



# Complete Agenda

**Democratic Service**  
Swyddfa'r Cyngor  
CAERNARFON  
Gwynedd  
LL55 1SH



Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

Meeting

**PENSIONS COMMITTEE**

Date and Time

**10.00 am, MONDAY, 9TH FEBRUARY, 2026**

Location

**Virtual Meeting**

**NOTE**

**\* For public access to the meeting, please contact us\***

Contact Point

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(DISTRIBUTED 03/02/26)

## **PENSIONS COMMITTEE**

### **MEMBERSHIP (9)**

#### **Plaid Cymru (4)**

Councillors

Geraint Wyn Parry  
Ioan Thomas

R Medwyn Hughes

Elin Hywel

#### **Independent (2)**

Councillors

John Pughe Roberts

John Brynmor Hughes

#### **Gwynedd First (1)**

Councillor Stephen Churchman

#### **Co-opted Members (2)**

Councillor Robin Wyn Williams	Isle of Anglesey County Council
Councillor Goronwy Owen Edwards	Conwy County Borough Council

#### **Ex-officio Members**

Chair and Vice-Chair of the Council

# **A G E N D A**

## **1. APOLOGIES**

To receive any apologies for absence

## **2. DECLARATION OF PERSONAL INTEREST**

To receive any declaration of personal interest

## **3. URGENT ITEMS**

To note any items which are urgent business in the opinion of the Chairman so that they may be considered

## **4. MINUTES**

5 - 11

The Chairman shall propose that the minutes of the previous meeting of this committee, held on the 24th of November 2025, be signed as a true record

## **5. FUNDING STRATEGY STATEMENT**

12 - 74

Prior to consultation on the Funding Strategy Statement, the Committee is asked to confirm the Funding Strategy Statement and associated policies.

Following the consultation process the Committee will receive the final version of the Funding Strategy Statement for adoption by 31st March 2026.

## **6. BUDGET APPROVAL FOR 2026/27**

75 - 77

To consider and approve the 2026/27 financial year budget for the Pensions Administration and Investment sections.

## **7. REVIEW OF STRATEGIC OBJECTIVES FOR THE FUND'S INVESTMENT CONSULTANTS**

78 - 84

To note the progress report and the Investment Consultants' objectives for the upcoming year.

## **8. WALES PENSION PARTNERSHIP UPDATE**

85 - 138

To receive and note the information

## **9. WALES PENSION PARTNERSHIP RESPONSIBLE INVESTMENT UPDATE**

139 - 181

To consider and note the report.

**10. LOCAL GOVERNMENT ASSOCIATION GOVERNANCE CONFERENCE 2026** 182 - 188

To consider the feedback and accept the information

**11. LAPFF CONFERENCE 2025** 189 - 195

To receive relevant feedback and information from the conference

**12. EXCLUDE PRESS AND PUBLIC**

The Chairman shall propose that the press and public be excluded from the meeting during the discussion on the following items due to the likely disclosure of exempt information as defined in Paragraph 14 of Schedule 12A of the Local Government act 1972 Information relating to the financial or business affairs of any particular person (including the authority holding that information).

There is an acknowledged public interest in openness in relation to the use of public resources and related financial issues. It is also acknowledged that there are occasions, in order to protect the financial interests of public authorities that matters related to commercial information need to be discussed without being publicised. Publication of such commercially sensitive information would be inappropriate having regard to the legitimate interests of third parties and could undermine confidence to engage with the Council and therefore the Councils ability make decisions on behalf of the fund. This would be contrary to the wider public interest of securing value for money and the best overall outcome. For those reasons the matter should be exempt in the public interest.

**13. ROBECO ENGAGEMENT SERVICE- ENGAGEMENT REPORT 01.07.2025-30.09.2025**

To note the contents of the report

(copy for Members only)

**14. PENSION FUND INVESTMENT PERFORMANCE UP TO 30TH SEPTEMBER 2025**

To accept the information and note the contents of the report

(copy for Members only)



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## PENSIONS COMMITTEE 24-11-25

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**Attendance:** Councillor Elin Hywel (Chair)  
Councillor John Pughe Roberts (Vice-chair)

**Councillors:**

Stephen Churchman, Goronwy Edwards (Conwy County Borough Council), John Brynmor Hughes, Geraint Parry, Ioan Thomas and Robin Williams (Isle of Anglesey County Council)

**Officers:**

Dewi Morgan (Head of Finance), Ffion Madog Evans (Assistant Head of Finance - Accounting and Pensions), Delyth Jones-Thomas (Investment Manager), Meirion Jones (Pensions Manager) and Lowri Haf Evans (Democracy Services Officer)

**Others invited**

Osian Roberts (Audit Wales)  
Kenny Taylor (Hymans Robertson)

**1. APOLOGIES**

Apologies were received from Ned Michael (Pension Board Member observing) - he was unable to join due to technical problems.

Councillor Geraint Parry (Plaid Cymru) was welcomed as a new member of the Committee.

**2. DECLARATION OF PERSONAL INTEREST**

None to note

**3. URGENT ITEMS**

None to note

**4. MINUTES**

The Chair accepted the minutes of the meeting held on 15 September 2025 as a true record.

**5. WALES PENSION PARTNERSHIP (WPP) UPDATE**

The Investment Manager highlighted that the report was now regularly submitted to the Members noting the latest information on WPP's work, as well as the decisions of the September meeting of the Governance Joint Committee (the decision-making body on behalf of the Partnership made up of the Chairs of each fund).

It was reported that the work of establishing the WPP IMCo Investment Company for LGPS pension fund investments in Wales remained a priority field and a principal operational officer had now been appointed. The next step will be to register the company with the Financial Conduct Authority (FCA), appoint more officers and draw up

contracts. It was stated that a meeting had been arranged (03-12-25) for the Members to receive further information on the developments and have an opportunity to learn more about the company and which contracts the Committee would need to approve. Members were encouraged to attend.

An update was presented on the usual matters of reviewing the business plan, policies and the risk register. Reference was made to the progress that funds in Wales had pooled, with Gwynedd being the second highest of the eight individual funds having transferred 87%, which means that the process of moving the assets to the IMCo investment company will be slightly easier compared with other funds.

Reference was made to the detail of the operator's work over the period and to any market conditions that had been monitored by them. Attention was drawn to the analysis and performance of the sub-funds and the private markets, reiterating that the property investment programme had been established and Gwynedd's existing properties were in the process of being transferred into the UK Fund, with a further investment in the Impact Investing Fund early in January 2026.

It was expressed that the joint committee had received an update on the infrastructure funds from GCM Grosvenor, which invests into various plans across Britain.

The members thanked the officer for the report.

In response to an observation that WPP continued to refer to the project as the Snowdon Project and not the Yr Wyddfa Project, it was noted that an observation had been presented to WPP, and at every possible opportunity thereafter, the officers had attempted to convey the correct name - needed to continue to press the WPP to refer to the Snowdon Project as Yr Wyddfa Project.

In response to an observation that the Clwyd Fund had pooled 32%, Powys 63% and Swansea 66% and whether this would be likely to create problems in reaching the target of 100% or reflect poorly on WPP, it was noted that measures were in place to respond to the situation, with the appointment of a Dealing with Assets Officer to lead on the work.

In response to a question regarding the impact of ACS sub-funds which held the assets of Russian companies and the need for information regarding these, it was noted, although information about the investments changed daily, that a piece of work had been commissioned to formally declare the information to the public.

In the context of setting a target / objectives for the Council's payments and whether it was intended to retain or sell them, it was noted that there was no specific plan in place but there was an intention to draw up an Exclusion Policy to deal with the matter. A statement from WPP would be distributed soon.

## **RESOLVED**

### **To accept the report and note the information**

Note: To continue to put pressure on WPP to refer to the Snowdon Project as Yr Wyddfa Project

## **6. FINAL ACCOUNTS OF THE GWYNEDD PENSION FUND FOR THE YEAR ENDING 31 MARCH 2025 AND RELEVANT AUDIT**

A report along with the Gwynedd Pension Fund Statement of Accounts 2024/25 (post audit) was submitted by the Investment Manager providing details of the Pension Fund's

financial activities during the year ending 31 March 2025. Members were reminded that a draft of the accounts had been submitted at the July 2025 meeting and, although there were no significant changes to the core figures following the audit by Audit Wales, there was a minor amendment to the narrative in the notes, and to the number of pensioners.

Osian Roberts (Audit Wales) was invited to present the 'ISA260' report. It was reported that the auditors intended to issue an unqualified audit view on the accounts this year, once the Letter of Representation had been signed. It was explained that the auditors could never provide complete assurance that the accounts had been accurately stated, but rather that they worked to a level of 'relevance' determined as £32.364 million for the audit this year. Reference was made to the misstatement in the original accounts (Note 1 Description of the Fund - and membership figures included 183 councillors who were Members of the plan during the period).

Attention was drawn to the new format of the report and the key summary which was easier for the reader to understand, as well as the results of the audited risks.

Thanks were expressed for the reports.

The Council's Finance Officers were congratulated on preparing all the information and Audit Wales for their support. It was noted that the quality of the accounts reflected the team's good work.

In response to a question regarding the Note 1 misstatement, it was confirmed, although it did not have an impact on the final figures, that the information had been checked and included in the final version for the Annual Meeting of the Pension Fund.

## **RESOLVED**

- **To accept the information**
- **To note the 'ISA 260' report by Audit Wales, and accept the auditors' comments**
- **To approve the Gwynedd Pension Fund's post-audit Statement of Accounts for 2024/25**
- **To authorise the Chair and the 151. Officer to certify the Letter of Representation (electronically)**

## **7. PENSION CONFERENCES**

A report was submitted providing a list of the pensions conference dates for 2026. It was noted that the conferences provided the Members with an opportunity to expand their knowledge and discuss matters of relevance and the conferences proposed were based on the relevance of the historical content of the events. The dates were discussed, and the Members expressed their interest in those events that were convenient for them.

