



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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Item 7

10th September 2025

## Investment Update

### Purpose of Report:

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

- investment performance to 30<sup>th</sup> June 2025
- distribution of portfolios and DIP investments as at 30<sup>th</sup> June 2025
- the Investment Advisory Panel meeting of 14<sup>th</sup> August 2025
- stewardship activity during Quarter 2 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 ☐

### PLEASE NOTE THE FOLLOWING:

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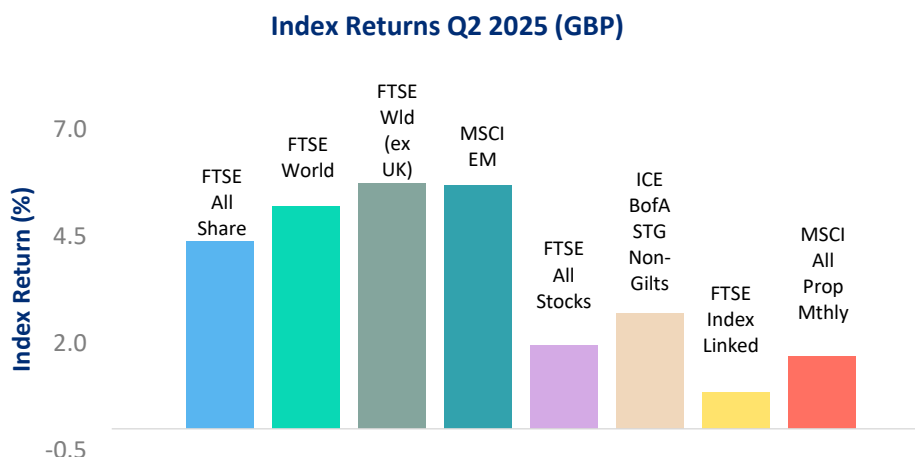
## 1 Background

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 fell sharply in April as US trade tariffs were announced but subsequently recovered and ended the quarter up **+5.6%**. UK markets delivered positive returns as the UK was the first economy to reach a trade deal with the US, reducing tariffs on automobile and aerospace exports; meanwhile, a post-Brexit reset deal with the EU was also agreed. US equities reached record highs, buoyed by the pause on the implementation of trade tariffs and optimism around the possibility of trade deals. Markets in the eurozone performed well reflecting fast-paced economic growth. Japanese markets rose slightly but underperformed global markets.

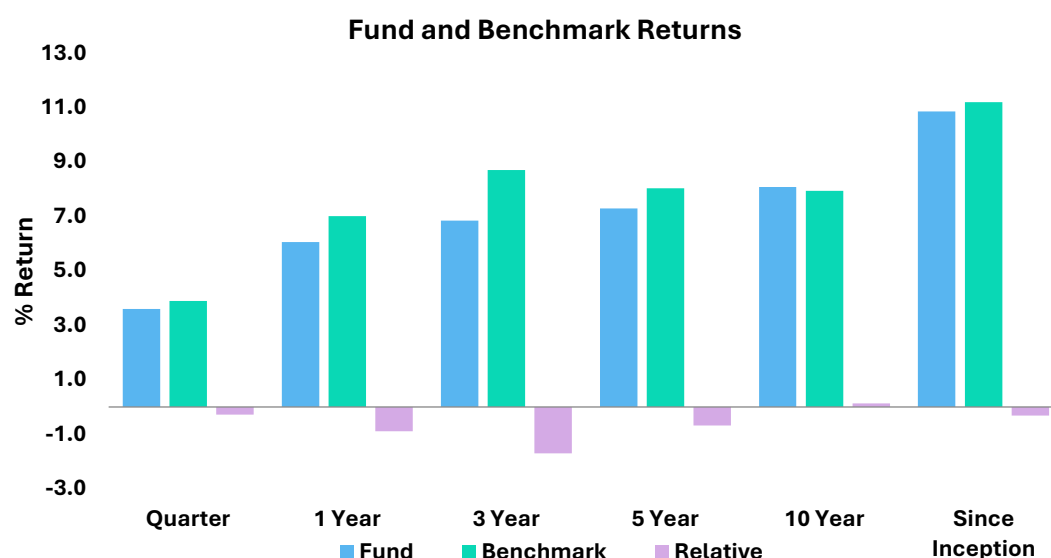
Global Government bond yields were mixed. In the UK, yields fell. The Bank of England cut interest rates in April but held rates in May and June due to above-target inflation. US treasury yields were flat over the quarter, despite spiking in April when tariffs were announced. The Fed held interest rates emphasizing the need to monitor the impact of tariffs on inflation. German bund yields fell and the ECB cut interest rates. Global credit markets had a favourable quarter with yields declining and credit spreads tightening.



- The **FTSE All Share** Index returned **+4.4%**, the **FTSE World ex UK** index **+5.7%** and the **MSCI Emerging Markets** index **+5.7%**, compared with Q1 returns of **+4.5%**, **-4.8%** and **-0.1%** respectively.
- The **FTSE All Stock Index** returned **+1.9%** compared with **+0.6%** in Q1.
- **Sterling** fell by **-2.3%** against the euro and rose **+6.2%** against the US dollar.
- The **MSCI All property monthly return index** returned **+1.7%**. Capital returns slowed, while income returns remained steady.

### 3 Fund Performance

The **Fund's value** at 30<sup>th</sup> June 2025 was **£32,050m**, an increase on the 31<sup>st</sup> March valuation of **£31,010m**.



The **Fund's total return** for Quarter 2 2025 was **+3.6%**, behind the benchmark return of **+3.9%**. Over 1 year, 3 years and 5 years the Fund's total return has been positive but behind benchmark, while over 10 years it has marginally outperformed. 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 2:

- 11 active managers outperformed their benchmark; and
- 11 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	31 Mar 2025 (£m)	31 Mar 2025 (%)	30 Jun 2025 (£m)	30 Jun 2025 (%)	Target (%)
Equity	15,392	49.6	16,220	50.6	47.0
Hedging & insurance	3,216	10.4	3,361	10.5	10.0
Credit	1,344	4.3	1,279	4.0	5.0
Short term enhanced yield	5,142	16.6	5,190	16.2	17.0
Long Term enhanced yield	5,916	19.1	5,999	18.7	21.0
<b>Total</b>	<b>31,010</b>	<b>100.0</b>	<b>32,050</b>	<b>100.0</b>	<b>100.0</b>

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, continued throughout the remainder of 2024 and into 2025 and is largely complete. There was no transition activity in

Q2, but the switch of the Fund’s passive corporate bond allocation to new Low Carbon Transition funds was completed in July 2025.

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 14<sup>th</sup> August 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 2 highlights include:

- In May, SPF submitted its 2024 Stewardship Report to the Financial Reporting Council (FRC) and following the close of the quarter was confirmed as a signatory to the **UK Stewardship Code (2020)**. Of the 79 asset owners accepted this year, 34 are LGPS including 3 Scottish Funds.
- The Fund has been selected to lead **CDP Non-Disclosure Campaign** engagements with **Reliance Industries**, US based **NextEra Energy** and Australian flagship carrier **Qantas Airways**, as well a selection of companies for forest and water disclosures.
- The Fund supported ShareAction’s **Good Work Investor Coalition** statements on Diversity, Equity and Inclusion (DEI) and **The International Sustainability Standards Board (ISSB)** summary findings on human capital.
- The Fund co-signed investor letters to companies in support of phase 2 of the **Farm Animal Investment Risk and Return Initiative (FAIRR)** **Seafood Traceability Engagement**.

**8 Stewardship: Energy Company Assessment Framework**

A summary of **SPF** energy company holdings as at 31<sup>st</sup> March 2025, assessed under the framework agreed by the SPF committee in 2022, is included at **Appendix 8**. Of the 20 energy companies held, none was rated red, 6 were rated amber and 10 green, with a further 4 rated grey due to insufficient data.

**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

N/a

(DPIA) has been carried  
out

## **9 Recommendation**

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

### **Appendices**

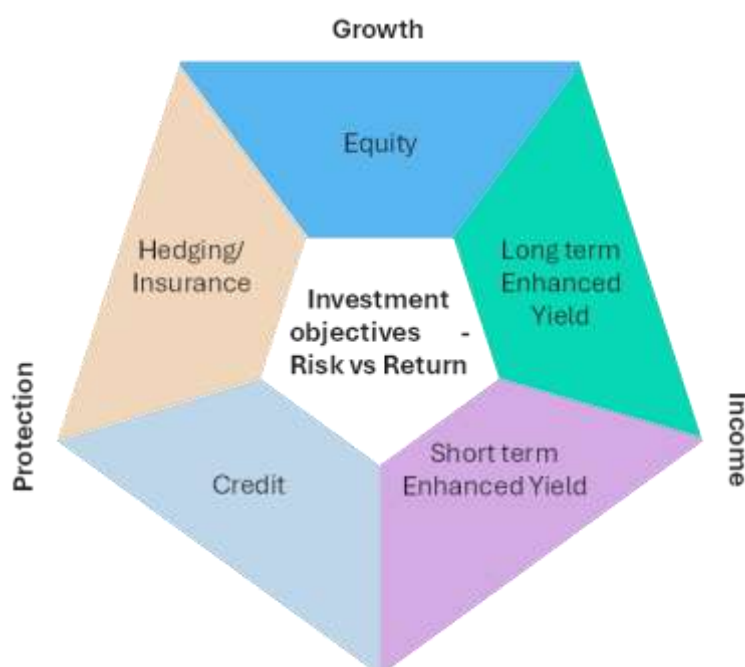
<b>Appendix 1</b>	<b>Investment Objectives and Strategy</b>
<b>Appendix 2</b>	<b>Fund and Asset Class Performance</b>
<b>Appendix 3</b>	<b>Manager Performance</b>
<b>Appendix 4</b>	<b>Portfolio Summary</b>
<b>Appendix 5</b>	<b>Direct Impact Portfolio</b>
<b>Appendix 6</b>	<b>Investment Advisory Panel</b>
<b>Appendix 7</b>	<b>Stewardship Activity</b>
<b>Appendix 8</b>	<b>Stewardship Activity: Energy Company Analysis</b>

## 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:

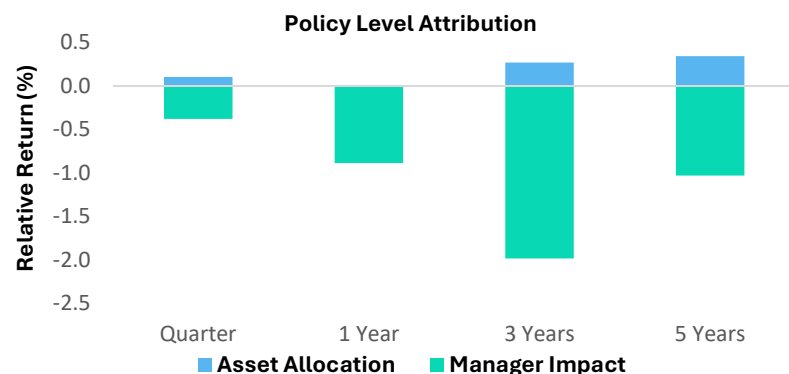
Asset	2014 %	2017 %	2020 %	2023 %
Equity	62.5	52.5	52.5	47.0
Hedging & insurance	1.5	1.5	1.5	10.0
Credit	6.0	6.0	6.0	5.0
Short term enhanced yield	15.0	20.0	20.0	17.0
Long term enhanced yield	15.0	20.0	20.0	21.0
	100	100	100	100
Return (% p.a.)	5.9	5.1	3.0	5.0

## Fund and Asset Class Performance

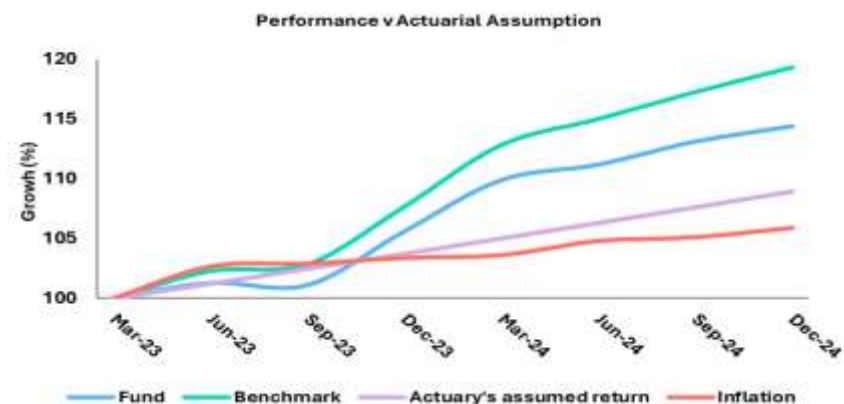
### 1. Returns by Asset Class

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	5.6	6.3	(0.7)	7.5	9.1	(1.5)	10.0	13.1	(2.8)	10.2	11.9	(1.6)
Hedging & Ins	1.5	1.3	0.2	(2.5)	(2.8)	0.4	(0.8)	(4.8)	4.3	(1.1)	(7.8)	7.3
Credit	2.8	2.9	(0.1)	5.5	5.4	0.1	2.2	2.2	0.1	(1.8)	(1.8)	0.1
STEY	1.9	1.8	0.0	6.5	7.8	(1.2)	5.9	7.8	(1.8)	4.9	5.7	(0.8)
LTEY	1.4	1.6	(0.2)	6.8	6.5	0.2	1.8	2.6	(0.7)	4.6	4.9	(0.2)
<b>Total Fund</b>	<b>3.6</b>	<b>3.9</b>	<b>(0.3)</b>	<b>6.1</b>	<b>7.0</b>	<b>(0.9)</b>	<b>6.8</b>	<b>8.7</b>	<b>(1.7)</b>	<b>7.3</b>	<b>8.0</b>	<b>(0.7)</b>

