewardship Activity: Responsible Investment

Supplier requirements and efficiency measures are being introduced to mitigate environmental impact while supporting growth.

The meeting offered useful insight into how Microsoft is balancing innovation with responsibility. Its flexible infrastructure should provide long-term resilience given the uncertainty of AI adoption. Baillie Gifford were glad to hear the team continue to emphasise sustained climate commitments as the business grows rapidly, though they will need to continue monitoring progress closely.

Baillie Gifford engaged with Dutch investment group **Prosus N.V.** to discuss updates to the executive remuneration policy that Prosus presented to shareholders last year. The chief executive officer's (CEO) \$100m moonshot award remains the central point of contention, due to concerns around pay-for performance alignment.

The CEO's \$100m moonshot remains intact, with some tweaks at the margins of the incentive structure. The moonshot's target of doubling Prosus/Naspers' market cap could theoretically be triggered by Tencent's performance alone, which contributes the majority of Prosus' NAV. However, this is a historic capital allocation decision and an asset that remains outside of management's control. Baillie Gifford reiterated their request for the introduction of a mechanism to mitigate the risk of windfall gains for executives resulting from Tencent's performance alone i.e., a sliding clawback provision that reduces the size of the award the more that Tencent's share price appreciation contributes to the target.

Given that the moonshot award put to shareholders at the 2025 annual general meeting (AGM) remained intact, and the company had not been receptive to requests, Baillie Gifford continued to oppose remuneration. Although they hold the CEO in high regard, Baillie Gifford remain unconvinced regarding the appropriateness and efficacy of this incentive structure.

Baillie Gifford engaged with the CEO of **Shopify Inc.** to assess strategic direction and the outlook for sustained growth. The focus was on Shopify's artificial intelligence (AI) initiatives, evolution of the checkout process, and the broader positioning in global commerce.

Shopify highlighted eight consecutive quarters of around 20 per cent growth across core metrics, underpinned by their pivot to an asset-light model after exiting the logistics business. This has reinforced partnerships and allowed management to concentrate on core strengths. The CEO's hands-on oversight of strategic roadmaps ensures alignment in a rapidly evolving landscape. Shopify's AI ambitions centre on agentic commerce; AI-driven shopping journeys where consumers set constraints and the system executes transactions. By connecting with OpenAI and using new common standards, Shopify is making it possible for customers to easily find products and complete purchases directly within AI-powered apps and

Stewardship Activity: Responsible Investment

tools. The company has also executed a significant overhaul of its checkout process, balancing compliance with merchant flexibility. New initiatives, such as the Global Catalogue application programming interface and a universal search index will enhance discovery and merchant reach. In advertising, Shopify is aligning with merchant needs by enabling constraint-driven campaigns, part of a broader shift toward attention-based commerce. Success in enterprise sales is being accelerated by AI tools and headless commerce solutions, offering merchants customisation and scalability.

This engagement reaffirmed conviction in Shopify's strategic execution and innovation. Its focus on AI, flexible commerce infrastructure, and global reach positions the business well for continued growth. Baillie Gifford remain optimistic on Shopify's ability to capture value from the evolution of commerce.

- **Lazard** met with Indian multinational conglomerate **Reliance Industries** as part of a long-running engagement process and ahead of its expected August 2025 AGM to discuss board independence, executive pay, and climate governance.

The company addressed concerns over certain directors' independence by highlighting their operational contributions and explaining conflict management through recusals. Executive pay is capped as a percentage of net profit, with internal performance benchmarks not publicly disclosed, and ESG targets are being considered in remuneration. On climate, Reliance has improved SEBI-aligned reporting, continues to face challenges with Scope 3 data, and is reviewing scenario analysis frameworks. It has committed \$10bn to gigafactories for solar, battery, and green hydrogen production. Lazard will look to re-engage following further climate disclosures and governance updates.

Lazard met with German multinational software company **SAP** to discuss its emissions profile, particularly the dominance of downstream Scope 3 emissions from outsourced hyperscaler data centres.

SAP believes its scale as a customer gives it leverage to influence hyperscalers on renewable energy adoption and is embedding environmental requirements into supplier contracts, with green certificates purchased for smaller partners where needed. The company noted achieving carbon neutrality in its own operations in 2023 and running all offices and data centres on 100% renewable electricity since 2014. SAP is aligning its approach with SBTi guidance, expected to be updated in 2027, and Lazard will monitor SAP's ability to drive emissions reductions across its supply chain.