With arrangements in place for the Members to make verbal observations on the conference attended at the following committee, it was noted that there was an intention for this arrangement to continue.

## **RESOLVED**

**To accept the list of the 2026 conference dates**

## **8. TREASURY MANAGEMENT 2025-26 MID YEAR REVIEW**

Submitted, for information, a report highlighting the Council's actual Treasury Management activity during the current financial year. At a meeting of the Full Council in March 2025, the Treasury Management Strategy was approved for 2025/26 where it was permitted for the funds of the Pension Fund to be pooled and co-invested with the Council's overall cash-flow. It was also noted that there was an expectation for the Investment Manager to update the Committee on the situation regularly, with this update looking at the period until 30 September 2025.

It was explained that the period had been very busy for the Council's treasury management activity. It was reported that, in the context of investment activities, the Council had continued to invest with Banks and Building Societies, Money Market Funds, Pooled Funds, Local Authorities and the Debt Management Office. It was noted that the funds were consistent with the type of investments made for several years by now.

In the context of the compliance and indicators report, it was reported that all activities had fully complied with the CIPFA code of practice and the Council's Treasury Management Strategy – that was good news and demonstrated that there was firm control over the funds. It was highlighted in the period in question, that the Fund had invested slightly higher than the approved level for the banks and money market funds, because of a high level of funding, and options were scarce. It was noted that steps had been taken to ensure that this would not happen in the future by opening more accounts to spread out the money. In addition, it was highlighted that the Council also fully complied with the Treasury Management's prudent indicators.

The members thanked the officer for the report

## **RESOLVED**

**To accept the report and note the information**

### **9. GWYNEDD PENSION FUND DRAFT ANNUAL REPORT 2024/25**

The Investment Manager highlighted that the report provided details about the Pension Fund's activities during the year ending 31 March 2025 and was completed in accordance with statutory guidance. Attention was drawn to changes in the requirements of the Scheme Advisory Board to identify and present the information through three categories - must, should and may. It was ensured that everything known as 'must' and 'should' had been included, unless the information was unavailable. As a result, it was explained that the annual report had increased in size as it included annual reports from the Board, the Pensions Committee, further information about administration statistics, pooling work, the Committee's core functions, training, work plan, priorities and a summary of the subjects discussed during the year.

It was reported that the annual report had been reviewed by Audit Wales with one minor amendment to the draft version before publishing it on the website (before the statutory date - 1 December 2025).

Gratitude was expressed for the report and to the staff involved with preparing the work.

## **RESOLVED**

**To accept and note the Gwynedd Pension Fund Annual Report for 2024/25**

### **10. PENSIONS ADMINISTRATION**

A comprehensive report was submitted by the Pensions Manager providing a general overview of pension administration over the past year, along with information on the work carried out over the period and updates on various projects:

- Implementation of the McCloud obligation following a Supreme Court ruling.
- Work relating to the 2025 actuarial valuation, which included holding an Employers' Forum to share valuation results with employers. It was noted that the new contributions would be formally confirmed at the end of March 2026.
- Work relating to linking to the National Pension Dashboard ecosystem by 31/10/25.
- Preparation of a response (on an all-Wales basis) to the UK Government's consultation on improvements to the Local Government Pension Scheme which would modernise the scheme, improve fairness and strengthen long-term member protections.
- That work to ensure that the Gwynedd Pension Fund had met statutory requirements by issuing Annual Statements of Benefits had been completed at the end of July (before the closing date). Reference was also made to a presentation/avatar on the My Pension On-line portal which supported members to better understand the statements.
- That data quality remained a priority for the Fund and ongoing developments were being implemented to further improve the quality. Reference was made to an example where the Fund was working with a professional tracing service to try and find the contact details of family members who had passed away or appeared to be a 'gone away address'.
- Communication with members also remained a priority – a circular had been distributed with the 2025 Annual Statements of Benefits. It was noted that work was ongoing to redesign the Fund's website.
- It was explained that because of internal changes being implemented to tasks where comprehensive performance data was not available, the Fund was providing assurances that there was no indication that service performance was deteriorating, but that the information was intended to be submitted when the revised procedures had been completed.
- Work continued to ensure policies and compliance were in place in response to the requirements of Good Governance.

Reference was made to the continued success of 'My Pension On-line' noting that the portal's membership continued to grow steadily from month to month. It was reported that the Gwynedd Pension Fund had played a key role in supporting Heywood to develop a Welsh language version and that this version was to be rolled out to all Welsh LGPS funds by the end of the year.

Attention was drawn to the Service Satisfaction Survey which was sent to Members at the end of key processes, such as retirements and reimbursement payments, to gather views on the quality of service received. It was reported that 58 members had taken part in the survey between April 2025 and September 2025 with the result being very encouraging (95.13% of users strongly agreed or agreed that the quality was of a high standard and 97.26% strongly agreed or agreed that staff performance met a high standard).

The members expressed their thanks for the report. It was noted that the successes of completing work within a specific timeframe gave confidence to the Fund that officers acted in an effective and standard manner. The report highlighted that a great deal of work had been completed in a challenging period.

## **RESOLVED**

**To accept the report and note the information**

## **11. DATA IMPROVEMENT PLAN**

A report was submitted by the Pensions Manager detailing the key types of data held by the Fund highlighting the importance of data accuracy and clear and structured approaches to improving data quality. The Fund's data enhancement objectives were highlighted as well as the types of data that needed to be completed to protect Members' rights, to support operational efficiency and strengthen trust in the Fund's governance.

It was highlighted that there were two categories of data – common data and scheme-specific data, with targeting actions and approaches put in place for improving the quality of both categories. Attention was drawn to the use of the professional Tracing Service to try to reduce instances of the number appearing as 'moved' or outdated contact information in the common data category. It was reported that the service, although costly, had delivered good results so far and that the number of cases was decreasing.

It was considered that by following the Data Improvement Plan, the Fund would aim to significantly improve the data, ensuring compliance with regulatory requirements and improving the overall experiences of Members and employers.

The members thanked the officer for the report

In response to a question regarding the use of e-mail addresses and phone numbers, it was noted that this information had not been gathered historically, but was now part of the process.

### **RESOLVED**

**To accept the report and note the information**

## **12. EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED to exclude the press and public from the meeting during the discussion on the following items due to the likely disclosure of exempt information as defined in paragraph 14, Schedule 12A of the Local Government Act 1972 - Information about the financial or business transactions of any specific person (including the authority that retains that information).**

**There is an acknowledged public interest in being open about the use of public resources and related financial issues. However, it was also acknowledged that there were occasions, in order to protect public financial interests, where commercial information must be discussed without being published. The reports related specifically to a proposed procurement process. Publishing such commercially sensitive information could be detrimental to the interests of the Council and its partners by undermining competition. This would be contrary to the wider public interest of securing the best overall outcome. For these reasons, the matter was closed in the public interest.**

## **13. REVIEW OF GWYNEDD PENSION FUND'S STRATEGIC ASSET ALLOCATION**

Submitted - a report proposing a new strategic allocation for the Fund's assets following the three-year valuation result in 2025 and recommendations from Hymans Robertson (the Fund's advisers). It was expressed that the Strategic Asset Allocation was the most important decision for any Pension Fund, reiterating that there was no right or wrong way of deciding upon the Strategic Asset Allocation, and this was a matter of trying to find the best solution to restrictions and opportunities.

A review of the Investment Strategy was undertaken by Hymans Robertson and Kenny Taylor, an adviser from the company, was welcomed to present the results of the review and recommendations for the Committee to consider.

The members thanked the officers for the presentation and the report

The proposed strategic assets were discussed

#### **RESOLVED**

- **To accept the report**
- **To approve the Fund's proposed strategic asset allocation and the recommendations of Hymans Robertson's action report**

#### **14. ROBECO ENGAGEMENT SERVICE – ENGAGEMENT REPORT 01-04-2025 - 31-06-2025**

Submitted - a quarterly report summarising the work Robeco (WPP Voting and Engagement Provider) was carrying out on behalf of the Pension Fund on responsible investment issues. Reference was made to the areas covered by Robeco during the quarter in question and the information included details of the number of activities and engagements completed which included large companies of international importance. It was also noted that the engagement theme of the quarter in question was Acceleration to Deforestation.

The members thanked the officer for the report

In response to a question regarding divestment, it was noted that WPP had published a statement on their website (17 November 2025) which addressed their perspective on exclusions and divestment.

It was suggested, instead of noting 'closed' as an initial indicator in our engagement process, 'further engagement' would be a more positive term.

#### **RESOLVED**

**To accept and note the information**

The meeting commenced at 10:30 and concluded at 12:00

MEETING:	<b>PENSIONS COMMITTEE</b>
DATE:	<b>9 FEBRUARY 2026</b>
TITLE:	<b>FUNDING STRATEGY STATEMENT</b>
PURPOSE:	<b>To present and review the Funding Strategy Statement and associated policies</b>
RECOMMENDATION:	<b>CONFIRM FUNDING STRATEGY STATEMENT AND POLICIES</b>
AUTHOR:	<b>DELYTH JONES-THOMAS, INVESTMENT MANAGER</b>

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## **1. INTRODUCTION**

- 1.1 We are required to review and publish the triennial Funding Strategy Statement (FSS) by 31 March 2026 following the triennial valuation.
- 1.2 As part of the review, the administering authority is required to consult with the scheme employers, the fund actuary and adviser, and any other persons we consider appropriate.
- 1.3 The consultation will take place between the 10<sup>th</sup> February 2026 and 9<sup>th</sup> March 2026.

## **2. ACTUARIAL VALUATION**

- 2.1 The triennial actuarial valuation has been prepared using assumptions agreed with the actuary. These assumptions were presented to and approved by the Pensions Committee on 15<sup>th</sup> September 2025.
- 2.2 The valuation of the Fund is currently being finalised. An employers' meeting was held on 24<sup>th</sup> October 2025 when the preliminary actuarial results were presented and discussed. Final reports are currently being prepared for each employer.
- 2.3 The preliminary results show that all employers are now in surplus and therefore do not have any deficit payments to make over there next three years.

