Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

Contact: Jacqueline Gillies, Ext: 75186

Item 9

18th March 2026

Investment Update

Purpose of Report:

To provide the Committee with an investment update including a summary of:
- investment performance to 31st December 2025
- distribution of portfolios and DIP investments as at 31st December 2025
- the Investment Advisory Panel meeting of 12th February 2026
- stewardship activity during Quarter 4 2025.

Recommendations:

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

Ward No(s): Citywide: ✓

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

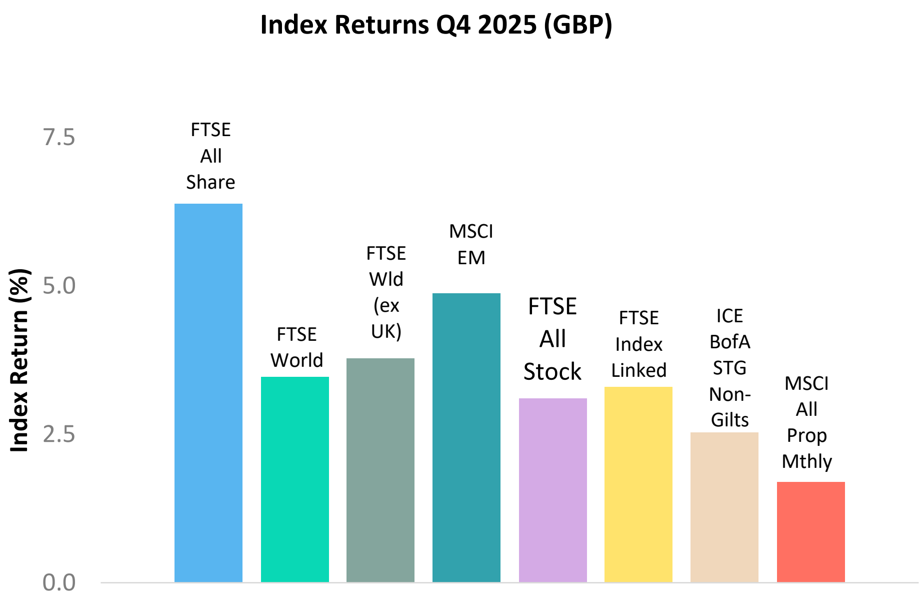
1 **Background**

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**

All regional indices performed positively in the final quarter of 2025. The UK market delivered solid gains with large cap equity values reaching an all-time high. European markets performed well, led by the healthcare and utilities sectors. In the US, the government shutdown ended in November, GDP rose faster than expected and equity markets advanced, with healthcare and communications sectors the strongest performing sectors. Japan was the strongest performing region, supported by a major fiscal stimulus package. Emerging markets outperformed their global counterparts.

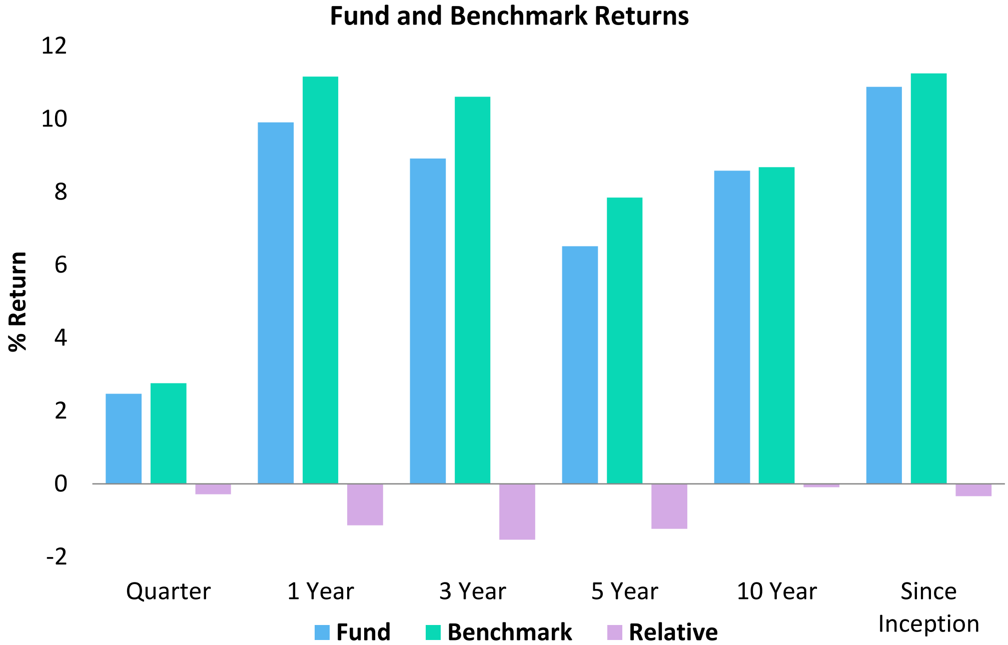
Global government bond yields were mixed; in the UK yields on 10-year gilts declined, while 10-year US treasuries, 10-year German Bunds and 10-year Japanese government bonds yields increased. In global credit markets, yields declined in the UK and increased in the US and eurozone. Spreads tightened in the UK and remained broadly unchanged in the US and European markets.



- The **FTSE All Share** Index returned **+6.4%,** the **FTSE World ex UK** index **+3.7%** and the **MSCI Emerging Markets** index **+4.9%**, compared with Q3 returns of **+6.9%**, **+9.6%** and **+12.9%** respectively.
- The **FTSE All Stock Index** returned **+3.1%** compared with **-0.6%** in Q3.
- **Sterling** fell by **-0.1%** against the US dollar while performance against the euro was flat.
- The **MSCI All property monthly return index** returned **+1.3%** driven by income returns.

3 Fund Performance

The **Fund's value** at 31st December 2025 was **£33,804m**, an increase on the 30th September valuation of **£33,092m**.



The **Fund's total return** for Quarter 4 2025 was **+2.5**%, behind the benchmark return of **+2.8%.** 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 4:

- 11 active managers outperformed their benchmark; and
- 11 active managers underperformed.

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

4 Asset Allocation

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

Asset Class	*30 Sep 2025 (£m)*	*30 Sep 2025 (%)*	31 Dec 2025 (£m)	31 Dec 2025 (%)	Target (%)
Equity	*17,313*	*52.3*	17,315	**51.2**	**47.0**
Hedging & insurance	*3,326*	*10.1*	3,441	**10.2**	**10.0**
Credit	*1,289*	*3.9*	1,322	**3.9**	**5.0**
Short term enhanced yield	*5,066*	*15.3*	5,525	**16.3**	**17.0**
Long Term enhanced yield	*6,097*	*18.4*	6,200	**18.3**	**21.0**
Total	***33,092***	***100.0***	**33,804**	**100.0**	**100.0**

During the quarter, £300m was divested from the L&G equity portfolio and £150m was divested from Baillie Gifford to bring the overweight allocations to passive and global equity back within their target ranges, with the proceeds being held in cash. Net inflows from private market programmes were also positive in Q4 2025.

In March 2024, the SPF Committee agreed a revised investment strategy and structure to be effective from 1 April 2024. The process of transitioning to the revised strategy commenced in Q2 2024, with the switch to the new overall asset class exposures completed during 2024. The final mandate change, divestment from the Fidelity Emerging Markets Fund, was completed in November 2025 and proceeds invested in the RBC Core Emerging Markets Fund.

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

5 Direct Impact Portfolio (DIP)

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

6 Investment Advisory Panel

The Fund's Investment Advisory Panel met on 12th November 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 4 highlights include:

- The Fund received the results of its 2025 PRI Assessment. The Fund submitted information for 4 assessment areas or 'modules' with possible scores from 1 star (lowest) to 5 stars (highest). The Fund scored a maximum 5 stars for 2 of the modules assessed, and 4 stars for the remaining 2 modules.
- Ahead of COP 30, the Fund co-signed the Belém Investor Statement on Rainforests, calling on governments to adopt and enforce robust policies to halt and reverse deforestation and ecosystem degradation by 2030.
- FAIRR issued a Phase 3 Progress Report for its Waste & Pollution thematic Engagement. The report shows meaningful progress in company water-risk assessment and supplier nutrient management across major pork, poultry and fertiliser companies, but highlights a continued gap in mitigation implementation and underdeveloped nutrient circularity strategies.
- RBC published their 2025 Climate Report, which provides additional insights into their Emerging Market (EM) sustainability strategy. RBC utilised ESG-integrated, bottom-up investment process rather than a formal climate mandate. From this strategy, RBC's EM portfolio currently has a weighted-average carbon intensity that is 78% lower than the MSCI EM Index.