### 2. Performance Attribution



### 3. Performance vs Actuarial Assumption



- In Q2, only Hedging & Insurance outperformed its benchmark. In absolute terms, all asset classes 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 Q2, 1, 3 and 5 years, investment manager performance, particularly in equity portfolios, has detracted from Fund return. Over 3 and 5 years, 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.)
<b>Baillie Gifford</b>	Actual	10.3	7.2	11.4	5.7	8.8
	Relative	4.9	(0.4)	(1.7)	(5.4)	0.9
<b>Lazard</b>	Actual	2.3	(0.0)	7.3	8.3	9.2
	Relative	(2.6)	(6.7)	(4.8)	(2.7)	0.1
<b>Oldfield</b>	Actual	2.5	12.0	7.8	7.6	8.1
	Relative	(2.4)	4.6	(4.4)	(3.3)	(3.8)
<b>Veritas</b>	Actual	(0.1)	5.8	8.7	8.6	11.7
	Relative	(4.9)	(1.3)	(3.5)	(2.5)	(0.1)
<b>Lombard Odier</b>	Actual	18.2	0.3	4.1	7.4	7.0
	Relative	2.7	(6.1)	1.4	0.1	2.5
<b>JP Morgan</b>	Actual	10.5	9.0	8.7	5.2	11.3
	Relative	1.6	1.3	(0.6)	(2.0)	1.8
<b>Active EM Equity</b>	Actual	10.3	17.2	9.5	4.8	9.0
	Relative	4.0	10.6	3.1	(0.9)	1.3
<b>RBC</b>	Actual	5.9	-	-	-	2.5
	Relative	0.4	-	-	-	(1.9)
<b>Pantheon</b>	Actual	(3.2)	(3.1)	(1.1)	11.2	13.0
	Relative	(7.8)	(9.6)	(12.2)	0.1	4.1
<b>Partners Group</b>	Actual	(2.5)	1.6	1.6	12.4	10.8
	Relative	(7.2)	(5.2)	(9.9)	1.1	4.4
<b>L&amp;G Equity<sup>(2)</sup></b>	Actual	8.6	13.1	15.3	12.8	10.0
	Relative	0.2	0.2	(0.3)	(0.3)	-
<b>L&amp;G RAFI</b>	Actual	2.9	9.5	13.4	13.9	10.1
	Relative	0.1	0.5	0.4	0.3	0.0
<b>Total</b>	Actual	5.6	7.5	10.0	10.2	9.2
	Relative	(0.7)	(1.5)	(2.8)	(1.6)	(0.1)

#### 1.2 Manager Performance Commentary

Equity underperformed over the quarter and 5 out of the 10 active managers underperformed their benchmarks. **Pantheon** and **Partners Group (Private Equity)** and **Veritas** were the only managers to deliver negative absolute returns and underperform on a relative basis. **Baillie Gifford** and **Active EM Equity** (Fidelity) were the strongest performers on a relative basis while **Lombard Odier** delivered the strongest absolute return.

Over 5 years, the only active managers to outperform their benchmarks are **Lombard Odier**, **Partners Group** and **Pantheon**. The passive L&G RAFI portfolio is also ahead of benchmark over 5 years.

**Lombard Odier** delivered the strongest absolute return and outperformed in Q2. Rank Group, Capita and the IP Group contributed most to relative return. The largest detractor at stock level was Time Out, which underperformed partly as a result of tariff uncertainty and partly due to AI beginning to change the search business model.

## Manager Performance

**Baillie Gifford** outperformed their benchmark as growth stocks saw a rally in Q2. In the year to 30 June 2025, the main contributor to returns was Door Dash, a US food delivery business and the main detractor was Reliance Industries, an energy and petrochemicals company.

**Veritas** was the worst performing listed equity manager on both a relative and absolute basis. The top contributor to performance was Safran, an aerospace company. Revenues for the quarter were better than expected while external developments including the Chinese authorities granting tariff exemptions on a range of key aerospace components boosted performance. The main detractor was United Health as the company indicated a 12% drop in earnings per share.

**Pantheon** and **Partners Group (private equity)** underperformed over the quarter, due to the lag between valuation and benchmark data. Both managers are behind benchmark for the year but have outperformed over 5 years and since inception. The most recent Total Value / Paid In multiples, which compares the total value (funds distributed and residual value) with capital called, were 1.80x and 1.78x respectively.

## 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.)
<b>PIMCO</b>	Actual	1.7	8.1	4.6	4.8	3.2
	Relative	(0.1)	0.2	(2.9)	(1.2)	(0.1)
<b>Ruffer</b>	Actual	1.6	4.2	1.5	4.0	4.8
	Relative	(0.2)	(3.1)	(5.6)	(1.6)	(0.6)
<b>Barings (Multi Credit)</b>	Actual	2.2	7.7	8.4	5.7	3.6
	Relative	0.2	(0.8)	(0.0)	(1.0)	(2.2)
<b>Oak Hill</b>	Actual	2.6	6.6	9.2	6.4	4.5
	Relative	0.6	(1.9)	0.7	(0.4)	(1.4)
<b>Barings (Private Debt)</b>	Actual	1.8	9.0	8.8	8.7	6.3
	Relative	(0.2)	0.4	0.3	1.7	0.4
<b>Alcentra</b>	Actual	2.3	3.2	4.4	7.3	6.1
	Relative	0.3	(5.0)	(3.8)	0.5	0.2
<b>ICG Longbow</b>	Actual	1.8	4.7	3.3	4.4	3.7
	Relative	(0.2)	(3.5)	(4.8)	(2.2)	(2.7)
<b>Partners Group (Private Debt)</b>	Actual	1.8	7.2	7.6	5.4	5.1
	Relative	(0.2)	(1.3)	(0.8)	(1.3)	(1.5)
<b>Pantheon (Private Debt Secondaries)</b>	Actual	9.8	n/a	n/a	n/a	9.9
	Relative	7.6	n/a	n/a	n/a	6.3
<b>Total</b>	Actual	1.9	6.5	5.9	4.9	3.4
	Relative	0.0	(1.2)	(1.8)	(0.8)	(1.3)

## Manager Performance

### 2.2 Manager Performance Commentary

The return for Short Term Enhanced Yield (STEY) was in line with the benchmark in 2025 Q2 with 5 out of 9 managers underperforming. All managers delivered positive absolute returns. Mult-asset credit managers **Barings** and **Oak Hill** outperformed their benchmarks, while absolute return managers **PIMCO** and **Ruffer** underperformed.

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

The **Barings Multi-Asset Credit** portfolio outperformed over the quarter. High yield bonds were the primary contributor, benefiting from tightening credit spreads and strong fundamentals.

**Ruffer** underperformed the benchmark over the quarter. Equity exposure contributed positively as markets rallied after the implementation of US tariffs was paused. Gold and precious metals exposure also boosted performance. On the downside, the protection strategies that were critical in the April downturn detracted from overall quarterly returns.

## 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.)
<b>DTZ</b>	Actual	1.8	8.5	(1.9)	3.8	6.2
	Relative	0.3	2.1	1.0	1.7	0.4
<b>Partners Group RE <sup>(2)</sup></b>	Actual	(1.7)	(3.0)	(6.1)	(1.7)	4.6
	Relative	(2.7)	(9.0)	(12.7)	(8.5)	(3.6)
<b>JP Morgan IIF</b>	Actual	2.4	10.2	10.8	8.9	7.7
	Relative	0.5	2.1	2.6	0.8	(0.3)
<b>Total</b>	Actual	<b>1.4</b>	<b>6.8</b>	<b>1.8</b>	<b>4.6</b>	<b>5.1</b>
	Relative	<b>(0.2)</b>	<b>0.2</b>	<b>(0.7)</b>	<b>(0.2)</b>	<b>(0.1)</b>

### 3.2 Manager Performance Commentary

Performance of the long-term enhanced yield (LTEY) allocation underperformed the benchmark in Q2 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, largely due to significant underperformance from the **Partners Group** global real estate portfolio.

**DTZ** outperformed in Q2. Rental growth in the industrials allocation continued; and office holdings gained due to successful lettings and to the yield movement resulting from improved investor sentiment towards prime City of London offices.

**Partners Group** are behind their both their strategic benchmark and the FTSE/EPFA NAREIT Total Return Index reported by the manager over all time

**Manager Performance**

periods except since inception. The portfolio has a Total Value / Paid In multiple of 1.15x.

## Appendix 4

## Portfolio Summary at 30 June 2025

	Equity		Hedging & Insurance		Credit		Short Term Enhanced Yield		Long Term Enhanced Yield		Total		Target
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%	%
L&G	6,424	20.0%	3,361	10.5%	1,279	4.0%					11,064	34.5%	33.0%
Baillie Gifford	2,598	8.1%									2,598	8.1%	7.5%
Lazard	975	3.0%									975	3.0%	2.5%
Oldfield	934	2.9%									934	2.9%	2.5%
Veritas	978	3.1%									978	3.1%	2.5%
Lombard Odier	436	1.4%									436	1.4%	1.0%
JP Morgan	988	3.1%							1,531	4.8%	2,519	7.9%	7.5%
Active EM Equity	129	0.4%									129	0.4%	0.0%
Pantheon	1,277	4.0%					51	0.2%			1,328	4.1%	5.8%
Partners Group	884	2.8%					335	1.0%	587	1.8%	1,806	5.6%	5.5%
RBC	446	1.4%									446	1.4%	2.0%
PIMCO							1,201	3.7%			1,201	3.7%	4.0%
Ruffer							563	1.8%			563	1.8%	2.0%
Barings (multi-credit)							744	2.3%			744	2.3%	2.3%
Oak Hill Advisors							594	1.9%			594	1.9%	1.8%
Barings (private debt)							377	1.2%			377	1.2%	1.8%
Alcentra							237	0.7%			237	0.7%	0.0%
ICG Longbow							294	0.9%			294	0.9%	1.0%
DTZ									2,505	7.8%	2,505	7.8%	9.0%
DIP	151	0.5%					89	0.3%	1,377	4.3%	1,617	5.0%	7.5%
Cash							705	2.2%			705	2.2%	1.0%
<b>Total</b>	<b>16,220</b>	<b>50.6%</b>	<b>3,361</b>	<b>10.5%</b>	<b>1,279</b>	<b>4.0%</b>	<b>5,190</b>	<b>16.2%</b>	<b>5,999</b>	<b>18.7%</b>	<b>32,050</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Target</b>		<b>47.0%</b>		<b>10.0%</b>		<b>5.0%</b>		<b>17.0%</b>		<b>21.0%</b>		<b>100.0%</b>	

## Direct Impact Portfolio

### 1 Portfolio Summary

The portfolio can be summarised as follows.

	Since Inception (£m)	Current Portfolio (£m)
<b>Total Commitments Agreed</b>	<b>2,463</b>	<b>2,350</b>
Amounts Drawn Down by Managers	1,896	1,805
+ Increase in Value	626	580
- Received Back in Distributions	787	787
- Realisations	137	-
<b>= Total Net Asset Value (NAV)</b>	<b>1,598</b>	<b>1,598</b>

Based on a current total Fund value of **£31,206m**, DIP's **5%** target allocation is a NAV of **£1,560m**.

The portfolio comprises **67** separate investments and **4** co-investments.

In Q4, total drawdowns and distributions amounted to **£30m** and **£36m** respectively.

### 2 Performance

Portfolio performance to 31st December 2024 is as follows:

	Current Quarter (%)		3 Year (% p.a.)		5 Year (% p.a.)	
	DIP	SPF	DIP	SPF	DIP	SPF
<b>Equity</b>	1.2	5.6	4.4	10.0	16.4	10.2
<b>LTEY</b>	1.1	1.4	5.8	1.8	5.1	4.6
<b>STEY</b>	1.1	1.9	7.4	5.9	7.3	4.9
<b>TOTAL</b>	<b>1.1</b>	<b>3.6</b>	<b>5.8</b>	<b>6.8</b>	<b>6.0</b>	<b>7.3</b>

Performance continues to be positive over the longer-term periods (3 years+) but with a softening over shorter periods.

The modest positive return in the quarter of 1.1% exactly reverses the performance for the previous quarter. The 3-year return has decreased from 6.7% (Q1) to 5.8% (Q2) due to strong performance in Q2 2022 dropping out of the equation. The 5-year return however has increased from 5.7% (Q1 2025) to 6.0% (Q2 2025). Looking back since 2019, the 5-year returns for DIP have ranged from 4.8% to 7.6% and so the current figure is within the normal range for DIP despite some quarter-to-quarter movement.