## **3. DRAFT FUNDING STRATEGY STATEMENT (FSS)**

- 3.1 A draft FSS is attached in Appendix A.
- 3.2 The funding strategy objectives are to:
  - take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
  - use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
  - where appropriate, ensure stable employer contribution rates



- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

3.3 The Funding Strategy Statement has been prepared with assistance from the Fund's actuary, Hymans Robertson.

#### **4. ASSOCIATED POLICIES**

4.1 In addition to the information presented in the Funding Strategy Statement, there are additional policies that also need to be approved that feed into the Funding Strategy Statement.

Appendix F – Policy on prepayment of contributions

Appendix G – Policy on pass-through

Appendix H – Policy on contribution reviews

Appendix I – Policy on ill-health risk management

Appendix J – Policy on cessations

#### **5. RECOMMENDATION**

Prior to consultation on the Funding Strategy Statement, the Committee is asked to confirm the Funding Strategy Statement and associated policies.

Following the consultation process the Committee will receive the final version of the Funding Strategy Statement for adoption by 31<sup>st</sup> March 2026.

# Gwynedd Pension Fund

## Funding Strategy Statement

### April 2026

Effective date	1 April 2026
Previous valuation date	31 March 2025
Date approved	
Next review	March 2029
Prepared in accordance with SAB / CIPFA / MHCLG guidance dated	January 2025

# Gwynedd Pension Fund

## Funding Strategy Statement

### Contents

1. Purpose of the Gwynedd Pension Fund and the Funding Strategy Statement
2. How does the Fund calculate employer contributions?
3. What additional contributions may be payable?
4. How does the Fund calculate assets and liabilities?
5. What happens when an employer joins the Fund?
6. What happens if an employer has a bulk transfer of staff?
7. What happens when an employer leaves the Fund?
8. What are the statutory reporting requirements?

### Appendices

- Appendix A – The regulatory framework
- Appendix B – Roles and responsibilities
- Appendix C – Glossary
- Appendix D – Risks and controls
- Appendix E – Actuarial assumptions
- Appendix F – Policy on prepayment of contributions
- Appendix G – Policy on pass-through
- Appendix H – Policy on contribution reviews
- Appendix I – Policy on ill-health risk management
- Appendix J – Policy on cessations

# 1 Purpose of the Gwynedd Pension Fund and the funding strategy statement

This document sets out the Funding Strategy Statement (FSS) for Gwynedd Pension Fund.

The Gwynedd Pension Fund is administered by Cyngor Gwynedd, known as the administering authority. Cyngor Gwynedd worked with the Fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2026.

There's a regulatory requirement for Cyngor Gwynedd to prepare an FSS. You can find out more about the regulatory framework in [Appendix A](#). If you have any queries about the FSS, contact [delythwynjonesthomas@gwynedd.llyw.cymru](mailto:delythwynjonesthomas@gwynedd.llyw.cymru).

## 1.1 What is the Gwynedd Pension Fund?

The Gwynedd Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at [www.lgpsmember.org](http://www.lgpsmember.org). The administering authority runs the Fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in [Appendix B](#).

## 1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The Fund will engage with employers when developing funding strategy in a way which balances the risk appetite of stakeholders.

## 1.3 Who is the FSS for?

The FSS is mainly for employers participating in the Fund, because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

**Scheduled bodies**

Employers who are specified in a schedule to the LGPS regulations, such as councils. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

**Designating employers (otherwise known as Resolution bodies)**

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the Fund can't refuse entry. The employer then decides which employees can join the scheme.

**Admission bodies**

Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

The Scheme Advisory Board refer to three different tiers of employers which may participate in the LGPS, specifically:

- Tier 1 – Local Authorities (including contractors participating in the LGPS with Local Authority backing)
- Tier 2 – Academy Trusts
- Tier 3 – Standalone employers with no local or national taxpayer backing. Includes further education institutions (colleges), universities, housing associations and charities.

**1.4 How is the funding strategy specific to the Gwynedd Pension Fund?**

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

**1.5 How often is the Funding Strategy Statement reviewed?**

The FSS is reviewed in detail at least every three years ahead of the triennial actuarial valuation.

Amendments to the FSS may be made in the following circumstances:

- material changes to the scheme benefit structure (e.g. HM Treasury-led)
- on the advice of the Fund actuary
- Significant changes to investment strategy, or if there has been significant market volatility which impacts the FSS or goes beyond FSS expectations
- if there have been significant changes to the Fund membership and/or Fund maturity profile
- if there have been significant or notable changes to the number, type, or individual circumstances of any of the employing authorities to such an extent that they impact on the funding strategy (e.g. exit/restructuring/failure which could materially impact cashflow and/or maturity profile and/or covenant)

- if there has been a material change in the affordability of contributions and/or employer(s) financial covenant strength which has an impact on the FSS.
- recommendations from MHCLG/GAD.

In undertaking such reviews, the administering authority should consider:

- looking at experiences in relation to long-term funding assumptions (in terms of both investment income and forecast contribution income) and consequences of actions taken by employers (e.g. pay awards and early retirements)
- the implications for the funding strategy and, if significant, determine what action should be taken to review the FSS
- the implications arising from the funding strategy for meeting the liabilities of individual employers and any amendments required to the ISS
- consulting with individual employers specifically impacted by any changes as an integral part of the monitoring and review process, and ensuring any communication regarding a review won't necessarily lead to contribution rate changes for individual employers but could impact admissions, terminations, approach to managing risk and employer risk assessment.

Any amendments will be consulted on, approved by the Pensions Committee and included in the Committee meeting minutes.

This Funding Strategy Statement is effective from 1 April 2026 and is expected to remain in force until 31 March 2029 at the latest, unless an interim review is carried out prior to then.

## **1.6 Actuarial valuation report**

LGPS Regulations (specifically Regulation 62) require an actuarial valuation to be carried out every three years, under which contribution rates for all participating employers are set for the following three years. This Funding Strategy Statement sets out the assumptions and methodology underpinning the 2025 actuarial valuation exercise. The actuarial valuation report sets out 1) the actuary's assessment of the past service funding position, and 2) the contributions required to ensure full funding by the end of the time horizon. The Rates and Adjustments certificate shows the contribution rates payable by each employer (which are expressed as a percentage of payroll).

## PART A – Key Funding Principles

### 2 How does the Fund calculate employer contributions?

#### 2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contribution rates are determined by a mandatory actuarial valuation exercise, and are made up of the following elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the Fund's expenses.

The Fund actuary uses a methodology known as Asset Liability Modelling to set employer contribution rates. Under this methodology, for a given proposed employer contribution rate, the model projects future asset and liability values for the employer under 5,000 different simulations of the future economic environment. Each simulation – generated by Hymans Robertson's Economic Scenario Service (ESS) model - has a different path for future interest rates, inflation rates and the investment return on different asset classes. This approach allows the Fund actuary to understand the potential range of future funding outcomes that could be achieved via payment of that contribution rate.

The Fund has set funding strategy criteria for each employer which must be satisfied in order for a given employer contribution to be deemed acceptable. The funding strategy criteria are specified in terms of the following four parameters:

- **the target funding level** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the target funding level target
- **the funding basis** – the set of actuarial assumptions used to value the employer's (past and future service) liabilities
- **the likelihood of success** – the proportion of modelled scenarios where the target funding level is met.

For example, an employer's funding strategy criteria may be set as follows:

*The employer must have at least a **80% likelihood** of being **100% funded** on the **ongoing participation basis** at the end of a **17 year** funding time horizon.*

The funding strategy criteria used by the Fund are set out in Table 2. Further detail on the ESS and on the funding bases used by the Fund are set out in [Appendix E](#).

The target funding level may be set greater than 100% as a buffer against future adverse experience. This may be appropriate for long term open employers, where adverse future funding experience may lead to future contribution rises.

The contribution rate setting approach takes into account the maturing profile of the membership when setting employer contribution rates. The approach taken by the Fund actuary helps the Fund meet the aim of maintaining as stable a primary employer contribution rate as possible.

The Fund permits the prepayment of employer contributions in specific circumstances. The Fund's policy on prepayments is detailed in **Appendix F**.



## 2.2 The contribution rate calculation

**Table 1: contribution rate calculation for individual or pooled employers**

Type of employer	Scheduled and designating bodies		Further education and community admission bodies		Transferee admission bodies
Sub-type	Local Authorities, Police and Parc Cenedlaethol Eryri	Designating employers (i.e. Parish & town councils)	Open to new entrants	Closed to new entrants	(all)
SAB Tier	Tier 1	Tier 1	Tier 3	Tier 3	Tier 1
<b>Funding basis<sup>2</sup></b>	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Ongoing, assuming fixed-term contract in the Fund
<b>Target funding level</b>	100%	100%	100%		100%
<b>Minimum likelihood of success</b>	80%	80%	80%	80%	80%
<b>Maximum time horizon</b>	17 years	17 years	14 years	14 years or average future working lifetime, if less	Outstanding contract term
<b>Primary rate approach**</b>	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon, expressed as a percentage of pensionable pay				
<b>Secondary rate</b>	The difference between the total contribution rate payable (determined as per 2.1) and the primary rate. Negative adjustments are expressed as a percentage of payroll and positive adjustments can be expressed as a percentage of payroll or monetary amounts (for mature closed employers).				
<b>Stabilised contribution rate?</b>	Yes	No	No	No	No
<b>Treatment of surplus</b>	Covered by stabilisation arrangement	Covered by contribution algorithm	Covered by contribution algorithm	Reduce contributions through a negative secondary rate	Reduce contributions by spreading the surplus over the remaining contract term
<b>Recognising covenant</b>	Stabilisation parameters	Adjust likelihood of success	Adjust likelihood of success		

*Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority. Please see the Fund's pass-through policy in [Appendix G](#) for more information.*

<sup>2</sup> See [Appendix E](#) for further information on funding bases.