Lazard engaged with **EssilorLuxottica** to discuss circular design of its products. The company has launched a consumer takeback scheme for used glasses and developed an ecodesign tool to encourage recycled

Stewardship Activity: Responsible Investment

materials, but returned volumes are low and recycling currently has limited financial impact. Renewal programmes in opticians are driving new sales, and recycled frame materials are being explored for use in other industries. Essilor is building supply chain mapping to comply with EU packaging rules. Lazard will look to follow up in the pre-AGM roadshow to address governance in depth and to further assess the commercial potential of Essilor's circular initiatives.

- **RBC** engaged with **SM Investments** in the Philippines on the topic of water stewardship. The conglomerate's largest footprint and water-related activities occur within SM Prime, its property arm. SM Prime promotes water conservation through its "Water for Tomorrow" campaign, integrating water responsibility across its developments. In 2024, the group recycled 16 million cubic meters of water, with an average annual recycling rate of 35%–40%. Additionally, a total of 41 SM shopping malls are equipped with water catchment facilities to prevent flooding and promote water reuse.

While they do not disclose specific water-related targets publicly, the group consistently achieves a 35%–40% recycling rate, and innovations continue to scale year on year, with the intent to continue increasing this number. Water use performance is tracked by facility-level monitoring systems, ensuring continuous improvement across properties. Examples of some of the technologies and innovations implemented include the installation of rainwater harvesting and treatment systems, greywater and sewage recycling systems, desalination plants, and wastewater treatment. RBC were pleased with the company's thorough response on this topic and will continue to engage and monitor progress.

- **Sustainalytics Global Standards Engagement (GSE)** reported engagement with French multinational luxury goods conglomerate **LVMH Moët Hennessy Louis Vuitton SE** (Baillie Gifford and Lazard) This engagement focuses on LVMH's systems for screening and monitoring suppliers, improving purchasing practices, and establishing effective grievance mechanisms. It challenges the company to assess and mitigate the impacts of purchasing practices on working conditions and enhance disclosure.

Engagement with LVMH began in September 2024, focusing on labour rights in the supply chain. The company has shown commitment by providing detailed responses to investor queries and consulting stakeholders like Morningstar Sustainalytics. During two conference calls in 2025, LVMH outlined governance reforms under its Duty of Vigilance programme, including enhanced oversight of supplier compliance. It also presented updated auditing systems, revised supplier requirements, and a strengthened policy framework aimed at improving labour conditions and accountability across its global operations.

The ultimate goal of the engagement is for LVMH to implement a comprehensive human rights due diligence framework that ensures

Stewardship Activity: Responsible Investment

effective oversight of all suppliers and enables prompt remediation in cases of non-compliance. At this stage, the company is committed to conducting detailed incident reviews to uncover root causes, identify systemic gaps, and develop targeted preventive strategies.

- **Sustainalytics** thematic engagement, **Net Zero Transition Stewardship Programme** reported on engagement with **Shell Plc**.

Shell plc is a global oil and gas company with growing investments in low-carbon energy. Given its scale, Shell's role in the net zero transition is highly material for investors assessing systemic climate risk and transition alignment.

Morningstar Sustainalytics has engaged Shell through two dialogues in 2025 (May and July). Shell was receptive, using the dialogue to clarify its decarbonisation strategy and address investor concerns. Discussions covered executive remuneration links to climate KPIs, scope 3 target setting, liquefied natural gas (LNG) expansion strategy, and the status of low-carbon projects, including biofuels, CCS, and direct air capture. Following strong shareholder support, Shell committed to enhanced LNG disclosures ahead of its 2026 AGM.

Key outcomes to date include Shell's acknowledgment of investor concern on LNG growth, demonstrated by its commitment to publish a dedicated LNG strategy note by 2026. The company confirmed that 25% of long-term executive pay is now tied to energy transition KPIs, up from zero six years ago, signalling progress on governance integration. Shell clarified that scope 3 oil product targets remain operationally meaningful, but no new absolute targets are planned. The company conducts internal modelling on post-2030 levers, including low-carbon fuels, CCS, electrification, and customer-side solutions, with disclosure improvements anticipated.

