Item 11

23rd September 2026

Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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Investment Update

Purpose of Report:

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

- investment performance to 30th June 2026
- distribution of portfolios and DIP investments as at 30th June 2026
- the Investment Advisory Panel meeting of 13th August 2026
- stewardship activity during Quarter 2 2026.

Recommendations:

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

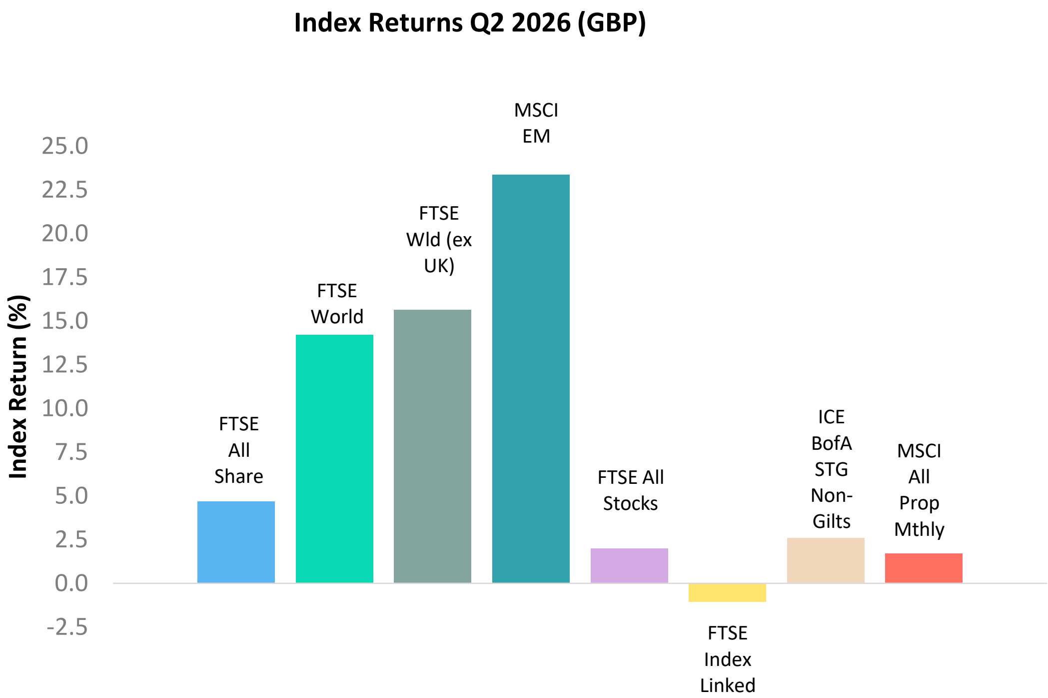
Ward No(s): Citywide: ✓

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

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 markets saw strong performance over the quarter, however market concentration risk increased with large technology companies, particularly those in AI and semiconductors, dominating returns. The strongest region was Asia Pacific ex Japan driven mainly by South Korea and major technology stocks. Emerging markets were also strong while the UK lagged other major regions.

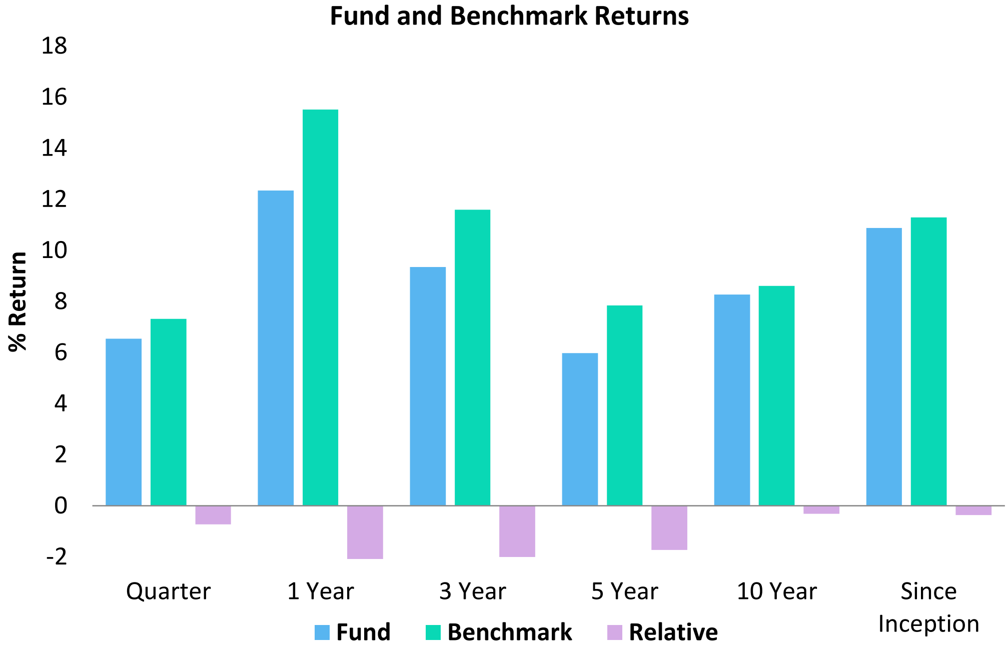
Fixed income markets were shaped by renewed inflation concerns and changing expectations regarding central bank policy. US treasury yields rose slightly, while UK gilt yields declined. The Bank of England held rates at 3.75%. Credit markets remained resilient but increasingly valuation-sensitive.



- The **FTSE All Share** Index returned **+4.7%,** the **FTSE World ex UK** index **+15.6%** and the **MSCI Emerging Markets** index **+23.4%**, compared with Q1 returns of **+2.4%**, **-0.9%** and **+1.9%** respectively.
- The **FTSE All Stock Index** returned **+2.0%** compared with **-1.9%** in Q1.
- **Sterling** rose by **0.7%** against the US dollar and **1.4%** against the Euro.
- The **MSCI All property monthly return index** returned **+1.7%** driven wholly by income returns; capital values declined.

3 Fund Performance

The **Fund's value** at 30th June 2026 was **£35,290m**, an increase on the 31st March valuation of **£33,222m**.



The **Fund's total return** for Quarter 2 2026 was **+6.5**%, behind the benchmark return of **+7.3%.** Over 1 year, 3 years, 5 years and 10 years the Fund's total return has been positive but behind benchmark. Further analysis of Fund and asset class performance can be found in **Appendix 2**.

Each of the Fund's investment managers has an individual portfolio benchmark. In Quarter 2:

- 7 active managers outperformed their benchmark; and
- 14 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 2026 (£m)*	*31 Mar 2026 (%)*	30 Jun 2026 (£m)	30 Jun 2026 (%)	Target (%)
Equity	*16,819*	*50.6*	18,725	53.1	**47.0**
Hedging & insurance	*3,411*	*10.3*	3,440	9.7	**10.0**
Credit	*1,295*	*3.9*	1,329	3.8	**5.0**
Short term enhanced yield	*5,418*	*16.3*	5,407	15.3	**17.0**
Long Term enhanced yield	*6,280*	*18.9*	6,388	18.1	**21.0**
Total	***33,222***	***100.0***	**35,290**	**100.0**	**100.0**

Net inflows from private market programmes during the quarter were positive. All other movements were due to valuation changes.

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

5 Direct Impact Portfolio (DIP)

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

6 Investment Advisory Panel

The Fund's Investment Advisory Panel met on 13th August 2026. 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:

- The Fund signed NZEI collaborative escalation letters, facilitated by **IIGCC**, to selected portfolio companies including **EssilorLuxottica** and **Pirelli & C. SpA**, where initial outreach had not secured dialogue. The letters seek confirmation that transition plans align with the Paris Agreement.
- The Fund supported **ShareAction** coordinated investor statements to **M&S** and **NatWest Group**. The M&S statement sought improved disclosure and progress on the real Living Wage; the NatWest statement raised concerns over reduced fossil fuel policy and climate target ambition.
- The Fund became a signatory to the **AI Company Data Initiative** (AICDI), which promotes transparent, responsible corporate AI adoption and governance. AICDI's first findings report, covering 3,000 companies across 11 sectors, found AI adoption accelerating while governance lags behind.
- Fund officers completed the annual **PRI** reporting and assessment survey in quarter 2, covering implementation of the Principles and responsible investment activity. The assessment report, expected in quarter 4, will show year-on-year progress and peer comparison across asset classes.

8 Stewardship: Energy Company Analysis

A summary of **SPF** energy company holdings as at 31st March 2026, assessed under the revised framework agreed in Q1 2026, is included at **Appendix 8.**

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 2025-29? Please specify.	Equalities issues are addressed in the Fund's Responsible Investment strategy. A summary of responsible investment activity is included **at Appendix 7**.
What are the potential equality impacts as a result of this report?	N/a.
Please highlight if the policy/proposal will help address socio-economic disadvantage.	N/a.

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify:	Yes. Strathclyde Pension Fund's Climate Change strategy aligns with Item 34 of the Council's Climate Action Plan. SPF's stewardship activity addresses all of the SDGs to some degree. A summary of responsible investment activity is included **at Appendix 7**.
What are the potential climate impacts as a result of this proposal?	N/a.

Will the proposal contribute to Glasgow's net zero carbon target?	N/a.
Privacy and Data Protection Impacts:	No.
Are there any potential data protection impacts as a result of this report Y/N	
If Yes, please confirm that a Data Protection Impact Assessment (DPIA) has been carried out	N/a

10 Recommendation

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

Appendices

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

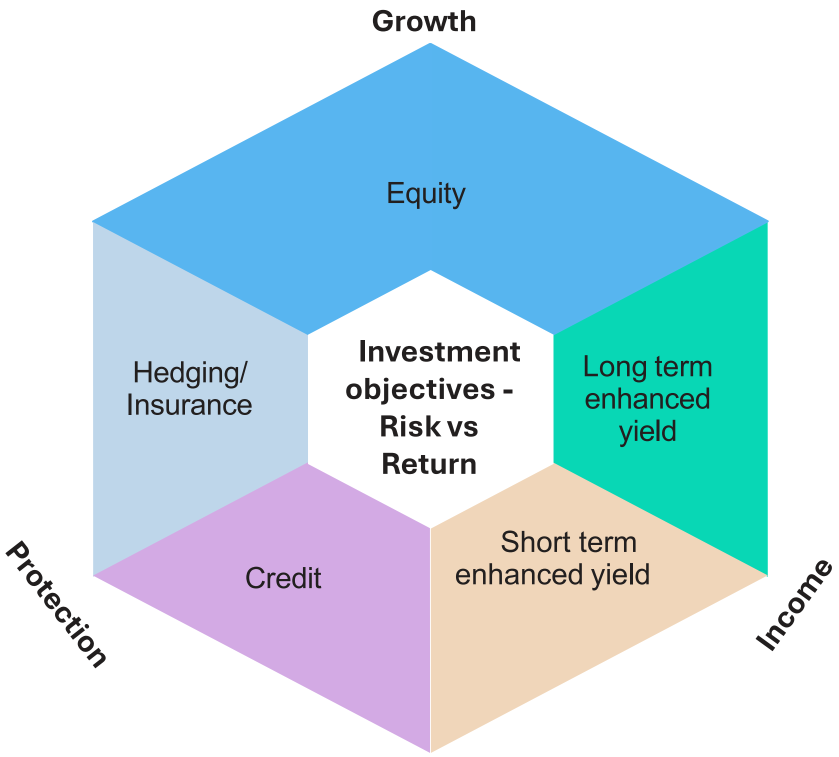
Appendix 1

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**

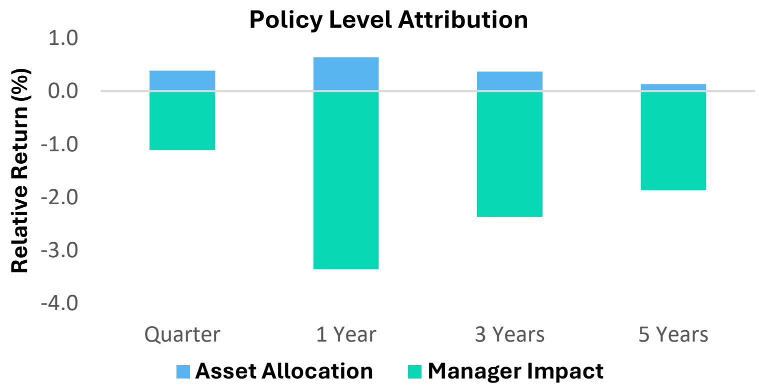
Appendix 2

Fund and Asset Class Performance

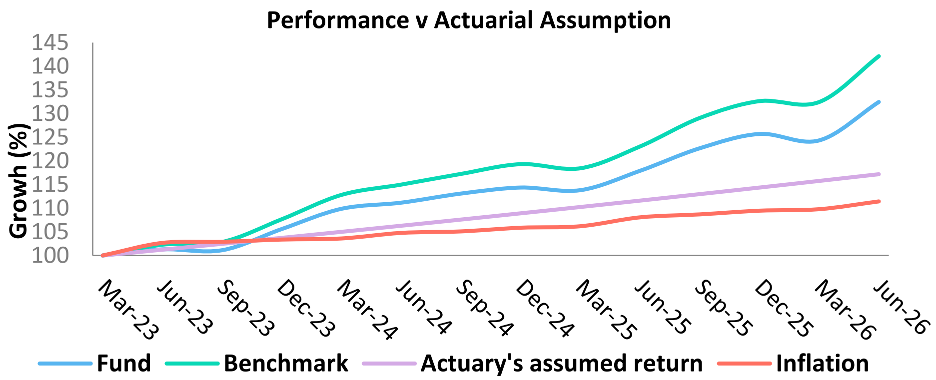
1. Returns by Asset Class

	Latest Quarter			1 Year			3 Years			5 Years		
Asset Class	Fund %	B'mark %	Relative %	Fund %	B'mark %	Relative %	Fund %	B'mark %	Relative %	Fund %	B'mark %	Relative %
Equity	11.7	13.9	(1.9)	20.1	27.0	(5.4)	13.7	18.1	(3.7)	8.4	11.4	(2.7)
Hedging & Ins	0.9	0.4	0.5	2.3	2.2	0.1	(0.1)	(0.3)	0.2	0.1	(6.5)	7.1
Credit	2.6	2.7	(0.0)	3.9	4.3	(0.3)	5.0	5.1	(0.1)	(1.3)	(1.3)	(0.0)
STEY	1.1	1.7	(0.7)	4.8	7.2	(2.2)	6.5	7.7	(1.1)	3.9	6.3	(2.3)
LTEY	1.3	1.5	(0.2)	5.6	6.5	(0.9)	4.4	5.4	(1.0)	5.6	5.7	(0.1)
Total Fund	6.5	7.3	(0.7)	12.3	15.5	(2.7)	9.4	11.6	(2.0)	6.0	7.8	(1.7)

2. Performance Attribution



3. Performance vs Actuarial Assumption



- In Q2, Hedging and Insurance outperformed the benchmark, credit performed in line with benchmark and all other asset classes underperformed. However, all asset classes delivered positive absolute returns.
- Over Q2, 1, 3 and 5 years, equity is the best performing asset class in absolute terms but has underperformed on a relative basis.
- Over 1, 3 and 5 years, investment manager performance, particularly in active equity and STEY portfolios, has detracted from Fund return, however asset allocation has added value.
- Over the current actuarial cycle, Fund performance is behind benchmark but remains comfortably ahead of the assumed actuarial return and inflation.