*\*\*The Primary Rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates*

The Fund manages funding risks as part of its wider risk management framework, as documented in its risk register. The funding-specific risks identified and managed by the Fund are set out in [Appendix D – Risks and Controls](#).

### 2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The Fund adopts a stabilised approach to setting contributions for certain employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the Fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for the Fund's local authorities, the Police and Crime Commissioner for North Wales and Parc Cenedlaethol Eryri.

**Table 2: current stabilisation approach**

Type of employer	Local Authorities, Police and Parc Cenedlaethol Eryri
Maximum contribution increase per year	+1.0% of pay
Maximum contribution decrease per year	-1.0% of pay

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

At their absolute discretion the administering authority may permit acceleration or extension of contribution rises and reductions within the contribution stability mechanism.

### 2.4 Contribution rates for other long-term employers

For other employers with a longer-term time horizon (open admitted bodies and town and parish councils), the Fund has applied an algorithm for the purpose of setting contribution rates. This brings some stability to rates. It allows rate reductions due to strong funding positions, whilst providing protection to the Fund against future adverse experience and recognising the need for inter-generational fairness around the pace at which surplus is returned.

For the 2025 valuation, this can be summarised mathematically by the following formula:

*Maximise [theoretical 2025 total rate, Minimise (2025 primary rate minus 3% of pay, Current rate minus 3% of pay)]*

where the 'theoretical 2025 total rate' is defined as the contribution rate calculated exactly in line with the funding strategy criteria outlined in Table 1 under section 2.2 above.

### 2.5 Links to investment strategy

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority.

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset

returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers.

The investment strategy is designed allowing for the funding position determined on an appropriate and prudent basis, with the objective of achieving the funding objective for each employer group over the specific time horizon.

The Fund's current strategic investment strategy as at 31 March 2025 is summarised in the table below.

**Table 2 – Strategic asset allocation**

<b>Asset class</b>	<b>Allocation</b>
UK Equities	6.0%
Global Equities	27.0%
Emerging market equities	2.0%
Private Equity	5.0%
Property	10.0%
Infrastructure	7.5%
Natural Capital	5.0%
Private credit	7.5%
Multi-asset credit	7.5%
Corporate bonds	7.5%
Absolute return bonds	12.5%
Gilts	2.5%

## **2.6 Does the funding strategy reflect the investment strategy**

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see [Appendix A](#))

## **2.7 Reviewing contributions between valuations**

The Fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The Fund's policy is available in [Appendix H](#). The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

## **2.8 What is pooling?**

The administering authority does not currently operate formal contribution rate pools for similar types of employers.

The only employers that may be pooled are those that have a pass-through or other form of risk sharing agreement in place with a letting authority. The Fund's pass-through policy is detailed in [Appendix G](#).

## **2.9 Administering authority discretion**

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The Fund permits the prepayment of employer contributions in specific circumstances. Further details are set out in the Fund's prepayment policy detailed in [Appendix F](#).

The Fund will not accept any form of non-cash assets in lieu of contributions.

## **2.11 Managing surpluses and deficits**

The funding strategy is designed to ensure that all employers are at least fully funded on a prudent basis at the end of their own specific time horizon. The uncertain and volatile nature of pension scheme funding means that it is likely there will be times when employers are in surplus and times when employers are in deficit. The funding strategy recognises this by 1) including sufficient prudence to manage the effect of this over the time horizon, and 2) making changes to employer contribution rates to ensure the funding strategy objectives are met.

Fluctuations in funding positions are inevitable over the time horizon, due to market movements and changing asset values, which could lead to the emergent of deficits and surplus from time to time, and lead to changes in employer contribution rates.

Table 1 sets out the Fund's approach to setting contribution rates for each employer group.

### 3 What additional contributions may be payable?

#### 3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread if the administering authority agrees:

Major employing bodies	- up to 5 years
Community Admission Bodies and designating employers	- up to 3 years
Transferee Admission Bodies	- payable immediately

#### 3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

The administering authority has arranged an external insurance policy to cover ill-health early retirement strains for smaller employers. Each employer's contribution includes a share of the premium. When an active member retires on ill-health early retirement, the claim amount is credited to the employer's asset share.

For other employers, each employer's contributions include an allowance for expected ill health strain costs. These costs are monitored as part of the triennial valuation process.

The Fund's policy is detailed in [Appendix I](#).

## 4 How does the Fund calculate assets and liabilities?

### 4.1 How are employer asset shares calculated?

The Fund adopts a cashflow approach to track individual employer assets.

The fund uses Hymans Robertson's HEAT system to track employer assets monthly. Each employer's assets from the previous month end are added to monthly cashflows paid in/out and investment returns to give a new month-end asset value.

If an employee moves one from one employer to another within the Fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when an outsourced contract begins, the Fund actuary will calculate assets linked to the value of the liabilities transferring (see section 5).

### 4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in [Appendix E](#), the Fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

### 4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

## PART B – Employer Events

### 5 What happens when an employer joins the fund?

#### 5.1 When can an employer join the Fund

Employers can join the Fund if they are a new scheduled body or a new admission body. New designating employers may also join the Fund if they pass a resolution to do so.

On joining, the Fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer, the existence of any guarantee, and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.2 below.

#### 5.2 New admission bodies as a result of outsourcing services

New admission bodies usually join the Fund because an existing employer (usually a scheduled body like a council) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting authority to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting authority or a replacement contractor.

Liabilities for transferring active members will be calculated by the Fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

The Fund's policy is to allow all new admission bodies to be set up with a pass-through arrangement, at the discretion of the letting authority. The Fund's policy on pass through is detailed in [Appendix G](#).

#### 5.3 Other new employers

There may be other circumstances that lead to a new admission body entering the Fund, eg set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designating employers may also join the Fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designating employers in the Fund.

#### 5.4 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the Fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the Fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.



## 6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- The Fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the Fund, or the value of the liabilities of the transferring members, whichever is lower
- the Fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

## 7 What happens when an employer leaves the Fund?

### 7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the Fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the body
- a breach of any admission agreement obligations that isn't remedied to the Fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the Fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the Fund.

### 7.2 What happens on cessation?

The administering authority must protect the interests of the remaining Fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in [Appendix E](#).

- (a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in [Appendix E](#).
- (b) Where there is a guarantor, the guarantee will be considered before the cessation valuation.
  - Where the guarantor is a guarantor of last resort (i.e. where the guarantee will cease to have effect the cessation event and final settlement), this will have no effect on the cessation valuation.
  - If this isn't the case (i.e. if the guarantee continues to apply in respect of the former employer's obligations post cessation), cessation may be calculated using the same basis that was used to calculate liabilities for triennial valuation purposes.
- (c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms. This is known as 'subsumption' of the assets and liabilities.

If the Fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the Rates and Adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The Fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and Fund.

The cessation policy is in [Appendix J](#).

### 7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The Fund's approach to exit credits is detailed in the cessation policy in [Appendix J](#).

### 7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement (DSA)
- if an exiting employer enters into a deferred debt arrangement, it stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility on exit policy is detailed in the cessation policy in [Appendix J](#).

### 7.5 What if an employer has no active members?

When employers leave the Fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the Fund and either:

- a) their asset share runs out before all ex-employees' benefits have been paid. The other Fund employers will be required to contribute to the remaining benefits. The Fund actuary will portion the liabilities on a pro-rata basis at successive formal valuations.
- b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other Fund employers on a pro-rata basis.

## 8 What are the statutory reporting requirements?

### 8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report includes advice on whether the following aims are achieved:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

### 8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

- (a) employers collectively can increase their contributions, or the Fund can realise contingencies to target a 100% funding level
- or
- (b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

### 8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the Rates and Adjustments certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the Fund's actuarial bases don't offer straightforward comparisons.

Standard information about the Fund's approach to its solvency and long-term cost efficiency will be provided in a uniform dashboard format in the valuation report to facilitate comparisons between funds.

# Appendices

## Appendix A – The regulatory framework

### A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Ministry for Housing, Communities and Local Government (MHCLG) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a clear and transparent fund-specific strategy identifying how employers' pension liabilities are best met going forward*
- *support the desirability of maintaining as constant and stable primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013*
- *ensure that the regulatory requirements to set contributions to ensure the solvency and long term cost efficiency of the Fund are met.*
- *explain how the Fund balances the interests of different employers*
- *explain how the Fund deals with conflicts of interest and references other policies/strategies.*

To prepare this FSS, the administering authority has used guidance jointly prepared by the Scheme Advisory Board (SAB), MHCLG and the Chartered Institute of Public Finance and Accountancy (CIPFA) dated January 2025.

The Fund has a fiduciary duty to scheme members and obligations to employers to administer the scheme competently to keep employer contributions at an affordable level. The funding strategy statement sets out how the Fund meets these responsibilities.

### A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with “*persons the authority considers appropriate*”. This should include ‘*meaningful dialogue... with council tax raising authorities and representatives of other participating employers*’.

In practice, for the Fund, the consultation process for this FSS was as follows:

- A draft version of the FSS was issued to all participating employers in February 2026 for comment;
- Comments were requested within 20 working days;
- There was an Employers' Forum on 24 October 2025 at which the funding strategy was outlined and questions regarding funding strategies could be raised and answered;

- Following the end of the consultation period the FSS was updated where required and then published, in March 2026.

### **A3 How is the FSS published?**

The FSS is made available through the following routes:

- Published on the website
- A copy sent by e-mail to each participating employer in the Fund;
- A full copy linked from the annual report and accounts of the Fund;
- Copies made available on request.

### **A4 How does the FSS fit into the overall Fund documentation?**

The FSS is a summary of the Fund's approach to funding liabilities. It isn't exhaustive – the Fund publishes other statements like the investment strategy statement, governance strategy and communications strategy. The Fund's annual report and accounts also includes up-to-date Fund information.

You can see all Fund documentation at [Home \(gwyneddpensionfund.wales\)](http://Home.gwyneddpensionfund.wales).