### 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**;

**Direct Impact Portfolio**

- 6 are **amber**;
- 1 in legals;
- None **red**.

## Direct Impact Portfolio

## 3 DIP Investments

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
<b>Asset Category: Equity</b>								
Clean Growth Fund	2020	Venture Capital	Equity	20	15	5	0	15
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	10	20	0	9
Maven Regional Buyout Fund	2017	Growth Capital	Equity	20	18	2	17	10
Palatine Impact Fund II	2022	Growth Capital	Equity	25	12	13	0	10
Palatine Private Equity Fund IV	2019	Growth Capital	Equity	25	19	6	16	19
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	7	18	0	8
Pentech Fund III	2017	Venture Capital	Equity	10	8	2	0	8
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	14	24
SEP VI LP	2021	Growth Capital	Equity	30	15	15	0	14
<b>Total as at 30/06/2025</b>	<b>Q2</b>			<b>356</b>	<b>188</b>	<b>168</b>	<b>105</b>	<b>165</b>



## 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)
<b>Asset Category: LTEY</b>								
Albion Community Power LP	2015	Renewables	LTEY	40	40	0	21	33
Alpha Social Long Income Fund	2015	Support Living	LTEY	15	15	0	6	19
Capital Dynamics Clean Energy Infrastructure VIII	2019	Renewables	LTEY	40	39	1	5	42
Capital Dynamics Clean Energy UK Fund	2023	Renewables	LTEY	60	15	45	0	12
Clydebuilt Fund II LP	2021	Property	LTEY	100	68	32	6	68
Clydebuilt Fund LP	2014	Property	LTEY	75	75	0	72	15
Dalmore Capital Fund 3 LP	2017	Infrastructure	LTEY	50	50	0	15	53
Dalmore Capital Fund 4 LP	2021	Infrastructure	LTEY	50	50	0	6	52
Dalmore II 39 LP	2021	Infrastructure	LTEY	50	45	5	5	45
Dalmore PPP Equity PiP Fund	2014	Infrastructure	LTEY	50	50	0	40	41
Equitix Fund IV LP	2015	Infrastructure	LTEY	30	30	0	14	29
Equitix Fund V LP	2018	Infrastructure	LTEY	50	50	0	18	54
Equitix Fund VI LP	2020	Infrastructure	LTEY	50	50	0	5	50
Equitix Fund VII LP	2024	Infrastructure	LTEY	50	46	4	0	45
Equitix MA 19 LP (Co-Investment Fund)	2020	Infrastructure	LTEY	50	50	0	7	58
Funding Affordable Homes	2015	Property	LTEY	30	30	0	0	27
Greencoat Solar Fund II LP	2017	Renewables	LTEY	50	50	0	18	43
Hermes Infrastructure Fund II	2017	Infrastructure	LTEY	50	42	8	12	45
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

## 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)
Macquarie GIG Renewable Energy Fund I	2015	Renewables	LTEY	80	80	0	74	55
Man GPM RI Community Housing Fund	2021	Property	LTEY	30	28	2	0	27
NextPower UK ESG Fund	2022	Renewables	LTEY	60	32	28	2	35
NTR Wind I LP	2015	Renewables	LTEY	40	36	4	39	38
Octopus Affordable Housing Fund	2023	Property	LTEY	50	0	50	0	0
PIP Multi-Strategy Infrastructure LP(Foresight)	2016	Infrastructure	LTEY	130	120	10	65	81
Places for People Scottish Mid-Market Rental (SMMR) Fund	2019	Property	LTEY	45	40	5	4	49
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	9	41
Temporis Operational Renewable Energy Strategy (TORES)	2017	Renewables	LTEY	30	30	0	13	47
Temporis Operational Renewable Energy Strategy (TORES II) (prev. TREF)	2015	Renewables	LTEY	30	30	0	12	35
<b>Total as at 30/06/2025</b>	<b>Q2</b>			<b>1,650</b>	<b>1,385</b>	<b>265</b>	<b>487</b>	<b>1,305</b>

## 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)
<b>Asset Category: STEY</b>								
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	13	26
Beechbrook UK SME Credit IV Fund	2021	Credit	STEY	50	0	50	0	0
Healthcare Royalties Partners III LP	2013	Credit	STEY	18	18	0	19	5
Invesco Real Estate Finance Fund II (formerly GAM REFF II)	2018	Credit	STEY	20	14	6	20	4
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	18
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
<b>Total as at 30/06/2025</b>	<b>Q2</b>			<b>279</b>	<b>198</b>	<b>82</b>	<b>192</b>	<b>89</b>
<b>Co-investment Programme</b>								
Equitix Fund MA16 LP	2025	Renewables	LTEY	20	0	20	0	0
Schroders Greencoat Glasgow Terrace	2023	Renewables	LTEY	15	15	0	1	15
Temporis (TISV Co-invest1 LP) (TISV3)	2024	Renewables	LTEY	15	15	0	3	20
Temporis (TISV Co-invest1 LP) (TISV2)	2024	Renewables	LTEY	15	4	11	0	4
<b>Total as at 30/06/2025</b>	<b>Q2</b>			<b>65</b>	<b>34</b>	<b>31</b>	<b>4</b>	<b>39</b>

## Direct Impact Portfolio

DIP Portfolio Total						
Total as at 30/06/2025	Q2	2,350	1,805	545	787	1,598
Total as at 31/03/2025	Q1	2,280	1,790	490	754	1,598

## Investment Advisory Panel Meeting August 2025

MINUTES OF MEETING ON Thursday 14<sup>th</sup> August 2025

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

**1. Minutes from Last Meeting & any Matters Arising**

The minutes of the Panel meeting on 15<sup>th</sup> May 2025 were agreed to be an accurate record.

Officers updated the Panel on the transition activity required to complete the Fund's implementation of the revised investment strategy agreed in March 2024. The switch from passive corporate bond funds to low carbon equivalents was completed in July 2025. Options for the final strategy switch, closing out the Fund's legacy active emerging market allocation in favour of an increased allocation to RBC GAM, were discussed and agreed.

**2 Monitoring****2.1 Market and Inflation Update**

The Panel reviewed investment market and inflation updates from Hymans Robertson. Overall, the Panel acknowledged that difficult 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 **Q2 2025** was **+3.6%**, behind the benchmark return of **+3.9%**. Performance for the year to 30<sup>th</sup> June 2025 was positive (**+6.1%**), but below benchmark (**+7.0%**). The Fund's return is positive on an absolute basis over five years but behind benchmark and positive on both an absolute and relative basis over ten years.

**2.3 Local Authority Pension Fund Performance**

The Panel noted the PIRC 2025 annual review of local authority pension fund performance.

**2.4 Manager Ratings**

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

- 16 of the Fund's managers were rated **green**
- 5 rated **amber**

## Investment Advisory Panel Meeting August 2025

- 1 was rated **red** following the Committee decision to review the emerging market equity portfolio.

**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**;
- **6** are **amber**;
- **1** 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 June 2025 was estimated to have increased to **184%**, compared with the funding level of **147%** at the last valuation date, 31<sup>st</sup> March 2023.

**2.7 Annual Fee Review**

The Panel reviewed a summary of investment management expenses for the financial year 2024/25 alongside 1- and 5-year manager performance data.

Total expenses for 2024/25 were **£197m** (2023/24: **£184m**) as reported in the unaudited financial statements. Expenses include all invoiced fees, together with estimates of pooled fees, performance fees, transaction costs and other expenses in accordance with CIPFA guidance.

The total represents **0.62%** of average investment value (2023/24: **0.63%**). This indicates that, while there has been some variation in individual manager fee rates as a result of investment strategy changes, the increase in monetary value of the total fees and expenses paid during 2024/25 was in line with the growth in value of the Fund's assets.

Overall, the Panel was comfortable that the fees and costs incurred in 2024/25 were largely as expected for a fund of Strathclyde's size and structure. The Panel was reassured to see that there was some correlation between fees and performance.

**2.8 Energy Company Analysis**

At its May meeting, the IAP had reviewed Hymans' assessment of Fund holdings as at end March 2025. The Panel noted the improvement in data coverage across companies since the previous assessment, indicating that engagement encouraging disclosure had made a positive impact.

Officers subsequently forwarded details of the assessment to portfolio managers during May and requested initial comments on:

- the business case for companies with an overall rating of amber
- how to address specific areas of weakness identified and
- improving data availability for those companies rated grey.

Manager responses had been collated into a paper which the Panel reviewed.

## Investment Advisory Panel Meeting August 2025

Manager responses were satisfactory.

### 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 **+£135m**

	2025	
	Estimate (£m)	Actual y.t.d. (£m)
Distributions	883	306
Calls	-748	-152
<b>Net</b>	<b>+135</b>	<b>+154</b>

- central cash balance at 30<sup>th</sup> June was **+£705m**. This had decreased by **(£6m)** in the quarter.
- Flows from private market programmes amounted to **+£67m** during Q2 2025.
- (£80m)** 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 2025/26 at its November meeting.

#### 3.2 Rebalancing Strategy

The Panel reviewed a rebalancing report showing Fund allocations vs strategy allocations as at 30<sup>th</sup> June 2025.

As a result of the transition activity carried out since March last year, allocations generally remain very close to the new strategic targets agreed at the conclusion of the investment strategy review.

The ICG Longbow portfolio was below the lower limit of its target range, but this allocation should increase over the next few months following the Fund's commitment to a new fund, ICG Real Estate VII, which was finalised during Q1 2025. 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 and the Panel agreed that no rebalancing action was required.

#### 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

## Investment Advisory Panel Meeting August 2025

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 30<sup>th</sup> June 2025:

- Spreads on both US and UK investment grade credit remain substantially below 20-year medians. Global credit spreads are significantly below the 25th 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 inflation protection has cheapened, but longer-term implied Inflation protection remains expensive, supporting 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.

#### 4. Manager Reviews

4 investment managers attended the Investment Advisory Panel:

- **Ruffer**
- **Pimco**
- **Barings**
- **Oak Hill**

Performance of each of the managers was reviewed.

##### 4.1 Ruffer

The Ruffer long only absolute return portfolio is currently valued at **£563m**, or **1.8%** of total Fund, versus a target weight of 2.0%. Ruffer provided an update on the current portfolio and performance.

##### 4.2 Pimco

The Pimco absolute return bond portfolio is currently valued at **£1,201m**, or **3.8%** of total Fund, versus a target weight of 4.0%. Pimco provided an update on the current portfolio and performance.

##### 4.3 Barings

###### 4.3.1 Barings (private debt)

The Barings private debt portfolio is currently valued at **£377m**, or **1.2%** of total Fund vs a target of 1.75%.

In March 2024, Barings announced that their private debt team had suffered a significant number of key senior departures. Barings confirmed to the Panel



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that the recruitment of replacement team members was now complete and that the steps taken by the firm had ensured Barings had been able to continue to access and complete investment transactions in both US and Europe.

In addition, Barings provided an update on the Fund's portfolio and performance.

### 4.3.2 Barings (multi-asset credit)

The Barings multi-asset credit portfolio is currently valued at **£744m**, or **2.3%** of total Fund, versus a target weight of 2.25%. Barings provided an update on the current portfolio and performance.

### 4.4 Oak Hill

The Oak Hill multi-asset credit portfolio is currently valued at **£594m**, or **1.9%** of total Fund, versus a target weight of 1.75%. Oak Hill provided an update on the current portfolio and performance.

## 5 Investment Strategy and Structure

### 5.1 Climate Action Plan

The SPF Committee agreed the Fund's Climate Action Plan at its meeting in March 2023. The 2023 plan built on the existing climate change strategy but is much more forward looking and focused on a Net-Zero objective and target.

In line with the timeline set out in 2023 a review of the Climate Action Plan has been included as a business and development priority in SPF's 2025/26 business plan, with the review specifically to cover:

- progress to date against 2023 alignment priorities
- the revised Net Zero Investment Framework 'NZIF 2.0'
- TCFDs and TNFDs
- future alignment and targets – i.e. a revised plan for the period 2026 -2029 and thereafter.

The Panel reviewed a paper that included an initial review of progress to date, which had been positive, and that set out more detail on the work that will be carried out as part of 2025 review. This will include further quantitative and qualitative assessment of progress as well as consideration of future climate change monitoring and reporting and a revised plan for 2026-2029, a review of the energy company assessment framework and further research into approaches to investment in climate solutions.

### 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 31<sup>st</sup> March 2026.

The Panel discussed some potential areas for further consideration as part of the review, including the allocation between growth and protection assets, a review of equity allocation and performance, return expectations and benchmarking, global property, currency hedging and climate solutions.

The 2026/27 investment strategy review will be discussed further at the Panel's November meeting.

**Investment Advisory Panel Meeting August 2025**

**6 Governance**

**6.1 Strathclyde Pension Fund Committee.**

The Panel noted the draft agenda for the next committee meeting on Wednesday 10<sup>th</sup> September 2025.