Appendix 3

Manager Performance

1 Equity

1.1 Manager Performance Summary

Equity							
Manager		**Current Quarter (%)**	**1 Year (% p.a)**	**3 Years (% p.a.)**	**5 Years (% p.a.)**	**Since Inception (% p.a)**
Baillie Gifford	Actual	11.6	12.0	11.1	3.5	8.9
	Relative	(2.4)	(12.6)	(6.2)	(7.9)	0.4
Lazard	Actual	9.3	16.4	8.7	6.8	9.5
	Relative	(4.3)	(8.9)	(7.9)	(4.6)	(0.4)
Oldfield	Actual	13.4	39.6	18.7	11.2	10.1
	Relative	(0.7)	9.4	0.6	(0.6)	(2.9)
Veritas	Actual	8.0	2.4	7.1	5.2	11.0
	Relative	(5.4)	(19.8)	(9.2)	(5.9)	(1.7)
Lombard Odier	Actual	19.9	8.4	6.3	(0.5)	7.0
	Relative	9.5	(0.5)	(2.0)	0.3	2.3
JP Morgan	Actual	17.2	29.3	15.8	4.5	11.8
	Relative	2.3	1.4	0.5	(2.2)	1.7
RBC	Actual	24.3	46.1	-	-	29.4
	Relative	0.9	(1.4)	-	-	(2.1)
Pantheon	Actual	(0.0)	5.0	2.2	6.5	12.8
	Relative	(12.5)	(17.8)	(13.4)	(4.8)	3.4
Partners Group	Actual	(2.6)	(1.1)	1.1	4.9	10.2
	Relative	(14.7)	(22.6)	(14.3)	(6.2)	2.8
L&G Equity(2)	Actual	14.9	25.7	19.1	11.8	10.6
	Relative	0.2	0.4	(0.1)	(0.1)	-
L&G RAFI	Actual	10.3	30.1	18.9	13.3	11.5
	Relative	0.3	0.8	0.5	0.4	0.1
Total	**Actual**	**11.7**	**20.1**	**13.7**	**8.4**	**10.3**
	Relative	**(1.9)**	**(5.4)**	**(3.7)**	**(2.7)**	**(0.6)**

1.2 Manager Performance Commentary

Equity underperformed the benchmark over the quarter with 3 active managers outperforming and 6 underperforming. **RBC, Lombard Odier and JP Morgan** were the strongest performers on both an absolute and relative basis. The most significant underperformers were **Pantheon** and **Partners Group**, although it should be noted that for private equity managers there is a timing difference between actual and benchmark returns. The return on the passive **L&G** portfolios was also ahead of benchmark.

Over 5 years, all active managers have underperformed their benchmarks, although absolute returns are positive. The passive **L&G RAFI** portfolio has outperformed over the longer term.

RBC delivered the strongest absolute return and outperformed the benchmark. Country and sector allocation were a drag on performance, but stock selection was a positive driver of returns. The top performing stocks were SK Hynix, MediaTek, Delta Electronics, all of which benefited from continuing AI expenditure.

Manager Performance

Lombard Odier delivered strong absolute performance and were the strongest performer on a relative basis. Recent performance has been driven by stock specific factors with the market increasingly recognising operational progress, improving fundamentals and strengthening strategic positioning. The top performing stocks were IQE (semiconductors), Silence Therapeutics (biotech) and Zigup (commercial vehicle hire).

JP Morgan outperformed over the quarter. The US, Europe and Asia Pacific allocations outperformed. In the US stock and sector selection drove performance; in Europe, stock selection in the capital goods and banking sectors proved positive and in the Asia Pacific region outperformance was due to strong stock selection in Taiwan, China and Korea. Japan underperformed with overweight positions in Energy and Consumer Discretionary stocks and an underweight position in Financials detracting from performance.

Pantheon and **Partners Group** underperformed the benchmark over the quarter and are behind benchmark over 5 years. Since inception IRRs were 13.3% for Pantheon and 10.7% for Partners Group. The multiple for both managers was 1.8x.

Veritas underperformed the benchmark. Both stock selection and allocation detracted from performance. Regionally, North America was the main detractor from return while from a sector perspective the main detractor was IT due to the portfolio's limited relative exposure to high-performing AI and semiconductor related stocks. The cash allocation was also a drag on performance.

2 Hedging & Insurance / Credit
2.1 Manager Performance Summary

Hedging / Insurance

Manager		Current Quarter (%)	1 Year (% p.a)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a)
Legal & General	Actual	2.0	2.6	1.7	-	1.3
Gilts	*Relative*	0.0	0.0	0.3	-	2.6
L&G Index	Actual	(1.3)	1.9	(2.2)	(1.3)	5.6
Linked	*Relative*	0.0	0.0	(0.1)	(0.1)	(0.0)
Total	**Actual**	**0.9**	**2.3**	**(0.1)**	**0.1**	**1.9**
	Relative	**0.5**	**0.1**	**0.2**	**7.1**	**3.8**

Credit

Manager		Current Quarter (%)	1 Year (% p.a)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a)
Legal & General	Actual	2.0	4.0	5.1	(1.3)	4.3
Corporate Bonds	*Relative*	0.0	(0.0)	(0.0)	0.0	0.0
Legal & General	Actual	3.1	3.8	-	-	4.4
Buy & Maintain	*Relative*	(0.3)	(0.6)	-	-	1.5
Total	**Actual**	**2.6**	**3.9**	**5.0**	**(1.3)**	**1.5**
	Relative	**(0.0)**	**(0.3)**	**(0.1)**	**(0.0)**	**0.0**

Manager Performance

2.2 Manager Performance Commentary

Hedging & Insurance performed positively over the quarter but marginally outperformed the benchmark.

Credit performed in line with the benchmark over the quarter but is behind benchmark over the year. **The Legal and General Buy and Maintain Fund** underperformed the benchmark over the quarter and over 1 year. In 2026 Q2, the largest sector contributions were REITs and Consumer non-cyclical, while the top performing issuer was America Movil SAB de CV. On the downside the worst performing issuer was QTS Fayetteville. The average credit rating of the portfolio is A3 and the spread versus Gilts was 70 bps.

3 Short Term Enhanced Yield

3.1 Manager Performance Summary

Short-term enhanced yield						
Manager		**Current Quarter (%)**	**1 Year (% p.a)**	**3 Years (% p.a.)**	**5 Years (% p.a.)**	**Since Inception (% p.a)**
PIMCO	Actual	2.2	5.7	6.9	4.7	3.3
	Relative	0.4	(1.3)	(0.8)	(1.9)	(0.1)
Ruffer	Actual	(1.6)	4.8	3.4	2.2	4.8
	Relative	(3.2)	(1.9)	(3.8)	(4.0)	(0.7)
Barings (MAC)	Actual	2.3	4.7	7.9	3.4	3.8
	Relative	0.4	(2.9)	(0.6)	(3.8)	(2.2)
Oak Hill	Actual	1.3	3.8	7.5	4.9	4.4
	Relative	(0.6)	(3.7)	(0.9)	(2.5)	(1.6)
Barings (Private Debt)	Actual	0.9	5.5	8.4	7.6	6.2
	Relative	(1.0)	(2.2)	(0.1)	0.1	0.1
Alcentra	Actual	0.6	3.0	4.2	4.8	5.8
	Relative	(1.3)	(4.5)	(4.0)	(2.5)	(0.3)
ICG Longbow	Actual	(0.6)	2.9	3.9	4.3	3.6
	Relative	(2.5)	(4.6)	(4.3)	(3.0)	(3.0)
Partners Group (Private Debt)	Actual	0.1	6.7	8.3	6.8	5.4
	Relative	(1.7)	(1.1)	(0.2)	(0.7)	(1.4)
Pantheon (Private Debt)	Actual	1.4	7.2	n/a	n/a	12.2
	Relative	(0.5)	(0.6)	n/a	n/a	3.9
Total	**Actual**	**1.1**	**4.8**	**6.5**	**3.9**	**3.6**
	Relative	**(0.7)**	**(2.2)**	**(1.1)**	**(2.3)**	**(1.4)**

3.2 Manager Performance Commentary

Short Term Enhanced Yield (STEY) underperformed over the quarter with 2 managers outperforming and 2 managers delivering negative absolute returns. The strongest performers on both an absolute and relative basis were the **PIMCO** and **Barings** multi-asset credit portfolios. The weakest performance came from the **Ruffer**.

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

Manager Performance

PIMCO outperformed the benchmark. The key drivers of performance were US mortgage-backed securities, long exposure to emerging markets local rates, long exposure to emerging markets FX and exposure to cash interest rates in the US.

The **Barings** multi-asset credit portfolio outperformed the benchmark over the quarter and was the strongest performer in absolute terms. The largest contributors to returns were collateralised loan obligations, US high yield bonds and emerging markets bonds. US asset classes outperformed their European counterparts.

Ruffer was the weakest performing manager over the quarter on both absolute and relative bases. The portfolio's protective strategies weighed on returns as equity index put options, credit protection strategies and yen exposure lost value. However, equity exposure was positive for performance and driven by stock selection, with Bano Santander and Barclays performing particularly well.

4 Long Term Enhanced Yield

4.1 Manager Performance Summary

Long-term Enhanced Yield						
Manager		**Current Quarter (%)**	**1 Year (% p.a)**	**3 Years (% p.a.)**	**5 Years (% p.a.)**	**Since Inception (% p.a)**
DTZ	Actual	0.5	4.7	4.5	4.2	6.1
	Relative	(0.7)	(0.7)	1.0	1.2	0.3
Partners Group RE	Actual	2.0	3.3	(4.7)	0.4	4.5
	Relative	0.1	(5.0)	(11.7)	(8.3)	(3.7)
JP Morgan IIF	Actual	2.8	11.2	10.7	9.6	8.1
	Relative	0.8	2.9	2.5	1.5	0.1
Total	**Actual**	**1.3**	**5.6**	**4.4**	**5.6**	**5.2**
	Relative	**(0.2)**	**(0.9)**	**(1.0)**	**(0.1)**	**(0.2)**

4.2 Manager Performance Commentary

Performance of the long-term enhanced yield (LTEY) allocation was below benchmark in Q2 2026. All managers delivered positive absolute returns. **DTZ** was the only manager to underperform the benchmark.

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

The **JP Morgan Institutional Infrastructure Fund** delivered the strongest performance on both an absolute and relative basis. During the latest quarter, El Paso Electric amended its customer service agreement with Meta to serve up to 1 GW of load for the Meta El Passo datacentre; Nexus Water entered into a binding agreement to sell its operations and assets in Oregon and Nevada and Beacon Rail Leasing completed the acquisition of Eversholt Rail Group.

DTZ underperformed, primarily driven by declining valuations in industrial properties, leisure assets and exposure to residential through the Co-Living Fund. There were no significant transactions over the quarter.