## Appendix B – Roles and responsibilities

### **B1 The administering authority is required to:**

- 1 operate a pension fund
- 2 collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in LGPS Regulations
- 3 have an escalation policy in situations where employers fail to meet their obligations
- 4 pay from the Fund the relevant entitlements as stipulated in LGPS Regulations
- 5 invest surplus monies in accordance with the relevant regulations
- 6 ensure that cash is available to meet liabilities as and when they fall due.
- 7 ensure benefits paid to members are accurate and undertake timely and appropriate action to rectify any inaccurate benefit payments
- 8 take measures as set out in the regulations to safeguard the fund against the consequences of employer default
- 9 manage the valuation process in consultation with the Fund's actuary
- 10 prepare and maintain an FSS and associated funding policies and ISS, after proper consultation with interested parties
- 11 monitor all aspects of the Fund's performance and funding, and amend the FSS/ISS accordingly
- 12 establish a policy around exit payments and payment of exit credits/debits in relation to employer exits
- 13 effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and scheme employer
- 14 support and monitor a local pension board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice
- 15 enable the LPB to review the valuation and FSS review process, as set out in their terms of reference.

### **B2 Individual employers are required to:**

- 1 Ensure staff who are eligible are contractually enrolled and deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations).
- 2 provide the Fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any deficiencies in their data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality
- 3 pay all ongoing contributions, including employer contributions determined by the actuary and set out in the rates and adjustments certificate, and any exit payments on ceasing participation in the Fund, promptly by the due date
- 4 develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework



- 5 make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain
- 6 notify the administering authority promptly of all changes to active membership that affect future funding.

### **B3 The Fund actuary should:**

- 1 prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency based on the assumptions set by the administering authority and having regard to the FSS and the LGPS Regulations
- 2 provide advice so the Fund can set the necessary assumptions for the valuation
- 3 prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc
- 4 provide advice and valuations to the Fund so that it can make decisions on exiting employers
- 5 provide advice to the Fund on bonds or other forms of security against the financial effect on the Fund of employer default
- 6 assist the Fund in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations
- 7 ensure that the Fund is aware of any professional guidance or other professional requirements that may be relevant in the role of advising the Fund.
- 8 Identify to the Fund and manage any potential conflicts of interest that may arise in the delivery of contractual arrangements to the Fund and other clients.

### **B4 Local Pension Board (LPB):**

Local pension boards have responsibility to assist the administering authority to secure compliance with the LGPS regulations, other legislation relating to the governance and administration of the LGPS, any requirements imposed by the Regulator in relation to the LGPS, and to ensure the effective and efficient governance and administration of the LGPS. It will be for each fund to determine the input into the development of the FSS (as appropriate within a fund's own governance arrangements) however this may include:

- 1 Assist with the development, and review, of the FSS
- 2 Review the compliance of scheme employers with their duties under the FSS, regulations and other relevant legislation
- 3 Assist with the development, and review, of communications in relation to the FSS

### **B5 Employer guarantors**

- 1 Department for Education - To pay cessation debts in the case of academy cessations (where the obligations are not being transferred to another MAT) and to consider using intervention powers if an academy is deemed to be in breach of the regulations.
- 2 Other bodies with a financial interest (outsourcing employers).

**B6 Other parties:**

1. internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement
2. investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS
3. auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
4. governance advisers may be asked to advise the administering authority on processes and working methods
5. internal and external legal advisers ensure the Fund complies with all regulations and broader local government requirements, including the administering authority's own procedures
6. the Ministry for Housing, Communities and Local Government, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

## Appendix C – Glossary

### **Actuarial certificates**

A statement of the contributions payable by the employer (see also rates and adjustments certificate). The effective date is 12 months after the completion of the valuation.

### **Actuarial valuation**

An investigation by an actuary, appointed by an administering authority into the costs of the scheme and the ability of the fund managed by that authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the Fund. Valuations take place every three years (triennial).

### **Administering authority (referred to as ‘the fund’)**

A body listed in Part 1 of Schedule 3 of the regulations who maintains a fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension fund (the fund). Usually, but not restricted to being, a local authority.

### **Admission agreement**

A written agreement which provides for a body to participate in the LGPS as a scheme employer

### **Assumptions**

Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns,

### **Code of Practice**

The Pensions Regulator’s General Code of Practice.

### **Debt spreading arrangement**

The ability to spread an exit payment over a period of time

### **Deferred debt agreement**

An agreement for an employer to continue to participate in the LGPS without any contributing scheme members

### **Employer covenant**

The extent of the employer’s legal obligation and financial ability to support its pension scheme now and in the future.

### **Funding level**

The funding level is the value of assets compares with the liabilities. It can be expressed as a ratio of the assets and liabilities (known as the funding level) or as the difference between the assets and liabilities (referred to as a surplus or deficit).

### **Fund valuation date**

The effective date of the triennial fund valuation.

**Guarantee / guarantor**

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the fund can consider the employer's covenant to be as strong as its guarantor's.

**Local Pension Board**

The board established to assist the administering authority as the Scheme Manager for each Fund.

**Non-statutory guidance**

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents

**Notifiable events**

Events which the employer should make the administering authority aware of

**Past service liabilities**

The cost of pensions already built up or in payment

**Pension committee**

A committee or sub-committee to which an administering authority has delegated its pension function

**Pensions administration Strategy**

A statement of the duties and responsibilities of scheme employers and administering authorities to ensure the effective management of the scheme

**Primary and secondary employer contributions**

Primary employer contributions meet the future costs of the scheme and secondary employer contributions meet the costs already built up (adjusted to reflect the experience of each scheme employer). Contributions will therefore vary across scheme employers within a Fund.

**Rates and adjustments certificate**

A statement of the contributions payable by each scheme employer (see actuarial certificates)

**Scheme Manager**

A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each Fund has a Scheme Manager which is the administering authority.

## Appendix D – Risks and controls

### D1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The Pensions Board has an oversight / assisting role not a decisions making role, its responsibilities are to:

1. Assist the Gwynedd Pension Fund as Scheme Manager;
2. Securing compliance with regulations and requirements enforced by the Pensions Regulator and the Department for Communities and Local Government
3. Ensuring effective and efficient governance and administration of the Fund.
4. Assist with other matters as the scheme regulations may stipulate

Details of the key fund-specific risks and controls are set out in the risk register at [Risk Register 2021 \(gwyneddpensionfund.wales\)](#).

### D2 Employer covenant assessment and monitoring

Many of the employers participating in the Fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The Fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Local Authorities, Police, Parc Cenedlaethol Eryri	Tax-raising or government-backed, no individual assessment required	n/a
Designating employers	Often tax-raising or government-backed, no individual assessment required	n/a
Further education bodies	Assessments may be commissioned by specialists as appropriate or carried out by Fund Officers	The Fund may review employers periodically or when a significant event occurs
Admission bodies (CABs)	Assessments may be commissioned by specialists as appropriate or carried out by Fund Officers	The Fund may review employers periodically or when a significant event occurs
Admission bodies (TABs)	Effective guarantee provided by the Awarding Authority in most cases, otherwise: Assessments may be commissioned by specialists as appropriate or carried out by Fund Officers	The Fund may review employers periodically or when a significant event occurs

Any change in covenant over the inter-valuation period may lead to a contribution rate review

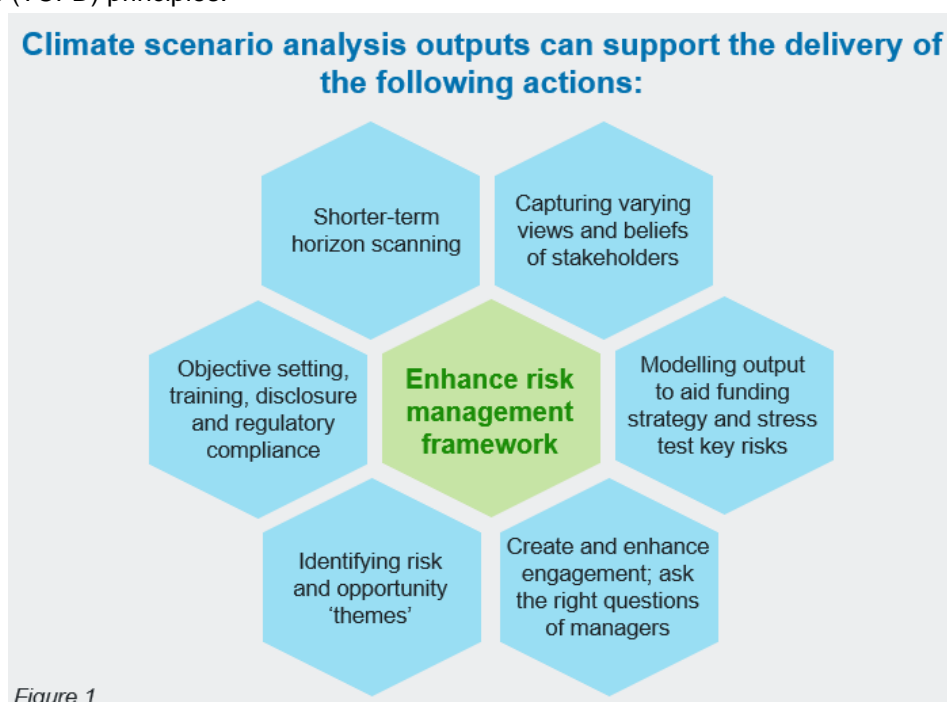
### D3 Climate risk and TCFD reporting

The Fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the Fund has carried out climate scenario analysis incorporating both stress testing, and narrative-based scenario analysis for the local authority employers at the 2025 valuation. The narrative approach explores the complex and interrelated risks associated with climate change by defining a specific extreme, downside risk (in this instance a food shock) and constructing narratives around potential policy and market responses, noting these may be sub-optimal. This approach allows consideration to be given to the impact of sudden, severe downside risks in the short term, the interdependencies that arise and potential immediate actions. Coupling this approach with stress testing (to better understand the impact of possible climate scenarios) has allowed the Fund to assess a range of outcomes that may arise and assess the resilience of the Fund under these scenarios.