Shell's engagement underscores both progress and ongoing challenges in aligning a global oil and gas major with a 1.5°C pathway. While steps on governance and operational emissions reductions are notable, the reliance on intensity metrics and continued LNG expansion reflect transition misalignment with investor expectations. Upcoming disclosures on LNG and capital allocation will be critical in assessing Shell's direction. Sustainalytics will continue pressing for absolute scope 3 targets, stronger capital discipline toward low carbon assets, and climate-linked remuneration. Sustained dialogue is essential to ensure Shell's business model evolves in line with its 2050 net zero ambition.

2.3 We will seek appropriate disclosure on ESG issues by the entities in which we invest

Improved disclosure is a recurring theme of engagements with portfolio companies by investment managers and Sustainalytics.

Stewardship Activity: Responsible Investment

- Baillie Gifford met with **Cloudflare, Inc.** to seek clarification on Cloudflare's timeframes for setting emissions targets and for an update on its renewable energy procurement and data centre emissions reduction initiatives.

On paper, it appears very little has changed in Cloudflare's approach. The company has a relatively small carbon footprint, largely attributable to its server network, but does not yet disclose Scope 3 emissions, where the majority is expected to lie. Cloudflare has been working to estimate these figures since 2021 and plans to include them in its next ESG report. The company believes the eventual Scope 3 figures will be smaller than anticipated, given the structure of its co-located data centres with larger hyperscalers, where responsibility for energy procurement is shared across sites. Cloudflare also intends to set Science Based Targets initiative (SBTi) goals in autumn 2025.

The head of ESG highlighted the potential benefits of moving from on-site servers to a cloud-based Cloudflare network, with estimated emissions savings of 78-92 per cent. While he acknowledged that evidencing these figures is difficult, anecdotal feedback from customers suggests they are experiencing meaningful benefits. Baillie Gifford concluded by asking about the impact of AI on emissions. Cloudflare has noted some increase from the use of its own GPUs, which it intends to continue to monitor.

Baillie Gifford were encouraged to hear that Cloudflare is on track to improve its emissions disclosures and to publish climate targets. As the role of AI increases demand for data centre energy, meeting these targets may become more challenging, and they will monitor Cloudflare's progress appropriately.

Baillie Gifford met with cloud application security provider, **Datadog, Inc.** to assess how the company is managing its growing carbon footprint, regulatory preparedness and client expectations, and to discuss potential next steps beyond its newly disclosed Scope 1-3 emissions inventory.

Datadog published full Scope 1, 2, and 3 emissions data for the first time last year. Over 97 per cent falls within Scope 3, split roughly one-third cloud (primarily Amazon Web Services (AWS)), one-third business travel, and the remainder other upstream activities. The AWS third comes from Datadog's use of AWS data centres, which stems primarily from energy use and the infrastructure associated with this service. AWS sources a large amount of renewable energy and Datadog's decarbonisation will be tied to their supplier's ability to continue doing this.

On the whole, climate is not positioned as a strategic priority; action to date has been driven mainly by Californian regulation and anticipated, but now shelved, Securities and Exchange Commission (SEC) rules. The SEC had planned to implement mandatory scope 1 and 2 and 3 reporting for large businesses in the US but were held up by push back on the scope 3 element. This was then squashed by the new administration.

Stewardship Activity: Responsible Investment

The Datadog team is focused on what it can directly control, offsetting all operational emissions through Watershed-sourced (a carbon consultancy also used at Baillie Gifford) renewable energy certificates and removals. Engagement with cloud providers on their own decarbonisation efforts is minimal, and sustainability credentials rarely influence procurement decisions, aside from a small number of European clients. Only a few customers and some ESG-focused investors have pushed for formal targets. Internally, interest is uneven: climate resonates with some employees, but rapid post-Covid headcount growth has driven up travel emissions.

Despite progress in emissions disclosure, Datadog remains behind peers in setting targets and in materially addressing Scope 3 emissions. Baillie Gifford are supportive of its pragmatic focus on operational emissions and encouraged greater transparency on scenario analysis, particularly in light of Californian regulatory requirements.

- **JP Morgan** engaged with **Jet2** to gain more insight into its decarbonisation planning. JP Morgan sought to understand the outlook for the company setting decarbonisation targets and seeking SBTi validation for these targets. They also wanted to understand the levers the company intends to lean on for decarbonising its operations, to better assess the credibility of its strategy.