Appendix 4

Portfolio Summary at 30 June 2026

	Equity		Hedging & Insurance		Credit		Short Term Enhanced Yield		Long Term Enhanced Yield		Total		Target
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%	%
L&G	7,793	22.1%	3,440	9.7%	1,329	3.8%					12,563	35.6%	33.0%
Baillie Gifford	2,758	7.8%									2,758	7.8%	7.5%
Lazard	1,135	3.2%									1,135	3.2%	2.5%
Oldfield	1,304	3.7%									1,304	3.7%	2.5%
Veritas	1,002	2.8%									1,002	2.8%	2.5%
Lombard Odier	472	1.3%									472	1.3%	1.0%
JP Morgan	1,277	3.6%							1,701	4.8%	2,979	8.4%	7.5%
RBC	840	2.4%									840	2.4%	2.0%
Pantheon	1,173	3.3%					70	0.2%			1,243	3.5%	5.8%
Partners Group	759	2.2%					399	1.1%	678	1.9%	1,836	5.2%	5.5%
PIMCO							1,269	3.6%			1,269	3.6%	4.0%
Ruffer							589	1.7%			589	1.7%	2.0%
Barings (multi-credit)							778	2.2%			778	2.2%	2.3%
Oak Hill Advisors							617	1.7%			617	1.7%	1.8%
Barings (private debt)							319	0.9%			319	0.9%	1.8%
Alcentra							170	0.5%			170	0.5%	0.0%
ICG Longbow							317	0.9%			317	0.9%	1.0%
DTZ									2,608	7.4%	2,608	7.4%	9.0%
DIP	210	0.6%					94	0.3%	1,401	4.0%	1,705	4.8%	7.5%
Cash							784	2.2%			784	2.2%	1.0%
Total	**18,725**	**53.1%**	**3,440**	**9.7%**	**1,329**	**3.8%**	**5,407**	**15.3%**	**6,388**	**18.1%**	**35,290**	**100.0%**	**100.0%**
Target		**47.0%**		**10.0%**		**5.0%**		**17.0%**		**21.0%**		**100.0%**	

Appendix 5

Direct Impact Portfolio

1 Portfolio Summary

The portfolio can be summarised as follows.

	Since Inception (£m)	Current Portfolio (£m)
Total Commitments Agreed	**2,620**	**2,457**
Amounts Drawn Down by Managers	**2,060**	**1,968**
+ Increase in Value	**698**	**653**
- Received Back in Distributions	**923**	**923**
- Realisations	**137**	**-**
= Total Net Asset Value (NAV)	**1,698**	**1,698**

Based on a current total Fund value of **£35,290m**, DIP's **7.5%** target allocation is a NAV of **£2,647m**.

The portfolio comprises **70** separate investments including **4** co-investments.

In Q2, drawdowns and distributions amounted to **£42m** and **£44m** respectively.

2 Performance

Portfolio performance to 30th September 2025 is as follows:

	Current Quarter (%)		3 Year (% p.a.)		5 Year (% p.a.)	
	DIP	***SPF***	**DIP**	***SPF***	**DIP**	***SPF***
Equity	3.3	11.7	5.7	13.7	9.1	8.4
LTEY	0.6	1.3	2.0	4.4	6.4	5.6
STEY	3.2	1.1	5.7	6.5	6.3	3.9
TOTAL	**1.1**	**2.5**	**2.7**	**8.9**	**6.6**	**6.0**

DIP performance is positive over all time periods and all asset categories; LTEY lagged Equity and STEY in Q2.

Over 5 years, DIP's performance in all asset categories is ahead of SPF. At an overall portfolio level DIP is much more heavily weighted to LTEY.

3 Individual Investment Performance

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

- **57** investments are rated **green**;
- **6** are **amber**;
- **6** end of term/realisation stage funds are rated **grey**
- **1** is rated **red**.

Direct Impact Portfolio

5 DIP Investments

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
Asset Category: Equity								
Clean Growth Fund	2020	Venture Capital	Equity	20	17	3	1	15
Clean Growth Fund II	2025	Venture Capital	Equity	30	4	26	0	4
Corran Environmental Fund II	2024	Growth Capital	Equity	20	14	6	0	16
Epidarex Fund II	2013	Venture Capital	Equity	5	5	0	3	3
Epidarex Fund III	2019	Venture Capital	Equity	15	13	2	1	11
Epidarex Capital IV, LP	2026	Venture Capital	Equity	25	0	25	0	0
Foresight Regional Investment V LP	2023	Growth Capital	Equity	30	18	12	0	20
Maven UK Regional Buyout Fund	2017	Growth Capital	Equity	20	18	2	19	10
Maven UK Regional Buyout Fund II	2025	Growth Capital	Equity	30	4	26	0	5
Palatine Impact Fund II	2022	Growth Capital	Equity	25	12	13	0	9
Palatine Private Equity Fund IV	2019	Growth Capital	Equity	25	21	4	16	31
Palatine Private Equity Fund V	2024	Growth Capital	Equity	30	2	28	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	11	14	2	13
Par Equity Northern Scale-Up Fund	2023	Venture Capital	Equity	25	14	11	0	15

Direct Impact Portfolio

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
Pentech Fund III	2017	Venture Capital	Equity	10	8	2	4	6
SEP III	2006	Growth Capital	Equity	5	5	0	18	0
SEP IV LP	2011	Growth Capital	Equity	5	5	0	9	1
SEP V LP	2016	Growth Capital	Equity	20	19	1	21	20
SEP VI LP	2021	Growth Capital	Equity	30	23	7	0	24
Total as at 30/06/2026	**Q3**			**411**	**228**	**182**	**120**	**210**
Asset Category: LTEY								
Albion Community Power LP	2015	Renewables	LTEY	40	40	0	23	32
Alpha Social Impact Fund	2015	Support Living	LTEY	15	15	0	7	19
Capital Dynamics Clean Energy Infrastructure VIII	2019	Renewables	LTEY	40	40	0	9	40
Capital Dynamics Clean Energy UK Fund	2023	Renewables	LTEY	60	26	34	0	25
Clydebuilt Fund II LP	2021	Property	LTEY	100	75	25	10	75
Clydebuilt Fund LP	2014	Property	LTEY	75	75	0	78	8
Dalmore Capital Fund 3 LP	2017	Infrastructure	LTEY	50	50	0	18	51
Dalmore Capital Fund 4 LP	2021	Infrastructure	LTEY	50	50	0	7	53
Dalmore II 39 LP	2021	Infrastructure	LTEY	50	45	5	7	46
Dalmore PPP Equity PiP Fund	2014	Infrastructure	LTEY	50	50	0	44	38

Appendix 5

Direct Impact Portfolio

Fund	Vintage Year	Sector	Asset Category	SPF Commitment (£m)	Cumulative Drawdowns (£m)	Undrawn Commitment (£m)	Cumulative Distributions (£m)	Net Asset Value (£m)
Equitix Fund IV LP	2015	Infrastructure	LTEY	30	30	0	15	28
Equitix Fund V LP	2018	Infrastructure	LTEY	50	50	0	19	51
Equitix Fund VI LP	2020	Infrastructure	LTEY	50	50	0	5	50
Equitix Fund VII LP	2024	Infrastructure	LTEY	50	50	0	2	54
Equitix MA 19 LP (Co-Investment Fund)	2020	Infrastructure	LTEY	50	50	0	9	55
Funding Affordable Homes	2015	Property	LTEY	30	30	0	0	26
Greencoat Solar Fund II LP	2017	Renewables	LTEY	50	50	0	22	38
Hermes Infrastructure Fund II	2017	Infrastructure	LTEY	50	30	20	21	39
Iona Renewable Infrastructure LP	2017	Renewables	LTEY	14	14	0	2	13
Iona Resource and Energy Efficiency (Strathclyde) LP	2021	Renewables	LTEY	6	6	0	0	8
Legal & General UK Build to Rent Fund	2016	Property	LTEY	75	75	0	7	73
Macquarie GIG Renewable Energy Fund I	2015	Renewables	LTEY	80	80	0	83	47
Man GPM RI Community Housing Fund	2021	Property	LTEY	30	29	1	1	26
Man RI Community Housing Fund 3	2025	Property	LTEY	50	4	46	0	3
NextPower UK ESG Fund	2022	Renewables	LTEY	60	40	20	4	45
NTR Wind I LP	2015	Renewables	LTEY	41	36	5	41	32
Octopus Affordable Housing Fund	2023	Property	LTEY	50	30	20	0	30

Appendix 5

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)
PIP Multi-Strategy Infrastructure LP(Foresight)	2016	Infrastructure	LTEY	130	120	10	75	77
Places for People Scottish Mid-Market Rental (SMMR) Fund	2019	Property	LTEY	45	40	5	4	50
Quinbrook Renewables Impact Fund (QRIF1)	2020	Renewables	LTEY	50	50	0	1	60
Quinbrook Renewables Impact Fund (QRIF2)	2024	Renewables	LTEY	60	11	49	6	10
Resonance British Wind Energy Income Ltd	2013	Renewables	LTEY	10	10	0	9	5
Temporis Impact Strategy V LP (TISV)	2021	Renewables	LTEY	50	38	12	10	49
Temporis Operational Renewable Energy Strategy (TORES)	2017	Renewables	LTEY	30	30	0	16	43
Temporis Operational Renewable Energy Strategy (TORES II) (prev. TREF)	2015	Renewables	LTEY	30	30	0	15	32
Total as at 30/06/2026	**Q3**			**1,701**	**1,448**	**253**	**573**	**1,328**
Asset Category: STEY								
Beechbrook UK SME Credit II Fund	2016	Credit	STEY	30	29	1	35	7
Beechbrook UK SME Credit III Fund	2021	Credit	STEY	40	38	2	22	21
Beechbrook UK SME Credit IV Fund	2025	Credit	STEY	50	27	23	1	28
Healthcare Royalties Partners III LP	2013	Credit	STEY	19	18	0	24	1
Invesco Real Estate Finance Fund II (formerly GAM REFF II)	2018	Credit	STEY	20	14	6	22	1
Muzinich UK Private Debt Fund	2015	Credit	STEY	15	15	0	15	0

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)
Pemberton Debt Fund-Pemberton U.K.	2016	Credit	STEY	40	37	3	53	13
Scottish Loans Fund	2011	Credit	STEY	6	6	0	7	0
TDC II (prev Tosca Debt Capital Fund II LP)	2017	Credit	STEY	30	24	6	24	8
TDC III (prev Tosca Debt Capital Fund III LP)	2019	Credit	STEY	30	21	9	20	15
Total as at 30/06/2026	**Q3**			**280**	**229**	**51**	**221**	**94**
Co-investment Programme								
Equitix Fund MA16 LP	2025	Renewables	LTEY	20	20	0	1	19
Schroders Greencoat Glasgow Terrace	2023	Renewables	LTEY	15	15	0	3	12
Temporis (TISV Co-invest1 LP) (TISV3)	2024	Renewables	LTEY	15	15	0	4	18
Temporis (TISV Co-invest1 LP) (TISV2)	2024	Renewables	LTEY	15	13	2	0	16
Total as at 30/06/2026	**Q3**			**65**	**63**	**2**	**8**	**66**
DIP Portfolio Total								
Total as at 30/06/2026	**Q1**			**2,457**	**1,968**	**489**	**923**	**1,698**
Total as at 31/03/2026	**Q4**			**2,457**	**1,926**	**530**	**879**	**1,675**

Investment Advisory Panel Meeting August 2026

MEETING ON Thursday 13th August 2026

PRESENT:	**Richard McIndoe**	Director
	Prof. Geoffrey Wood	Investment Advisor
	Iain Beattie	Investment Advisor
	Alistair Sutherland	Investment Advisor
	David Walker	Hymans Robertson
	Nell McCrae	Hymans Robertson
	Jacqueline Gillies	Chief Investment Officer
	Richard Keery	Investment Manager
	Lorraine Martin	Investment Manager

1. Minutes from Last Meeting & any Matters Arising

The minutes of the Panel meeting on 14th May 2026 were agreed to be an accurate record.

2 Monitoring

2.1 Market and Inflation Update

The Panel reviewed investment market updates from Hymans Robertson.

2.2 Quarterly Investment Performance Review

The Fund's return for **Q2 2026** was +**6.5%,** compared with a benchmark return of **+7.3%**. 1 year performance was positive (**+12.4%**), but below benchmark (**+15.5%**). The Fund's return is positive on an absolute basis over five and ten years but behind benchmark.

2.3 Local Authority Pension Fund Performance

The Panel noted the PIRC 2026 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. On a Red, Amber, and Green (RAG) analysis:

- 16 of the Fund's active managers are rated **green**
- 5 are rated **amber.**

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:

- **57** investments are rated **green**;
- **6** are **amber**;
- **1** **red**.

A further 6 funds are at the end of their term / in the realisation phase.

2.6 Funding Level Monitoring

The Panel reviewed an updated Funding level report from Hymans Robertson. The report was based on a roll forward of the 31st March 2023 valuation data, when the funding level was **147%**. The Fund's actuary, Hymans Robertson, are currently preparing a valuation as at 31st March 2026, the outcome of which will be presented to Committee at its September 2026 meeting.

2.7 Annual Fee Review

The Panel reviewed a summary of investment management expenses for the financial year 2025/26 alongside 1- and 5-year manager performance data.

Total expenses for 2025/26 were **£212m** (*2024/25: £197m*) 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 **0.64%** of average investment value (*2024/25: 0.62%*). 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 2025/26 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 2025/26 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.

Finally, the Panel considered revised fee proposals from 2 investment managers and agreed the basis on which officers would continue discussions.

2.8 Energy Company Analysis

Since 2022, as part of the climate change strategy, an annual assessment of energy companies in SPF portfolios has been undertaken to ensure that all are meeting minimum standards agreed with the Fund's investment managers and Sustainalytics. The energy company analysis framework was reviewed as part of the 2025/26 review of the Fund's climate transition plan.

At its May meeting, the Panel reviewed the results of the assessment for 31st March 2026 holdings based on the revised framework and agreed the following actions:

- Officers would ask for additional information from managers for 2 holdings that were flagged for rescoring and Hymans will rescore.
- Investment managers would be asked to provide a business case for 13 holdings that rated amber overall, and for the 2 holdings that rated red.
- Officers would liaise with Sustainalytics on engagement actions for 12 holdings that had scored amber or red in one or more subcategories.