The results show that:

1. When considering climate scenario stress tests, the Fund appears to be generally resilient to different climate scenarios, with generally modest impacts versus the base case modelled
2. The results of the downside, narrative analysis suggest that the Fund is likely to be resilient in the face of some severe downside risk events (in comparison to the base case), but not all.

Climate scenario analysis helps assess risks and tests the resilience of current and long-term strategies under various scenarios. This helps to identify vulnerabilities across both assets and liabilities. Identification of these vulnerabilities can inform risk management processes (see figure 1), helping the Fund ensure appropriate controls and mitigations are in place. Scenario analysis therefore supports informed decision making, and may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.



This climate analysis was not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the

vast majority of the Fund's assets and liabilities, applying the climate analysis to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The Fund has a Responsible Investment Policy which was last agreed by Pensions Committee in 2022.

## Appendix E – Actuarial assumptions

The key outputs from an employer's funding valuation are its contribution rate requirement (see Section 2 for further details) and its funding level (see Section 4). For both calculations the Fund actuary requires actuarial assumptions.

The Fund typically reviews and sets the actuarial assumptions used for funding purposes as part of the triennial valuation. Those assumptions are then used until the next triennial valuation (updated for current market conditions where appropriate).

The Fund has reviewed the actuarial assumptions used for funding purposes as part of the 2025 valuation. These are set out below.

### E1 What are actuarial assumptions?

Actuarial assumptions are required to value the Fund's liabilities because:

- There is uncertainty regarding both the timing and amount of the future benefit payments (the actual cost can't be known until the final payment is made). Therefore to estimate the cost of benefits earned to date and in the future, assumptions need to be made about the timing and amount of these future benefit payments
- The assets allocated to an employer today are a known figure. However, the future investment return earned on those assets and future cashflows into the fund are uncertain. An assumption is needed about what those future investment returns will be

There are two types of actuarial assumptions that are needed to perform an actuarial valuation: **financial assumptions** determine the expected amount of future benefit payments and the expected investment return on the assets held to meet those benefits, whilst **demographic assumptions** relate primarily to the expected timing of future benefit payments (i.e. when they are made and for how long).

All actuarial assumptions are set as best estimates of future experience with the exception of the discount rate assumption which is deliberately prudent to meet the regulatory requirement for a 'prudent' valuation.

Any change in the assumptions will affect the value that is placed on future benefit payments ('liabilities'), but different assumptions don't affect the actual benefits the fund will pay in future.

### E2 What funding bases are operated by the Fund?

A *funding basis* is the set of actuarial assumptions used to value an employer's (past and future service) liabilities. The fund operates two funding bases for funding valuations: the *ongoing participation basis* and the *low-risk exit basis*. All actuarial assumptions are the same for both funding bases with the exception of the discount rate – see further details below.

### E3 What financial assumptions are used by the Fund?

#### Discount rate

The discount rate assumption is the average annual rate of future investment return assumed to be earned on an employer's assets from a given valuation date.

The Fund uses a risk-based approach to setting the discount rate which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions') and the Fund's investment strategy.



The discount rate is determined by the *prudence level*. Specifically, the discount rate is calculated to be:

*The average annual level of future investment return that can be achieved on the Fund's assets over a 20 year period with a x% likelihood.*

The prudence level is the likelihood. The prudence levels used by the fund are as follows:

Funding basis	Prudence level
Ongoing participation	80%
Low-risk exit	90% (mid point of cessation corridor)

Further information on the cessation corridor can be found in [Appendix J](#).

### CPI inflation

The CPI inflation assumption is the average annual rate of future Consumer Price Index (CPI) inflation assumed to be observed from a given valuation date. This assumption is required because LGPS benefit increases (in deferment and in payment) and revaluation of CARE benefits are in line with CPI.

The fund uses a risk-based approach to setting the CPI inflation assumption which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions').

The CPI inflation assumption is calculated to be:

*The average annual level of future CPI inflation that will be observed over a 20 year period with a 50% likelihood*

### Salary growth

The salary growth assumption is linked to the CPI inflation assumption via a fixed margin. The salary growth assumption is 0.5% above the CPI inflation assumption plus a promotional salary scale.

### E4 Further detail on the calculation of financial assumptions

The ongoing participation basis discount rate and CPI inflation assumptions are calculated using a risk-based method. To assess the likelihood associated with a given level of investment return or a given level of future inflation, the fund actuary uses Hymans Robertson's propriety economic scenario generator; the *Economic Scenario Service* (or *ESS*). The model uses statistical distributions to project a range of 5,000 different possible outcomes for the future behaviour of different asset classes and wider economic variables, such as inflation.

The table below shows the calibration of the model as at 31 March 2025 for some sample asset classes and economic variables. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years. Yields and inflation refer to the simulated yields at that time horizon.

Time period	Percentile	Annualised total returns										Inflation/Yields		
		UK Equity	Overseas equity	Emerging market equity	Private Equity	Property	Infrastructure equity	UK Corporate bonds (A-rated)	Absolute return bonds	Multi-asset credit	Private lending	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16 <sup>th</sup>	0.1%	-0.5%	-3.2%	-2.5%	0.2%	1.1%	4.0%	3.6%	4.1%	4.5%	1.2%	1.5%	4.8%
	50 <sup>th</sup>	8.2%	8.2%	8.5%	10.0%	6.8%	8.1%	5.2%	5.0%	6.7%	8.2%	2.8%	2.4%	5.8%
	84 <sup>th</sup>	16.4%	16.9%	20.9%	22.8%	14.1%	15.5%	6.1%	6.5%	8.8%	11.4%	4.3%	3.3%	7.1%
10 years	16 <sup>th</sup>	2.5%	2.1%	0.2%	1.2%	2.3%	3.1%	4.8%	4.0%	5.8%	6.4%	0.8%	0.8%	3.9%
	50 <sup>th</sup>	8.6%	8.5%	8.8%	10.2%	7.3%	8.4%	5.8%	5.4%	7.4%	8.8%	2.5%	2.1%	5.3%
	84 <sup>th</sup>	14.6%	14.8%	17.5%	19.6%	12.7%	13.8%	6.7%	6.9%	8.9%	10.9%	4.1%	3.3%	7.1%
20 years	16 <sup>th</sup>	3.8%	3.7%	2.2%	3.4%	3.5%	4.2%	4.6%	3.7%	6.1%	7.0%	0.7%	-0.5%	1.6%
	50 <sup>th</sup>	8.4%	8.3%	8.5%	9.9%	7.3%	8.3%	5.8%	5.3%	7.6%	8.8%	2.3%	1.3%	3.6%
	84 <sup>th</sup>	12.9%	13.1%	15.1%	17.0%	11.3%	12.4%	7.2%	7.1%	9.1%	10.7%	3.9%	3.0%	6.2%
	Volatility (1 yr)	16.3%	18.6%	24.3%	26.6%	15.2%	14.5%	3.2%	2.7%	6.3%	9.3%	1.4%	-	-

The ESS model is recalibrated monthly. The Fund actuary uses the most recent calibration of the model (prior to the valuation date) to set financial assumptions for each funding valuation.

### **E5 What demographic assumptions are used by the Fund?**

The Fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the Fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in the assumptions that apply to them.

#### **Life expectancy**

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the Fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2024 version of the continuous mortality investigation (CMI) model published by the actuarial profession. The core parameters of the model apply, however, the starting point has been adjusted by +0.25% (for males and females) to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

#### **Other demographic assumptions**

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. At age 65 this is assumed to be 55% for males and 54% for females). Dependant of a male is 3.5 years younger than him Dependent of a female is 0.6 years older than her
Commutation	75% of maximum under HMRC limits.
50:50 option	0% of members will choose the 50:50 option.

## Rates for demographic assumptions

**Males**

Age	Salary Scale	Death Before Retirement	Withdrawals		III Health Tier 1		III Health Tier 2	
			FT	PT	FT	PT	FT	PT
20	105	0.17	210.24	365.85	0.00	0.00	0.00	0.00
25	117	0.17	138.87	241.66	0.00	0.00	0.00	0.00
30	131	0.20	98.53	171.44	0.00	0.00	0.00	0.00
35	144	0.24	76.99	133.93	0.10	0.07	0.02	0.01
40	151	0.41	61.98	107.80	0.16	0.12	0.03	0.02
45	159	0.68	58.22	101.23	0.35	0.27	0.07	0.05
50	167	1.09	47.99	83.35	0.90	0.68	0.23	0.17
55	173	1.70	37.79	65.67	3.54	2.65	0.51	0.38
60	174	3.06	33.68	58.51	6.23	4.67	0.44	0.33
65	174	5.10	20.67	35.91	11.83	8.87	0.00	0.00

**Females**

Age	Salary Scale	Death Before Retirement	Withdrawals		III Health Tier 1		III Health Tier 2	
			FT	PT	FT	PT	FT	PT
20	105	0.17	210.24	365.85	0.00	0.00	0.00	0.00
25	117	0.17	138.87	241.66	0.00	0.00	0.00	0.00
30	131	0.20	98.53	171.44	0.00	0.00	0.00	0.00
35	144	0.24	76.99	133.93	0.10	0.07	0.02	0.01
40	151	0.41	61.98	107.80	0.16	0.12	0.03	0.02
45	159	0.68	58.22	101.23	0.35	0.27	0.07	0.05
50	167	1.09	47.99	83.35	0.90	0.68	0.23	0.17
55	173	1.70	37.79	65.67	3.54	2.65	0.51	0.38
60	174	3.06	33.68	58.51	6.23	4.67	0.44	0.33
65	174	5.10	20.67	35.91	11.83	8.87	0.00	0.00

## Appendix F – Policy on Prepayments

Effective date of policy	1 April 2026
Next review	March 2029

### F1 Introduction

The purpose of this policy is to set out the administering authority's approach to the prepayment of regular contributions due by participating employers.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

### Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where prepayment of contributions will be permitted.
- To outline the key principles followed when calculating prepayment amounts.
- To outline the approach taken to assess the suitability of a prepayment as sufficient to meet the required contributions.