8 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

9 Recommendation

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

<u>Appendices</u>

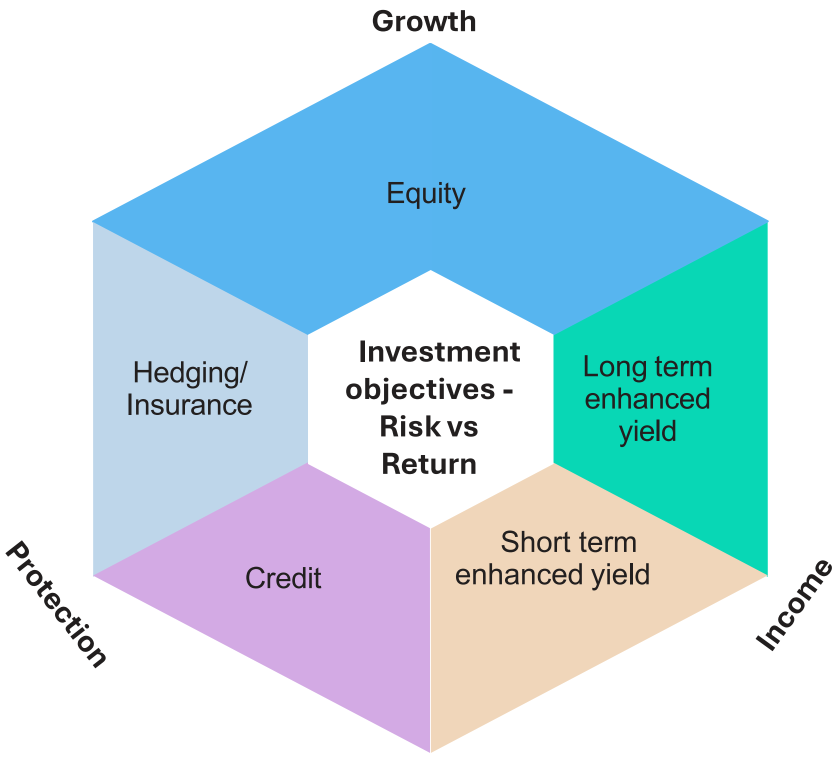
Appendix 1	**Investment Objectives and Strategy**
Appendix 2	**Fund and Asset Class Performance**
Appendix 3	**Manager Performance**
Appendix 4	**Portfolio Summary**
Appendix 5	**Direct Impact Portfolio**
Appendix 6	**Investment Advisory Panel**
Appendix 7	**Stewardship Activity: Responsible Investment**

Investment Objectives and Strategy

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

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

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



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

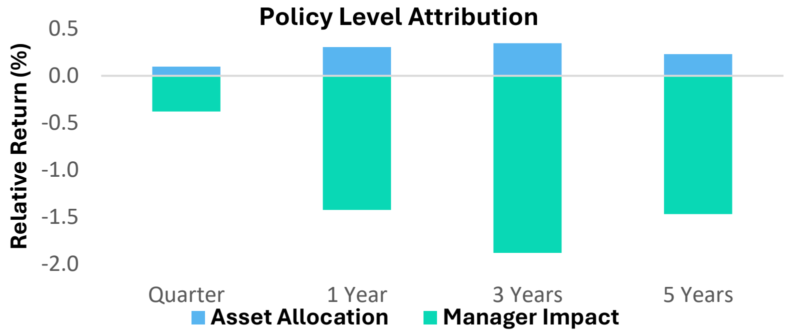
Asset	*2014* %	*2017* %	*2020* %	2023 %
Equity	*62.5*	*52.5*	*52.5*	**47.0**
Hedging & insurance	*1.5*	*1.5*	*1.5*	**10.0**
Credit	*6.0*	*6.0*	*6.0*	**5.0**
Short term enhanced yield	*15.0*	*20.0*	*20.0*	**17.0**
Long term enhanced yield	*15.0*	*20.0*	*20.0*	**21.0**
	100	***100***	***100***	**100**

Fund and Asset Class Performance

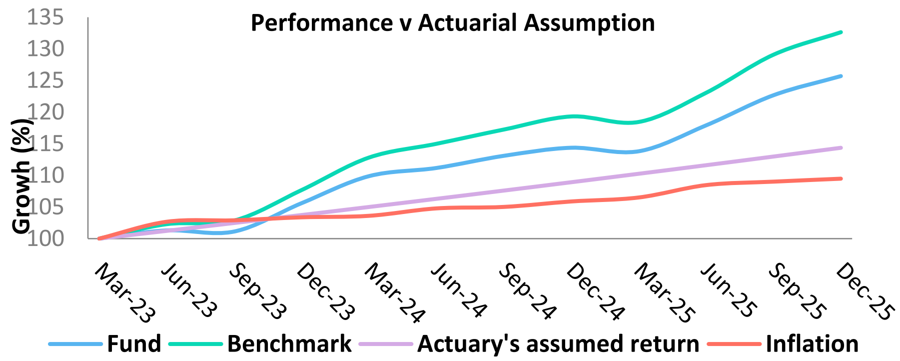
1. Returns by Asset Class

	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	2.9	3.5	(0.6)	14.0	16.6	(2.3)	12.6	16.6	(3.4)	9.1	11.5	(2.2)
Hedging & Ins	3.5	3.6	(0.2)	3.2	2.9	0.3	(0.1)	(0.2)	0.1	(0.4)	(7.2)	7.3
Credit	2.5	2.5	(0.0)	7.0	7.2	(0.3)	5.2	5.2	0.0	(1.9)	(2.0)	0.0
STEY	1.6	1.7	(0.1)	7.2	7.4	(0.2)	6.7	7.9	(1.1)	4.1	5.9	(1.7)
LTEY	1.5	1.6	(0.1)	5.6	6.7	(1.0)	3.9	3.0	0.9	5.5	5.6	(0.1)
Total Fund	**2.5**	**2.8**	**(0.3)**	**9.9**	**11.2**	**(1.1)**	**8.9**	**10.6**	**(1.5)**	**6.5**	**7.8**	**(1.2)**

2. Performance Attribution



3. Performance vs Actuarial Assumption



- In Q4, Credit performed in line with benchmark; all other asset classes underperformed. However, all asset classes delivered positive absolute returns.
- Over 1, 3 and 5 years, Equity is the best performing asset class in absolute terms but has underperformed on a relative basis.
- Over Q4, 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	(1.3)	10.5	12.6	4.1	8.9
	Relative	(4.6)	(3.4)	(3.5)	(6.9)	0.7
Lazard	Actual	3.9	8.8	8.8	7.6	9.5
	Relative	0.5	(4.5)	(6.4)	(3.6)	(0.1)
Oldfield	Actual	6.7	26.4	11.9	9.3	8.9
	Relative	3.2	11.0	(3.7)	(2.1)	(3.5)
Veritas	Actual	1.6	3.0	11.4	7.6	11.5
	Relative	(1.8)	(9.6)	(4.2)	(3.6)	(0.8)
Lombard Odier	Actual	(0.1)	(1.2)	1.3	1.8	6.7
	Relative	(1.7)	(12.8)	(3.9)	(0.3)	2.1
JP Morgan	Actual	2.6	14.0	10.4	2.1	11.4
	Relative	0.7	(1.1)	(0.9)	(3.5)	1.7
Fidelity	Actual	(5.4)	28.9	15.1	3.4	9.3
	Relative	(6.0)	9.8	3.8	(1.2)	1.3
RBC	Actual	7.1	24.5	-	-	20.0
	Relative	2.2	0.1	-	-	(1.4)
Pantheon	Actual	0.7	(1.1)	0.9	10.5	12.9
	Relative	(2.6)	(13.2)	(13.2)	(1.3)	3.8
Partners Group	Actual	4.1	10.0	3.3	9.6	10.9
	Relative	0.7	(3.4)	(11.2)	(2.0)	3.9
L&G Equity	Actual	3.9	20.6	19.1	12.3	10.3
	Relative	0.4	0.6	(0.1)	(0.1)	-
L&G RAFI	Actual	5.8	20.3	16.9	14.1	11.0
	Relative	0.5	0.7	0.5	0.4	0.1
Total	**Actual**	**2.9**	**14.0**	**12.6**	**9.1**	**9.9**
	Relative	**(0.6)**	**(2.3)**	**(3.4)**	**(2.2)**	**(0.3)**

1.2 Manager Performance Commentary

Equity underperformed the benchmark over the quarter with 5 active managers outperforming and 5 underperforming. **Oldfield** and **RBC** were the delivered the strongest performance on both an absolute and relative basis. **Fidelity** were the weakest performer on an absolute and relative basis. **Baillie Gifford** and **Lombard Odier** also delivered negative absolute returns and underperformed their benchmarks.

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.

Oldfield outperformed the benchmark as the portfolio benefitted from the positive performance of AI related stocks over the year. The strongest performing stock was Samsung as a shortage of key memory products has led to substantial price increases. On the downside, the largest detractors from performance were Exor, Bunzel and Henkel.

Manager Performance

RBC outperformed the benchmark over the quarter. Country allocation was positive for performance. On the downside, sector allocation especially the overweight position in consumer staples and consumer discretionary was a drag. Stock selection across both countries and sectors was positive for performance.

Performance of the **Fidelity** portfolio was negative in Q4 2025 due to the sale of the Fund's entire holding in November. Fund performance remained strongly positive performance on both an absolute and relative basis over the calendar year, however.

Baillie Gifford delivered negative absolute and relative performance over the quarter. The main contributors to returns were MercadoLibre and TSMC, while the main detractors were Novo Nordisk and SEA Ltd.

Lombard Odier underperformed the benchmark. However, this was driven almost entirely by being underweight in the materials sector which benefited from rising commodity prices. At a stock level, the top contributors to performance were Zigup Plc and Seeing Machines Ltd while the main detractors were Rank Group and Nexxen International.