**6.2 Investment Advisory Panel Meetings 2026**

The IAP will meet on the following dates in 2026:

- 12<sup>th</sup> February
- 14<sup>th</sup> May
- 13<sup>th</sup> August
- 12<sup>th</sup> November

## Stewardship Activity: Responsible Investment

### Responsible Investment: Quarter 2 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

##### 1.2 In quarter 2 the Fund's passive equity and bond manager, **Legal & General Asset Management**, published highlights from their **Climate Impact Pledge** engagement for 2025.

In 2016, Legal & General launched their Climate Impact Pledge in the belief that policymakers and companies can still mitigate the systemic risks from climate change. The Climate Impact Pledge covers 82% of the total carbon emissions attributable to L&G's corporate debt and equity holdings and aims to raise market standards and encourage companies to play their part in achieving the goals of the Paris Agreement. Over the years Legal & General have seen progress, but their view is that the transition needs to accelerate. On behalf of their clients, Legal & General assess over 5,000 companies across 20 'climate critical' sectors and engage directly with over 100 large, 'dial-mover', companies they have identified as having the potential to galvanise action in their sectors. Legal & General can also apply Climate Impact Pledge exclusions in their funds representing almost £202 billion of assets.

At the end of June 2025, Legal & General published the results from their latest cycle of Climate Impact Pledge engagement. Highlights include:

- Quantitative assessment: 5,000+ companies in climate-critical sectors
  - Legal & General communicated with over half of the 5,000+ companies assessed in April 2025, the largest campaign to date.
  - During the 2025 AGM season, 245 companies were identified as subject to voting sanctions. a significant decrease of 46% on 2024. This is due to improvements made across the market; in the disclosures companies are making and their planning and management of approaches to climate change and nature degradation.
  - The sectors with the highest proportion of companies lagging the Climate Impact Pledge minimum standards were oil and gas, electric utilities and cement.
  - Legal & General sent over 2,900 letters to investee companies outlining Legal & General's approach to climate and nature and related policies. Of these letters, 980 included specific information on Legal & General's deforestation policy and engagement campaign.
- Qualitative assessment: 100+ dial-movers
  - Progress observed at 'dial-mover' companies led to 24% fewer companies being identified for a vote against the board chair than in 2024. (28 companies in 2025, 37 in 2024 and 43 in 2023).
  - 15 companies remain on Legal & General's divestment list, they will also divest from an additional two companies in certain funds – TJX and Glencore – for failing to meet expectations.

## Stewardship Activity: Responsible Investment

- Although Legal & General did not reinstate any companies this year, some have demonstrated good progress, as highlighted in the report.

The full report and further detail of the **Legal & General Climate Impact Pledge** is available at: <https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/>

## 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 June 2025 is summarised as follows.

Voting activity to 30th June 2025		
		(%)
<b>Total meetings</b>	<b>9,181</b>	
Votes for	77,993	75
Votes against	23,768	23
Abstentions	846	1
Not voted	939	1
<b>No. of Resolutions</b>	<b>103,546</b>	<b>100</b>

Voting activity in the quarter included:

- **Legal & General** voted against the 2025 Energy Transition Plan at the **Equinor ASA** AGM. The decision to vote against stemmed from the financial risks associated with Equinor's plans to expand oil and gas production internationally, and the potential impact on the company's ability to meet its net-zero targets. (approved by 96%). Legal & General opposed management and voted for the shareholder resolution - Report on Food Waste Management and Targets to Reduce Food Waste at the **MTY Food Group Inc.** AGM. MTY Foods discloses some information on its efforts to reduce food waste. However, further disclosure as to progress and setting targets would be welcome. Legal & General believe addressing food waste and moving toward a circular economy is critical if we are to achieve the targets and goals of the Kunming-Montreal Global Biodiversity Framework and the Paris Agreement (resolution supported by 7%). At the **Restaurant Brands International Inc.** AGM, Legal & General supported a shareholder resolution titled Comply with World Health Organization Guidelines on Antimicrobial Use Throughout Supply Chains. A vote in favour was applied as Legal & General consider Antimicrobial Resistance (AMR) to be a systemic risk. The phasing out of medically important antibiotics for disease prevention will contribute to stemming the rise of AMR (resolution supported by 17%). At **Walmart Inc.**, Legal & General voted against the resolution to Elect Director Gregory B. Penner. In 2023, Legal & General launched an engagement campaign on the living wage, with specific vote sanctions against the re-election of the chair, the chair/CEO or president of companies that fail to meet minimum expectations by the time of their 2025 AGM. Following engagement with

## Stewardship Activity: Responsible Investment

Walmart under this campaign, including the co-filing of a shareholder resolution on this topic at their 2024 AGM, the company has not made the necessary progress, versus the expectations set out in 2023. In line with the escalation established, Legal & General voted against the re-election of the Chair of the Board (resolution supported by 98%). At the **BCE Inc. AGM**, Legal & General opposed management and voted for the shareholder resolution - Adopt Advanced Generative AI Systems Voluntary Code of Conduct. The expectations and outcomes of the government-produced voluntary code of conduct are broadly aligned with Legal & General's views, and they believe that the company's commitment to the code would support efforts towards market-wide principles and protections on AI use and risk management (resolution supported by 6%).

- **Baillie Gifford** supported shareholder resolutions at the **Amazon Inc.** AGM, requesting additional emissions reporting and requesting a report explaining how Amazon will meet its climate change goals given the massively growing energy demand from artificial intelligence and Amazon's plan to build more data centres (resolutions supported by 14% and 20% respectively). Baillie Gifford supported a shareholder resolution at the **Brookfield Corp.** AGM requesting greater transparency regarding the criteria the company uses to select holdings for its transition funds, as Baillie Gifford believe this disclosure will help them better assess alignment with their own net zero commitments. Additionally, this will benefit investment research as the company has previously faced reputational controversies linked to insufficient climate-related transparency (resolution supported by 8%). Baillie Gifford supported a shareholder resolution at the **Markel** AGM regarding disclosure of GHG emissions from the company's underwriting, insuring, and investment activities. Baillie Gifford believe there is scope for improvement of carbon reporting and that this data will enable the company and its shareholders to better understand the company's climate risks (resolution supported by 15%). At **Meta Platforms Inc.**, Baillie Gifford supported the shareholder resolution requesting a report on child safety and harm reduction. Baillie Gifford believe that this topic is material for the company and see good progress being made by the company (resolution supported by 13%). Also at Meta Platforms, Baillie Gifford supported the shareholder resolution regarding a climate transition plans as they believe that additional disclosure on Meta's data centre energy strategy is beneficial to assess both climate risks and the long-term competitiveness of its AI ambitions (resolution supported by 3%). Baillie Gifford opposed executive compensation at **AJ Gallagher & Co**, because the performance conditions are not sufficiently stretching. (resolution passed by 91%). Baillie Gifford opposed executive compensation at **Moody's**, due to the decision to grant discretionary bonuses on top of the annual incentive grants as these were not sufficiently justified. (resolution passed by 87%). Baillie Gifford opposed six resolutions at the **Petrobras** AGM, including the election of the chairman due to ongoing governance concerns and a lack of independent directors on the board and executive remuneration due to ongoing governance concerns and concerns with a general lack of transparency in remuneration decisions. (resolutions supported by 60% and 66% respectively). Baillie Gifford successfully opposed executive compensation at **Thermo Fisher Scientific**, due concerns with several aspects of the variable incentive plans, including overlap in performance

## Stewardship Activity: Responsible Investment

conditions between short and long-term plans and the short performance period within the Long-Term Incentive plan. (64% voted against the resolution). At **Texas Instruments**, Baillie Gifford opposed the ratification of the auditor because of the length of tenure. It is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls (resolution supported by 93%).

- **Lazard** opposed management at the **Anglo-American Plc.** AGM by voting against the Remuneration Report, as it was deemed not to be in the best long-term interests of shareholders (resolution passed). Lazard voted against resolutions to approve the both the Remuneration Report and the Remuneration Policy at the **Beiersdorf AG** AGM (resolutions passed).
- **Oldfield Partners** voted against executive remuneration at **SS&C Technologies**. Whilst management argued pay and performance were reasonably aligned; they had not adjusted for stock-based compensation. Stock based compensation as a percentage of net income has doubled over the past 3-4 years and the incentive schemes for management did not account for this.
- **Lombard Odier** opposed the Remuneration Report at the **Everplay Group Plc** AGM as there appears to be no reduction in fee to reflect additional option awards. The Remuneration Report at the **IP Group** AGM was opposed as the Long-Term Incentive program is overly focused on the NAV per share growth and not narrowing the discount to NAV, with a NAV underpin. Lombard Odier also opposed executive remuneration at the **PureTech Health Plc.** AGM as there is a lack of compelling justification for executive payouts in the context of company performance.
- **Veritas** voted against executive remuneration at the **Thermo Fisher Scientific Inc.** AGM. Despite lowering year-over-year targets in the Short-Term Incentive program, target bonus opportunities were not commensurately lowered, and payouts were earned well-above target. The Long-Term Incentive program also largely utilizes one-year performance periods as well as an identical metric from the short-term program (64% voted against the resolution). Veritas voted against executive remuneration at the **Unilever Plc.** AGM. The former CEO and former CFO will receive awards that will not be pro-rated for time served. The justification given is they are both treated as good leavers and the rules allow for some discretion to do this. Veritas find this unacceptable, operating and share price performance were disappointing under these executives and the CEO was awarded a generous severance package. Shareholders are effectively being asked to pay twice for two sets of CEO/CFOs over the same period, one set of whom delivered underwhelming results.

## 2.2 Engagement

Engagement highlights during the quarter include the following.

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- **Legal & General** engaged with **Shell Plc** regarding a shareholder proposal requesting the Company disclose whether and how its demand forecast for liquified natural gas (LNG) and new capital expenditure in natural gas assets are consistent with climate commitments, including the target to reach Net Zero emissions by 2025.

The filing of the shareholder resolution enabled Legal & General to engage in a series of highly technical and detailed discussions with the company. The primary focus of the engagement has been on understanding the balance sheet risks associated with the company's growing exposure to liquified natural gas and on ensuring the company demonstrates business resilience across multiple climate transition scenarios. Legal & General did not support the resolution after receiving clear commitments that the company will enhance its reporting in line with expectations—specifically, providing detailed disclosures on stranded asset risks and financial resilience related to Shell's growing exposure to LNG. These gaps were key reasons Legal & General were unable to support the company's climate transition strategy at its 2024 AGM.

Legal & General engaged with German multinational energy company **RWE** on steps they could take to improve investor sentiment in order to avoid negative outcomes from investor pressure.

Due to rising negative investor sentiment around renewables, RWE have come under increasing pressure from short-term focused investors to return capital to shareholders at the expense of renewable capital expenditure. Legal & General have been engaging with RWE to ensure that this does not lead to a misallocation of capital. Legal & General are working to ensure they are not prioritising short-term shareholder returns at the expense of long-term value creation through renewables investment. Through higher levels of value-accretive renewables investment, RWE can create shareholder value whilst also building a bigger, greener, faster growing company.

Legal & General believe RWE can take a number of steps in order to improve investor confidence in the company's capital expenditure plans and reduce calls for short-term returns. Legal & General will continue to engage with RWE on this topic as they think it reflects an interesting, conflicting, dichotomy between short- and long-term focussed investors.

- **Baillie Gifford** attended a group call and arranged a subsequent one-on-one engagement with **LVMH** investor relations to understand how the luxury house of brands is addressing systemic labour-rights risks uncovered at its second-largest subsidiary, Dior.

Dior had been placed under a year-long judicial supervision by a Milan court in June 2024. Beyond compliance with local labour laws, a responsible supply chain also poses implications for brand integrity and, by extension, long-term investment value.

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A key underlying issue is limited transparency across a fragmented supply chain. The Dior case stemmed from Tier-1 suppliers passing work to undocumented Tier-3 factories that exploited migrant labour. LVMH concedes that zero risk does not exist, especially beyond Tier-1.

Dior cooperated with Italian authorities in response to the findings, and an action plan was formulated with the oversight of Group chief executive officer (CEO), Bernard Arnault. Initial actions emphasised audit integrity, although longer term solutions are also under way. The stated intention is that Dior will gradually raise the share of in-house production from roughly 25-30 per cent toward levels already seen at Louis Vuitton of about 60 per cent. LVMH is working with the Fair Wage Network to define wage thresholds and will extend its fair-wage framework from its own employees to suppliers in time.

Collaboration outside the Group is another focus. LVMH is co-creating shared supplier-data platforms with sector peers in Italy and France. This should cut audit duplication and lift common standards ahead of the incoming EU Corporate Sustainability Due Diligence Directive (CS3D). It was noted that while the incident attracted intense investor scrutiny, consumer interactions have been largely unaffected.

The judicial supervision has been lifted early, in response to the comprehensiveness of Dior's remediation plan, removing near-term legal risk. Across the LVMH Group, there has been a tightening of supply chain oversight. The initial focus has been on audit integrity of Dior in Italy but will be extended across the wider Group and sourcing regions. Baillie Gifford were encouraged by the openness of the conversation and the engagement in collective industry action, particularly in the context of such systemic issues. These measures will take time and cannot guarantee the total elimination of labour rights abuses, but they should materially shrink the Group's exposure to systemic labour risks.