### Background

It is common practice in the LGPS for employers to pre-pay regular contributions that were otherwise due to be paid to the Fund in future. Employer contributions include the 'Primary Rate' – which is expressed as a percentage of payroll and reflects the employer's share of the cost of future service benefits, and the 'Secondary Rate' – which can be expressed as a percentage of payroll or a monetary amount and is an additional contribution designed to ensure that the total contributions payable by the Employer meet the funding objective.

On 22 March 2022, following a request from the LGPS Scheme Advisory Board, James Goudie QC provided an [Opinion](#) on the legal status of prepayments. This Opinion found that the prepayment of employee and employer contributions was not illegal, subject to the basis for determining the prepayment amount being reasonable, proportionate and prudent. Further, the Opinion set out specific requirements around the presentation of prepayments.

### Guidance and regulation framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Regulation 9 – outlines the contribution rates payable by active members
- Regulation 62 - sets the requirement for an administering authority to prepare an R&A certificate.
- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and specifies that primary contributions be expressed as a percentage of pensionable pay of active members.

## **F2 Statement of principles**

This statement of principles covers the prepayment of regular employer contributions to the Fund. Each case will be treated on its own merits, but in general:

- The administering authority will permit the prepayment of employer contributions.
- Prepaying contributions expressed as a percentage of pay introduces the risk that the prepayment amount will be insufficient to meet the scheduled contribution (as a result of differences between expected and actual payroll). Prepaying contributions is therefore only permissible in the case of secure, long-term employers (e.g. local authorities).
- The prepayment of employee contributions is not permitted.
- A discount will be applied where employer contributions are prepaid, to reflect the investment return that is assumed to be generated by the Fund over the period of prepayment.
- The Fund actuary will determine the prepayment amount, which may require assumptions to be made about payroll over the period which the scheduled contribution is due.
- Where contributions expressed as a percentage of pay have been prepaid, the administering authority will carry out an annual check (and additional contributions may be required by the employer) to make sure that the actual amounts paid are sufficient to meet the contribution requirements set out in the R&A certificate.
- Prepayment agreements will be documented by way of correspondence between the administering authority and the employer.
- The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.
- Employers are responsible for ensuring that any prepayment agreement is treated appropriately when accounting for pensions costs.
- Prepayment agreements can cover any annual period of the R&A (or a consecutive number of annual periods).

## **F3 Policy**

### **Eligibility and periods covered**

The Fund is happy to consider requests from any employers to pre-pay certified primary and secondary contributions. However, in general, prepayments are most appropriate for large, secure employers with stable active memberships. Employer contributions over the period of the existing R&A certificate (and, where a draft R&A certificate is being prepared following the triennial valuation, the draft R&A certificate) may be pre-paid by employers.

Prepayment of contributions due after the end of the existing (or draft) R&A certificate is not permitted, i.e. it would not be possible to prepay employer contributions due in the 2029/30 year until the results of the 2028 valuation are known and a draft R&A certificate covering the 2029 to 2032 period has been prepared.

### **Request and timing**

Prior to making any prepayment, employers are required to inform the Fund in writing of their wish to prepay employer contributions and to request details of the amount required by the Fund to meet the scheduled future contribution.

This request should be received by the Fund within 2 months of the start of the period for which the prepayment is in respect of.

The Fund will then provide the employer with a note of the prepayment amount and the date by which this should be paid. In general, the prepayment should be as close as possible to the beginning of the appropriate R&A period and by 30 April at the latest.

Failure to pay the prepayment amount by the specified date may lead to the need for an additional and immediate payment from the employer to ensure that the amount paid is sufficient to meet the certified amount set out in the R&A certificate.

### Calculation

The Fund actuary will determine the prepayment amount required.

Where the prepayment is in respect of contributions expressed as a percentage of pay:

- The Fund actuary will determine the discounted value of scheduled contributions based on an estimate of payroll over the period (using the information available and assumptions set at the previous valuation) and the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- A sufficiency check will be required at the end of the period (see section 3.4)

Where the prepayment is in respect of contributions expressed as a monetary amount:

- The Fund actuary will determine the discounted value of scheduled contributions based on the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- No sufficiency check will be required

Employers may pay more than the prepayment amount determined by the Fund actuary.

No allowance for expected outsourcing of services will be made in the Fund actuary's estimation of payroll for the prepayment period.

### Sufficiency check

Where required, the Fund actuary will carry out an **annual** assessment to check that sufficient contributions have been prepaid in respect of that period. Specifically, this will review the prepayment calculation based on actual payroll of active members over the period and this may lead to a top-up payment being required from the employer.

If this sufficiency check reveals that the prepayment amount was higher than that which would have been required based on actual payroll (i.e. if actual payroll over the period is less than was assumed), this will not lead to a refund of contributions to the employer.

The sufficiency check will not compare the assumed investment return (i.e. the discount rate) with actual returns generated over the period. i.e. the check considers payroll only. Any shortfall arising due to actual investment returns being lower than that assumed will form part of the regular contribution assessment at the next valuation (as per the normal course of events).

The administering authority will notify the employer of any top-up amount payable following this annual sufficiency check and the date by which any top-up payment should be made.

### Documentation and auditor approval

The Fund will provide the employer with a note of the information used to determine the prepayment amount, including:

- Discount rate used in the calculations
- The estimate of payroll (where applicable)
- The effective date of the calculation (and the date by which payment should be made)
- The scheduled regular payments which the prepayment amount covers.

The prepayment agreement will be reflected in the R&A certificate as follows:

- The unadjusted employer regular contribution rate payable over the period of the certificate
- As a note to the contribution rate table, information relating to the prepayment amount and the discount applied, for each employer where a prepayment agreement exists.

The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.

Employers should discuss the prepayment agreement with their auditor prior to making payment and agree the accounting treatment of this. The Fund will not accept any responsibility for the accounting implications of any prepayment agreement.

### **Costs**

Employers entering into a prepayment agreement will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the administering authority. These costs would be recharged to employers by the Fund.

### **Risks**

Employers may enter into prepayment agreements on the expectation that the Fund will be able to generate higher returns than they can over the prepayment period. Employers should be aware that future returns are not guaranteed, and it is possible that the returns generated on prepayment amounts may generate a lower return than that which can be generated by the employer. It is also possible that negative returns will lead to the value of any prepayment being less than that which was scheduled to be paid. In such circumstances, a top-up payment would not be required (as the sufficiency check only considers the effect of actual payroll being different to that assumed in the prepayment calculation), however the employer's asset share would be lower than it would have been if contributions were paid as scheduled. This would be considered by the Fund actuary at the next triennial valuation (as per the normal course of events).

### **F4 Related policies**

The Fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

## Appendix G - Policy on pass-through

Effective date of policy	1 April 2026
Next review	March 2029

### G1 Introduction

The purpose of this policy is to set out the administering authority's approach to admitting new contractors into the Fund on a pass-through basis. In addition, and subject to review on a case-by-case basis, the Fund may be willing to apply its pass-through principles to other admission bodies where liabilities are covered by a guarantor within the Fund.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

### Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To set out the Fund's approach to admitting new contractors / admission bodies, including the calculation of contribution rates and how risks are shared under the pass-through arrangement.
- To outline the process for admitting new contractors / admission bodies into the Fund.

### Background

Employees outsourced from local authorities, police and fire authorities must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007) and the Welsh Authority Staff Transfers (Pensions) Direction 2012. This is typically achieved by employees remaining in the LGPS and the new employer becoming an admitted body to the Fund and making the requisite employer contributions.

Pass-through is an arrangement whereby the letting authority (e.g. the local authority) retains the main risks of fluctuations in the employer contribution rate during the life of the contract, and the risk that the employer's assets may be insufficient to meet the employees' pension benefits at the end of the contract.

### Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Schedule 2 Part 3 sets out the entities eligible to join the Fund as an admitted body, their key responsibilities as an admitted body and the requirements of the admission agreement.
- Regulation 64 - covers the requirements for a cessation valuation following the exit of a participating employer from the Fund.
- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and provides a definition of the primary rate.



## G2 Statement of principles

This statement of principles covers the admission of new contractors (or other admission bodies) to the Fund on a pass-through basis. Each case will be treated on its own merits, but in general:

- Employers which “**outsource**” have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. There are typically **three different routes that such employers may wish to adopt**. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:
  - Pooling
    - Under this option the contractor is pooled with the letting authority. In this case, the contractor pays the same rate as the letting authority, which may be under a stabilisation approach.
  - Letting authority retains pre-contract risks
    - Under this option the letting authority would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff.
    - The contractor’s contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term. Please note, the level of exit credit (if any) payable on cessation would be determined by the Administering Authority in accordance with the Regulations and this FSS.
  - Fixed contribution rate agreed
    - Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and does not pay any deficit or receive an exit credit.
- The Fund’s preference and default approach is to use the pooling approach described above. However, the administering authority may be willing to administer any of the above options as long as the approach is documented in the admission agreement as well as the transfer agreement.
- Unless otherwise instructed by the letting authority, under the fixed contribution rate approach, the contractor’s pension contribution rate is set equal to the primary contribution rate payable by the letting authority.
- The letting authority retains responsibility for variations in funding level, for instance due to investment performance, changes in market conditions, and longevity under its pass-through arrangement, irrespective of the size of the outsourcing.
- The contractor will meet the cost of additional liabilities arising from (non-ill health) early retirements and augmentations together with funding strains arising from excessive salary growth.
- Ill health experience will be pooled with the letting authority and no additional strain payments will be levied on the contractor in respect of ill health retirements.
- The contractor will not be required to obtain an indemnity bond.

- There will be no notional transfer of assets to the contractor within the Fund. This means that all assets and liabilities relating to the contractor's staff will remain the responsibility of the letting authority during the period of participation.
- At the end of the contract (or when there are no longer any active members participating in the Fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the letting authority) to the Fund, save for any outstanding regular contributions and/or invoices. Likewise, no "exit credit" payment will be required from the Fund to the contractor (or letting authority).
- The terms of the pass-through agreement will be documented by way of the admission agreement between the administering authority, the letting authority, and the contractor.
- All existing admission agreements are unaffected by this policy.