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 Gilts	Actual	3.1	5.0	1.6	-	1.5
	Relative	0.0	0.0	0.3	-	3.0
L&G Index Linked	Actual	4.1	0.8	(2.1)	(1.7)	5.8
	Relative	(0.0)	(0.0)	(0.1)	(0.2)	(0.0)
Total	**Actual**	**3.5**	**3.2**	**(0.1)**	**(0.4)**	**2.1**
	Relative	**(0.2)**	**0.3**	**0.1**	**7.3**	**4.0**

Credit						
Manager		Current Quarter (%)	1 Year (% p.a)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a)
Legal & General Corporate Bonds	Actual	1.7	7.2	5.2	(2.0)	4.3
	Relative	0.1	0.0	(0.0)	0.0	0.0
Legal & General Buy & Maintain	Actual	3.1	6.3	-	-	6.2
	Relative	(0.4)	(0.9)	-	-	2.5
Total	**Actual**	**2.5**	**7.0**	**5.2**	**(1.9)**	**1.5**
	Relative	**(0.0)**	**(0.3)**	**0.0**	**0.0**	**0.1**

2.2 Manager Performance Commentary

Hedging & Insurance performed positively over the quarter but marginally underperformed 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**

Manager Performance

underperformed the benchmark over the quarter and over 1 year. In 2025 Q4, the largest sector contributions were Reits and Other Finance, while the top performing issuer was Orstead AS, meanwhile on the downside the worst performing issuer was University of Manchester. The average credit rating of the portfolio is A3 and the spread versus Gilts was 67 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	1.9	8.6	7.1	4.3	3.3
	Relative	0.1	1.1	(0.7)	(2.0)	(0.0)
Ruffer	Actual	1.9	10.6	0.8	3.9	5.2
	Relative	0.2	3.3	(6.4)	(2.2)	(0.3)
Barings (MAC)	Actual	1.0	6.4	8.9	4.2	3.8
	Relative	(0.9)	(1.6)	0.2	(2.7)	(2.1)
Oak Hill	Actual	1.7	7.0	9.6	5.6	4.6
	Relative	(0.2)	(1.0)	0.9	(1.5)	(1.3)
Barings	Actual	1.5	6.9	8.8	7.9	6.3
(Private Debt)	*Relative*	(0.4)	(1.1)	0.1	0.7	0.3
Alcentra	Actual	1.7	5.0	4.3	5.6	6.0
	Relative	(0.2)	(2.9)	(4.0)	(1.5)	0.0
ICG Longbow	Actual	1.7	5.8	5.6	5.2	4.0
	Relative	(0.2)	(2.2)	(2.8)	(1.8)	(2.6)
Partners Group	Actual	2.3	8.0	9.1	7.0	5.4
(Private Debt)	*Relative*	0.4	(0.1)	0.4	(0.2)	(1.3)
Pantheon	Actual	2.2	n/a	n/a	n/a	14.2
(Private Debt)	*Relative*	0.3	n/a	n/a	n/a	6.3
Total	**Actual**	**1.6**	**7.2**	**6.7**	**4.1**	**3.6**
	Relative	**(0.1)**	**(0.2)**	**(1.1)**	**(1.7)**	**(1.2)**

3.2 Manager Performance Commentary

The return for Short Term Enhanced Yield (STEY) was behind benchmark in Q4 2025. 4 out of 9 managers outperformed and all managers delivered positive absolute returns. The strongest performers on both an absolute and relative basis were the **Partners Group private debt** and **Pantheon private debt secondaries portfolios**. The weakest performance came from the Barings multi-asset credit and private debt portfolios.

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

The Partners Group private debt portfolio outperformed the benchmark over the quarter, adding 8 investments and realising 6. The latest TVPI multiple is 1.34x. Meanwhile, the **Pantheon Private Debt Secondaries** portfolio continues to complete deals and draw down capital. The most recent TVPI multiple is 1.14x.

Both **Barings** portfolios underperformed their benchmarks. In the **multi-asset credit** portfolio, the largest contributions to performance came from US high yield bonds and US loans, driven by coupon income. Holdings across financials and healthcare were the main detractors. The **private debt portfolio** underperformed the benchmark, but the absolute return was positive, with all funds reporting healthy Internal Rates of Returns (IRRs).

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	1.4	7.0	3.7	4.6	6.2
	Relative	0.0	0.6	5.4	1.6	0.4
Partners Group RE	Actual	1.1	(0.2)	(8.4)	(0.6)	4.4
	Relative	(0.9)	(6.5)	(14.5)	(8.8)	(3.8)
JP Morgan IIF	Actual	2.8	10.8	10.3	9.4	7.8
	Relative	0.8	2.6	2.2	1.3	(0.1)
Total	**Actual**	**1.5**	**5.6**	**3.9**	**5.5**	**5.2**
	Relative	**(0.1)**	**(1.0)**	**0.9**	**(0.1)**	**(0.1)**

4.2 Manager Performance Commentary

Performance of the long-term enhanced yield (LTEY) allocation was below benchmark in Q4 2025. The **DTZ** UK direct property portfolio and **JP Morgan Institutional Infrastructure Fund** outperformed their benchmarks, while **Partners Group** underperformed**.**

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

DTZ outperformed the benchmark over the quarter. Returns were driven by income; capital growth was also positive. The top performing sector was industrials, but the office sector was a drag on performance. During the quarter 4 new properties were purchased, a total investment of £94m.

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

The **JP Morgan Infrastructure Investments Fund** outperformed the benchmark in Q4 2025 and performance is ahead of benchmark over 1, 3 and 5 years. The underlying portfolio's operational cash yield was 1.3% over the quarter and the 10-year multiple of investment capital (MOIC) was 2.1x.

Appendix 4

Portfolio Summary at 30 September 2025

	Equity		Hedging & Insurance		Credit		Short Term Enhanced Yield		Long Term Enhanced Yield		Total		Target
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%	%
L&G	6,985	20.7%	3,441	10.2%	1,322	3.9%					**11,748**	**34.8%**	33.0%
Baillie Gifford	2,644	7.8%									**2,644**	**7.8%**	7.5%
Lazard	1,080	3.2%									**1,080**	**3.2%**	2.5%
Oldfield	1,075	3.2%									**1,075**	**3.2%**	2.5%
Veritas	1,019	3.0%									**1,019**	**3.0%**	2.5%
Lombard Odier	423	1.3%									**423**	**1.3%**	1.0%
JP Morgan	1,080	3.2%							1,606	4.8%	**2,686**	**7.9%**	7.5%
Pantheon	1,270	3.8%					62	0.2%			**1,332**	**3.9%**	5.8%
Partners Group	877	2.6%					389	1.2%	630	1.9%	**1,896**	**5.6%**	5.5%
RBC	682	2.0%									**682**	**2.0%**	2.0%
PIMCO							1,253	3.7%			**1,253**	**3.7%**	4.0%
Ruffer							590	1.7%			**590**	**1.7%**	2.0%
Barings (multi-credit)							765	2.3%			**765**	**2.3%**	2.3%
Oak Hill Advisors							616	1.8%			**616**	**1.8%**	1.8%
Barings (private debt)							352	1.0%			**352**	**1.0%**	1.8%
Alcentra							230	0.7%			**230**	**0.7%**	0.0%
ICG Longbow							332	1.0%			**332**	**1.0%**	1.0%
DTZ									2,580	7.6%	**2,580**	**7.6%**	9.0%
DIP	181	0.5%					98	0.3%	1,385	4.1%	**1,665**	**4.9%**	7.5%
Cash							837	2.5%			**837**	**2.5%**	1.0%
Total	**17,315**	**51.2%**	**3,441**	**10.2%**	**1,322**	**3.9%**	**5,525**	**16.3%**	**6,200**	**18.3%**	**33,804**	**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	**2,569**	**2,456**
Amounts Drawn Down by Managers	**1,965**	**1,873**
+ Increase in Value	**670**	**625**
- Received Back in Distributions	**851**	**851**
- Realisations	**137**	**-**
= Total Net Asset Value (NAV)	**1,642**	**1,647**

Based on a current total Fund value of **£33,804m**, DIP's **7.5%** target allocation is a NAV of **£2,535m**.

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

In Q4, drawdowns and distributions amounted to **£11m** and **£27m** 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	4.1	*2.9*	4.3	*12.6*	16.8	*9.0*
LTEY	0.5	*1.5*	4.0	*3.9*	6.2	*5.5*
STEY	0.0	*1.6*	6.4	*6.7*	7.0	*4.0*
TOTAL	**0.9**	***2.5***	**4.3**	***8.9***	**6.9**	***6.5***

DIP performance is positive over all time periods and all asset categories, with Equity funds performing particularly well in Q4 2025.

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:

- **61** investments are rated **green**;
- **7** are **amber**;
- **2** in legals;
- **None 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	16	4	0	16
Clean Growth Fund II	2025	Venture Capital	Equity	30	0	30	0	0
Corran Environmental Fund II	2024	Growth Capital	Equity	20	13	7	0	14
Epidarex Fund II	2013	Venture Capital	Equity	5	5	0	3	4
Epidarex Fund III	2019	Venture Capital	Equity	15	12	3	1	11
Epidarex Fund IV	2026	Venture Capital	Equity	25	0	25	0	0
Foresight Regional Investment V LP	2023	Growth Capital	Equity	30	14	16	0	17
Maven UK Regional Buyout Fund	2017	Growth Capital	Equity	20	18	2	19	9
Maven UK Regional Buyout Fund II	2025	Growth Capital	Equity	30	2	28	0	0
Palatine Impact Fund II	2022	Growth Capital	Equity	25	12	13	0	8
Palatine Private Equity Fund IV	2019	Growth Capital	Equity	25	21	4	16	22
Palatine Private Equity Fund V	2024	Growth Capital	Equity	30	3	27	0	2
Panoramic Enterprise Capital Fund 1 LP	2010	Growth Capital	Equity	3	3	0	9	1
Panoramic Growth Fund 2 LP	2015	Growth Capital	Equity	13	12	1	17	5
Panoramic SME Fund 3 LP	2022	Growth Capital	Equity	25	7	18	1	7
Par Equity Northern Scale-Up Fund	2023	Venture Capital	Equity	25	9	16	0	11