Baillie Gifford engaged with **Samsung Electronics Co., Ltd.** to gain a deeper understanding of corporate governance changes taking place in Korea, and to assess the opportunities and risks for Korean holdings, including Samsung Electronics.

Meetings were held with representatives from Samsung and other companies in the group to learn how the task force and corporate strategy offices are operating alongside current leadership and board changes. Six out of nine directors are now independent, and there has been an independent chair since 2020. In 2024 and 2025 more semiconductor expertise was brought to the board. Baillie Gifford last met with the company in March and have continued to monitor how these governance changes are affecting the company's plans for capital allocation. They remain particularly interested in how the new CEO will lead and what strategic changes he might implement, particularly in balancing long-term objectives with the short-term focus that some observers have expressed concern about.



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Baillie Gifford also asked the investor relations lead for sustainability how they were thinking about their energy and emissions performance against the targets they had set. They are looking to expand access to renewable energy in Korea. The device solutions division has not yet disclosed an interim target and is looking at potential projects.

Baillie Gifford engaged with the chief risk officer, investor relations, and director of route development at **Ryanair Holdings plc** to catch up on operational and governance subjects. More specific objectives were tied to updates on share ownership, and the expected special performance pay-out for chief executive officer Michael O'Leary.

The chief risk officer provided detail on Ryanair's safety monitoring systems and processes. The data and cyber security team has been growing as these risks are increasingly emphasised.

Baillie Gifford were also provided with an update on Boeing deliveries and ongoing delays which are hampering revenue growth. Ryanair have various representatives embedded in Boeing factories, and they are growing more confident in the operational turnaround at Boeing.

In relation to recent changes in shareholder rights, the prohibition on non-EU nationals acquiring ordinary shares was lifted in March. Baillie Gifford were previously concerned that lifting these restrictions might help artificially increase the ordinary share price, raising a conflict of interest with the chief executive officer's special pay-out. However, this did not occur as the share price fell in April in line with the market and tariff fears. The more recent share price rally has been driven by the company's delivery on fundamentals.

Baillie Gifford also discussed the European regulatory environment for aviation and the impact of charges and taxes on Ryanair's business. The director of route development emphasised that Ryanair has been strengthening its connections with airports and regional and national governments and has enjoyed success in some select geographies lobbying for lower aviation charges.

The detail on operational and governance changes was broadly reassuring, as was the company's view that Boeing is making progress in its turnaround. Baillie Gifford were also offered specific meetings on data and cyber security, as well as with the head of sustainability to catch up on the latest developments in SAF and contrails.

- **Lazard** met with gold mining group **Barrick Gold** ahead of the AGM in May 2025. The engagement focused on the company's conversations with independent rating agencies on concerns previously raised around workplace safety and human rights violation allegations.

On workplace safety, Barrick clarified that 3 fatalities observed in its Tanzanian operations in the last year came from a single incident where contractors were not following proper protocols despite having already

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received extensive training. The company has increased its emphasis on training and strictness in enforcement and there have been no operational incidents since.

On human rights violation allegations, the company has already been cleared of wrongdoing via court of law and third-party investigations. Controversy ratings by ESG data provider Sustainalytics have improved since. Barrick further clarified that UNGC has never itself flagged Barrick, a UNGC signatory, for such violations. The company will soon release its inaugural human rights report that will highlight progress it has made on human rights concerns previously raised by independent rating agencies. Lazard plans to engage with the company again after the report has been published.

Lazard engaged with **NVIDIA Inc.** to discuss recent sustainability updates. The conversation highlighted positive year-over-year developments, including Science-Based Targets initiative (SBTi)-validated emissions goals, 100% renewable energy usage, a human rights assessment, and best-in-class employee turnover metrics tied to a positive workplace culture.

The company emphasized product energy efficiency as a competitive advantage, with CEO Jensen Huang identifying performance per watt and silicon efficiency as key metrics for innovation. Succession planning emerged as a potential key risk, particularly given the lack of disclosure on this topic, as well as exposure to rare earths sourcing given the critical nature of these inputs for chip manufacturing.

While NVIDIA's sustainability efforts and focus on chip efficiency are commendable, Lazard encouraged greater transparency around succession planning and materials sourcing to mitigate risks.

Lazard engaged with **Coca-Cola Inc.** after it announced revised sustainability targets around packaging and recycled plastic use.

The company had received negative news flow regarding the adjustment of its 2030 plastic packaging targets. Coca-Cola stated that it recently updated its reporting process following a routine five-year review cycle, which included a nine-month evaluation of key sustainability topics through an updated priority matrix. Water security and packaging emerged as material priorities.

For water, Coca-Cola launched a 2030 strategy focused on risk segmentation across over 700 production facilities, enabling targeted investments in high-risk areas.

On packaging, the company aims to increase recycled content and improve collection rates, balancing cost premiums for recycled PET across its portfolio.

The engagement informed Lazard's understanding of the rationale for updated targets, while Lazard encouraged the company to maintain consistency in its reporting going forward.

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- **Oldfield Partners** continued engagement with **Southwest Airlines** on their decarbonisation commitments.

The company is balancing its transition plans with a growing emphasis on adaptation and resilience, recognising the increasing likelihood of global temperatures surpassing the 2°C threshold. Although the future of Sustainable Aviation Fuel (SAF) incentives remains uncertain, SAF continues to be central to their 2050 net zero strategy. Their target to replace 10% of jet fuel consumption with SAF by 2030 is in place, with recent actions such as a 2025 offtake agreement with Prime Energy to support this. Southwest have published a TCFD-aligned climate risk and opportunity assessment and will provide a more formal update on progress of their “Nonstop to Net Zero” strategy in the forthcoming One Report.

- **RBC** met with the CFO of a leading Brazilian stock exchange, **B3 SA - Brasil Bolsa Balcao**, to discuss corporate culture. The CFO explained that they view culture as a journey, and not something that is transformed overnight. The company aimed to highlight areas of progress made as well as areas for further improvement.

Some of the aspects within their culture that they would like to see further improved include a more client-centric focus, shifting towards a mindset of process simplification, and looking at the full client journey when launching new products and services.

Talent is another area they have been working on in recent years in terms of improving their brand as an employer and making the company more attractive to work for. The company now considers themselves to be a highly attractive option for talent, which has also helped them retain existing employees.

Overall, the RBC investment team was pleased to hear about the improvements the company has made in terms of corporate culture and will continue to engage with management and monitor further progress.

- **Sustainalytics Global Standards Engagement (GSE)** reported engagement with US based multinational technology conglomerate **Alphabet Inc.** (Baillie Gifford, Lazard and Veritas) regarding anti-competitive practices. Alphabet, Inc., the parent company of Google, faces allegations of anti-competitive practices in multiple jurisdictions, including the US and the EU.

Most recently in the US, a federal judge determined in April 2025 that Google had illegally acquired and maintained monopoly power in its digital advertising business. The judge stated that Google's monopolization of digital advertising markets “harmed Google's publishing customers, the competitive process, and, ultimately, consumers of information on the open web”. Previously, in August 2024, a US federal judge ruled that Google had violated antitrust laws with its search businesses, in a lawsuit filed by the US Department of Justice (DOJ). The judge found that Google had spent tens of billions of dollars per year on anti-competitive deals to maintain an illegal monopoly with its search

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engine. Following the two US rulings, the DOJ proposed measures to dismantle Google's monopolies in the online search and ad-tech markets.

Meanwhile in the EU, in March 2025 the European Commission issued a preliminary finding charging Alphabet with two violations of the Digital Markets Act in relation to its Google Search and Google Play businesses. And in Japan in April 2025, the Japan Fair Trade Commission issued a cease-and-desist order against Google over claims that the company engaged in anti-competitive practices by requiring Android device manufacturers to prioritize Google's search apps and services. Furthermore, in the period between November 2024 and February 2025, four new investigations were launched into Google's anti-competitive practices by regulators in India, Brazil, UK and China.

Change Objective: Alphabet should disclose steps to modify operational practices that have been found to restrict market competition. The company should engage constructively with regulatory authorities and implement corrective actions to support fair competition in affected markets. Alphabet should strengthen antitrust governance, including executive oversight and board accountability mechanisms.

- **Sustainalytics Material Risk Engagement (MRE)** reported a resolved case with US based multinational technology conglomerate **Freeport-McMoRan Inc.** (Lazard) regarding a range of identified risks including, Materiality and ESG Governance, Community Relations, Emissions, Effluents and Waste and Carbon—Own Operations.

Freeport McMoRan discloses that in 2024 the company conducted an externally led sustainability materiality assessment to incorporate impact materiality as described by the Global Reporting Initiatives (GRI) Standards. The company disclosed a standalone PT Freeport Indonesia (PT-FI) Sustainability Report for its Grasberg Mine operations in Indonesia in December of 2024. The report includes updated economic and social contribution data and information.

In its 2024 Annual Report on Sustainability, Freeport McMoran discloses a 2025 target to develop internal water stewardship plans for seven mining and mineral processing operations with medium-high, high or extremely highwater stress ratings.

The company has increased use of renewable energy at its sites. In 2024, 44% of electricity purchased for American Copper came from renewables. El Abra mine used 100% certified renewable energy in 2023 and 2024 through its existing power purchase agreement (PPA). In 2024, nearly 75% of Cerro Verde's electricity was renewable.

In the latest update of the MRE ESG Risk Rating, Freeport McMoran has improved its Risk Rating management score by 5.8 points, bringing it into the medium risk category and below the 28-point threshold for engagement.

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**Sustainalytics** thematic engagement, **Sustainability and Good Governance** reported on engagement with the Hong Kong based life insurance Company **AIA Group**.

AIA Group, a pan-Asian life insurance company, operating in 18 markets needs to reevaluate its strategies to better integrate Environmental, Social, and Governance (ESG) considerations due to increasing risks from climate change driven natural catastrophes.

AIA is very receptive to engagement. In April Sustainalytics conducted an engagement call with the company, during which they addressed topics related to governance, risk and impact, strategy, targets and transparency.

AIA now demonstrates robust governance and risk and impact assessment practices. The board structure and governance of sustainability align with best practices to a great extent. The company has an impact management framework that meets the minimum expectations and is not involved in any significant business controversy. Additionally, AIA has developed strategies, targets, and results practices that have exceeded minimum expectations over the past year.

AIA is advancing its AI adoption with a robust governance framework to ensure responsible use. A Group wide AI council oversees governance and risk assessment, with 15 AI use cases identified for 2024. AI is also integrated into its healthcare strategy for claims processing. AIA emphasizes continuous improvement of AI capabilities and governance, collaborating with suppliers to drive AI adoption and innovation.

Additionally, AIA is focusing on regional developments, particularly in employee diversity, governance, and human capital, with more markets adopting the International Financial Reporting Standards Foundation's Sustainability Disclosure Standards (IFRS S2). AIA aims to standardize reporting across the region, driving meaningful change and meeting SDG objectives by 2030.

### 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.

- **Baillie Gifford** met with **BHP Group** head of carbon management, sustainability and climate change to assess how the miner is adapting to real climate impacts whilst advancing its emissions reduction targets through technology deployment and capital allocation.

Physical climate risks are no longer theoretical for BHP; they are manifesting in tangible operational impacts and infrastructure requirements. Changes to road infrastructure at the Jansen project in Canada and sea level adaptations at Queensland's Hay Point facility exemplify how climate change is directly

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affecting assets. Whilst difficult to quantify precisely in financial statements, BHP is conducting scenario analysis to embed these considerations into risk management frameworks and capital planning. The company's operational decarbonisation programme remains on track to achieve at least 30 per cent emissions reduction by FY2030. However, the pace of critical technology development, particularly electric mine equipment rollout, has proven frustrating for the company. The downstream steel value chain conversation has also evolved, moving from very few engagements a decade ago to core strategic discussions with long-term customers about lower-grade ore requirements. BHP were keen to highlight the complexity of decarbonising across their full value chain and the need for industry collaboration.

The meeting demonstrated BHP's comprehensive approach to climate risk, treating both physical adaptation and operational decarbonisation as integral business requirements rather than regulatory compliance exercises. Their approach to physical risk assessment, though admittedly less mature than transition planning, is also growing in sophistication as BHP recognizes that physical climate impacts directly threaten long-term asset values and operational continuity.

Baillie Gifford met with Argentine e-commerce company **MercadoLibre Inc.** to better understand how MercadoLibre's approach to sustainability is changing under its new senior vice president of corporate development, strategy, sustainability and investor relations. Baillie Gifford also wanted to understand MercadoLibre's decision to remove its commitment to setting science-based emissions reduction targets last year.

The continued structural growth of ecommerce in Latin America and the power of MercadoLibre's ecosystem built on its marketplace, provides the company with attractive growth opportunities in areas such as advertising and entertainment, but it is also a key source of competitive advantage in delivering affordable financial services. This will be particularly relevant for its growth in Mexico. The emphasis of MercadoLibre's sustainability strategy is evolving. It is focused on two areas: 1) continuing to reduce emissions from distribution through expanding its low carbon fleets, efficient logistics and achieving 100 per cent renewable energy for its distribution centres; and 2) supporting sellers on the platform to measure and manage their own emissions. MercadoLibre is piloting an AI tool to achieve the latter.