The company advised that it is committed to having its medium-term 2035 decarbonisation target of a 35% reduction in carbon intensity versus a 2019 baseline validated by the SBTi. They have an 'ambition' to reach net zero by 2050 but are hesitant to formalise this into a target until they have greater clarity on technology availability post-2035. Since their current aircraft orderbook only runs until 2035, after this plans would be much more speculative. The company's decarbonisation plan will not include carbon offsets, which they do not see as a credible lever for reaching net zero.

As with peers, their main decarbonisation lever will be sustainable aviation fuel (SAF). A regulatory SAF mandate came into force in the UK requiring a minimum blend of 2% SAF with traditional jet fuel. The mandate will rapidly scale to reach 10% in 2030 and 22% by 2040. Jet2 anticipates some challenges with scaling production to the required levels and overcoming administrative hurdles related to the mandate but are confident overall of being able to procure the levels needed to comply with the mandate. They are engaging with UK regulators on availability and affordability of SAF to support them in reaching their decarbonisation target.

JP Morgan will continue to engage with the company and assess its transition plan against their own criteria once published. In addition, they will encourage the company to consider setting a long-term net zero target based on credible technology development pathways.

Stewardship Activity: Responsible Investment

- **RBC** engaged with Indian pharmaceutical company, **Dr. Reddy's Laboratories** on societal value. Guided by their purpose, "Good Health Can't Wait," Dr Reddy's prioritises making life-saving medicines accessible, available, and affordable for patients, while aiming to reduce health disparities and enable improved health outcomes.

The company is partnering with multilateral and donor agencies such as GARDP, DNDi, The Gates Foundation, and MPP to address the global disease burden, neglected tropical diseases, and emergency disease areas. Additionally, the company participates in strengthening public health delivery systems through initiatives such as the training and capacity building of health workers and local stakeholders, offering patient assistance programmes, and donating products, particularly in response to disasters.

Dr Reddy's outlined that societal value remains firmly at the core of their strategic decisions. Before launching new products, they consider whether the product meets an unmet need or enhances the standard of care, while also making it affordable for the patient. For example, the firm have been developing and marketing several orphan drugs approved for the treatment of rare diseases across different therapeutic areas, as well as widely used drugs that are often first-line or standard of-care treatments for life-threatening or high-burden diseases.

The company tracks impact through several KPIs including the number of patients reached through their products and services, the reach of their products in low- and middle-income countries, and the number of individuals impacted through their primary healthcare programmes. Dr Reddy's publish their ESG goals, including goals related to healthcare reach, as well as their progress, in an Integrated Annual Report.

RBC engaged with leading Peruvian bank, **Credicorp**, on the topic of water stewardship.

In particular, RBC enquired about the steps the company takes to measure, monitor and reduce water consumption across its operations, and the relevant targets and initiatives it has in place. Across its internal operations, Credicorp monitors key environmental indicators including water withdrawal. All subsidiaries implement environmental management plans that include initiatives to reduce greenhouse gas emissions and minimise environmental impacts related to energy, water and waste. Water efficiency measures include installing flow regulators, leak reducers, and water-saving sensors, as well as landscaping changes like reducing irrigation frequency. While the company does not have formal water efficiency targets, Credicorp remains committed to continuous improvement through operational eco-efficiency and responsible resource use and considers its water-related initiatives part of its broader environmental strategy to reduce its overall operational footprint. RBC will continue to engage with the company and monitor its disclosures and progress in this area.

Stewardship Activity: Responsible Investment

2.4 We will promote acceptance and implementation of the Principles within the investment industry

- Currently all the Fund's investment managers are signatories to the PRI principles and 32 of the 36 managers within the Direct Investment Portfolio are also signatories. The Fund strongly encourages managers to become signatories and to adhere to the principles. However, for some this will be less appropriate due to the specialised nature of their activities.
- The Fund is a signatory the new **UK Stewardship Code** (2020). The Fund also encourages its external investment managers and service providers to demonstrate their commitment to effective stewardship by complying with the UK Stewardship Code. Currently sixteen of the Fund's investment managers and consultants Hymans Robertson and Sustainability are signatories. The full list of signatories to the Code is available at: <https://www.frc.org.uk/investors/uk-stewardship-code/uk-stewardship-code-signatories>.
- As signatories to PRI and the UK Stewardship Code the Fund's investment managers are committed to the highest standards of investment stewardship and participation in collaborative initiatives with other like-minded signatories, which seek to improve company behaviour, policies or systemic conditions. Climate change is a priority and to this end the managers participate in a variety of climate change focused industry initiatives and forums. This also involves collaborative lobbying on government and industry policy and regulations. A summary table of investment manager participation in collaborative initiatives is provided below.