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)
Pentech Fund III	2017	Venture Capital	Equity	10	8	2	0	10
SEP III	2006	Growth Capital	Equity	5	5	0	18	0
SEP IV LP	2011	Growth Capital	Equity	5	5	0	8	1
SEP V LP	2016	Growth Capital	Equity	20	20	0	20	21
SEP VI LP	2021	Growth Capital	Equity	30	15	15	0	17
Total as at 31/12/2025	**Q4**			**411**	**202**	**209**	**113**	**177**
Asset Category: LTEY								
Albion Community Power LP	2015	Renewables	LTEY	40	40	0	21	32
Alpha Social Impact Fund	2015	Support Living	LTEY	15	15	0	6	19
Capital Dynamics Clean Energy Infrastructure VIII	2019	Renewables	LTEY	40	40	0	6	42
Capital Dynamics Clean Energy UK Fund	2023	Renewables	LTEY	60	23	37	0	26
Clydebuilt Fund II LP	2021	Property	LTEY	100	74	26	8	68
Clydebuilt Fund LP	2014	Property	LTEY	75	75	0	78	9
Dalmore Capital Fund 3 LP	2017	Infrastructure	LTEY	50	50	0	16	52
Dalmore Capital Fund 4 LP	2021	Infrastructure	LTEY	50	50	0	6	52
Dalmore II 39 LP	2021	Infrastructure	LTEY	50	45	5	6	44
Dalmore PPP Equity PiP Fund	2014	Infrastructure	LTEY	50	50	0	41	40

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	14	29
Equitix Fund V LP	2018	Infrastructure	LTEY	50	50	0	19	51
Equitix Fund VI LP	2020	Infrastructure	LTEY	50	50	0	5	48
Equitix Fund VII LP	2024	Infrastructure	LTEY	50	46	4	1	50
Equitix MA 19 LP (Co-Investment Fund)	2020	Infrastructure	LTEY	50	50	0	9	56
Funding Affordable Homes	2015	Property	LTEY	30	30	0	0	27
Greencoat Solar Fund II LP	2017	Renewables	LTEY	50	50	0	19	41
Hermes Infrastructure Fund II	2017	Infrastructure	LTEY	50	42	8	13	44
Iona Renewable Infrastructure LP	2017	Renewables	LTEY	14	14	0	8	13
Iona Resource and Energy Efficiency (Strathclyde) LP	2021	Renewables	LTEY	6	6	0	0	7
Legal & General UK Build to Rent Fund	2016	Property	LTEY	75	75	0	7	74
Macquarie GIG Renewable Energy Fund I	2015	Renewables	LTEY	80	80	0	75	53
Man GPM RI Community Housing Fund	2021	Property	LTEY	30	28	2	0	26
Man RI Community Housing Fund 3	2025	Property	LTEY	50	0	50	0	0
NextPower UK ESG Fund	2022	Renewables	LTEY	60	40	20	4	45
NTR Wind I LP	2015	Renewables	LTEY	40	36	4	40	33
Octopus Affordable Housing Fund	2023	Property	LTEY	50	0	50	0	0

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	67	78
Places for People Scottish Mid-Market Rental (SMMR) Fund	2019	Property	LTEY	45	40	5	4	49
Quinbrook Renewables Impact Fund (QRIF1)	2020	Renewables	LTEY	50	48	2	1	60
Quinbrook Renewables Impact Fund (QRIF2)	2024	Renewables	LTEY	60	10	50	4	11
Resonance British Wind Energy Income Ltd	2013	Renewables	LTEY	10	10	0	9	5
Temporis Impact Strategy V LP (TISV)	2021	Renewables	LTEY	50	33	17	13	45
Temporis Operational Renewable Energy Strategy (TORES)	2017	Renewables	LTEY	30	30	0	14	45
Temporis Operational Renewable Energy Strategy (TORES II) (prev. TREF)	2015	Renewables	LTEY	30	30	0	13	35
Total as at 31/12/2025	**Q4**			**1,700**	**1,408**	**292**	**527**	**1,309**
Asset Category: STEY								
Beechbrook UK SME Credit II Fund	2016	Credit	STEY	30	29	1	31	11
Beechbrook UK SME Credit III Fund	2021	Credit	STEY	40	34	6	14	23
Beechbrook UK SME Credit IV Fund	2025	Credit	STEY	50	7	43	0	25
Healthcare Royalties Partners III LP	2013	Credit	STEY	18	18	0	23	1
Invesco Real Estate Finance Fund II (formerly GAM REFF II)	2018	Credit	STEY	20	14	6	22	2
Muzinich UK Private Debt Fund	2015	Credit	STEY	15	15	0	15	0

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)
Pemberton UK Mid-Market Direct Lending Fund	2016	Credit	STEY	40	37	3	52	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 31/12/2025	**Q4**			**279**	**205**	**74**	**206**	**98**
Co-investment Programme								
Equitix Fund MA16 LP	2025	Renewables	LTEY	20	20	0	0	20
Schroders Greencoat Glasgow Terrace	2023	Renewables	LTEY	15	15	0	2	13
Temporis (TISV Co-invest1 LP) (TISV3)	2024	Renewables	LTEY	15	15	0	3	20
Temporis (TISV Co-invest1 LP) (TISV2)	2024	Renewables	LTEY	15	8	7	0	10
Total as at 31/12/2025	**Q4**			**65**	**58**	**7**	**5**	**63**
DIP Portfolio Total								
Total as at 31/12/2025	**Q4**			**2,455**	**1,873**	**582**	**851**	**1,647**
Total as at 30/09/2025	**Q3**			**2,280**	**1,790**	**490**	**754**	**1,598**

Appendix 6

Investment Advisory Panel Meeting February 2026

MINUTES OF MEETING ON Thursday 12th February 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
	Ian Jamison	Investment Manager
	Syed Muslim	Assistant Investment Manager
	Lorraine Martin	Assistant investment Manager
	Moira Gillespie	Investment Assistant

1. Minutes from Last Meeting & any Matters Arising

The minutes of the Panel meeting on 13th November 2025 were agreed to be an accurate record.

Officers advised that the Fund had completed its commitment of £175m to the Pantheon Private Debt fund, PSD IV GBP LP, in December 2025. Legal diligence for the £300m increase in commitment to Partners Group private equity had commenced.

2 Monitoring

2.1 Market and Inflation Update

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

2.2 Quarterly Investment Performance Review

The Fund's return for **Q4 2025** was **+2.5%**, behind the benchmark return of **+2.8%**. Performance for 2025 was positive (+**9.9%**), but below benchmark (**+11.2%**). The Fund's return is positive on an absolute basis over five and ten years but behind benchmark.

2.4 Manager Ratings

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

- 16 of the Fund's active managers were rated **green**
- 5 rated **amber**
- 1 was rated **red** following the Committee decision to review the emerging market equity portfolio. The sale of this holding was completed during Q4.

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:

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

2.6 Currency Hedge Report

In September 2017, the Strathclyde Pension Fund Committee agreed that the Fund would hedge 33% of its currency exposure arising from overseas equity by switching investments in LGIM passive index funds to currency hedged alternatives. In March 2021 and again in 2024, as part of the Fund's triennial review of investment strategy, the Committee agreed to maintain currency hedging of overseas equity exposure.

The Panel reviewed a monitoring report that indicated that:

- the Fund's overseas hedge ratio at end December was **32.9%** vs its target of **33%**.
- the currency hedge had added value to the Fund in the 12 months to 31st December due to the appreciation in Sterling against the US dollar and the Japanese Yen.
- since the inception of the hedging strategy, total gains from currency had been increased by the hedge.

The Panel remained supportive of the current hedging target weight of **33%** of overseas listed equity.

2.7 Funding Level Monitoring

The Panel reviewed an updated Funding level report from Hymans Robertson. The funding level at the end of December 2025 was estimated to have increased to **184%**, compared with the funding level of **147%** at the last valuation date, 31st March 2023.

2.8 Investment Cost Monitoring

The Panel reviewed a benchmarking report produced by CEM covering the period to 31st March 2025. Main findings included:

- **37%** of SPF assets rated as high cost versus a global peer group average of **29%**
- SPF cost of **54bps** was below the CEM LGPS universe cost of **67.5bps**
- SPF 5-year net total return of **+8.4% p.a.** was equal to the LGPS median of **+8.4% p.a.**
- SPF 5-year benchmark return of **+9.2% p.a.** was above the LGPS median of **+8.6% p.a.**
- SPF 5-year net value added of **-0.8% p.a.** was below the LGPS median of **-0.2% p.a.** The greatest detractor from value added was global equity.
- SPF benchmarked costs had fallen from **84.1bps** in 2021 to **54bps** in 2025.
- SPF 10-year realized Sharpe ratio of **0.6** was the same as the LGPS median of **0.6.**

The Panel concluded that the CEM report provided some assurance and no real surprises regarding SPF costs.

Investment Advisory Panel Meeting February 2026

2.9 Custody Contract

In 2021, following a tender process, Northern Trust were reappointed to provide global custody services for the Fund. This contract is now coming to the end of its initial 5-year term, with an option to extend for an additional 5 years.

The Panel reviewed a paper prepared by Hymans Robertson which confirmed that, since the last tender, Northern Trust continues to meet and exceed expected credentials with regard to its Operational and Counterparty Risk capabilities, and that the custodian's financial strength, regulatory compliance and operational resilience remain robust.

No material concerns have been identified that would necessitate a retender, and the Fund remains satisfied with Northern Trust service delivery. The Panel concluded that the Fund can proceed with the 5 year-extension to its contract with Northern Trust.

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 2025, net cashflow from private markets was **+£201m,** compared with a forecast of **+£240m**.
- In 2026, initial manager forecasts project a net cash flow of **+£236m**.
- The central cash balance at 31st December was +**£836m.** This had increased by **+£310m** in the quarter.
- Flows from private market programmes amounted to **+£18m** during Q4 2025.
- **(£100m)** was transferred from investments to fund benefits cash flow.
- Transfers in from LGIM and Baillie Gifford of **+£450m** were received as a result of rebalancing activity.