While disappointed in MercadoLibre's decision not to set science-based targets, Baillie Gifford recognise the constraints it faces in its region and stage of growth. Baillie Gifford are encouraged by its renewed focus on reducing emissions in areas which constitute greater than 90 per cent of its total emissions and its ambition to play a role in supporting decarbonisation beyond its direct operations to encourage sustainable consumption. Baillie Gifford nevertheless feel that targets provide accountability, and that it would be possible for MercadoLibre to set targets without constraining its growth, and so they will continue to engage with the company on the detail of its sustainability strategy.

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- **JP Morgan** met with **Cairn Homes**, an Irish housebuilder and developer, focused on sustainable construction. The objective of the engagement was to explore Cairn's leadership in sustainable construction and understand their transition from diesel to Hydrotreated Vegetable Oil (HVO) fuel in vehicles.

During the engagement, Cairn Homes highlighted their achievements in reducing carbon emissions, surpassing their target of 46.2%, with a 65.2% reduction, primarily by switching from gas to renewable electricity and from diesel to renewable fuel. In their view, Cairn believes that the requirement to report greenhouse gas emissions, as a publicly listed company, has pushed the company to consider more innovative solutions compared with non-listed peers. They have applied the Science Based Targets initiative for near-term targets up to 2030 and aim for net zero by 2050, expecting approval by the end of 2025. Cairn has experimented with sustainable technologies like steel structures for apartment buildings, although challenges remain in scalability.

Biodiversity has been a key feature of their sustainability strategy for over a decade which they see as futureproofing developments and regulatory compliance but also requires significant education and upskilling. Cairn plans to switch to the 'natural Scotland' metric for measuring ecology, aligning better with Irish conditions. Executive remuneration is also tied to their Biodiversity Net Gain (BNG) targets for UK regulatory compliance. Despite a 10% cost premium, Cairn absorbs the expense of using HVO over diesel and ensures sustainable sourcing through certifications.

They are proactive in preparing for the Corporate Sustainability Reporting Directive, hiring new staff and consultants to meet its demands. Cairn has expanded its workforce to 500 direct employees, with 95% being full-time.

**Sustainalytics** thematic engagement, **Scaling Circular Economies Stewardship Programme** reported on engagement with UK based **Currys Plc**.

Currys is a UK based multinational retailer, selling consumer electronics, home appliances, and mobile devices. The wider consumer electronics industry faces risks linked to resource consumption and e-waste, underlining the salience of circular economy solutions.

Sustainalytics engagement with Currys is new and has had a positive response so far. Sustainalytics held an introductory call in March with the Investor Relations Director and Group Sustainability & ESG Director. Soon after, Currys invited Sustainalytics to participate in an investor visit to its Customer Repair Centre (CRC) in Newark, UK, which houses repair, recycling and distribution facilities.

In its 2023/2024 Annual Report, the company sets out next steps in the area of sustainability, including increasing uptake of repairs, extending its refurbished product programme and “developing long-term plans for growing their circular share of the business throughout the Group.” It discloses a 2040

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net zero emissions target across scopes 1,2 and 3 but has not disclosed corporate-level targets on metrics of circularity or other areas of environmental performance. This will be one area of focus in Sustainalytics dialogue, as well as the company's long-term circular economy strategy.

Currys sets out several strands of its circular economy approach which it puts into practice at the CRC. The centre employs 1,000 people, who have an average length of service of 10 years. It makes use of AI and specialist software and the company considers its capabilities to be unique among UK electronics retailers. Currys promotes repair and reuse over recycling and in 2023/2024 the CRC assessed over 590,000 products for customer repairs. It also handles end-of-life products, extracting reusable parts, and helping the company harvest over 125,000 spare parts in the UK last year.

The visit yielded additional insights about Currys' circular economy efforts. The company is continuously learning how to fix various appliances without manufacturer support. When it comes to end-of-life products the CRC handles around 1,000 laptops weekly, increasing their scrap value from 40 pence to £30-40 on average by harvesting reusable parts. Looking ahead, the centre should help the company to develop a long-term strategy to grow the circular share of the business.

### 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 Sustainalytics 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>.

In May, SPF submitted its 2024 Stewardship Report to the Financial Reporting Council (FRC) and following the close of the quarter was confirmed as a signatory to the **UK Stewardship Code** (2020). Of the 79 asset owners accepted this year, 34 are LGPS including 3 Scottish Funds.

- As signatories to PRI and the UK Stewardship Code the Fund's investment managers are committed to the highest standards of investment stewardship



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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
<b>Legal &amp; General</b>	Net Zero 2050	Yes	Yes	Yes	TCFD, CA100+, FAIRR, IIGCC
<b>Baillie Gifford*</b>	Net Zero 2050	No	Yes	Yes	TCFD, FAIRR, IIGCC, CDP
<b>Lazard</b>	Net Zero 2050	Yes	Yes	Yes	TCFD, CA100+, IIGCC
<b>Oldfield</b>	Net Zero 2050	Yes	Yes	Yes	TCFD, CA100+, IIGCC
<b>Veritas</b>	Net Zero 2050	Yes	Yes	Yes	TCFD, SDG's, CDP
<b>Lombard Odier</b>	Net Zero 2050	Yes	Yes	Yes	TCFD, CA100+, FAIRR, IIGCC, CDP
<b>JP Morgan**</b>	Net Zero 2050	No	Yes	Yes	TCFD, IIGCC
<b>RBC</b>	Net Zero 2050	No	Yes	Yes	TCFD, CA100+, TPI, CDP, FAIRR
<b>Fidelity</b>	Net Zero 2050	Yes	Yes	Yes	TCFD, IIGCC, CA100+
<b>Pantheon</b>	No	No	No	Yes	TCFD
<b>Partners Group</b>	Manage assets towards Paris 2050	No	No	Yes	TCFD, SDG's
<b>PIMCO</b>	Manage assets towards Paris 2050	No	Yes	Yes	TCFD, CA100+, FAIRR, IIGCC
<b>Ruffer</b>	Net Zero 2050	Yes	Yes	Yes	TCFD, CDP, CA100+
<b>Barings</b>	Manage assets towards Paris 2050	No	Yes	Yes	UNGC, SDG's, TCFD
<b>Oakhill</b>	No	No	No	Yes	TCFD
<b>Alcentra</b>	Manage assets towards Paris 2050	No	Yes	Yes	TCFD, IIGCC
<b>ICG</b>	Net Zero by 2040	Yes	Yes	Yes	TCFD, CDP
<b>DTZ</b>	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.

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\*\* 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).

- SPF is an active supporter of the **CDP Non-Disclosure Campaign (NDC)**. This is a global investor-led campaign to drive enhanced corporate transparency around climate change, deforestation and water security. CDP's NDC targets those companies that continually decline to disclose, as well as providing a tangible process in which they can contribute to driving corporate action and broadening the coverage of environmental data. The 2025 campaign was launched at the close of the quarter with 223 financial institutions from 31 countries, representing US\$23 trillion in assets, signed up. During the 2025 NDC, over 70,000 companies will be asked to disclose with more than 1,300 of the world's highest-impact companies, with a combined market capitalisation of approximately \$12 trillion, asked to disclose for the first time. Companies that have previously been requested to disclose to CDP but failed to do so are again requested to do so by financial institutions on climate, water and forests impacts, which are key components in addressing biodiversity loss and driving emissions reductions across global supply chains. This year 919 companies are being targeted on climate, 711 on water (marking a 54% increase from 2024), and 307 on forests.

This year the Fund has been selected to lead the initiative's climate disclosures engagement with Indian based multinational conglomerate, **Reliance Industries**, US based **NextEra Energy** and Australian flagship carrier **Qantas Airways**. The Fund will also lead on water security disclosure engagement with Qantas and lead on water security and forests disclosure engagement with US based paints and coatings manufacturer, **PPG Industries, Inc.** and Japanese chemicals manufacturer **Kuraray Co., Ltd.** SPF officers will organise collaborative letters to the companies encouraging them to provide information by completing the CDP Climate, Water Security and Forests questionnaires.

Further details are available on the CDP website: <https://www.cdp.net/en>

- In February the **CDP Non-Disclosure Campaign (NDC)** published its 2024 report. The report highlights the campaign's impact, key outcomes, and how engagement efforts have driven corporate transparency among non-disclosing companies. Highlights from the 2024 report include:

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- 276 signatories representing over US\$21 trillion in assets participated in the 2024 Non-Disclosure Campaign, with 149 acting as lead participants and 127 as co-signers only.
- A record 1,998 companies were targeted by the participants out of 9,557 non-disclosers. This is a 26% increase on the number of companies targeted from the previous year.
- Of all companies targeted, 1,329 were specifically targeted to disclose on climate change and 373 on forests.
- Companies were 2.5 times more likely to disclose when targeted by investors through the 2024 campaign, reinforcing the NDC's consistent success.
- The campaign saw a record of 1,029 high-impact companies requested to disclose water related impacts and risks – marking a 122% increase from the previous year.
- The NDC campaign achieved notable results in Asia ex-Japan. 474 companies were targeted and there was an 83% increase in distinct company disclosures compared to last year.
- The food, beverage and agriculture sector had the highest disclosure rate of 32%.

The full report is available on the CDP website: <https://www.cdp.net/en>

- In June the Fund supported a ShareAction **Good Work Investor Coalition** statement reaffirming our collective commitment to advancing diversity, equity, and inclusion (DEI) across the companies in which we invest. The Good Work Investor Coalition currently represents investors with over \$7 trillion in assets and continues to focus engagement on the risks of workplace exclusion, poor working conditions, low pay and insecure work.

Amid recent political and legal challenges to DEI initiatives, particularly in the US, the Coalition believes it is important to restate why these principles matter. There is a compelling and growing business case for DEI. Some studies indicate a positive correlation between diverse and inclusive workplaces and improved business outcomes, including increased innovation and revenue growth, especially when it comes to targeted initiatives that enhance the perception of DEI among workers. Many companies also stress this themselves. Today's workforce, particularly younger generations, expects employers to reflect these values. Companies demonstrating strong DEI practices are better positioned to attract the best talent and remain connected to their customers and communities. Conversely, failure to prioritise DEI can lead to reputational damage, operational inefficiencies and long-term risks to shareholder value.

Importantly, DEI benefits everyone. Removing barriers for underrepresented groups leads to better workplace environments and outcomes for all. This is not about quotas or affirmative action it is entirely consistent with the principles of meritocracy. In fact, DEI strengthens meritocracy by ensuring that talent is recognised and rewarded regardless of background. This is why

## Stewardship Activity: Responsible Investment

many companies continue to embrace and uphold their DEI policies, even in the face of external pressures.

Companies that embrace DEI align with rising societal expectations and position themselves as responsible, future-ready businesses. This matters to employees, to consumers, and to investors.

- The Fund also supported the following **Good Work Investor Coalition** statement in support of **The International Sustainability Standards Board** (ISSB) summary findings on human capital:

The ISSB research found that investors of all types and in all jurisdictions expressed strong interest in information about human capital-related risks and opportunities. This reflects our collective view that workforce practices are a core component of long-term value and risk management. Through our stewardship activities, we are pushing for greater transparency on workforce issues, particularly around pay. Transparent disclosure on wage practices, turnover and other key human capital metrics, is a critical first step, not only to protect workers, but to evaluate operational risks, long-term sustainability, and corporate accountability.

The statement went on to express support for the ISSB's next phase of work and urge the Board to develop a global human capital standard that provides meaningful, decision-useful data to investors and drives better economic outcomes.

- In quarter 2 the Fund co-signed investor letters to companies in support of phase 2 of the **Farm Animal Investment Risk and Return Initiative** (FAIRR) **Seafood Traceability Engagement**. The engagement is supported by 43 investors with US \$7.7 trillion in combined assets and delivered in partnership with **World Wildlife Fund** (WWF-US), **Planet Tracker**, the **World Benchmarking Alliance** (WBA) and **UNEP FI's** Sustainable Blue Economy Finance Initiative.

As global demand for seafood continues to grow and seafood supply chains become increasingly complex, transnational, and opaque, the sector must enhance efforts to address persistent and serious environmental and social issues including Illegal, Unreported, and Unregulated (IUU) fishing, forced labour and human rights violations, and the growing impacts of climate change, all of which expose seafood businesses and their stakeholders to material risks. The letters asked for a range of disclosures to help investors better understand the companies' plans and activities and how we might work together to identify further opportunities to strengthen the traceability and transparency for products and the supply chain. Changes to improve transparency about the origin and production methods of seafood is a critical first step towards eliminating these issues across supply chains. Supply chain traceability is an essential tool that can enable this transparency.