Manager	Net Zero Policy	Net Zero Asset Manager Alliance (NZAM)	UK Stewardship Code	PRI Signatory	Other Initiatives
Legal & General	Net Zero 2050	Yes	Yes	Yes	TCFD, CA100+, FAIRR, IIGCC
Baillie Gifford*	Net Zero 2050	No	Yes	Yes	TCFD, FAIRR, IIGCC, CDP
Lazard	Net Zero 2050	Yes	Yes	Yes	TCFD, CA100+, IIGCC
Oldfield	Net Zero 2050	Yes	Yes	Yes	TCFD, CA100+, IIGCC
Veritas	Net Zero 2050	Yes	Yes	Yes	TCFD, SDG's, CDP
Lombard Odier	Net Zero 2050	Yes	Yes	Yes	TCFD, CA100+, FAIRR, IIGCC, CDP

Stewardship Activity: Responsible Investment

JP Morgan**	Net Zero 2050	No	Yes	Yes	TCFD, IIGCC
RBC	Net Zero 2050	No	Yes	Yes	TCFD, CA100+, TPI, CDP, FAIRR
Fidelity	Net Zero 2050	Yes	Yes	Yes	TCFD, IIGCC, CA100+
Pantheon	No	No	No	Yes	TCFD
Partners Group	Manage assets towards Paris 2050	No	No	Yes	TCFD, SDG's
PIMCO	Manage assets towards Paris 2050	No	Yes	Yes	TCFD, CA100+, FAIRR, IIGCC
Ruffer	Net Zero 2050	Yes	Yes	Yes	TCFD, CDP, CA100+
Barings	Manage assets towards Paris 2050	No	Yes	Yes	UNGC, SDG's, TCFD
Oakhill	No	No	No	Yes	TCFD
Alcentra	Manage assets towards Paris 2050	No	Yes	Yes	TCFD, IIGCC
ICG	Net Zero by 2040	Yes	Yes	Yes	TCFD, CDP
DTZ	Operational Net Zero 2030. Portfolio Net Zero 2040	No	No	Yes	TCFD, IIGCC, GRESB, BBP

* Baillie Gifford withdrew from the Climate Action 100+ (CA100+) and the Net Zero Asset Managers (NZAM) initiatives in Q4 2024.

** JP Morgan withdrew from the Climate Action 100+ (CA100+) initiative in Q1 2004 and the Net Zero Asset Managers (NZAM) initiative in Q1 2025.

2.5 We will work together to enhance our effectiveness in implementing the Principles

The Fund seeks to improve the effectiveness of company engagement and voting by acting collectively with other institutional investors, charities, and interest groups. Working with ShareAction and others, the Fund has carried out direct collaborative engagement across a range of initiatives. It is also a member of industry collaborative forums including the Local Authority Pension Fund Forum, the Institutional Investors Group on Climate Change and the Carbon Disclosure Project (CDP).

- In quarter 3 the Fund co-signed an investor letter to the **European Commission** urging EU policymakers to fully and timely implement the **EU Deforestation Regulation (EUDR)**. The letter co-ordinated by IIGCC was supported by 31 investors with US \$6 trillion in assets under management or advice. The letter welcomes the EUDR in its current form and commends EU policymakers for their global leadership in establishing a fit-for-purpose framework that strengthens due diligence, enhances market accountability, and answers global calls to halt and reverse deforestation. The signatories strongly support the EUDR's full and effective implementation by the end of this year, without further changes or delays.