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

3.2 Rebalancing Strategy

The Panel reviewed a rebalancing report showing Fund allocations vs strategy allocations as at 31st December 2025.

At asset class level, the total allocation to Long Term Enhanced Yield was close to the lower limit of its target range. At portfolio level, the Barings (private debt) and ICG Longbow portfolios were close to the lower limit of their target ranges, but these allocations should increase over the next few months as new commitments are drawn down. The Fund's credit and index-linked allocations were also below their target ranges following the Panel's decision in Q1 2025 to move to an underweight position in credit and index-linked in favour of an overweight position in gilts.

There were no other breaches of ranges and the Panel agreed that no action was required.

3.3 Relative Value Framework

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

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

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

- Spreads on both US and UK investment grade credit remain substantially below 20-year medians. 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.
- Whilst implied inflation declined for all but the longest maturities, 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.

.

4. Manager Reviews

4 investment managers attended the Investment Advisory Panel:

- **DTZ**
- **Baillie Gifford**
- **Lombard Odier**
- **JP Morgan (Global Small Cap)**

Performance of each of the managers was reviewed.

4.1 DTZ

The DTZ UK property portfolio is currently valued at **£2,580m**, or **7.6%** of total Fund, versus a target weight of 9%. DTZ provided an update on the current portfolio and performance together with an outline of investment strategy for 2026.

4.2 Baillie Gifford

The Baillie Gifford global equity portfolio is currently valued at **£2,644m**, or **7.8%** of total Fund, versus a target weight of 7.5%. Baillie Gifford provided an update on the current portfolio and performance including the most recent transactions.

4.3 Lombard Odier

The Lombard Odier portfolio is currently valued at **£423m** or **1.3%** of total fund versus a target of **1.0%**. Lombard Odier provided an update on the current portfolio and performance.

4.4 JP Morgan (Global Small Cap)

The JP Morgan Equity portfolio is currently valued at **£1,080m**, or **3.2%** of total Fund, versus a target weight of 3.0%. JP Morgan provided an update on the current portfolio and performance.

5 Investment Strategy and Structure

5.1 Climate Action Plan – Updated Fair Share Analysis

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

The Panel reviewed updated 'fair share' analysis to measure progress against the SPF climate action plan. The analysis showed that:

- passive mandates are well below their fair share pathway to 2030;
- active mandates are slightly above their fair share pathway but do have a reasonably strong downward trend; and
- changes to Bond portfolios mean they are also well below fair share.

It is also clear that the equity portfolios are well adrift of their fair share pathway beyond 2030, though bond portfolios are much better aligned.

Scope 3 Emissions

The results above are based on Scope 1 and 2 emissions only, which is consistent with the Net Zero Investment Framework (NZIF 2.0) which considers portfolio scope 1 and 2 emissions must be included in objectives. NZIF also recommends that material portfolio scope 3 emissions be phased into net zero efforts at the portfolio level, as data availability, quality, and consistency allow, as well as where meaningful to net zero goals. However, it is currently recommended that they be monitored separately to portfolio scope 1 and 2 emissions and a separate strategy is created to address these due to measurement, aggregation, and misincentivisation challenges (including double counting).

Hymans Robertson provided analysis for individual portfolios and analysis which includes Scope 3 emissions. This does illustrate significant challenges around the pace of decarbonisation based both on progress to date and targets set by companies and some specific company impacts.

The Panel agreed that the results of the Fair Share analysis will be used as the basis for further engagement with managers and for ongoing strategy development.

Further detail of results is included in a separate paper to Committee.

5.2 Climate Action Plan – Review of Energy Company Analysis

As part of the climate change strategy, an annual assessment of energy companies in SPF portfolios has been undertaken to ensure that all are meeting minimum standards agreed with the Fund's investment managers and Sustainalytics. The first assessment of energy company holdings using the minimum standards framework was presented to Committee in Q1 2022, based on holdings at 30 June 2021. Updated analysis has been provided annually since then.

When the framework was first established, it was agreed that it should be reviewed periodically to reflect industry evolution in this area along with the Fund's changing climate ambitions. At its meeting in November, the Panel had agreed the following revisions to the framework:

- A shift from the current TCFD structure to one more aligned with transition plans;
- Amended weightings; and
- A reduction in the data sources used, given developments in reporting from MSCI.

Hymans presented a paper which:

- set out a new framework with updated metrics and criteria, based on the changes agreed in November;
- Compared the impact of the new metrics on scoring for all relevant 31st March 2025 holdings;
- Proposed the removal of the data availability score; and
- Proposed some refinements to the planned actions under each score.

The Panel were supportive of the refinements to the framework and agreed that they should be adopted. The revised framework will be used to assess the Fund's energy company holdings at 31st March 2026.

5.3 Climate Change Strategy – Climate Transition Plan

The SPF Committee agreed the Fund's current climate action plan in March 2023. The Plan has a 3-yearly implementation and review cycle, consistent with SPF's triennial cycle of planning and review. A review of the current plan is included as a priority in the 2025/26 business plan.

A separate report to Committee provides an update on the Fund's review of progress against the 2023 plan and presents a 2026-2029 Climate Transition Plan for approval. The Panel reviewed a draft of the Committee report and were supportive of the revised Climate Transition Plan.

5.4 Investment Strategy and Structure Review 2026/27

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

At meetings in August and November, the Panel had held preliminary discussions on the upcoming investment strategy review. The Panel reviewed a paper summarising the priorities previously identified, together with a paper from Hymans setting out a high level proposal and timeline for the review.

The Panel discussed both papers and agreed the following priorities:

- An ALM should be carried to check that the Fund's current or proposed investment strategy remains appropriate to meet funding objectives. It is anticipated, given the strong funding level, that testing of alternative strategies will be kept to a minimum. The ALM should include climate scenario modelling and consideration of alternative employer strategies.

The Panel agreed that, in addition to an overall review of each of the 5 broad asset classes, the following areas remained priorities for further discussion:

- Equity allocation, including a review of the split between active and passive strategies, listed and private equity, overall regional structure and investment mandates.
- Current and future fixed income positioning, including a review of the relative value framework.
- Real estate structure, and in particular the global real estate investment strategy.
- Benchmarking of fund performance.
- Climate action plan priorties.

6 Governance

6.1 Strathclyde Pension Fund Committee.

The Panel noted the draft agenda for the next committee meeting on Wednesday 18th March 2026.

Appendix 7

Stewardship Activity: Responsible Investment

Responsible Investment: Quarter 4 2025

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

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

In Quarter 4, the Fund's Emerging Market Equity Manager, RBC published their 2025 Climate Report. RBC believes there is clear evidence that investing in companies that invest and plan for the future and focus on a range of material ESG factors, including climate change, have more durable business practices and are therefore more likely to achieve resilient, long-term returns while also avoiding the risks.

RBC has developed a number of climate data tools for measuring and monitoring changes in the portfolio's climate-related risks and opportunities. Using these tools and other inputs, climate-related metrics for each of the categories below can be provided:

- **Carbon intensity:** measuring portfolio's Scope 1 & 2 carbon intensity relative to the benchmark.
- **Net-zero alignment:** this is based on two metrics – the percentage of AUM invested in issuers with net- zero or science-based targets and issuers with a temperature alignment below 2°C, based on Implied Temperature Rise (ITR).
- **Climate-related engagements:** the engagements focus on the understanding of the companies' approach to material climate-related risks and opportunities and monitoring their progress in addressing these.

RBC seeks to build a comprehensive view of each company's carbon footprint, including Scope 1, 2 and 3 emissions. However, as Scope 3 data remains uneven and often reliant on estimates, the portfolio carbon intensity data is currently based on Scope 1 and 2 emissions only, measured as metric tonnes of carbon per £1 million of sales.

RBC's carbon intensity attribution analysis shows that the portfolio's materially lower carbon intensity relative to the benchmark (67.9 vs 273.7) was driven primarily by lower exposure to high-emitting sectors (notably Utilities, Materials and Energy), with stock selection in Materials providing a further positive contribution, partially offset by modest adverse effects in a small number of lower-emitting sectors

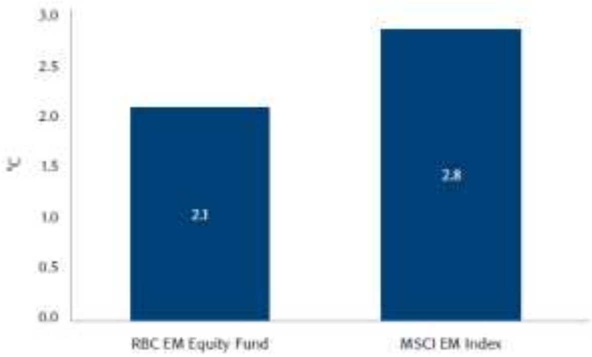
RBC's focus on ESG integration as part of its investment philosophy and process, has resulted in a 78% lower weighted average carbon intensity ("WACI") than the MSCI EM. While the portfolio's temperature alignment is 2.1°C vs 2.8°C benchmark based on MSCI's Implied Temperature Rise (ITR).