## Stewardship Activity: Responsible Investment

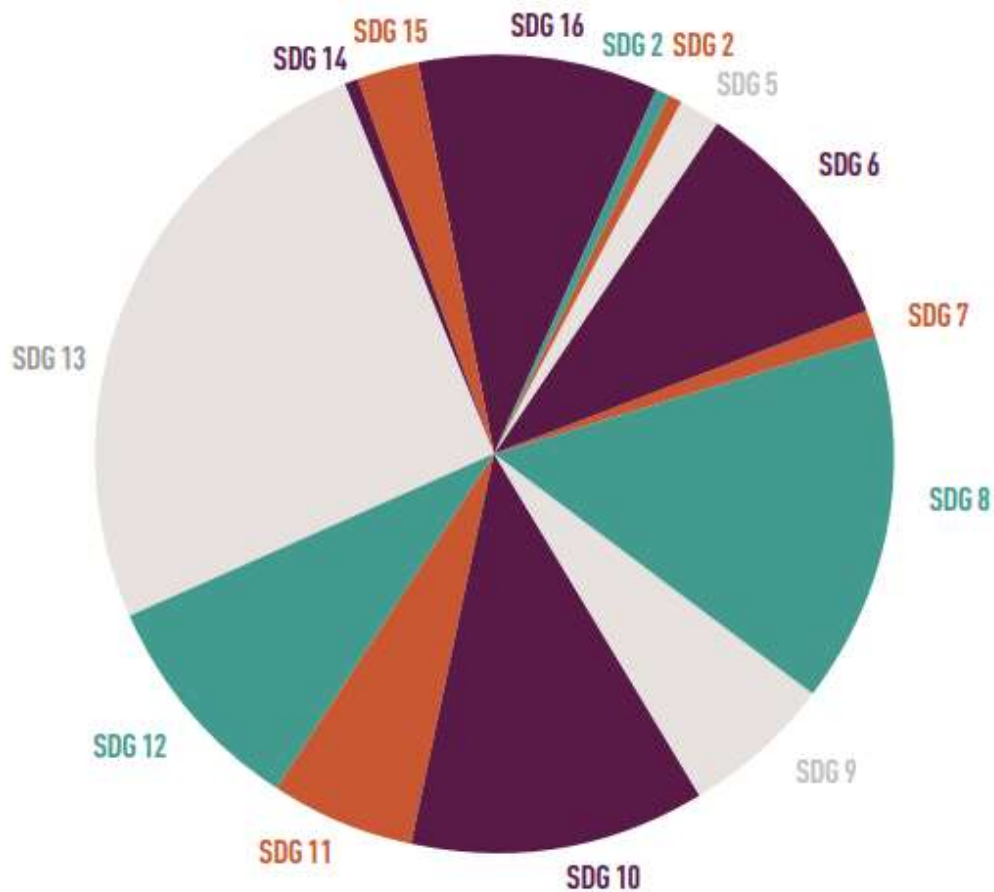
- The Local Authority Pension Fund Forum (LAPFF) provided a Quarterly Engagement Report. The report highlights include:
  - LAPFF held 20 meetings with companies during Q2, attended 3 AGMs and received a range of correspondence regarding ongoing engagements.
  - LAPFF continued its engagements with **Glencore** and **Antofagasta** on the topic of water stewardship in the mining sector.
  - LAPFF continued its engagement with **Anglo American** concerning human rights and environmental performance.
  - **Freeport-McMoRan** engagement focused on concerns around target-setting, environmental practices, and executive governance.
  - LAPFF continued engagement with **Shell** and **BP**, to test oil and gas companies claims of decarbonisation based on existing business models.
  - LAPFF met with **LVMH** and **Moncler** to discuss human rights risks in the respective supply chains.
  - LAPFF wrote to six banks **ANZ**, **Commonwealth Bank of Australia**, **Westpac**, **National Australia Bank**, **Bank of American Corporation**, and **BNP Paribas** to engage on how they were embedding conflict-sensitivity and heightened human rights due diligence (hHRDD) across their operations.
  - LAPFF met with **Lockheed Martin** to discuss shareholder resolutions regarding the alignment of political activities with its Human Rights Policy.
  - LAPFF met with **Standard Chartered** to discuss the proposed boost to its chief executive's pay.
  - LAPFF met with the Chair of **Taylor Wimpey** to further its engagement with the UK's largest housebuilders on climate-transition planning.
  - LAPFF continues to support **Nature Action 100** (NA100), a global investor initiative that drives corporate action on nature-related risks and biodiversity loss. LAPFF has engaged multiple companies through the initiative since its inception in 2023. During the quarter, LAPFF attended **AbbVie's** virtual AGM to ask the company to commit to assessing and disclosing its impacts and dependencies on nature.
  - LAPFF led a quarterly investor call as part of the PRI Advance initiative to discuss ongoing engagement with mining company **Vale**. The call focused on clarifying responsibilities within the group and planning the next phase of engagement, including a letter to Vale to request a meeting on how the company is collecting, managing and integrating employee and community feedback on its operations.

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	1
SDG 3: Good Health and Well-Being	1
SDG 4: Quality Education	0
SDG 5: Gender Equality	3
SDG 6: Clean Water and Sanitation	16
SDG 7: Affordable and Clean Energy	2
SDG 8: Decent Work and Economic Growth	25
SDG 9: Industry, Innovation, and Infrastructure	10
SDG 10: Reduced Inequalities	20
SDG 11: Sustainable Cities and Communities	10
SDG 12: Responsible Production and Consumption	15
SDG 13: Climate Action	43
SDG 14: Life Below Water	1
SDG 15: Life on Land	4
SDG 16: Peace, Justice, and Strong Institutions	16
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.

**Stewardship Activity: Responsible Investment****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 performed on behalf of investor clients across the Sustainalytics platforms including updates on individual portfolio companies.
- Sustainalytics map the engagement cases with relevant **UN Sustainable Development Goals** (SDGs) and engagement dialogue aims to work toward achieving the sustainable outcomes. 796 open engagements in quarter 2 can be attributed to the following SDGs (as percentage of total cases).

## Stewardship Activity: Energy Company Analysis

1 Assessment as at 31<sup>st</sup> March 2025

Results of Hymans Robertson's overall assessment are summarised as follows.

Holdings	Companies	Score (%)	Prev Score (%)	Difference
<b>0</b>	-	-	-	-
<b>6</b>	GTT	33	5	+28
	Ashtead Technology	37	n/a	n/a
	Nextracker	39	n/a	n/a
	SM Energy	41	42	-1
	Reliance Industries	46	46	0
	Tecnicas Reunidas	49	n/a	n/a
<b>10</b>	Enphase Energy	57	n/a	n/a
	Serica Energy	58	n/a	n/a
	TotalEnergies	58	72	-14
	Technipfmc	63	48	+15
	Petrobras	68	n/a	n/a
	Ceres	72	n/a	n/a
	Saipem	72	69	+3
	ENI	72	72	0
	Royal Dutch Shell	80	82	-2
	Equinor	87	56	+31
<b>Co.s with insufficient data coverage</b>		<b>Data Coverage (%)</b>	<b>Prev Data Coverage (%)</b>	
<b>4</b>	National Oilwell Varco	35	31	
	Matador Resources	20	13	
	Cactus	20	10	
	Max Petroleum	5	0	

(Max Petroleum is a dead asset – zero value)

**Conclusions**

- **20** companies were held at 31<sup>st</sup> March 2025. **8** companies previously held in March 2024 when a previous assessment was carried out were no longer held. **7** new companies had been added to portfolios.
- **5** of the companies held during the prior assessment had improved scores.
- No companies rated red overall and **4** of the **6** companies that rated amber overall were not rated last year due to insufficient data coverage. Of the companies rated green overall: **3** rated amber in at least one category; **10** rated red in one category.
- **4** of the companies have poor data coverage and could not be properly assessed.

**Engagement with Investment Managers**



## Stewardship Activity: Energy Company Analysis

Officers forwarded details of the assessment to portfolio managers during May and requested initial comments on:

- the business case for companies with an overall rating of amber
- how to address specific areas of weakness identified and
- improving data availability for those companies rated grey.

Investment manager responses in respect of the amber and grey rated companies are summarised below.

### Baillie Gifford

Holdings	
0	<b>Petrobras</b> - (G) Petrobras is a new holding and is rated Green overall in the Hymans framework.
0	
2	
0	<b>Enphase Energy</b> – (G) Enphase Energy is a new holding and is rated Green overall in the Hymans framework.

### JP Morgan

Holdings	
0	<b>Technip FMC</b> - (G) Technip is rated Green overall in the Hymans framework, this compares to the previous year's Amber rating and a Grey rating in 2023 based on a lack of disclosure.
5	
2	
2	
	<b>Saipem</b> - (G) Saipem is rated Green overall in the Hymans framework and has an improved score year on year.
	<b>SM Energy</b> - (A) SM Energy is rated Amber overall in the Hymans framework, their rating is flat year on year.
	SM Energy is an independent upstream oil and gas company that carries out the acquisition, exploration, development, and production of crude oil, natural gas and natural gas liquids. The company has well-located assets with a long depth of inventory relative to small cap peers and a well-regarded management team. Whilst an exploration and production company in name, management has remained proactive on ensuring they have reduced or minimized the practice of flaring and monitor their scope 1 and 2 emissions.
	SM Energy has a target of 50% reduction in scope 1 and 2 GHG emissions intensity by 2030 with 2019 as the base year and zero routine flaring at all SM Energy operations and non-routine flaring not to exceed 1% of natural gas production, each by year-end 2023.
	<b>Técnicas Reunidas</b> - (A) Técnicas Reunidas is a new holding and is rated Amber overall in the Hymans framework.
	Técnicas Reunidas is a Spanish engineering company focused on the onshore oil and gas segment with a strong position in the Middle East and Africa. In the 2024 CMD, management announced their intention

## Stewardship Activity: Energy Company Analysis

	<p>to focus on value over volume and the company's margin has subsequently improved materially. The commercial outlook is very strong as illustrated by the high and growing backlog and promising bidding pipeline. The company has an extensive sustainability policy and engages extensively with third party ESG analysts already such as the Carbon Disclosure Project and S&amp;P Global. We are pleased to see from a Governance standpoint such a strong focus on decarbonization.</p> <p><b>GTT - (A)</b> GTT is rated Amber overall in the Hymans framework. This has improved from a Grey rating in 2024.</p> <p>The company is a French engineering company that is the clear global leader in providing technology for liquid natural gas (LNG) membrane storage systems. GTT has an extremely high return on capital as all manufacturing is outsourced. The company is benefitting from the growth of the LNG shipping fleet as global demand for LNG continues to grow rapidly. GTT published its CSR roadmap covering the period last year, the roadmap outlines a plan of action that GTT commits to implement, as part of this, a commitment has been made by GTT to reduce CO2 emissions (Scope 1, 2 and 3). We continue to engage with the company on these targets and the roadmap they have laid out as they look to decarbonize the maritime sector by developing innovative containment systems for alternative fuels, as well as by developing digital services. We have some encouraging progress earlier this year with respect to the announcement of a next generation carrier which has reduced emissions. We will continue to follow-up for signs of progress.</p> <p><b>Ashtead Technology - (A)</b> Ashtead Technology is a new holding and is rated Amber overall in the Hymans framework.</p> <p>Ashtead Technology is a supplier of equipment for both offshore oil and renewable energy providers. This is a services and rental business supporting the energy and renewable energy sector rather than an out and out energy producer themselves. Our engagements with them have focussed on the growing business mix which renewables represents in the energy transition, their labour practices (safety record) and their own governance standards (as the company works towards a main market listing). We see improvements on these topics of engagement and will continue to engage in dialogue.</p> <p><b>Nextracker - (A)</b> Nextracker is a new holding and is rated Amber overall in the Hymans framework.</p> <p>Nextracker (NXT) is a leading manufacturer of pivoting array mounts for large-scale solar installations. NXT works with the leading and highest quality solar developers, limiting project uncertainty risks which can be common in the space. NXT's competitive advantage stems from their proven supply chain, strong customer relationships, and proprietary designs and controls. NXT is positively exposed to secular growth in utility-scale solar deployments globally. We engage with the</p>
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## Stewardship Activity: Energy Company Analysis

	<p>company on their practices, but we view them very much at the forefront of sensor-based technology to assist with the energy transition. The company has a Sustainability Policy with monitoring of and tracking Scope 1, 2 and 3 emissions and a focus on management to move towards increased use of renewables at their manufacturing facilities.</p> <p><b>Matador Resources</b> - (G) Matador Resources is rated Grey overall in the Hymans framework, data coverage has improved year on year.</p> <p>Matador Resources is an independent energy company engaged in the exploration, development, production and acquisition of oil and natural gas resources in the United States. It is a pure play Permian operator with attractive acreage position and potential upside to type curves given recent well results. It has strong cash generation and intentions to increase cash returns to shareholders in a programmatic way. On sustainability and the energy transition, we believe the company is focused on improving their water efficiency through midstream investments as well reducing the number of trucks on the road and the above-mentioned dual fuel rigs where compressed natural gas (and eventually well gas) increasingly replaces diesel. The latter point is especially important in the energy transition and switch to cleaner fuels; we will continue to monitor and review these practices for signs of progress.</p> <p><b>Cactus</b> - (G) Cactus is rated Grey overall in the Hymans framework, data coverage has improved year on year.</p> <p>Cactus is the leading manufacturer of US onshore wellheads with significant market share. Cactus should see robust growth along with rig count recovery, further domestic share gains, and emerging international growth opportunities in the Middle East and South America. Cactus' competitive advantages include much lower associated labour cost to utilize their wellheads vs competitors (justifying pricing and creating further pricing umbrella), superior in-field service/support, and low-cost manufacturing in China. We have engaged with the company on climate disclosures. The company discussed how they were building their reporting capabilities including a roadmap on audited Scope 1 and Scope 2 emissions. We will continue to review the signposts laid out in this strategy and engage with the company to monitor progress on these disclosures and reporting.</p> <p>JP Morgan acknowledge that companies rated grey (G) do need to improve disclosures, and they will engage with companies on this.</p>
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## Lazard