In June, officers shared the assessment with portfolio managers and requested:

- additional information to support reassessment of the two companies rated red;
- comments on the investment case for companies rated amber overall; and
- proposals to address the identified weaknesses.

Additional information from managers enabled Hymans Robertson to reassess the two companies rated red overall and verify the evidence against publicly available sources. Details of the assessment were presented to the Panel, the conclusion of which was that the two holdings were rerated to amber overall.

Manager responses to all amber related holdings had been collated into a paper which the Panel reviewed. Manager responses were satisfactory.

Officers had shared the assessment with Morningstar Sustainalytics for their review. Officers/ Sustainalytics will report on progress over the next 12 months.

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:

- In 2026, manager forecasts project a net cash flow of **+£170m**.
- The central cash balance at 30th June 2026 was +**£784m.** This had decreased by **(£27m)** in the quarter.
- **(£100m)** was transferred from investments to fund benefits cash flow.
- Flows from private market programmes amounted to **+£86m** during Q2 2026.
- **+£19m** in distributions held in private market manager accounts were transferred to central cash.
- Other income and rebates of **+£7m** were received.

The IAP will revisit investment cash balances, private market flows and benefit payment requirements for 2026/27 at its November meeting.

3.2 Rebalancing Strategy

The Panel reviewed a rebalancing report showing Fund allocations vs strategy allocations as at 30th June 2026.

At portfolio level, the Barings (private debt) and ICG Longbow portfolios were close to and below the lower limit of their target ranges respectively, but these allocations should increase over the next few months as new commitments are drawn down.

At a mandate level the Fund's passive and global equity portfolios were above their target ranges, while the Fund's passive gilts, credit index-linked mandates were outside 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.

The Fund's weighting in gilts was, however, below the 7.5% target set by the relative value framework (see below). The Panel therefore decided that 1% of Fund (£350m) should be switched from the Fund's passive equity portfolio into gilts.

3.3 Relative Value Framework

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

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

The quarterly relative value report from Hymans Robertson provided the following summary assessment of the framework metrics at 30th June 2026:

- Yield spreads fell in the quarter and remain at unattractive levels relative to history. 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.
- Implied inflation has fallen across the curve but longer-term implied inflation remains expensive. The backdrop continues to support the underweight allocation to index-linked gilts, in favour of nominal gilts.

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.

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4. Manager Reviews

3 investment managers attended the Investment Advisory Panel:

- **Ruffer**
- **PIMCO**
- **Barings (multi-asset credit)**

Performance of each of the managers was reviewed.

4.1 Ruffer

The Ruffer long only absolute return portfolio is currently valued at **£579m**, or **1.8%** of total Fund, versus a target weight of 2.0%. Riuffer provided an update on the current SPF portfolio and performance.

4.2 PIMCO

The PIMCO absolute return portfolio is currently valued at **£1,229m**, or **3.7%** of total Fund, versus a target weight of 4%. PIMCO provided an update on the current portfolio and performance.

4.3 Barings

The Barings multi-asset credit portfolio is currently valued at **£756m** or **2.3%** of total Fund versus a target of 2.25%. Barings provided an update on the current portfolio and performance.

5 Investment Strategy and Structure

5.1 Investment review 2026/26: Initial ALM Results

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

The Panel agreed the metrics to test the current strategy and any proposed strategy variations at its meeting in May 2026. The Panel had also provided feedback on potential strategy variations to test in addition to the current strategy and these alternatives had been finalised in subsequent discussions between Hymans Robertson and officers.

Hymans presented initial results from asset liability modelling. The analysis indicated that the Fund's current investment strategy performs well against all risk and success metrics, while also lending support to some amendments which may have merit even after consideration of implementation and transition costs.

In addition, the initial results indicated that there was also not a huge differentiation between most of the alternative strategies tested from a quantitative analysis perspective, the only exception being a strategy that invested solely in protection assets.

Hymans will now carry out a further iteration of the modelling to incorporate:

- any further potential variations to strategy
- updated member data
- the latest discussions on funding and contributions
- stress testing, including climate and economic scenarios.

5.2 Investment review 2026/27: STEY review

As part of the wider review of investment strategy, Hymans Robertson presented a detailed assessment of Fund's Short Term Enhanced Yield 'STEY' allocation.

Overall, the analysis supported retaining the STEY allocation, as it provides access to income-orientated and diversifying sources of return, but perhaps with some revision of underlying allocations.

Final allocations between mandates and to STEY as a whole have still to be decided but at this stage, the Panel indicated support for some more roll off in private credit mandates. While the cash allocation, at 1%, may be indicative of the amount the Fund will hold in cash for operational purposes, it may also be more appropriate to move the allocation out of STEY to a standalone allocation.

5.3 Investment review 2026/27: Protection Asset review

Hymans presented an in-depth review of the protection assets within SPF's strategic allocations to Credit and Hedging and Insurance.

Overall the review indicated that the current structure remains broadly appropriate, with the combination of nominal gilts, index-linked gilts and investment grade providing a pragmatic balance between liability sensitivity, return generation, liquidity and governance simplicity.

The final allocation to Credit and Hedging and Insurance is still to be determined as part of the wider review and this may provide an opportunity for some further refinement in the balance between assets.

6 Governance

6.1 Strathclyde Pension Fund Committee.

The Panel noted the draft agenda for the next committee meeting on Wednesday 23rd September 2026.

Appendix 6

Investment Advisory Panel Meeting August 2026

6.2 Investment Advisory Panel Meeting Dates 2027

The Panel agreed the following 2027 meeting dates:

- 11th February
- 13th May
- 12th August
- 11th November

Appendix 7

Stewardship Activity: Responsible Investment

Responsible Investment: Quarter 2 2026
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 Infrastructure manager **JP Morgan** provided a report on the Infrastructure Investments Fund (IIF) 2025 **Global Real Estate Sustainability Benchmark (GRESB)** Annual Infrastructure Asset Assessment.

GRESB assesses ESG performance at the asset level for real estate and infrastructure asset operators, fund managers and investors that invest directly in real assets. The assessment offers high-quality ESG data and advanced analytical tools to benchmark ESG performance, identify areas for improvement and engage with companies. 2025 marks the tenth year for the GRESB infrastructure assessment and participation included 186 Funds and 805 assets.
Key takeaways from the 2025 report include:

- The IIF portfolio received 4 stars and a score of 96, an improvement of 2 points from the 2024 survey.
- All portfolio companies received a score of 91 and above.
- IIF ranked 8thth out of 23 in its peer group of globally diversified Infrastructure Funds in GRESB score.
- 4 IIF portfolio companies have a maximum 5-star rating and 18 IIF companies received a score of 90 an above.
- 17 IIF portfolio companies improved their score.
- 9 IIF portfolio companies are ranked in the top 200 assets (out of 694 assets).
- Beacon Rail and Sonnedix achieved the highest distinction, each ranking #1 in GRESB with a score of 100. Adven and Nieuport Aviation recorded the largest score increases over the year, with gains of 12 and 10 points, respectively.

In addition to benchmarking performance against peers, IIF uses the GRESB assessment as a tool to formally engage with each portfolio company twice a year and serve as a guide for continuous improvement for material ESG drivers as well as monitoring and preparing for future ESG trends.

1.3 UK direct property portfolio manager **DTZ** received results for the SPF portfolio's 2025 submission to **GRESB**. The Fund received 2 stars and a score of 79/100, (74 points in 2024) and remains in line with the peer average score.

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

Appendix 7

Stewardship Activity: Responsible Investment

2.1 Voting

Managers' voting activity during the quarter to 30th June 2026 is summarised as follows.

Voting activity to 30th June 2026		
		(%)
Total meetings	**9,456**	
Votes for	80,984	77
Votes against	22,348	21
Abstentions	511	1
Not voted	885	1
No. of Resolutions	**104,728**	**100**

Voting activity in the quarter included:

- **Legal & General** opposed management and voted for the shareholder resolution – Report on Impact of Data Centre Expansions on Climate Commitments at the **Meta Platforms, Inc.** AGM. The rise of generative AI, large language models (LLMs), and AI-as-a-Service (AIaaS) is driving demand for computational infrastructure and data centres, which are energy-intensive and increasingly water-reliant. While 'hyperscalers' such as Meta are increasingly focusing on powering their data centres through renewable energy and nuclear power, the energy demands of AI applications and training running through these centres are also increasing demand for fossil fuels, especially in the US and China. The concern is that increasing energy consumption due to the surge in AI data centre demand may potentially push back the timeline of utilities being able to phase down or out emission-intensive assets (e.g. coal, gas), thereby locking in future emissions (13.4% voted in favour of this resolution). At the **Palantir Technologies Inc.** AGM, Legal & General supported shareholder Resolution 4: Commission Third Party Assessment and Report on Human Rights Due Diligence, Resolution 5: Report on Human Rights Impact Assessment and Resolution 6: Report on Political Contributions and Expenditures. As set out in the Legal & General human rights policy, they believe it is vital that companies proactively identify, assess and address human rights issues within their operations and value chains, and that they pay attention to the rising expectations of regulators, investors and a broader set of stakeholders. A vote in favour of Resolutions 4 and 5 was applied as Legal & General supports such assessments as they consider human rights issues to be a material risk to companies. While Legal & General acknowledge that the company's products and services may not directly cause negative impacts on human rights, following engagement with Palantir, they would like to see additional transparency from the company to describe its human rights due diligence process and to demonstrate the effectiveness of the current measures in place to mitigate any potential negative impacts on human rights. A vote in favour was applied for Resolution 6 as Legal & General expects companies to provide sufficient disclosure on such activities. Given the amount of its revenue coming from government customers, Legal & General feel that additional transparency is needed.

(resolution 4: 8.2% voted in favour, resolution 5: 12.4% voted in favour, resolution 6: 25.9% voted in favour).

- **Baillie Gifford** supported a shareholder resolution at the **Amazon.com** AGM, requesting a report explaining how it will meet its climate change goals given the massively growing energy demand from artificial intelligence and Amazon's plan to build more data centres. Baillie Gifford think that how Amazon will meet the energy requirements of its rapid data centre build out is an important investment question as it will require considerable management time and capital allocation. Therefore, additional information on Amazon's thinking would benefit shareholders. This is consistent with how Baillie Gifford voted on this resolution last year. (18.4% voted in favour of this resolution). Baillie Gifford supported five shareholder resolutions at the **Meta Platforms Inc.** AGM, including requesting a report on the effectiveness of Meta's human rights policies and procedures on content moderation in high-risk areas, a report on online hate across Meta's platforms and a report on how Meta intends to meet its climate commitments amid rising AI and data-centre energy demand (resolutions not passed). 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 passed). Baillie Gifford successfully opposed executive remuneration at the **Thermo Fisher Scientific** AGM due to ongoing concerns with pay-for-performance misalignment, and the stringency of the targets associated with the retention award made to the chief executive officer (resolution opposed by 68%). Baillie Gifford abstained from the omnibus stock plan vote at the **Cloudflare Inc**. AGM, due to concerns over the size of the plan and cost to shareholders (resolution passed by 62%).

- **Lazard** opposed management at the **Amazon.com AGM** by voting against the Advisory Vote to Ratify Named Executive Officers' and voting for a report explaining how it will meet its climate change goals given the massively growing energy demand from artificial intelligence and Amazon's plan to build more data centres. (resolution not passed). Lazard voted against various remuneration reports and resolutions at the **Beiersdorf AG.**, **Broadcom Inc., Thermo Fisher Scientific** and **IQVIA Holdings Inc.** AGMs. Lazard opposed management and supported four shareholders resolutions at the **Meta Platforms, Inc.** AGM including, requesting a report on the risks of improper use of external data to develop AI products, an annual vote on executive compensation, requesting a report assessing company's human rights due diligence processes and requesting a report addressing antisemitism and hate in online platforms.

- **Oldfield Partners** voted against both the remuneration policy and the long-term incentive plan at Italian multinational energy company **Eni S.p.A.**, as they considered the proposed arrangements to be excessive. (both resolutions were approved).

- **Lombard Odier** opposed the Remuneration Report at the **XP Power Ltd.** AGM as the response to significant shareholder dissent received by the remuneration report resolution at the 2025 AGM is not considered sufficient. In addition, recurring issues regarding bonus outcomes and disclosures have not been addressed. The Remuneration Report at the **Metro Bank Holdings Plc** AGM was opposed as Awards under the one-off Shareholder Value Alignment Plan (SVAP), in which there are concerns regarding award structure and quantum, were made to the Executive Directors during the year. The CFO's award allocation under the SVAP was further increased by 0.5% of the award pool. Concerns on the SVAP award quantum are further exacerbated by salary increases for 2026. In particular, the CEO received a salary increase of 11.3%, and the resulting salary is deemed excessive for a company of this size.

- **Veritas** voted against the Advisory Vote to Ratify Named Executive Officers' Compensation at the **Bio-Rad Laboratories, Inc.** AGM. A vote against the management recommendation was warranted as the performance-based awards accounted for less than 50% of the total LTI awards and the CEO's remuneration package does not include criteria for awards to be linked to relevant sustainability targets including those in relation to climate change (resolution passed). Also, at **SAP, SE.**, Veritas voted against the re-election of a supervisory board member. This was warranted as the level of gender diversity on board is below 40% and has not improved compared to the previous year and at least one director will have served continuously as such for more than three years without having been re-elected at a general meeting (resolution passed). At **Amazon.com, Inc.**, Veritas voted against the re-election of a director as the company has failed to commit to introducing and disclosing science-based emission reduction targets with a coherent strategy and action plan in line with a 1.5-degree scenario and the company has breached labour standards law (resolution passed).