Appendix 7

Stewardship Activity: Responsible Investment

RBC's Carbon Intensity

RBC's ITR



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

2.1 Voting

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

Voting activity to 31st December 2025		
		(%)
Total meetings	**2,800**	-
Votes for	12,105	67
Votes against	5,180	29
Abstentions	464	3
Not voted	414	2
No. of Resolutions	**18,163**	**100**

Voting highlights in the quarter included:

- **Legal & General** voted against Australian metals & mining company **South32 Ltd.'s** proposal for its Climate Change Action Plan 2025. While Legal & General acknowledged improvements in South32's Climate Change Action Plan, including enhanced Scope 3 disclosures, it considered the plan to fall short of Legal & General's published expectations for a robust and credible decarbonisation strategy under its mining assessment framework. In particular, Legal & General highlighted the need for clearer quantification of the actions and investments required to deliver emissions reduction targets, and stronger evidence that the company's decarbonisation strategy is aligned with those targets

- **Veritas** voted in support of a shareholder proposal requesting that **Microsoft** report on its Human Rights Risk Assessment. While management recommended a vote against the resolution, Veritas considered the proposal justified. Veritas noted that recent controversy regarding the alleged misuse of Microsoft's Azure technology which was identified following external reporting and public scrutiny. This raises questions about the effectiveness of the company's human rights due diligence (HRDD) processes and exposes the company to potential legal, reputational, operational and financial risks. In Veritas' view, both the company and shareholders would benefit from enhanced disclosure assessing how effective Microsoft's HRDD processes are in preventing, identifying and addressing customer misuse of its artificial intelligence and cloud products/service.

- **Baillie Gifford** voted against the ratification of the external auditor at US based auto parts manufacturer **AutoZone** due to concerns over the auditor's length of tenure. In Baillie Gifford's view, regular auditor rotation represents good governance practice, helping to maintain independent oversight of the audit process and strengthening confidence in the company's internal financial controls.

  Baillie Gifford voted against UK housebuilder **Bellway's** resolution seeking authority to issue equity. Baillie Gifford believes that the potential level of dilution was not in shareholders' interests. In Baillie Gifford's view, proposed issuance authorities should remain within limits that protect existing shareholders from excessive dilution.

2.2 Engagement

Engagement highlights during the quarter include the following.

- **Legal & General** engaged with the board and executive team at **Tesla** ahead of the AGM. The main focus of the engagement was Tesla's 2025 CEO Incentive Award, which was presented as a mechanism to align Elon Musk's interests with shareholder value through performance-based targets.

  Legal & General raised material governance concerns regarding the award structure, including pay-for-performance concerns (including vague operational goals and no clawback provisions) and the potential concentration of shares in the CEO if the award vests in full, which could weaken shareholder accountability and board oversight. Legal & General considered these concerns in the context of broader governance weaknesses at Tesla, including limited board independence, a classified board structure, supermajority voting requirements, and board actions viewed as restricting shareholder rights (including derivative litigation rights). Following the engagement, Legal & General also voted against the removal of the supermajority requirement (despite ordinarily supporting such proposals) due to concerns that the proposed CEO award could increase Elon Musk's influence to an estimated c.25% of shares, creating a risk of disproportionate control over strategic decisions and constitutional changes if the supermajority safeguard were removed.

Stewardship Activity: Responsible Investment

Legal & General also undertook extensive engagement with **Anglo American** in 2025. The engagement focused on strategic direction, long-term value creation and sustainability outcomes, including Anglo American's proposed merger with Teck Resources. Legal & General had previously been public in its views on sector consolidation and was transparent in its support for the proposed Teck merger, which it viewed as having the potential to create a stronger energy-transition-focused mining business with significant copper exposure.

Legal & General also engaged on related remuneration governance issues, specifically proposed amendments to Anglo American's Long-Term Incentive Plan (LTIP) presented at the December 2025 EGM. Legal & General challenged the retrospective amendments, which would have introduced guaranteed minimum vesting for 2024 and 2025 awards (conditional on the merger proceeding), on the basis that they were not aligned with Legal & General's published remuneration expectations.

In this case, Legal & General adopted a differentiated voting approach, supporting the merger proposal while voting against the LTIP amendments resolutions, and pre-declared its voting intentions to provide transparency and signal its governance concerns. Following investor scrutiny, Anglo American withdrew the remuneration resolution ahead of the EGM and the merger with Teck Resources was subsequently approved by shareholders with 99.17% supported in favour. Legal & General has indicated that it will continue constructive engagement with Anglo American on future remuneration arrangements.

- **Baillie Gifford** met with **Amazon's** head of ESG engagement and ESG engagement specialist to discuss employee working conditions, unionisation and freedom of association, and supply chain labour standards.

  The engagement was mainly about Project Nimbus and how Amazon considers it within the context of human rights commitments. Amazon outlined continued investment in employee health and safety, highlighting material reductions in total recordable and lost-time incident rates over the past five years. Progress is the result of many factors, including extensive ergonomic redesigns and large-scale deployment of robotics to remove the most physically demanding tasks.

  Baillie Gifford also discussed unionisation and migrant worker issues in Saudi Arabia. Amazon's policy framework remains aligned with international standards and it has invested meaningful time and capital in remediation and supplier oversight, reinforcing the view that the company is trying to manage complex social risks responsibly. However, the company was limited in what information it can provide on Project Nimbus, confirming only that it was covered by Amazon's acceptable use policy.

Baillie Gifford will continue to monitor developments and encourage greater transparency from Amazon regarding this issue.

Baillie Gifford believes that Amazon's progress and ongoing investment in workforce and supply chain practices is commendable, which underpins its long-term operational resilience and licence to operate.

Baillie Gifford engaged with **Microsoft** to seek clarification on its response to allegations that its cloud services were being used to store data from the mass surveillance of civilians in Gaza and the West Bank.

The team met with Steve Lippman, ESG engagement director at Microsoft, to discuss the company's response to allegations concerning the use of its cloud services in the surveillance of civilians in Gaza and the West Bank.

Mr. Lippman acknowledged the inherent risk that Microsoft's products, given their global scale and ubiquity, may at times be used in ways that contravene its Acceptable Use Policy. In this instance, the purchase of an off-the-shelf cloud service did not trigger enhanced due diligence at the point of sale. Microsoft became aware of the potential misuse only after the publication of an investigative report by The Guardian in August 2025. It then conducted a forensic investigation, which confirmed the allegations. Mr. Lippman emphasized that Microsoft does not access the content of customer accounts, as doing so would constitute a breach of user privacy. As a result of its internal review, Microsoft has implemented two key enhancements to its policies and procedures. First, the company is strengthening its pre-contract due diligence processes by expanding the focus from solely sensitive use cases to include sensitive customers, thereby broadening the scope of risk screening. Second, improvements have been made to Microsoft's internal whistleblowing portal to make it more accessible and effective in capturing potential policy violations raised by employees.

This engagement provided Baillie Gifford with a degree of assurance that Microsoft is approaching the matter with integrity and seriousness. Another follow up meeting has been scheduled with Microsoft's Human Rights Team in 2026 to continue the dialogue and gain further insight into the broader human rights challenges the company is facing.

- **Lazard** met with **Novo Nordisk** ahead of its November 2025 EGM for a strategy-focused discussion with the CFO, while also addressing the significant governance overhaul underway.

  The company is undergoing a board reshuffle, with the chair, vice chair, and five directors departing following disagreements with its majority-voting shareholder, the Novo Nordisk Foundation, regarding the extent of board changes required. This comes amid wider corporate disruption, including the appointment of a new CEO in August, a reduction of 9,000 roles announced in September, and successive downward profit revisions amid growing competitive pressures in diabetes and obesity treatments. While Ozempic and Wegovy had made Novo Nordisk Europe’s most valuable company in 2024, its valuation has since weakened, with further share declines following news of the board exits. The engagement helped inform Lazard’s view at the company’s 2025 EGM and Lazard will continue engaging as governance changes progress and the company updates on strategic adjustments under new leadership

Lazard also met with **Eli Lilly,** for a broad ESG and risk management discussion focused on climate strategy, human capital, data governance, and compliance practices.

Lilly outlined how its USD 27 billion manufacturing expansion incorporates low carbon design, progress toward Scope1 & 2 reductions, and ongoing challenges in renewable procurement. Scope 3 target setting and supplier alignment remain under evaluation. The company has completed climate risk scenario analysis across key sites but has not disclosed outcomes publicly. Human capital transparency remains limited: Eli Lilly continues to invest in critical AI and R&D talent but does not plan to reinstate representation metrics or disclose fuller turnover data, reducing visibility as the workforce scales. Eli Lilly also detailed its governance of AI or Machine Learning systems, including federated learning controls in Tune Lab, and noted that ESG expectations are incorporated qualitatively, but not through a formal and measurable formula into executive pay decisions. Lazard expects to further engage as Lilly refines its climate roadmap, human capital disclosures, and data governance oversight.

Lazard also met with **Avery Dennison**, the world's largest producer of branding and information solutions, to discuss board composition following this year’s refresh, compensation proposals, and sustainability-linked strategic priorities. The board continues a multi-year effort to rebalance tenure in response to stakeholder feedback, targeting an equal distribution across <5, <10, and >10 years as departures of two long-tenured directors who accepted CEO roles accelerated turnover, leaving the board temporarily weighted toward newer members.

The company also sought feedback on proposed changes to incentive plan maximums. Based on peer analysis, pay levels and mix remain typical for similarly sized companies, with higher recent outcomes driven by strong growth. Lazard noted no concerns with the proposed adjustments. Management further highlighted sustainability as a core value driver, with USD 40–60 million in annual productivity and materials-efficiency projects, energy-efficiency initiatives, and opportunities, which the company views as an enabler rather than a risk. Lazard will continue dialogue as the governance refreshment progresses and regulatory-driven product opportunities evolve.

RBC met with **WEG**, a leading Brazilian electrical and automation equipment manufacturer, to discuss their approach to Water Stewardship and Societal Value – two newer focus areas of engagement for the team. Overall, RBC were very impressed with management's approach.