Holdings	
0	<b>Equinor</b> - (G) Equinor is rated Green overall in the Hymans framework and has a significantly improved score year on year.
1	
3	

## Stewardship Activity: Energy Company Analysis

0	<p><b>TotalEnergies</b> - (G) TotalEnergies is rated Green overall in the Hymans framework and has a reduced score year on year.</p> <p><b>Royal Dutch Shell</b> - (G) Royal Dutch Shell is rated Green overall in the Hymans framework and has a reduced score year on year.</p> <p><b>Reliance Industries</b> - (A) Reliance Industries is rated Amber overall in the Hymans framework, their rating is flat year on year.</p> <p><b>Rationale for owning:</b></p> <p>Held within our Empowered Consumer theme, Reliance is a conglomerate with multiple divisions today, including legacy energy sector businesses. Our forward-facing investment emphasis focuses on the group's consumer business activities that we anticipate will drive future stock performance. Reliance is combining its telecom network JIO with a platform of technology apps and a legacy as one of India's largest traditional retailers. The company is in transition, moving to a more consumer facing business mix with lower carbon emissions. More than half of Reliance's operating profit comes from the consumer, telcom, and digital e-commerce businesses, which is also growing at a faster rate than the legacy hydrocarbon-based businesses. Cash flow from the legacy business is being used to fund new ventures which is improving Reliance's net carbon emission profile.</p> <p>This omni-channel (physical + digital) strategy has potential to grow new businesses and take market share through merger of online and offline worlds. Reliance's Oil to Chemical (O2C) business also offers additional cash flows to fund future growth opportunities both in adjacent businesses such as plastic recycling and innovative downstream chemicals, and broader corporate ambitions in hydrogen and alternative energy. We note that at its AGM in 2021, Reliance committed to more than US\$10bn capex investment to "New Energy" ventures such as 50 Giga Watt (GW) of battery production for electric vehicles (EVs) /energy storage systems and 20GW of solar module manufacturing capacity. The cashflows from current hydrocarbon-based O2C division are being used to fund these growth initiatives. However, the more ESG friendly businesses should continue to dilute the legacy hydrocarbon businesses going forward.</p> <p><b>Global Thematic Sustainability Framework:</b></p> <p>Reliance passes our Sustainability Framework threshold test. An input into this assessment is the company's rating of 'Committed to Aligning' under Lazard's proprietary Climate Alignment Assessment ("CAA") framework. As an Indian conglomerate, Reliance represents a challenge due to both cultural factors and business complexity.</p>
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## Stewardship Activity: Energy Company Analysis

	<p>While not core to our thesis on the company, we view it as a positive that Reliance is investing behind business opportunities from the energy transition and has provided a broad framework around net zero. However, we recognise that disclosure is lower, particularly versus developed market peers. We also note the company is lagging on its Scope 1 emissions reduction targets.</p> <p>We would also highlight that our research suggests that emerging market companies face an additional set of challenges which may hamper the ability to make direct comparisons between Reliance's transition strategy and pathways to those of their developed markets. We outline this view in more detail in the whitepaper, The Challenges of Emerging Markets Net Zero Investing.</p> <p>We do recognize that Reliance needs to improve its disclosure of ESG related categories: emissions, effluents, energy usage and waste discharge.</p> <p>We are encouraged that some progress is being made with Reliance reporting under the Task Force on Climate-Related Financial Disclosures (TCFD) framework in its 2023 Annual Report, including the governance pillar where the company flagged establishing a dedicated ESG committee at the Board level in FY 2022-23.</p> <p>While we remain cautious on the speed by which the company can implement its proposals, we will continue to engage to receive more detail than the high-level comments already made. Please also refer to our comments below:</p> <p><b>Engagement</b></p> <p>We have ongoing engagement with Reliance:</p> <p>In July 2024, we met with management ahead of its annual AGM to discuss operating results and progress in disclosures around Reliance's sustainability policies and quantifiable metrics. We learned that the company has adopted the Business Responsibility and Sustainability Reporting (BRSR) framework with its annual integrated report starting this year, containing much more disclosures than required by the Indian regulatory bodies. This report will be available in August. The company has also informed us that it believes itself to be on track for its 2035 Net Zero Carbon target with the current rate of deployment of capital into renewable and alternative energy projects. We encouraged the company to share additional metrics around interim targets, green revenue exposure, and climate scenario analyses. We will follow-up with the company via email after the release of its annual report.</p> <p>In February 2025, we reiterated via email our expectations around key components of the 2024 energy assessment as a key topic for our</p>
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## Stewardship Activity: Energy Company Analysis

	<p>engagement. In this engagement, we acknowledged the company's transparency and progress toward its decarbonization goals, particularly its commitment to achieving Net Zero by 2035. We commended investments in solar, battery, and green hydrogen technologies, alongside efforts to scale material recycling and enhance value chain circularity. Despite slower-than-planned capital deployment, significant projects are on track for 2025E and 2027E. We noted improvements, including the high "A" score received by Reliance's JIO on the CDP Climate survey, absolute reductions in Scope 1 &amp; 2 emissions, and initiatives aligned with the Climate Action 100+ framework. We encouraged greater transparency at the subsidiary level, further TCFD-aligned scenario analysis reporting, and climate-risk disclosures to maximize investor understanding and reflect transition potential.</p> <p>In July 2025, ahead of an EGM, we met with the company again to discuss the upcoming governance-related resolutions to guide our views around progress on governance topics such as board independence and executive remuneration. Discussions on climate governance focused on improving climate-related disclosures, tracking Scope 3 emissions, and implementing scenario analysis frameworks. The company cited challenges due to supplier bottlenecks and reporting limitations for conglomerates but highlighted progress on SEBI-mandated reporting, renewables, and its \$10bn gigafactories plan.</p>
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## Lombard Odier

<b>Holdings</b>	<b>Serica Energy Plc. - (G)</b> Serica Energy is a new holding and is rated Green overall in the Hymans framework.
0	
0	
2	<b>Ceres - (G)</b> Ceres is a new holding and is rated Green overall in the Hymans framework.
1	
	<b>Max Petroleum – (G)</b> is a dead legacy asset carried at zero.

## Oldfield

<b>Holdings</b>	<b>ENI - (G)</b> ENI is rated Green overall in the Hymans framework, their rating is flat year on year.
0	
0	
1	<b>National Oilwell Varco (NOV Inc.) - (G)</b> NOV is rated Grey overall in the Hymans framework, data coverage has improved year on year.
1	
	<b>Investment Thesis –</b> NOV is a leading US oil services company providing equipment and consumables to the oil and gas exploration and production industry. Its scale and breadth are key advantages, as is its aftermarket business which appeals to customers looking for reliable single source providers that can meet most or all their equipment and related service needs. The company is well positioned

## Stewardship Activity: Energy Company Analysis

to capitalise on demand for advanced systems to increase drilling and production efficiency and develop renewable energy capacity. NOV's low capital intensity supports its ability to convert a large portion of EBITDA to free cash flow. Capital expenditure averages about 3% of sales, among the lowest levels in the oilfield services peer group.

The company trades on a low valuation of less than 10x trailing earnings, 5x trailing free cashflow and 0.8x book value.

The company faces risk from the transition to renewable energy, as much of its revenue currently comes from producers of hydrocarbons. However, NOV has argued that it views the transition as a business opportunity due to significant overlap with their existing expertise and client base.

In our report last year, we noted several improvements including a reduction in their emissions intensity, as well as an increase in their renewable energy-related revenue. They had made incremental but positive changes in the areas of strategy and governance. This year we observe a small reversal of their progress, as well as a worsening of their score in the risk category, based on the Hymans assessment.

#### **Engagement & Disclosure**

We have a longstanding engagement with NOV and have spoken to them several times in the past three years with a focus on improving their emissions disclosure, as well as seeking clarity around their transition strategy. We wrote last time about the extensive work undertaken and significant progress made in line with the EU's CSRD reporting requirements, with the TCFD framework as central to implementation of this.

We have had two discussions since our last report, one of which was an in-person meeting with Clay Williams, their longstanding CEO. Clay highlighted his team's enthusiasm for innovation and their ability to contribute to decarbonisation within the sector, focusing currently on geothermal energy, carbon capture, and nuclear opportunities. When discussing reporting however, Clay acknowledged the challenges posed by divergent U.S. and EU expectations. We reiterated the importance of this for our clients, and he commented that they are committed to meeting regulatory requirements, however he described it as a shareholder cost.

The EU's CSRD requirements have subsequently been delayed for two years which impedes the progress that we are likely to see. We wrote to them to understand their intention to standardise and provide better detailed disclosure regardless of the delay, with the necessary measures now in place. They confirmed that they do not plan to provide disclosure beyond regulatory requirements due to what they describe as the litigious environment surrounding climate-related disclosures in their home market the USA.

One of their legal entities has been reporting under the UK Climate-related Financial Disclosure (CFD) regulations, which is written in the format of TCFD. For this disclosure, NOV performed analysis on physical and transitional climate risk, leveraging three Representative



## Stewardship Activity: Energy Company Analysis

	Concentration Pathways (RCP) for the former, and the Stated Policies Scenario produced by the IEA for the latter.
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## Veritas

Holdings	Veritas hold no energy sector stocks.
0	
0	
0	
0	

## SPF Supporting Actions

- **Reliance Industries** has been highlighted as a priority engagement target by SPF's **Net Zero Investment Framework** assessment of companies operating in high impact sectors.
- **SPF** is an active supporter of the **CDP Non-Disclosure Campaign (NDC)**. This initiative targets those companies that continually decline to disclose, as well as providing a tangible process in which they can contribute to driving corporate action and broadening the coverage of environmental data. The 2025 campaign was launched at the close of the quarter with 223 financial institutions from 31 countries, representing US\$23 trillion in assets, signed up. During the 2025 NDC, over 70,000 companies will be asked to disclose with more than 1,300 of the world's highest-impact companies, with a combined market capitalisation of approximately \$12 trillion, asked to disclose for the first time. Companies that have previously been requested to disclose to CDP but failed to do so are again requested to do so by financial institutions on climate, water and forests impacts, which are key components in addressing biodiversity loss and driving emissions reductions across global supply chains.

This year the Fund has been selected to lead the initiative's climate disclosures engagement with Indian based multinational conglomerate, **Reliance Industries**, US based **NextEra Energy** and Australian flagship carrier **Qantas Airways**. The Fund will also lead on water security disclosure engagement with Qantas and lead on water security and forests disclosure engagement with US based paints and coatings manufacturer, **PPG Industries, Inc.** and Japanese chemicals manufacturer **Kuraray Co., Ltd.** SPF officers will organise collaborative letters to the companies encouraging them to provide information by completing the CDP Climate, Water Security and Forests questionnaires.

- **SPF** is subscribed to the **Morningstar Sustainalytics Material Risk Engagement (MRE)** and the **Global Standards Engagement (GRE)** overlay services. The MRE service supports SPF through proactive engagement with over 400 companies with the greatest unmanaged financially-material ESG



## Stewardship Activity: Energy Company Analysis

risks while the GRE is an norms-based incident-driven engagement service that identifies companies not in compliance with accepted international conventions, guidelines and other accepted standards. Sustainalytics have ongoing engagements with **9** of **20** companies assessed including.

- **Nextracker Inc.** – Currently one active engagement case which began in March 2025 focusing on Human Rights and Transition. This engagement aims to enhance the Company's supply chain practices and address human rights risks effectively.
- **Reliance Industries** – Sustainalytics have been engaging with Reliance since 2021 with a focus on Risk Assessment and ESG Disclosure. This engagement aims to assist the company with consistent and meaningful risk assessment of ESG issues and consistent disclosure of the material ESG issues from a risk perspective.
- **SPF** is subscribed to the **Sustainalytics Net Zero Transition Stewardship Programme**. The programme targets 100 national and multinational companies to encourage sound management of climate-related (i.e., decarbonization-specific) risks and opportunities. Ongoing engagements include **BP**, **Equinor**, **Shell** and **Reliance Industries**.

Engagement with the investment managers and with Hymans Robertson and Sustainalytics on the various issues raised will be ongoing.

The energy company assessment framework will be reviewed as part of the Fund's review of its climate action plan, a priority in the 2025/26 business plan.