- **RBC** opposed management at the **Aldar Properties PJSC** AGM by voting against the remuneration of Directors for fiscal year 2025 and at **Advantech Co., Ltd.** RBC opposed the issuance of employee restricted stock awards (resolution passed).

2.2 Engagement

Engagement highlights during the quarter include the following.

- **Legal & General** engaged with **Pennon Group** to follow up on earlier engagement and discuss how the board is overseeing delivery during a period of significant transition.

  UK water utilities continue to face significant operational, regulatory and reputational pressure. Key risks include pollution events, storm overflows, leakage, asset health, affordability, financial resilience and long-term climate resilience. These issues are financially material given the scale of required investment, heightened public and political scrutiny, and ongoing regulatory reform aimed at improving accountability and delivery across the sector.

Key areas discussed included:

- Climate and emissions progress: Legal & General welcomed the re-verification of Pennon's science-based targets and the re baselining of its greenhouse gas inventory to include SES Water, following an earlier discussion with the company in February.
- Accountability and oversight: Legal & General discussed new accountability and oversight mechanisms introduced following Ofwat enforcement action. These appear to be supporting progress on pollution events and storm overflows, although further work remains to strengthen assurance and embed sustained improvement.
- Regulatory and political pressure: Legal & General discussed the evolving regulatory reform agenda and continued public and political scrutiny of the sector, including recent commentary from Andy Burnham.
- Climate resilience: The company's climate scenario planning and approach to long-term water scarcity and resilience were discussed.

The engagement provided useful insight into how Pennon's board is overseeing the leadership transition, operational delivery and environmental performance. Legal & General were encouraged by the alignment between their planned engagement priorities and the risks identified by the board. The next step will be to contact Pennon as part of Legal & General's formal water utilities campaign, where they will benchmark the company against peers across a range of environmental, governance and resilience indicators, and seek improvement where they identify gaps versus expectations.

- **Legal & General** engaged with **Anglo American Plc.,** to discuss Climate transition plans in the mining sector.

  Mining companies and the critical minerals that they produce are essential to the clean energy transition. As such, they have formed a key sector within Legal & General's engagement on climate change for a number of years, and we have focused specifically on what they look for in order to support mining companies' climate transition plans.

  Having voted against Anglo's initial climate transition plan in 2022, Legal & General have engaged with the company extensively on its transition strategy. This engagement bridged well-publicised merger and acquisition activity, incorporating both the unsolicited (and ultimately unsuccessful) bid by BHP Group, and the proposed and recently approved merger with Teck Resources Ltd. Additionally, alongside the engagement, Anglo has begun to restructure its portfolio, focusing on copper and premium iron ore, a process which Legal & General have supported. This involves selling its metallurgical coal business, floating its South African platinum business, disposing of its diamond business and farming down its crop nutrients project.

In Legal & General's view, the company has demonstrated a strategic shift aligned with the delivery of long-term shareholder value while progressing its decarbonisation ambitions and its role in facilitating the energy transition through its copper and premium iron ore portfolio. As a result, Legal & General voted in favour of its climate transition plan at the April 2026 AGM. Legal & General will continue to engage with the companies on the implementation of its transition strategy, including following the completion of the merger with Teck Resources Ltd.

- **Baillie Gifford** met with **Microsoft Inc.,** investor relations and human rights teams to better understand how Microsoft managed human rights risks, particularly in high-risk geographies such as China, and how its approach was evolving as generative artificial intelligence tools became more capable and widely deployed.

  Microsoft described a country risk-led framework, with China treated as a high-focus market requiring greater escalation and oversight. They said sensitive decisions on government requests were taken outside the region to protect employees and to ensure alignment with Microsoft's human rights policy. Content restrictions were framed as jurisdiction-specific and contingent on confirmation that requests came from a competent authority, with clear triggers for higher-level review. With generative artificial intelligence, Microsoft said risks were becoming more direct and there was a higher potential for dual use, so it has been strengthening upfront controls, rather than monitoring customer activity. This included tighter know your customer checks, "know your product" reviews, enhanced human rights review for higher-risk services, and gated access for the most sensitive capabilities.

  Baillie Gifford were encouraged by the structure and discipline of Microsoft's human rights processes, particularly the escalation of decisions in high-risk markets. The discussion focused on the social implications of generative artificial intelligence, and Baillie Gifford intend to follow up to explore the environmental implications of artificial intelligence expansion on Microsoft's business.

  Baillie Gifford attended the **Ryanair Holdings plc** annual Shareholder Governance Forum, meeting an independent director, group chief financial officer and other members of the senior management team. The discussion covered corporate governance, chief executive officer succession, labour relations and decarbonisation, with particular focus on Michael O'Leary's contract renewal and the outlook for union negotiations as several major agreements reach expiry.

  Ryanair confirmed a new remuneration package for O'Leary is under active discussion, described as early stage. The board believes he is likely to continue beyond 2028, with internal succession a longer-term focus. On labour, three pilot union deals and six cabin crew agreements are expiring this year. The company's priority is to protect its business model by resisting incremental concessions on productivity and flexibility, pushing for five-year deals to bring labour costs into a stable baseline ahead of the MAX-10 ramp-up.

On decarbonisation, emissions intensity has reduced around 5 percent from a 2023 baseline of 66g CO2 per passenger per kilometre, against a 2031 Science Based Target of 48g. On sustainable aviation fuel, the company met its 2 percent FY25 mandate but flagged material supply uncertainty beyond 2030, with none of the 40 planned EU production plants having committed to construction.

The annual forum provided useful access across the senior leadership team. The board's confidence that O'Leary will continue beyond 2028 is reassuring and Baillie Gifford look forward to engaging on the proposed new remuneration package. On labour, the company's ability to fund higher pay through fleet economics while maintaining its cost advantage is a key differentiator. On decarbonisation, Baillie Gifford are encouraged by the emissions and fuel cost benefits the MAX-10 fleet will deliver from 2027. Engagement on remuneration, labour and decarbonisation will continue as part of ongoing stewardship.

- **JP Morgan** met with Spanish REIT **Merlin Properties Socimi SA** to discuss water and energy risks linked to data-centre buildout.

  JP Morgan first met the company in 2024 to discuss water and energy risks linked to data-centre buildout and re-engaged in April 2026 for an update on financially material renewable energy and water availability risks, evolving EU data-centre regulation, and how Merlin is maintaining its social license to operate amid rising environmental scrutiny. In 2024, Merlin highlighted strong tenant demand (~90% pre-let across three sites under construction) and positioned its closed-loop, water-free cooling as a key mitigant to Spanish water stress risk. On energy, the company cited ~1.15 Power Usage Effectiveness (PUE) across Spanish sites (via its partnership with Edged Energy). Merlin was targeting Net Zero Scopes 1–2 by 2030, while Scope 3 target-setting was constrained by limited tenant energy data; it introduced green lease clauses (including a rent rebate incentive) to encourage disclosure. Embodied carbon approaches for data-centre construction were still developing.

  In 2026, Merlin stated its data centres exceed EU sustainability standards, maintaining PUE of ~1.15 and Water Usage Effectiveness (WUE) of 0, and noted limited community opposition risk in Iberia given industrial siting and relatively low national power demand share. Merlin also pointed to nearby renewables that can contribute a large share (up to ~80%) of power consumption. A key milestone since 2024 is the establishment of SBTi-validated net-zero goals for a 90% reduction by 2050 across Scopes 1–2, while Scope 3 targets remain dependent on tenant data availability. JP Morgan acknowledged progress on target-setting and continued operational efficiency and will continue monitoring progress toward a specific Scope 3 target and delivery against decarbonisation commitments, which may become increasingly important for sustaining social license. Sustainability appears to be “table stakes” rather than a rent premium driver, making it important for Merlin to maintain market-leading performance.

- **RBC** engaged with **WEG** in Brazil on the topic of corporate culture.

  WEG is a Brazilian company and global leader in the production of electric motors, generators, transformers, drives, and industrial automation systems. WEG is known for its innovation and develops energy-efficient products and renewable energy solutions. WEG's commitment to technological advancement and customer satisfaction has earned it a reputation as one of the most respected and competitive companies in the global electrical and automation sectors.

  During the meeting, RBC discussed corporate culture. Management highlighted how the company adopts a long-term mindset to ensure the best results over the next 10-15 years. They have a culture of investing in people who will support the company overall. A tangible example of this is the 'WEG Training Centre', a school for learning technical engineering where 90% of graduates become WEG employees.

  RBC also met with **B3**, the Brazilian stock exchange, during the quarter. B3 is the primary financial market infrastructure company in Brazil and one of the largest in Latin America, located in São Paulo.

  B3 has recently undergone a management change, with a new CEO being brought in from Santander. The meeting highlighted that there will be no change in the long-term strategy or strategic priorities of the company. The CEO change has not yet taken place; however, the company clarified that they had to announce the departure early due to press leaks.

  RBC also discussed talent retention and employee engagement in the context of increasing competition. The CFO highlighted that they are seeing increased competition for talent and have, as a result, reassessed the key talents within the organisation with appropriate incentives to retain these individuals. Whilst some employees have left to join competitors, management highlighted that they have not seen many key people leave.

- **Oldfield Partners** continued engagement with **ArcelorMittal** to discuss progress on net zero targets. As the highest emitter in the Oldfield portfolio, this remains a priority engagement.

  The key development is a reduction in the 2030 emissions target from 25% to 10%, reframed around "economic decarbonisation." This is a shift from earlier interactions when management still pointed to the potential for supportive policy developments. The original target, set in 2021, assumed a pace of European infrastructure build-out (particularly hydrogen availability) that has not materialised. With half of production based in Europe, this has been a real constraint.

Management however maintain the commitment to the transition at a group level, with the company's policy team continuing to engage directly and through EURAFA on the sector case for a level playing field, consistent with the CBAM discussion last quarter. Their focus is on what is required to be competitive in Europe, with the view to becoming more profitable as a result and in turn able to invest in decarbonisation initiatives. Shareholder reaction to the change in target has been broadly understanding, reflecting acceptance that energy costs, policy support and still-nascent green steel demand all argue for a slower pace. This is a discussion that Oldfield will continue to have with the company as factors evolve over time.

On safety and human rights, the discussion revisited the October 2023 methane explosion in Kazakhstan, which claimed 46 lives – a tragedy which continues to inform Oldfield's controversy monitoring. ArcelorMittal has since divested the Kazakh mining operations to the state, with compensation or access to remedy provided. An external party has since been engaged to conduct a top-to-bottom safety review, with several implementation points still in progress.

Oldfield Partners continued engagement with **NOV Inc.**, to assess continuity and change under the new leadership, including on disclosure practices and decarbonisation priorities.

During the second quarter of 2026, Oldfield spoke with Jose Bayardo who became CEO of NOV in January, succeeding longstanding CEO Clay Williams after more than a decade at the company as CFO and, most recently, COO. Having engaged with Williams and his team in recent years, this discussion offered an opportunity to assess continuity and change under the new leadership, including on disclosure practices and decarbonisation priorities.

Bayardo confirmed a strong degree of alignment with his predecessor's approach, emphasising that the company's greatest opportunity to reduce its footprint lies in helping its customers make energy production more efficient, and in doing so making it cleaner and improving associated emissions. Bayardo reaffirmed the company's commitment to compliance with reporting requirements, including CSRD which will impact them from 2027.

There have been incremental improvements in NOV's disclosures and the call offered the opportunity to provide direct feedback to Bayardo on priority metrics where Oldfield would like to see transparency improve, including climate change related revenue, capex dedicated to green solutions, and specific emissions metrics tied to executive pay. Following the call, Oldfield had further communication with Mike Loucaides, whose oversight of these areas has proved important.

- **Sustainalytics** thematic engagement**, Net Zero Transition Stewardship Programme** reported on engagement with French multinational integrated energy company **TotalEnergies SE** (Lazard). TotalEnergies is a globally integrated energy company with net zero ambitions across operations and value chains. Its scale and fossil fuel exposure make transition strategy credibility and low carbon investment alignment central to engagement.

Since 2024, engagement has focused on assessing the company’s commitment to its net zero strategy, particularly the credibility of its low-carbon investment planning. During the most recent engagement call in June 2026, discussions centred on how TotalEnergies’ capital allocation aligns with a Paris-aligned pathway. The company confirmed it has discontinued its scope 3 net zero target and now frames its approach as a “transition strategy,” while maintaining scope 1 and 2 neutrality ambitions.

TotalEnergies has increased investment in low-carbon energy and aims to expand its renewable electricity position by 2030. During engagement, the company stated it has invested approximately USD 25 billion in transition-related activities over the past five years. However, the removal of its scope 3 net zero target highlights challenges in aligning long-term ambition with external constraints. While continued hydrocarbon investment reflects structural reliance on fossil fuels, developments such as efforts to decarbonize hydrogen use in European refineries demonstrate progress. Engagement will continue to focus on capital allocation, emissions trajectory, and transition strategy credibility.

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 **Freeport-McMoRan Inc.** to discuss environmental and human rights topics.

  Baillie Gifford held an introductory call with Freeport-McMoRan's investor relations and environmental, Social and governance (ESG) teams, covering the company's most material environmental and human rights topics alongside operational developments including the leaching programme and Grasberg Block Cave recovery following the September 2025 mud rush.