In terms of water stewardship, WEG launched a Water Management Programme, with goals to improve water efficiency and resilience across operations. The company has put in place numerous initiatives, including rainwater collection and effluent reuse (treated water reused in industrial processes), and has implemented various solutions to improve efficiency. This includes water recirculation systems for painting booths and cooling towers, dry painting booths that significantly reduce water usage in operations, and global water risk assessment tools such as the Aqueduct Water Risk Atlas.

In terms of societal value, management highlighted that sustainable growth is a central topic in their sustainability strategy, aiming to generate socio-economic and environmental value. WEG's products and services address societal needs by promoting energy efficiency, renewable energy, and sustainable solutions, together with electric mobility solutions, with charging stations and vehicle traction systems that reduce CO2 emissions.

- **Morningstar Sustainalytics** reported on engagement with **NTT** as part of its thematic engagement programme **Human Capital Management Stewardship.**

  NTT (JP Morgan) is a Tokyo-based multinational telecommunications company. It is the third largest publicly listed company in Japan, accounting for a 300,000 strong workforce and consequently in competition for the best talent in the market.

  The engagement in November 2025 focused on how the company intended to improve their employee value proposition. This is in context of a quickly declining Japanese labour market and increased competition for top talent. Sustainalytics aimed to understand how the company was opening up to a wider range of talent and what targets were set up at group level and at operational companies to support these objectives. Another focus was the company's progression from only complying with domestic laws towards following international best practice

  As a result, NTT was able to improve its employee engagement score for the first time in four years, demonstrating that initiatives based on employee feedback are paying off. The company has also been moving toward recruiting and promoting more diverse talent. One key metric that was used is to target 15% of women at managerial roles linked to executive variable pay, which currently stood at 13.8% as of 2024. NTT is also preparing to align with the Sustainability Standards Board of Japan (SSBJ) framework, which will help to identify disclosure gaps in the future.

Appendix 7

Stewardship Activity: Responsible Investment

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.

- **Legal & General** engaged with **Microsoft** on AI governance, human rights and data governance disclosure, reflecting the company's significant influence on the deployment of AI through its software and cloud businesses, and the associated ESG risks (including human rights, data governance, legal and reputational risk).

  Legal & General met with Microsoft ahead of its AGM to discuss shareholder resolutions relating to AI and data governance and human rights, seeking to understand the company's approach to these issues and the steps taken to manage related risks. Legal & General noted that Microsoft had taken corrective actions in response to stakeholder feedback, and on that basis voted against two shareholder resolutions on human rights at the 2025 AGM.

  Microsoft's disclosures on responsible AI governance and human rights are considered to be strong relative to international peers but identified scope for further improvement in data governance disclosures, particularly in relation to government requests for content removal, and requests for user data. Legal & General also noted positively that Microsoft had amended aspects of its internal risk classification process, including which projects require additional human rights due diligence.

  Legal & General will continue to monitor progress and engage further on AI governance, human rights and related environmental topics, with a focus on ensuring disclosures remain decision useful as risks and regulation evolve.

- **Baillie Gifford** met with the sustainability team of Latin America's ecommerce giant **MercadoLibre** and its advisors to understand the company's approach to sustainability governance and to emissions management.

  MercadoLibre's sustainability function sits within the corporate strategy department and is structured around environmental performance, socioeconomic development, and reporting. This integration, rather than a communications-led approach, signals that sustainability is being treated as a strategic growth issue. The central topic of the conversation was the company's challenges in setting science-based targets, including a lack of regional infrastructure and electric vehicles to reduce the greenhouse-gas emissions from deliveries.

  Management is cautious about committing to emissions targets without credible implementation pathways. Despite this, MercadoLibre retains its operational goals to achieve 100 per cent renewable energy at distribution centres by 2035 and expanding its fleet to 10,000 electric vehicles from about 4,000 today. The sustainability team is considering ways to support its delivery partners to decarbonise, exploring incentive schemes, credit lines, and regional advocacy through initiatives such as the Alliance for Sustainable Mobility. Baillie Gifford have advocated for additional data that would help them track performance and offered support for ecosystem building. Baillie Gifford also touched on physical climate risk and the very real impact this can have on the MercadoLibre's sellers.

Finally, Baillie Gifford commended the company's new impact reports for Brazil and Mexico, which illustrate the importance of the company's marketplace and financial services for small business growth and job creation. Baillie Gifford also briefly revisited board governance after shareholder dissent at the 2025 annual general meeting (AGM), particularly around audit committee independence.

Baillie Gifford met with **Reliance Industries Limited** to learn more about the company's new energy initiatives in conjunction with their decarbonisation strategy.

Baillie Gifford spoke with the investor relations team, alongside one of their sustainability managers. The company provided an update on its plans to expand solar capacity to 10 GW by March 2026, along with a roadmap for backward integration from polysilicon to glass by the end of 2026. Infrastructure is in place to facilitate expansion to 20 GW. Preparatory work is underway at a site in Gujarat, with solar installations expected to commence early next year, pending the completion of a new transmission line. In batteries, Reliance Industries Limited (RIL) plans to initiate with a 30-40 GWh capacity, scaling to 90 GWh within two years. Baillie Gifford discussed the current direction of lithium iron phosphate (LFP) technology, with potential future shifts to sodium-ion batteries. The company sees opportunities in integrating Battery Energy Storage Systems (BESS) with large-scale renewables, aiming to provide cost-effective storage solutions that are potentially cheaper than traditional power sources.

Reliance internal consumption remains a priority for its renewable energy generation, particularly at Jamnagar and data centres, with market sales as a secondary option. The ongoing integration process will strike a balance between self-use and external sales, driven by economic considerations. Emissions disclosure was a key topic, and Baillie Gifford provided feedback on expectations for minimum disclosures, including a request for timelines for Scope 3 GHG emissions. The company reported how their supplier engagement is progressing, with coverage expanding from 12 per cent to 38 per cent, while customer-side engagement is slower due to diverse requirements.

- **JP Morgan** engaged with senior executives at **Sumitomo Electric Industries** to discuss governance and capital efficiency concerns, including limited board independence, low shareholder returns and the need to unwind cross-shareholdings. J.P. Morgan also emphasised the importance of continued disclosure of segmental Return On Invested Capital (ROIC) and clearer explanation of how ROIC is used to drive returns above the cost of capital.

J.P. Morgan requested a clearer and timebound plan to reduce cross-shareholdings, and greater transparency on how any sale proceeds would be allocated between reinvestment and shareholder returns. J.P. Morgan also encouraged further improvements to board independence and highlighted the need to address the age profile of outside directors.

Sumitomo confirmed it is in negotiations to reduce cross-shareholdings, with an ambition to halve these holdings over the next several years. The company also addressed the listed subsidiary structure through the acquisition of Sumitomo Riko and the divestment of Sumitomo Densetsu. Management further indicated an intention to revise long-term financial targets and strengthen board composition through orderly refreshment, including replacing long-tenured outside directors and appointing younger and female outside directors to enhance diversity.

- **RBC** met with **Midea**, one of the world’s largest producers of major appliances based in China. During the engagement, the team urged Midea to introduce more ambitious net-zero goals beyond peaking emissions in 2030, and net-zero by 2060, in line with the country's overall goals. The company explained that their internal goals exceed publicly stated targets, but that they want to ensure these more ambitious objectives are feasible before disclosing them publicly. The discussion also involves the lack of scope 3 emissions data disclosure in their ESG report. Midea explained they already monitor scope 3 emissions internally but are working on improving the reliability and scope of the data before disclosing it in their annual ESG report. We will continue to engage with the company and monitor developments in this respect.

- **Morningstar Sustainalytics** reported on engagement with **Brookfield Corp.** as part of the thematic engagement programme **Sustainability and Good Governance Stewardship.**

  Brookfield Corp (Baillie Gifford) is one of the world’s largest investment management companies specialising in infrastructure and real assets. The issuer presented persistence key gaps such as limited board independence, no ESG-linked pay, weak transparency on materiality and targets, tax practices, and dual-class shares. The engagement seeks to enhance board independence, ESG oversight, materiality processes, sustainability targets, executive remuneration, and tax transparency.

  Sustainalytics efforts centred on building trust and securing a first engagement call. Despite various efforts by Sustainalytics in providing requested background information, sharing a detailed agenda and remaining available throughout the year. No call was confirmed. Moving forward, the focus will shift to advancing these priorities and, together with participating investors, assessing escalation options such as writing directly to the board to reinforce expectations.

Within Brookfield's board, several committees have formal sustainability responsibilities for ESG oversight, and the company has management-level ESG committees. Yet independence and sustainability expertise documentation remain limited. Immediate priorities include strengthening reporting on codified board-level ESG governance, enhancing disclosure of board skills and experience including for succession planning, and improving transparency on sustainability strategy and goals. The company has not integrated a double materiality perspective into its risk and target-setting processes, nor has it linked executive pay to sustainability metrics.

- **Morningstar Sustainalytics Material Risk Engagement (MRE)** reported engagement with an integrated Oil & Gas company, **Equinor ASA** (Lazard). The company is a Norway-based integrated energy company focused on Oil & Gas, and renewables. Operating mainly on the Norwegian Continental Shelf. Equinor targets Net Zero emissions by 2050.

  The engagement with Equinor started in August 2021 and Sustainalytics has maintained regular dialogue since. The company has consistently shown a willingness to engage and remains responsive to investor feedback. In the latest call in October 2025, Equinor highlighted adjustments to its energy transition plan. It outlined changes in its investment approach toward renewable projects and offshore electrification, emphasizing that current priorities focus on value creation. The company noted that further expansion of low-carbon initiatives will depend on economic viability.