Stewardship Activity: Responsible Investment

- The Fund is an active supporter of **Climate Action 100+** (CA100+) which is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. In quarter 3, CA100+ released the latest round of company assessments against the Net Zero Company Benchmark. This year, the Benchmark evaluated the performance of 164 CA100+ focus companies in line with the initiative's three high-level goals: **emissions reduction**, **climate governance**, and **climate-related disclosure**. Similar to last year, there has been encouraging progress on emissions reductions and disclosure of company decarbonisation strategies improving in line with increased investor engagement on this topic. Yet significant gaps and lack of details remain, particularly regarding capital allocation. Key findings from this year's assessments include:
 - **Emissions reductions:** 69% of companies reduced absolute Scope 1 and 2 emissions over the past three years, and 32% did so in line with credible 1.5°C sectoral pathways – a modest improvement from last year.
 - **Decarbonisation strategies:** More companies are disclosing credible transition plans (+4% from 2024), though only 8% overall do so. Gaps remain in capital allocation disclosures.
 - **Targets:** Most companies continue to set medium- (85%) and long-term (80%) targets, while short-term target-setting declined slightly (41%), despite a small rise in those aligned with 1.5°C benchmarks.
 - **Climate accounting and audit:** Little year-on-year change, though some European and UK companies demonstrate emerging good practice, with 81% partially meeting assessment criteria.
 - **Climate policy engagement:** Progress plateaued, with a slight decline in alignment of indirect policy engagement through industry associations.

A summary of results from the Net Zero Company Benchmark is available at: <https://www.climateaction100.org/wp-content/uploads/2025/10/Climate-Action-100-Benchmark-2025-Summary-Report.pdf>

- The Local Authority Pension Fund Forum (LAPFF) provided a Quarterly Engagement Report. The report highlights include:
 - LAPFF continued its engagements with cement companies **Heidelberg Materials** and **CRH** to assess the credibility of their decarbonisation strategies.
 - LAPFF continued to be actively involved in the **Asia Research and Engagement's Energy Transition Platform**, which engages major financial institutions in Asia to improve their alignment with a 1.5°C pathway.
 - LAPFF met with **Bank Mandiri** and **CIMB** to discuss sustainability target-setting, environmental practices, and executive governance.

Stewardship Activity: Responsible Investment

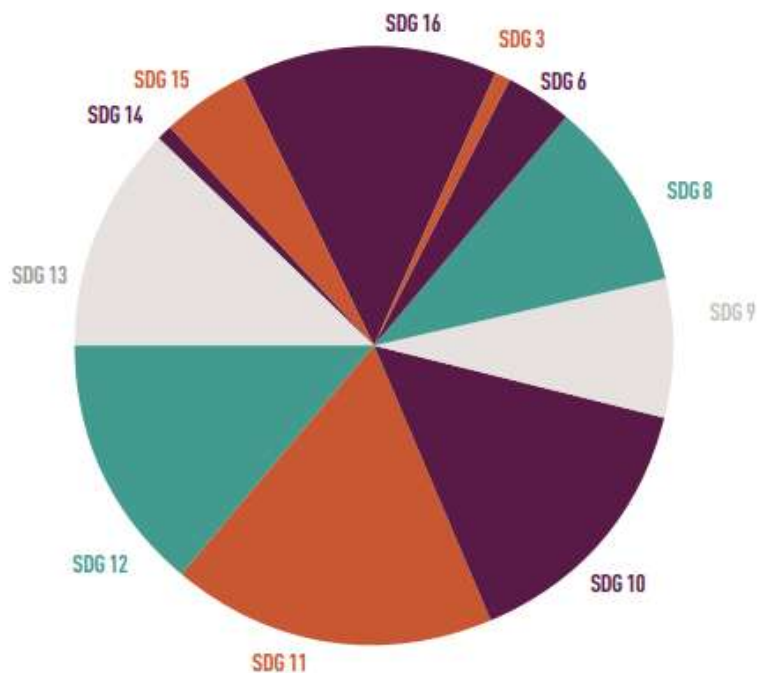
- LAPFF met with UK water utilities, **Severn Trent** and **Pennon** over environmental performance — particularly the persistent issue of storm overflow pollution.
- LAPFF engaged with **The Coca-Cola Company** in Q3 to understand the basis for recent changes to its 2035 Water Strategy.
- LAPFF met with **Honda** to engage on how they were embedding conflict-sensitivity and heightened human rights due diligence (hHRDD) across their operations.
- LAPFF met with **Eni** and **TotalEnergies** to discuss exposure to CAHRAs.
- LAPFF engaged for the first time with **Prysmian**, following the company's remuneration report being rejected by 58.9% of shareholder votes cast this year.
- LAPFF met with biotechnology company, **Genmab**, to discuss ongoing shareholder dissent around remuneration.
- LAPFF engaged with the Dutch semiconductor designer and manufacturer, **Besi**, following significant shareholder dissent at the 2025 AGM on the company's remuneration policy.
- In response to a report published in July by the **UN Special Rapporteur** on the situation of human rights in the **Palestinian Territory** occupied since 1967 (A/HRC/59/23), LAPFF wrote to a number of companies listed in the report, with the aim of advancing the Forum's understanding of company approaches to human rights due diligence in conflict affected and high-risk areas (CAHRAs).
- LAPFF submitted a response to a consultation on sustainability reporting. The framework for the proposed sustainability standards comes from the **IFRS Foundation**.