  The ESG segment focused on Indonesia. On tailings, Grasberg's riverine disposal system was excluded from the Global Tailings Standard on safety grounds; management maintains riverine disposal remains the safest option given the site's extreme rainfall, seismicity and terrain. On human rights, Freeport acknowledged the United Nations Global Compact Watch List designation and described how the company's security team operates alongside Indonesian government forces.

  This was a productive introductory call. The company engaged openly and Baillie Gifford were encouraged by its candour on the United Nations Global Compact Watch List and clarity on the constraints posed by Indonesian government security forces at Grasberg. On tailings, the company's position that safety considerations make alternatives unviable is coherent, but exclusion from the Global Tailings Standard remains an area for more discussion. Human rights at Grasberg, tailings governance and Grasberg Block Cave recovery will be priority engagement objectives as Baillie Gifford look to build an ongoing dialogue with the company.

Baillie Gifford met with Canadian manufacturer of pressure-treated wood products, **Stella-Jones Inc.** to discuss environmental compliance failures.

Baillie Gifford engaged with Stella-Jones's chief executive officer and chief financial officer to discuss environmental compliance failures at the company's Sheridan, Oregon wood treatment facility. Baillie Gifford's primary aim was to understand the root causes of the incident, the adequacy of the company's response, and the broader lessons drawn for environmental governance across the network.

The CEO was candid that the root cause was a failure of site management: the relevant supervisor and plant manager had not been following required water filtration procedures and were subsequently dismissed. He outlined the subsequent regulatory scrutiny, the company's investment in site infrastructure, and the civil penalty appeal, which relates to a disputed characterisation of storm water flows rather than a contest of the underlying facts. Baillie Gifford also discussed the broader governance framework, including board-level Environmental, Health and Safety oversight, weekly network-wide incident reporting with 24-hour escalation for material events, and dedicated environmental supervision across all 45 treatment plants.

This was a constructive engagement. The company's account was coherent and credible, and the company is responding to the Sheridan situation with appropriate seriousness. The governance structures described are substantive rather than procedural, and the civil penalty appeal is not a material concern. For a company dependent on maintaining regulatory approvals across a network of treatment facilities, environmental compliance is directly relevant to licence to operate and the long-term investment case. The relationship with the Oregon Department of Environmental Quality is strained and Baillie Gifford will continue to monitor developments.

Baillie Gifford met with Chinese multinational technology conglomerate **Tencent Holdings Limited,** to understand Tencent's next steps on data centres, board independence, and AI governance.

Given Tencent's growing reliance on data centres to support cloud, gaming and AI services, their energy, carbon and water impacts are directly relevant to the investment case through operating costs, capex requirements, regulatory risk and the scalability of future growth. Tencent's ESG Coordination Office initiated the meeting to provide an update on ESG developments over the past year.

On green data centres, management highlighted continued improvements in power usage effectiveness (PUE), a higher proportion of green electricity across both self-owned and leased facilities, and a reduction in carbon emissions despite an increase in AI-related energy consumption. They are also launching a new project this year aimed at improving water usage effectiveness (WUE).

Baillie Gifford discussed board succession with a particular focus on independent directors. The company reflected on the implications of its inclusion on the US 1260H list and acknowledged that this development is likely to further constrain its ability to attract suitable candidates amid ongoing geopolitical tensions.

On AI and data governance, Tencent has, for the first time, incorporated responsible AI into its materiality assessment. The AI technology committee now conducts monthly reviews of AI products, focusing on both budget oversight and safety considerations.

Decarbonisation of Tencent's data centres is on track, with water-use efficiency identified as the next environmental priority. We also gained a clearer view of the geopolitical constraints affecting board composition and of the company's evolving AI governance framework. Baillie Gifford will continue to monitor progress on these topics.

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.

- As signatories to PRI and the UK Stewardship Code the Fund's investment managers are committed to the highest standards of investment stewardship and participation in collaborative initiatives with other like-minded signatories, which seek to improve company behaviour, policies or systemic conditions. Climate change is a priority and to this end the managers participate in a variety of climate change focused industry initiatives and forums. This also involves collaborative lobbying on government and industry policy and regulations. A summary table of investment manager participation in collaborative initiatives is provided below.

Manager	Net Zero Policy	Net Zero Asset Manager Alliance (NZAM)	UK Stewardship Code	PRI Signatory	Other Initiatives
Legal & General	Net Zero 2050	Yes	Yes	Yes	TCFD, CA100+, FAIRR, IIGCC, TNFD, TPI, GFANZ
Baillie Gifford*	Net Zero 2050	No	Yes	Yes	TCFD, FAIRR, IIGCC, CDP
Lazard	Net Zero 2050	Yes	Yes	Yes	TCFD, CA100+, IIGCC
Oldfield	Net Zero 2050	Yes	Yes	Yes	TCFD, CA100+, IIGCC
Veritas	Net Zero 2050	Yes	Yes	Yes	TCFD, SDG's, CDP
Lombard Odier	Net Zero 2050	Yes	Yes	Yes	TCFD, CA100+, FAIRR, IIGCC, CDP
JP Morgan**	Net Zero 2050	No	Yes	Yes	TCFD, IIGCC
RBC	Net Zero 2050	No	Yes	Yes	TCFD, CA100+, TPI, CDP, FAIRR
Pantheon	No	No	No	Yes	TCFD
Partners Group	Manage assets towards Paris 2050	No	No	Yes	TCFD, SDG's
PIMCO	Manage assets towards Paris 2050	No	Yes	Yes	TCFD, CA100+, FAIRR, IIGCC
Ruffer	Net Zero 2050	Yes	Yes	Yes	TCFD, CDP, CA100+
Barings	Manage assets towards Paris 2050	No	Yes	Yes	UNGC, SDG's, TCFD
Oakhill	No	No	No	Yes	TCFD
Alcentra	Manage assets towards Paris 2050	No	Yes	Yes	TCFD, IIGCC
ICG	Net Zero by 2040	Yes	Yes	Yes	TCFD, CDP
DTZ	Operational Net Zero 2030. Portfolio Net Zero 2040	No	No	Yes	TCFD, IIGCC, GRESB, BBP

* Baillie Gifford withdrew from the Climate Action 100+ (CA100+) and the Net Zero Asset Managers (NZAM) initiatives in Q4 2024.
** JP Morgan withdrew from the Climate Action 100+ (CA100+) initiative in Q1 2004 and the Net Zero Asset Managers (NZAM) initiative in Q1 2025.

Stewardship Activity: Responsible Investment

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

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

- In June, the Fund supported an investor statement coordinated by **ShareAction** and shareholders representing $3.2 trillion in assets under management to be delivered to UK retailer, **M&S,** at their July 2026 AGM. The statement is follow-up with the Company following the resolution ShareAction and a group of investors filed last year, to express disappointment in the lack of disclosures made in line with the resolution asks, and to encourage the Company to take steps towards paying its workforce the real Living Wage.

  In 2025, shareholders filed a resolution calling on M&S to disclose key metrics about its workforce and pay. That resolution received 31% support - a clear signal that investors expect further action and disclosure from the company. Some progress on workforce transparency is evident with the M&S annual report's new People and Culture section; however, it is disappointing that M&S has not disclosed any of the metrics requested in the resolution. As a result, investors still lack a comprehensive view of how material workforce risks are being managed. It is a concern that the company's most recent pay review has resulted in workers being paid below the real Living Wage for the first time in a number of years. This decision may expose the company to reputational and operational risks. The statement acknowledges the steps M&S has taken to review the contracts and pay of security guards and cleaners; however, ShareAction believe that the best way to ensure that all staff are paid appropriately is to accredit as a Living Wage Employer. Accreditation offers a clear and credible pay framework, with proven benefits for recruitment, retention and performance. This is crucial at a time of rising in-work poverty across the UK, where millions of workers are not earning enough to meet the cost of living. The statement encourages M&S to strengthen its disclosures and set out a clear pathway towards paying all workers at least the real Living Wage again.

- The Fund also supported an investor statement coordinated by **ShareAction** and shareholders representing $1.4 trillion in assets under management to be delivered to **NatWest Group,** at their April 2026 AGM. The statement express shareholder concern regarding the announcement in February that NatWest Group had reduced the ambition of its fossil fuel policy and climate targets.

Stewardship Activity: Responsible Investment

As a major banking group in the UK, NatWest Group plays a key role in the economy's transition to net-zero. Back in 2021, the bank demonstrated climate leadership when it became a principal partner of COP26 and introduced a new fossil fuel policy which was celebrated by many at the time for being leading practice. However, this February, NatWest Group reduced the ambition of its fossil fuel policy and climate targets. The bank dropped its commitment not to finance oil & gas majors lacking a credible transition plan or failing to report their overall emissions. It also removed its commitment not to finance upstream oil & gas companies where the majority of their assets being financed are outside of the UK, and abandoned targets covering aluminium, cement, and iron & steel, without providing a robust explanation for why the bank no longer deems these sectors material. Investors are concerned by the bank's changed outlook on climate change at such a critical point in the energy transition. The transition to a cleaner economy is not going away. This creates a significant risk of stranded assets, exposing lenders to potential losses, particularly from the fossil fuel sector. The European Central Bank has warned of a "non-negligible increase in credit risk impairments" in a disorderly transition, while the Bank of England warns impairment rates for fossil fuels could be twice as high as for other corporate portfolios. Notably, climate-related extremes across Europe caused more than twice as much damage during the period 2022-23 as in the entire preceding decade. NatWest Group has reported that 3.4% of its UK home loans – including those provided via its private banking division – are already at high flood risk, with a further 1.3% at extremely elevated risk. Investors expect clear, consistent plans for the clean energy transition that will mitigate these risks and their associated costs. The signatories of the statement which included SPF, Greater Manchester Pension Fund and Border to Coast Pensions Partnership requested a meeting with NatWest Group this year to discuss the bank's climate strategy in light of these recent rollbacks.

- The Fund is a recent signatory to the **AI Company Data Initiative** (AICDI) which is a collaborative investor initiative coordinated by the Thomson Reuters Foundation that strives to ensure transparency, trust and responsibility are embedded into this seismic transformation – helping companies, investors, policy makers and society understand how AI is being adopted and governed at a corporate level through a mechanism of voluntary disclosure.

  The AI Company Data Initiative is supported by a group of 15 investors with AUM of $2 trillion. The investor signatory group works collectively to support the development of this initiative by sharing their perspective on responsible AI and by encouraging their portfolio companies' engagement with the initiative with active outreach. Through the AICDI, investor signatories gain a structured and comparable view of how issuers are governing and deploying AI.

  In quarter 2 the Fund received the first findings report from the AICDI. Drawing on data from 3,000 companies across 11 sectors, the report surfaces a clear and consistent pattern, AI adoption is accelerating, but governance is not keeping pace. A few headline findings are:

- While 40% of companies report board or committee-level oversight of AI, fewer than a third can evidence a dedicated team or resource responsible for AI governance.
- 86% of companies did not evidence policies to protect employees from the potential negative impacts of AI.
- 97% of companies did not assess the environmental impact of their AI systems, including energy use and emissions.
- Just 2.3% have a dedicated complaints mechanism for AI-related issues.

The full report is available online and includes sector-by-sector and regional breakdowns, sentiment analysis of 15,000+ corporate disclosures, company case studies, and a ready-to-use engagement guide and proxy voting principles.

- In support of the **Net Zero Engagement Initiative** (NZEI) facilitated by the **Institutional Investor Group on Climate Change** (IIGCC), the Fund signed collaborative letters to selected portfolio companies including eyewear manufacturer **EssilorLuxottica** and Italian multinational tyre manufacturer **Pirelli & C. SpA**, as part of the Fund’s escalation approach, where initial outreach had not yet resulted in an established dialogue with the company.

  The letters seek confirmation of the companies transition plans in line with the goals of Paris Agreement and achieving net zero emissions and request (re-)confirmation of the following items.
  - **Ambition**: Make a comprehensive commitment to reducing emissions to net zero by 2050 or sooner, covering all relevant business areas and all material greenhouse gas (GHG) emissions scopes 1, 2 and 3.
  - **Targets**: Set short, medium and long-term GHG targets aligned with the relevant emission pathway and consistent with limiting the global temperature increase to 1.5 degrees Celsius.
  - **Disclosures**: Disclose current and historic GHG emissions specifying scopes 1, 2 and 3 (breaking out material scope 3 categories).
  - **Emissions performance**: Report current absolute or emissions intensity compared to a relevant net zero pathway.
  - **Decarbonisation strategy**: Disclose and quantify the principal actions that you will take to deliver the GHG emissions targets.
  - **Capital allocation alignment**: Demonstrate that capital expenditures are consistent with achieving net zero by 2050.

  Furthermore, the letters ask for additional clarifications on upcoming plans to further develop and fine tune net zero transition plans, ensuring they reflect best practice and investor expectations, both in actions and disclosures.