  The engagement will continue to prioritize Equinor's transition strategy, with particular attention to the pace and scope of low-carbon investments. Additional focus areas include strengthening risk management practices related to effluent control, occupational health and safety, and community relations.

  Equinor advanced its climate strategy by detailing contributions of decarbonization levers to net-zero goals and joining the 2023 CDP Supply Chain Program, requiring suppliers to set emissions targets. It also released its first human rights report, outlining risk-based due diligence, community engagement, and grievance mechanisms, showing progress in sustainability governance and transparency.

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

Appendix 7

Stewardship Activity: Responsible Investment

- 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.

- 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.

Appendix 7

Stewardship Activity: Responsible Investment

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

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

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

Appendix 7

Stewardship Activity: Responsible Investment

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, FAIRR, the Institutional Investors Group on Climate Change and the Carbon Disclosure Project (CDP).

- In quarter 4 the Fund co-signed the **Belém Investor Statement on Rainforests** supported by 51 investors representing more than USD 4.5 trillion in assets and coordinated by **Rainforest Foundation Norway**, **IIGCC** and **FAIRR.** This call to action to governments ahead of COP30 highlights that forest loss is both an ecological crisis and a material financial risk that threatens climate stability, biodiversity and long-term economic resilience. Investors are urgently calling for clearer, stronger, enforceable forest-protection policies are urgently needed to halt and reverse deforestation by 2030. Addressing it requires effective regulation, transparency, and clear policy signals that align financial flows with global climate and nature goals.

- In support of the Morningstar Sustainalytics **Net Zero Transition Engagement Programme**, the Fund wrote directly to selected portfolio companies including **Freeport-McMoRan, Linde plc and Alphabet**, as part of the Fund's escalation approach, where initial outreach had not yet resulted in an established dialogue with the company.

  The letters emphasised the importance of engaging on material governance and transition-related issues relevant to the company's business and requested a direct engagement call to support constructive dialogue. This activity demonstrates the asset owner willingness to support and escalate collaborative stewardship efforts through direct issuer outreach where engagement progress is limited with the service provider.

- The Fund is an active supporter of the **Farm Animal Investment Risk and Return (FAIRR) Initiative** which focuses on environmental, social and governance issues in the global food and agriculture sector. In quarter 4, FAIRR released a progress report on their Waste and Water Pollution Risks in Intensive Animal Agriculture Engagement, which took place between October 2022 and June 2025. The engagement focused on major poultry and pork producers, as well as fertiliser companies with the aim of addressing the biodiversity risks arising from pollution caused by the improper management of animal waste and synthetic fertiliser products, and capture opportunities in the circular economy for nutrients. FAIRR engaged with 10 pork and poultry producers and two fertiliser companies with a combined market capitalization of US $127.3 billion. The highlights include:

Stewardship Activity: Responsible Investment

- 83% of companies have assessed the water-quality risks of their own operations, which shows progress has been made since 2022, when only 60% of companies did so.
- 70% of pork and poultry producers now include livestock supply chains in their risk assessments to some extent, up from only 10% in 2022.
- 50% of companies provide support to crop farmers from which they source feed ingredients to improve nutrient management, up from 30% in 2022.

While risk assessment practices have improved, this has not yet translated consistently into mitigation strategies, particularly for sites or regions identified as medium- or high-risk. The nutrient circularity opportunity remains underdeveloped despite its strategic relevance. Although it presents potential environmental benefits and economic value, progress remains constrained by weak incentives, cost barriers and execution challenges.

This remains an ongoing stewardship opportunity for investors to encourage clearer company strategies, stronger implementation plans, greater partnership development, and better alignment of capital expenditure with nutrient circularity objectives.

The Local Authority Pension Fund Forum (LAPFF) provided a Quarterly Engagement Report. The Q4 report highlights include:

- LAPFF continues to act as lead investor on the **Vale** engagement under the PRI Advance Initiative. The objective is to strengthen how Vale governs and manages human rights risks. The engagement in quarter 4 also took place against the backdrop of the 10-year anniversary of the Mariana disaster. reinforcing investor expectations for demonstrable, outcomes based progress for affected communities.
- LAPFF continued its engagements with steel companies **SSAB, Thyssenkrupp** and **Nippon Steel** to assess the sector's progress in commercialising and scaling low/no-carbon steel and the credibility of transition delivery plans.
- LAPFF continued to be actively involved in the **Asia Research and Engagement's Energy Transition Platform**, which engages major financial institutions in Asia to improve their alignment with a 1.5°C pathway.
- LAPFF met with **BDO Unibank** and **Kasikornbank** regarding the bank's progress in integrating climate and sustainability across its operations.
- LAPFF progressed engagement with **Glencore** in 2025, by meeting with the Chair, Mr Kalidas Madhavpeddi to strengthen board-level governance and accountability for key environmental and social risks
- LAPFF engaged with **Renault** during the quarter to discuss governance, risk management, supplier transparency and audit practices in relation to human rights.

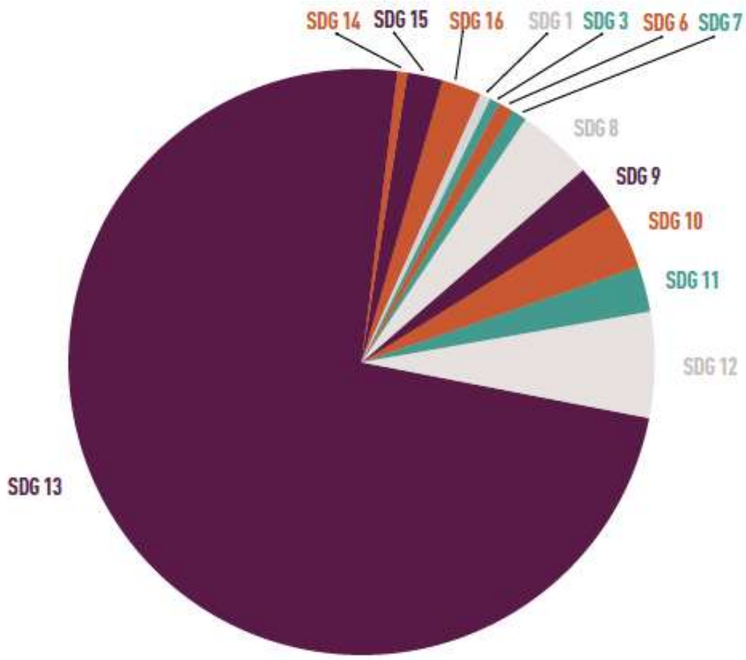
Appendix 7

Stewardship Activity: Responsible Investment

- LAPFF continued its engagement with UK water utilities, meeting with **United Utilities** in quarter 4. These water sector engagements remain highly material as the sector faces heightened scrutiny over environmental performance and public trust.
- LAPFF aims to drive improved corporate practices in conflict-affected and high-risk areas (CAHRAs). **Chevron**, **Volvo** and **Microsoft** were three companies that LAPFF reached out to in the second half of 2025 in relation to their business activities being noted as contributing to conflict dynamics in the occupied Palestinian territories (OPT).

The LAPFF [Quarterly Engagement Report]() is available on the LAPFF website.

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



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	2
SDG 2: Zero Hunger	0
SDG 3: Good Health and Well-Being	1
SDG 4: Quality Education	0
SDG 5: Gender Equality	0
SDG 6: Clean Water and Sanitation	2
SDG 7: Affordable and Clean Energy	2
SDG 8: Decent Work and Economic Growth	10
SDG 9: Industry, Innovation, and Infrastructure	6
SDG 10: Reduced Inequalities	9
SDG 11: Sustainable Cities and Communities	6
SDG12: Responsible Production and Consumption	14
SDG 13: Climate Action	179
SDG 14: Life Below Water	1
SDG 15: Life on Land	5
SDG 16: Peace, Justice, and Strong Institutions	5
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

Appendix 7

Stewardship Activity: Responsible Investment

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.

- The Fund received the results of its **2025 PRI Assessment Report** during Q4, following the completion of the annual PRI reporting process in Q3. The PRI assessment provides a structured evaluation of responsible investment practices and supports benchmarking against peers. The Fund submitted information across four assessed modules (each scored on a 1–5 star basis, with 5 stars being the highest rating).

  The Fund achieved a strong overall result, scoring:
    - 5 stars in two modules
    - 4 stars in the remaining two modules.

  The report indicates particularly strong performance in a number of stewardship, climate and monitoring-related indicators within the Policy, Governance and Strategy module, with several indicators scoring at or above PRI median levels, including areas relating to stewardship strategy, voting, escalation, climate change and sustainability outcomes. These results provide a useful indication of the Fund's continued progress in implementing the PRI Principles and support ongoing internal review of responsible investment practices, disclosures and oversight arrangements.

- Sustainalytics map the engagement cases with relevant **UN Sustainable Development Goals** (SDGs) and engagement dialogue aims to work toward achieving the sustainable outcomes. In quarter 4,123 engagements 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 Morningstar Sustainalytics and refers to the focus and objective(s) of the engagements.

1 No Poverty	8%	10 Reduced Inequality	14%
2 Zero Hunger	6%	11 Sustainable Cities and Communities	10%
3 Good Health and Well-Being	26%	12 Responsible Consumption & Production	16%
4 Quality Education	1%	13 Climate Action	7%
5 Gender Equality	4%	14 Life Below Water	7%
6 Clean Water and Sanitation	6%	15 Life on Land	18%
7 Affordable and Clean Energy	0%	16 Peace & Justice, Strong Institutions	41%
8 Decent Work and Economic Growth	23%	17 Partnerships to Achieve the Goal	0%
9 Industry, Innovation & Infrastructure	7%		