The LAPFF Quarterly Engagement Report is available at:

<https://lapfforum.org/publications/category/quarterly-engagement-reports/>

LAPFF map their quarterly engagement cases to the **United Nations Sustainable Development Goals (SDGs)** as illustrated in the chart below.

Stewardship Activity: Responsible Investment



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	0
SDG 2: Zero Hunger	0
SDG 3: Good Health and Well-Being	1
SDG 4: Quality Education	0
SDG 5: Gender Equality	0
SDG 6: Clean Water and Sanitation	4
SDG 7: Affordable and Clean Energy	0
SDG 8: Decent Work and Economic Growth	11
SDG 9: Industry, Innovation, and Infrastructure	8
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	19
SDG 12: Responsible Production and Consumption	15
SDG 13: Climate Action	13
SDG 14: Life Below Water	1
SDG 15: Life on Land	5
SDG 16: Peace, Justice, and Strong Institutions	15
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

The **2030 Agenda for Sustainable Development**, adopted by all United Nations Member States in 2015, recognised the private sector as a key agent in addressing global challenges such as climate change, poverty, environmental degradation and inequality. Meaningful SDG strategies aligned with companies' business plans can link profit with sustainability and contribute to a more stable and sustainable world.

2.6 We will report on our activities and progress towards implementing the Principles

- Legal & General, Lazard, Baillie Gifford, JP Morgan, Lombard Odier, Veritas, Barings, Oldfield Partners and RBC provided reports on ESG engagement during the quarter. Sustainalytics provided a 360 Engagement Quarterly Report summarising the shareholder engagement activities

Stewardship Activity: Responsible Investment

performed on behalf of investor clients across the Sustainalytics platforms including updates on individual portfolio companies.

- An important part of the Fund's active ownership is shareholder litigation aimed at companies whose illegal activities have resulted in financial losses. SPF believes that exercising litigation rights, including seeking monetary redress and governance reforms via legal action when defrauded or otherwise harmed by financial misconduct is essential in effective stewardship. The Fund has recovered over £11m since 2007 and concluded its third case as lead plaintiff in quarter 3 by obtaining a class settlement of \$84m against **Dentsply Sirona Inc.** in the United States District Court for the Eastern District of New York. Details of this action are publicly available at: <https://barrack.com/newsroom/district-court-approves-84-million-settlement-of-dentsply-sirona-class-action/>
- Officers of the Fund completed the annual **PRI** reporting and assessment survey in quarter 3. This online questionnaire is compulsory for all asset owner and investment manager signatories and contains questions covering implementation of the Principles and responsible investment activities. An assessment report is expected in quarter 4. This report demonstrates how a signatory has progressed in its implementation of the Principles year-on-year and relative to peers across asset classes.
- Sustainalytics map the engagement cases with relevant **UN Sustainable Development Goals** (SDGs) and engagement dialogue aims to work toward achieving the sustainable outcomes. 791 open engagements in quarter 3 can be attributed to the following SDGs (as percentage of total cases).

Stewardship Activity: Responsible Investment

Sustainable Development Goals – Mapping Engagements

All engagements are mapped to the 17 UN Sustainable Development Goals (SDGs). The mapping is done by Morningstar Sustainalytics and refers to the focus and objective(s) of the engagement.

1 No Poverty	8%	10 Reduced Inequality	9%
2 Zero Hunger	14%	11 Sustainable Cities and Communities	10%
3 Good Health and Well-Being	28%	12 Responsible Consumption and Production	54%
4 Quality Education	7%	13 Climate Action	44%
5 Gender Equality	8%	14 Life Below Water	8%
6 Clean Water and Sanitation	10%	15 Life on Land	11%
7 Affordable and Clean Energy	21%	16 Peace and Justice, Strong Institutions	31%
8 Decent Work and Economic Growth	32%	17 Partnerships to Achieve the Goal	3%
9 Industry, Innovation and Infrastructure	31%		