Appendix 7

Stewardship Activity: Responsible Investment

- The Local Authority Pension Fund Forum (LAPFF) provided a Quarterly Engagement Report. The report highlights include:

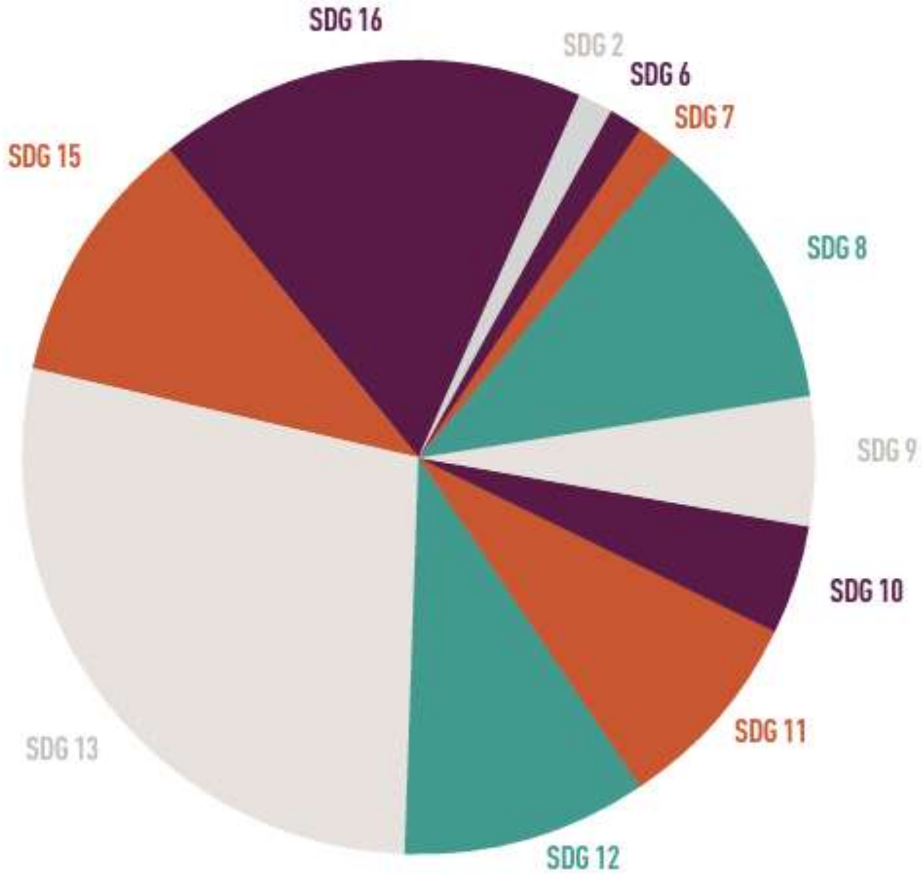
  - LAPFF engaged with 73 companies over the quarter. Held 19 meetings with companies during Q2, attended 11 AGMs and received a range of correspondence regarding ongoing engagements.
  - LAPFF continued its engagement with **BP** on capital discipline and shareholder rights, including LAPFF's support for a shareholder resolution requesting greater transparency on upstream oil and gas investment, which received over 28% support.
  - LAPFF continued scrutiny of **Drax's** biomass-based business model, supply-chain controls and reliance on bioenergy with carbon capture and storage, alongside engagement with the company's senior independent director.
  - Engagement with **HSBC** and **NatWest** following the weakening of their climate-related financing policies, supported by voting recommendations aimed at strengthening board accountability for climate risk oversight**.**
  - LAPFF continued engagement with engagement with **Tesco** and participation in an investor roundtable focused on strengthening the resilience of UK food supply chains.
  - Engagement with **Philip Morris International**, **Salesforce** and **Amgen** using the **CCLA Modern Slavery Global Benchmark**, with a focus on moving beyond policy commitments towards stronger supply-chain mapping, due diligence, remedy and disclosure.
  - Continued engagement with **Vale** and civil society organisations on tailings safety, affected communities and the integration of climate adaptation into mining operations and board-level risk oversight.
  - Reported progress in LAPFF's conflict-affected and high-risk areas programme, including analysis of company responses to the Forum's questionnaire, engagement at company AGMs and escalation where companies failed to demonstrate adequate heightened human rights due diligence or board oversight.

  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.

Appendix 7

Stewardship Activity: Responsible Investment



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	0
SDG 2: Zero Hunger	2
SDG 3: Good Health and Well-Being	0
SDG 4: Quality Education	0
SDG 5: Gender Equality	0
SDG 6: Clean Water and Sanitation	2
SDG 7: Affordable and Clean Energy	2
SDG 8: Decent Work and Economic Growth	15
SDG 9: Industry, Innovation, and Infrastructure	7
SDG 10: Reduced Inequalities	6
SDG 11: Sustainable Cities and Communities	11
SDG12: Responsible Production and Consumption	13
SDG 13: Climate Action	37
SDG 14: Life Below Water	0
SDG 15: Life on Land	14
SDG 16: Peace, Justice, and Strong Institutions	23
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

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

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

- Legal & General, Lazard, Baillie Gifford, JP Morgan, Lombard Odier, Veritas, Barings, Oldfield Partners and RBC provided reports on ESG engagement during the quarter. Sustainalytics provided a 360 Engagement Quarterly Report summarising the shareholder engagement activities performed on behalf of investor clients across the Sustainalytics platforms including updates on individual portfolio companies.

- Officers of the Fund completed the annual **PRI** reporting and assessment survey in quarter 2. This online questionnaire is compulsory for all asset owner and investment manager signatories and contains questions covering implementation of the Principles and responsible investment activities. An assessment report is expected in quarter 4. This report will demonstrate how a signatory has progressed in its implementation of the Principles year-on-year and relative to peers across asset classes.

- Sustainalytics map engagement cases with relevant **UN Sustainable Development Goals** (SDGs) and engagement dialogue aims to work toward achieving sustainable outcomes. 798 open engagements in quarter 2 can be attributed to the following SDGs (as percentage of total cases).

Appendix 7

Stewardship Activity: Responsible Investment

Sustainable Development Goals – Mapping Engagements

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

SDG	%	SDG	%
1 No Poverty	7%	10 Reduced Inequality	9%
2 Zero Hunger	14%	11 Sustainable Cities and Communities	11%
3 Good Health and Well-Being	29%	12 Responsible Consumption & Production	56%
4 Quality Education	6%	13 Climate Action	46%
5 Gender Equality	7%	14 Life Below Water	8%
6 Clean Water and Sanitation	11%	15 Life on Land	11%
7 Affordable and Clean Energy	21%	16 Peace & Justice, Strong Institutions	35%
8 Decent Work and Economic Growth	32%	17 Partnerships to Achieve the Goal	2%
9 Industry, Innovation & Infrastructure	30%		

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Stewardship Activity: Energy Company Analysis

1 Assessment as at 31st March 2026

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

Holdings	Companies	Score (%)	Prev Score (%)	Difference
0	-	-	-	-
15	Gulfport	24	*n/a*	*n/a*
	Enquest	30	*n/a*	*n/a*
	MODEC	34	*n/a*	*n/a*
	EOG	34	*n/a*	*n/a*
	Cactus	34	20	+14
	China Oldfield	35	*n/a*	*n/a*
	Reliance Industries	38	46	-8
	Tidewater	39	*n/a*	*n/a*
	S-Oil	40	*n/a*	*n/a*
	EQT	41	*n/a*	*n/a*
	NOV	42	35	+7
	Ashtead Technology	42	37	+5
	Petrobras	47	68	-21
	Nextpower	47	*n/a*	*n/a*
	Serica	49	58	-9
12	Koninklijke	52	*n/a*	*n/a*
	Sapiem	54	72	-18
	Enphase	57	57	0
	Xinyi Solar	58	*n/a*	*n/a*
	SBM Offshore	61	*n/a*	*n/a*
	Technipfmc	62	63	-1
	Gaztransport	64	*n/a*	*n/a*
	Tecnicas Reunidas	69	49	+20
	Royal Dutch Shell	70	80	-10
	ENI	72	72	0
	TotalEnergies	76	58	+18
	Nordex	92	*n/a*	*n/a*

(Max Petroleum removed – nil value asset)

<u>Conclusions</u>

- **27** companies were held at 31st March 2026. Since the March 2025 assessment, **6** companies had been sold* and **14** added to the portfolios.
- Of the companies assessed previously, **4** recorded higher scores and **7** recorded lower scores.
- **2** companies were initially rated red overall, subsequently re rated to amber following receipt of additional information.
- **15** holdings were rated red in at least one category. The increase reflects the new Climate Solutions sub-sector, where most companies provide insufficient disclosure.
- Of the **13** companies initially rated amber overall, **2** were not rated last year because data coverage was insufficient.
- Of the **12** companies rated green overall, **7** were rated amber in at least one category.
- Removing the grey rating for poor data coverage enabled all holdings to be assessed this year.

Stewardship Activity: Energy Company Analysis

2. Engagement with Investment Managers and Sustainalytics

In June, officers shared the assessment with portfolio managers and requested:

- additional information to support reassessment of the two companies initially rated red;
- comments on the investment case for companies rated amber overall; and
- proposals to address the identified weaknesses.

Additional information from Lombard Odier and JP Morgan enabled Hymans Robertson to reassess the two companies rated red overall and verify the evidence against publicly available sources. Both companies were subsequently rerated to amber.

Officers also shared the assessment with Morningstar Sustainalytics, who confirmed that its research and analytics cover all 27 companies. Officers asked Sustainalytics to comment on the proposed actions and consider incorporating them into its engagement plans. Sustainalytics will report on progress over the next 12 months.

3. SPF Supporting Actions

SPF actively supports the **CDP Non-Disclosure Campaign (NDC)**, which encourages persistent non-disclosers to report environmental data and provides investors with a practical way to drive corporate action and expand data coverage. In 2025, 223 financial institutions across 31 countries, representing US$23 trillion in assets, participated in the campaign. The NDC targeted 1,314 of 4,236 non-disclosing companies. SPF led collaborative engagement with **Reliance Industries** on climate and water disclosure, coordinating a letter that encouraged the company to complete CDP's Climate Change, Water Security and Forests questionnaires.

- **SPF** subscribes to Morningstar Sustainalytics' **Material Risk Engagement (MRE)** and **Global Standards Engagement (GRE)** overlay services. MRE supports SPF through proactive engagement with more than 400 companies facing the greatest unmanaged, financially material ESG risks. GRE is a norms-based, incident-driven service that identifies companies failing to meet recognised international conventions, guidelines and standards. Sustainalytics has ongoing climate change engagements with **17** of the **27** companies assessed, including:
  - **Petrobras –** Since 2022, Sustainalytics has encouraged Petrobras to develop a comprehensive climate strategy aligned with the transition to a low-carbon economy. A clear, transparent roadmap would strengthen the company's ESG performance and competitiveness in an increasingly carbon-conscious market.
  - **Reliance Industries –** Since 2021, Sustainalytics has engaged with Reliance on ESG risk assessment and disclosure. The engagement aims to support consistent, meaningful assessment and reporting of material ESG risks.
  - **EOG Resources, Inc. –** Since 2022, Sustainalytics has engaged with EOG to improve disclosure of material ESG risks, mitigation measures and performance. Key priorities include strengthening ESG governance and reporting, advancing emissions-reduction targets, and improving the management and disclosure of effluents and non-GHG air emissions.

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Stewardship Activity: Energy Company Analysis

- **SPF** subscribes to the **Sustainalytics Net Zero Transition Stewardship Programme**, which engages 100 national and multinational companies to promote effective management of climate-related risks and opportunities, particularly those associated with decarbonisation. Current engagements include **ENI**, **Shell** and **Reliance Industries**.

Investment Managers comments on the amber related holdings are summarised below.

Baillie Gifford

Holdings	
0 4 1	**Petrobras** - (A) Petrobras is rated Amber overall in the Hymans framework and has a reduced score year on year. <u>Case for Holding</u> Petrobras is a highly profitable, low-cost energy producer with relatively low carbon intensity, focused on offshore oil and gas in Brazil. Extraction costs are expected to decline, while oil and gas should remain important to the global energy mix. Stronger governance has improved oversight of capital spending. With the shares trading at a low price-to-earnings multiple, Baillie Gifford believes the market materially undervalues the company's growth potential. <u>Sustainability assessment</u> Petrobras is reducing emissions through greater operational efficiency while exploring hydrogen, wind and carbon capture. It aims to achieve net-zero Scope 1 and 2 operational emissions by 2050 and directs 12% of capital expenditure to low-carbon projects. Brazil's more ambitious climate targets could accelerate decarbonisation without compromising investment discipline. Operational greenhouse gas emissions declined by 40% between 2015 and 2024, while membership of the UN Oil & Gas Methane Partnership signals further commitment. Petrobras should now improve emissions transparency and set out clearer reduction plans. Petrobras also makes a substantial contribution to Brazil's economy through taxes, dividends and social investment, returning 60% of its cash generation to society. **EOG Resources** - (A) EOG is a new holding and is rated Amber overall in the Hymans framework. <u>Case for holding</u> EOG is a leading US shale producer with diversified assets, low costs and strong technical expertise. Innovation, operational efficiency and disciplined capital allocation support returns through market cycles. The holding also provides high-quality, geographically diverse energy exposure without relying on an oil-price view. <u>Sustainability assessment</u> EOG's sustainability case rests on the view that necessary oil and gas production should be led by responsible operators. Its efficient, disciplined approach supports this, provided it maintains high

Stewardship Activity: Energy Company Analysis

	standards for emissions, methane, water, safety and community impacts. **EQT**- (**A**) EQT is a new holding rated Amber overall in the Hymans framework. Case for holding EQT is a major US natural gas producer with a low-cost advantage in the Appalachian basin, supported by disciplined operations and integrated infrastructure. The market often views the company mainly as a proxy for gas prices, overlooking the resilience and potential upside of its cost position. Increasing US electricity demand from data centres and electrification, alongside LNG exports, could support medium-term gas prices as infrastructure constraints and capital discipline restrict supply. Sustainability assessment EQT's sustainability case recognises natural gas's role in maintaining energy reliability, meeting rising electricity demand and replacing more carbon-intensive coal as lower-carbon infrastructure develops. This case depends on responsible production and transportation, particularly effective management of methane emissions, infrastructure integrity and community impacts. **Tidewater**- (**A**) Tidewater is a new holding rated Amber overall in the Hymans framework. Case for holding Tidewater is the world's largest offshore support vessel operator, serving oil, gas and a growing number of wind projects. A decade of underinvestment has reduced and aged the global fleet, while few vessels are being ordered because replacements remain uneconomic. Tidewater's scale, fleet quality and global presence position it to benefit from rising utilisation and day rates, amplified by strong operating leverage. Sustainability assessment Tidewater provides essential offshore energy infrastructure rather than producing hydrocarbons. Its vessels support safe, reliable operations throughout the energy transition, while its scale and fleet quality enable responsible service delivery worldwide. **Enphase Energy** – (**G**) Enphase Energy is rated Green overall in the Hymans framework, their rating is flat year on year.

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JP Morgan

Holdings	
0	**Ashtead Technology** - (A) Ashtead Technology is rated Amber overall in the Hymans framework, their rating has improved year on year. Case for holding Ashtead Technology provides equipment rental and engineering services to offshore wind, renewables, and oil and gas markets worldwide. High returns on invested capital and a strong balance sheet support selective bolt-on acquisitions. Sustainability assessment Ashtead Technology is expanding lower-emission robotic tools to replace more fossil fuel-intensive alternatives. It also supports offshore wind installation and inspection and helps decommission legacy oil and gas infrastructure, reducing the risk of hazardous seabed contamination. **Gulfport Energy** - (A) Gulfport Energy is a new holding rated Amber overall in the Hymans framework. Case for holding Gulfport is a dry and wet gas producer with a strong position in the Utica basin. Since emerging from bankruptcy in 2021, its new management has pursued conservative operations and prioritised share buybacks and other capital returns over aggressive growth spending, a common risk among smaller producers. Its attractive Utica assets are well placed to meet rising gas demand from regional data-centre development. Sustainability assessment Gulfport aims to reduce its carbon footprint through technology improvements and independent auditing. It has also set objectives for water use, air quality and waste disposal, although these lack defined targets; JP Morgan continues to engage with the company on progress. **MODEC** - (A) Modec is a new holding rated Amber overall in the Hymans framework. Case for holding MODEC manufactures and operates Floating Production, Storage, and Offloading (FPSOs) for ultra-deepwater oil and gas production. The low break-even costs of these projects have broadened demand beyond Petrobras and Brazil to other oil majors. With only MODEC and SBM Offshore able to deliver large-scale ultra-deepwater projects, strong orders and constrained supply are improving pricing power and margins. Sustainability assessment. MODEC targets net zero by 2050 and the elimination of Scope 1 and 2 emissions by 2030. Recent engagement called for product-related emissions reductions to be reported separately from its Scope 1–3 target, clearer plans and timelines for reducing FPSO emissions, and a long-term strategy for declining oil and gas demand.
7	
8	

Stewardship Activity: Energy Company Analysis

	China Oilfield - (A) China Oilfield is a new holding and is rated Amber overall in the Hymans framework. Case for holding With energy security a priority, COSL is benefiting from a cyclical recovery, higher day rates, over 90% rig utilisation and strong overseas demand. It is entering a new investment cycle to upgrade equipment and expand its fleet, supporting expected revenue growth over the next five years. Sustainability assessment. COSL has been flagged for governance and climate-strategy concerns, including board independence, related-party transactions as a state-owned enterprise and the absence of a disclosed long-term emissions reduction target. It has introduced controls for fugitive emissions, occupational health and safety, and hazardous waste. LNG and battery storage on vessels and offshore platforms improve upstream efficiency, cutting vessel emissions and fuel use by around 10%, but have limited impact on COSL's overall emissions profile, which is mainly driven by downstream indirect emissions. COSL plans to use technology to improve efficiency and support low-carbon development but has not yet disclosed net-zero targets or detailed plans to meet its long-term goals. **S-Oil** - (A) S- Oil is a new holding and is rated Amber overall in the Hymans framework. Case for holding JP Morgan favours refiners as regional flows recover, product inventories remain tight and refining capacity becomes a margin-supporting bottleneck. S-Oil is its preferred refiner, with free cash flow improving as peak capital expenditure passes. Sustainability assessment. S-Oil combines near-term cash generation with a capital-backed decarbonisation strategy, strong disclosure and external validation. Its ₩9.26 trillion Shaheen Project should improve profitability and energy efficiency while lowering carbon intensity and increasing petrochemicals to 25% of sales by 2030. The company targets net zero by 2050, a 35% emissions reduction versus business as usual by 2030 and a 50% cut in Scope 1 and 2 emissions by 2030. It is progressing through higher environmental capex, energy-saving projects, bio-based and recycled feedstocks and early sustainable aviation fuel certification in South Korea. However, Scope 3 emissions, which typically dominate oil and gas emissions, are not fully disclosed. **Nextpower** - (A) Nextpower is a new holding and is rated Amber overall in the Hymans framework. Case for holding 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. The strong balance sheet and cash flow profile has allowed NXT to do many bolt-on M&A deals, further enhancing their product offering. NXT is positively exposed to secular growth in utility-scale solar deployments globally. **Cactus** - (**A**) Cactus is rated Amber overall in the Hymans framework improving from Grey overall last year. <u>Case for holding</u> Cactus is the leading US manufacturer of onshore wellheads, with significant market share. Growth should benefit from a recovery in rig activity, further domestic share gains and expansion in the Middle East and South America. Its competitive advantages include lower customer labour costs, strong in-field support and low-cost manufacturing in China. <u>Sustainability assessment.</u> JP Morgan has engaged with Cactus on climate disclosure. The company is developing its reporting capabilities, including a roadmap for audited Scope 1 and 2 emissions. JP Morgan will continue to monitor progress against this strategy and engage on further disclosure improvements. **Technip FMC** - (**G**) Technip is rated Green overall in the Hymans framework, with a slightly lower year-on-year score. **Saipem** - (**G**) Saipem is rated Green overall in the Hymans framework, although its year-on-year score has declined. **Nordex** - (**G**) Nordex is a new holding rated Green overall in the Hymans framework. **Koninklijke** - (**G**) Koninklijke is a new holding rated Green overall in the Hymans framework. **Xinyi Solar** - (**G**) Xinyi Solar is a new holding rated Green overall in the Hymans framework. **Gaztransport** - (**G**) Gaztransport is a new holding rated Green overall in the Hymans framework. **SBM Offshore** - (**G**) SBM Offshore is a new holding rated Green overall in the Hymans framework. **Técnicas Reunidas** - (**G**) Técnicas Reunidas is rated Green overall, improving from Amber overall last year.

Appendix 8

Stewardship Activity: Energy Company Analysis

Lazard

Holdings
0
1
2

Reliance Industries - (A) Reliance Industries is rated Amber overall in the Hymans framework, with a flat year-on-year score.

Case for holding

Reliance retains legacy energy exposure, but the investment case focuses on its faster-growing consumer, telecom and digital commerce businesses. JIO, technology apps and one of India's largest retail platforms are shifting the group towards a lower-carbon, consumer-facing mix. These businesses now generate over half of operating profit and are growing faster than hydrocarbons, while legacy cash flows fund new ventures and improve Reliance's net carbon profile.

Sustainability assessment

Reliance plans more than US$10bn of new energy capex over the next three to four years, including batteries for EVs and storage and solar module capacity. Hydrocarbon cash flows will fund these initiatives, while lower-carbon consumer businesses should continue reducing the group's legacy exposure.

The company is also investing in new energy and AI, including a BESS giga-factory, a green ammonia agreement and renewable-powered AI data-centre plans.

Disclosure is improving through TCFD reporting, a Board-level ESG committee and 2024 annual report content incorporating IFRS standards and interim milestones for the new energy business.
Lazard remains cautious on delivery and will continue seeking more detail beyond Reliance's high-level commitments.

TotalEnergies - (G) TotalEnergies is rated Green overall in the Hymans framework, with an improved year-on-year score.

Royal Dutch Shell - (G) Royal Dutch Shell is rated Green overall in the Hymans framework, although its year-on-year score has declined.

Stewardship Activity: Energy Company Analysis

Lombard Odier

Holdings	
0 3 0	**Serica Energy Plc.** - (**A**) Serica Energy is rated Amber overall in the Hymans framework reduced from Green overall last year. Case for holding Serica Energy is an independent UK North Sea oil and gas producer. Acquisitions of mature assets from BP and others underpin expected FY25 production of 33–37k boepd, with potential upside to 45–50k boepd as new wells start up and Triton production normalises. As major companies withdraw from legacy North Sea assets, Serica has established itself as a specialist operator focused on maximising value from mature fields. Lombard Odier believes Serica's long-term cash flows are undervalued, supported by the UK Oil & Gas 2035 Roadmap's emphasis on domestic production, energy security and lower import dependence. Sustainability assessment Serica's Bruce hub carbon intensity is 19.6 kg CO_2e/boe, below the 24 kg CO_2e/boe North Sea average. Emissions have fallen 31% since 2018, ahead of the North Sea Transition Deal's 2025 target. Bruce flaring has fallen 64% since 2019, and the 2024 Flare Gas Recovery Project should deliver further emissions and efficiency gains. Membership of OGMP 2.0 supports stronger methane measurement, reporting and reduction. Serica's emissions performance and tax losses may also support value-accretive North Sea consolidation, increasing scale, reserve life and operating efficiency. **EnQuest** - (**A**) EnQuest is a new holding and is rated Amber overall in the Hymans framework. Case for holding EnQuest is focused on the acquisition, optimisation and responsible management of mature oil and gas assets in the UK North Sea and Malaysia. The company's strategy is to create value from underinvested assets by extending field life, improving operational efficiency and managing decommissioning obligations responsibly as part of a pragmatic energy transition. Sustainability assessment EnQuest has made meaningful progress on operational emissions, committing to net zero Scope 1 and 2 emissions by 2040. UK Scope 1 and 2 emissions are down 46% since 2018, ahead of the North Sea Transition Deal target, and 26% versus 2020, driven by lower flaring, reduced diesel use and operational improvements. As with Serica Energy, the investment case is supported by the UK Oil & Gas 2035 Roadmap, which backs domestic production during the

	transition to reduce imports, protect energy security and meet UK demand. EnQuest has strengthened its transition strategy through Veri Energy, which focuses on decarbonisation, emissions reduction and longer-term renewable opportunities, including projects linked to the Sullom Voe Terminal. Its independently verified ISO 14001-aligned Environmental Management System and OSPAR disclosures support transparency on emissions, waste and environmental performance. The Group also markets Kraken crude directly into shipping fuel, reducing refining-related emissions and supporting IMO 2020 sulphur compliance. **Ashtead Technology** - (**A**) Ashtead Technology is rated Amber overall in the Hymans framework, their rating has improved year on year. Case for holding Ashtead Technology provides specialist equipment rental, technical services and skilled personnel for offshore energy infrastructure, including oil and gas production, decommissioning and offshore renewables. Its expanding decommissioning and offshore wind activities position it to benefit from the energy transition. Sustainability assessment Lombard Odier classifies Ashtead as an “Adaptor”, recognising its support for the move from carbon-intensive energy towards a more sustainable mix. Since IPO, renewable revenues have nearly doubled to about 24% of Group revenue. In 2024, management added sustainability KPIs covering renewable revenue growth, asset fungibility and Scope 1 and 2 emissions intensity. Ashtead is lowering its footprint through renewable electricity, equipment electrification and lower-emission technologies; an on-site wind turbine supplies over half the electricity at its largest site. Sustainability is embedded in Ashtead’s strategy and governance, with policies aligned to the UN Global Compact and selected UN Sustainable Development Goals. The company provides exposure to offshore wind, subsea technology and transition infrastructure without direct commodity-price or hydrocarbon production risk.

Stewardship Activity: Energy Company Analysis

Oldfield Partners

Holdings	
0	**National Oilwell Varco (NOV Inc.)** - (**A**) NOV is rated Amber overall, improving from Grey last year. Case for holding NOV is a leading US oil services company supplying equipment and consumables to oil and gas exploration and production. Its scale, broad offering and aftermarket business appeal to customers seeking reliable single-source providers. NOV is also positioned to benefit from demand for advanced systems that improve drilling and production efficiency and support renewable energy capacity. Sustainability assessment Oldfield continued its long-standing engagement with NOV in 2026, meeting both the Chief HSE Officer and new CEO and maintaining strong access and a transparent dialogue. NOV takes a pragmatic approach to disclosure. Although reporting has improved, further progress is expected in 2027 and NOV does not intend to disclose beyond regulatory requirements, citing the US climate-disclosure litigation environment. One NOV legal entity reports under UK Climate-related Financial Disclosure regulations in TCFD format, including analysis of physical and transition climate risks. Last year, Oldfield noted lower emissions intensity, higher renewable energy-related revenue and incremental progress in strategy and governance. **ENI - (G)** ENI is rated Green overall in the Hymans framework, with a flat year-on-year score.
1	
1	

Appendix 8

Stewardship Activity: Energy Company Analysis

Veritas

Holdings	Veritas hold no energy sector stocks.
0	
0	
0	

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