The principles outlined above are the default principles which will apply; however, the letting authority may request the specific details of a particular agreement to differ from the principles outlined above.

The administering authority is not obliged to agree to a departure from the principles set out in this policy but will consider such requests and engage with the letting authority to reach agreement.

### **G3 Policy and process Compliance**

Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

The administering authority and the Fund actuary must always be notified that an outsourcing has taken place, regardless of the number of members involved.

### **Contribution rates**

Where a contract is let on the basis of pass-through, as described above, the contribution rate payable by the contractor over the period of participation will be determined at the start of the contract in accordance with the agreed methodology (as discussed above) and this approach will apply throughout its participation in the Fund.

### **Risk sharing and cessation valuation**

The letting authority will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will be required from contractors participating in the Fund on a pass-through basis. The letting authority is effectively guaranteeing the contractor's participation in the Fund.

A cessation valuation is required when a contractor no longer has any active members in the Fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

Where a pass-through arrangement is in place, the Fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and therefore that no cessation debt or exit credit is payable to or from the Fund.

The contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains and/or augmentations and/or in respect of excessive salary increases at the end of the contract.

Under a typical pass-through arrangement, the contractor will be liable for additional pension costs that arise due to items over which it exerts control. The risk allocation is as follows:

<b>Risks</b>	<b>Letting authority</b>	<b>Contractor/ Admitted body</b>
Surplus/deficit prior to the transfer date	✓	
Interest on surplus/deficit	✓	
Investment performance of assets held by the Fund	✓	
Changes to the discount rate that affect past service liabilities	✓	
Changes to the discount rate that affect future service accrual	✓	
Change in longevity assumptions that affect past service liabilities	✓	
Changes to longevity that affect future accrual	✓	
Price inflation affects past service liabilities	✓	
Price inflation / pension increases that affect future accrual	✓	
Exchange of pension for tax free cash	✓	
Ill health retirement experience	✓	
Strain costs attributable to granting early retirements (not due to ill health (e.g. redundancy, efficiency, waiving actuarial reductions on voluntary early retirements))		✓
Greater/lesser level of withdrawals	✓	
Rise in average age of contractor's employee membership	✓	
Changes to LGPS benefit package	✓	
Excess liabilities attributable to the contractor granting pay rises that exceed those assumed in the last formal actuarial valuation of the Fund		✓
Award of additional pension or augmentation		✓

## Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

It is the administering authority's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required (e.g. contractors paying a fixed rate are largely indemnified from the risks inherent in providing defined benefit pensions).

As the letting authority retains most of the pension risk relating to contractors, it is the administering authority's understanding that these liabilities (and assets) should be included in the letting authority's FRS102 / IAS19 disclosures.

The administering authority expects employers to seek approval to the treatment of pension costs from their auditor.

## Application

Letting authorities may request terms which differ from those set out in this policy and any such request will be considered by the administering authority.

All existing admission agreements (i.e. which commenced prior to the effective date of this policy) are unaffected by this policy.

## Process

The procurement department at each letting authority that has responsibility for staff/service outsourcing must be advised of this policy. The process detailed below must be adhered to by the letting authority and (where applicable) the contractor.

- **Tender Notification** - The letting authority must publicise this pass-through policy as part of its tender process to bidders. This should confirm that the winning bidder will not be responsible for ensuring that the liabilities of outsourced employees are fully funded at the end of the contract, and that the winning bidder will only be responsible for paying contributions to the Fund during the period of participation and meeting the cost of (non-ill health) early retirement strains, the cost of benefit augmentations and excessive salary growth (assuming the terms of this policy are adhered to). It should also advise the employer contribution rate as detailed in paragraph 3.2.
- **Initial notification to Pension Team** – The letting authority must contact the administering authority when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The administering authority must be advised prior to the start of the tender and the letting authority must also confirm that the terms of this policy have been adhered to.
- **Confirmation of winning bidder** – The letting authority must immediately advise the administering authority of the winning bidder.
- **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the letting authority), should request to the administering authority that it wishes to become an admitted body within the Fund.

- **Template admission agreement** – a template pass-through admission agreement will be used for admissions under this policy. It will set out all agreed points relating to employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the administering authority, will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the administering authority and possibly its legal advisors.
- **Signed admission agreement** - Signing of the admission agreement can then take place between an appropriate representative of the winning bidder, the lead finance officer of the letting authority, and the administering authority. It is at this point the Fund can start to receive contributions from the contractor and its employee members (backdated if necessary).
- **Admitted body status** – The letting authority will advise the contractor of its requirements and responsibilities within the Fund.

### Costs

Contractors being admitted to the Fund under a pass-through agreement will be required to meet the cost associated with the agreed contribution rate, which includes (but is not limited to) the actuarial fees incurred by the administering authority.

### G4 Related policies

The Fund's approach to setting regular employer contribution rates is set out in its Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

The treatment of new employers joining the Fund is set out in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the Fund?"

The treatment of employers exiting the Fund is set out in the Funding Strategy Statement, specifically "Section 7 – What happens when an employer leaves the Fund?"

## Appendix H - Policy on contribution reviews

Effective date of policy	1 April 2026
Next review	March 2029

### H1 Introduction

The purpose of this policy is to set out the administering authority's approach to reviewing contribution rates between triennial valuations.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

### Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

### Background

The Fund may amend contribution rates between valuations for 'significant change' to the liabilities or covenant of an employer.

Such reviews may be instigated by the Fund or at the request of a participating employer.

Any review may lead to a change in the required contributions from the employer.

### Guidance and regulatory framework

Regulation 64 of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS funds should determine employer contributions, including the following;

- Regulation 64 (4) – allows the administering authority to review the contribution rate if it becomes likely that an employer will cease participation in the Fund, with a view to ensuring that the employer is fully funded at the expected exit date.
- Regulation 64A - sets out specific circumstances where the administering authority may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects statutory guidance from the Ministry of Housing, Communities and Local Government (MHCLG) on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board as well as the letter from MHCLG in March 2025 to all Administering Authorities regarding the Government's intention to consult on changes to the Regulations as they apply to revision of contribution rates.

### H2 Statement of principles

This statement of principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The administering authority reserves the right to review contributions in line with the provisions set out in the LGPS Regulations.
- The decision to make a change to contribution rates rests with the administering authority, subject to consultation with employers during the review period.
- Full justification for any change in contribution rates will be provided to employers.
- Advice will be taken from the Fund actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustments certificate.
- An additional level of security or guarantee may be sought by the Fund, in certain circumstances.

### **H3 Policy**

#### **Circumstances for review**

The Fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an administering authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner or later than anticipated at the last valuation;
- an employer is approaching exit from the Fund within the next two years and before completion of the next triennial valuation;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of an employer or employers to meet their obligations (e.g. a material change in employer covenant, or provision of additional security);
- it appears to the administering authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the administering authority.

#### **Employer requests**

The administering authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially, or they are going through a significant restructuring impacting their membership). If the reason does not explicitly meet the criteria a contribution review will not take place.

The administering authority will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or
- information relating to sources of funding.

The administering authority will endeavour to complete any review within 3 months of request subject to receipt of satisfactory evidence. The administering authority will also monitor any change in an employer's circumstances on a regular basis following any change in contribution rate and may require further information from the employer to support this monitoring process.

The costs incurred by the administering authority in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

### **Impact on other employers**

When undertaking any review of contributions, the administering authority will also consider the impact of a change to contribution rates on other Fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole Fund.

The administering authority will consult with other Fund employers as necessary.

### **Effect of market volatility**

Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation. In particular, a contribution rate review will not be considered for local authority employers in order to manage surpluses in between formal triennial actuarial valuations.

### **Documentation**

Where revisions to contribution rates are necessary, the Fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.
- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the administering authority to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.



#### **H4 Related policies**

The Fund's approach to setting employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

## Appendix I - Policy on ill health risk management

Effective date of policy	1 April 2026
Next review	March 2029

### I1 Introduction

The purpose of this policy is to set out the administering authority's approach to managing the risk arising due to ill health retirements.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

### Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To explain the approach taken to manage ill health risk
- To specify circumstances where a review of experience may lead to additional contributions.
- To outline the key risks and benefits to this arrangement.

### Background

Additional liabilities can arise following the retirement of members due to ill health. These additional liabilities can include the unreduced early payment of pension benefits and the award of additional service. The level of pension benefits paid on ill health depends on the severity of the member's condition.

The LGPS Regulations require the additional liabilities to be funded by way of payments from employers. Payment of large lump sums to meet strains as and when they arise can lead to unexpected payments and put significant strain on employers' budgets. LGPS funds are able to put arrangements in place which mitigate the risk of having to pay a large cash sum due to an ill health retirement strain payment.

To mitigate this risk to smaller employers, and to evidence good governance and risk management, the administering authority has arranged for an external insurance policy to cover ill health early retirement strains for smaller employers in the Fund. Each of these employer's contributions to the Fund includes its share of that year's insurance premium. When an active member retires on ill health early retirement, the claim amount received from the insurer will be credited to the respective employer's asset share in the Fund.

For all other employers that are not covered by the external insurance policy, any funding strain in excess of the allowance made in the funding basis would be met through an increase to ongoing contributions.

### Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the benefits payable to members and the way in which additional benefits (such as those arising on ill health early retirement) should be funded. These include the following:

- Regulation 35 – permits the early retirement of pension on ill health grounds.
- Regulation 39 – sets out the calculation of the pension payable in the instance of ill health retirement.

- Regulation 68 – sets out the additional contributions payable by the employer to meet the liability strain caused by a member retiring through ill health.

## **I2 Statement of principles**

This statement of principles covers the external insurance arrangement in place to manage the risks created by ill health retirements for smaller employers, and the equivalent risks for larger employers not using the ill health insurance arrangement. In general:

- Employers will not be required to pay lump sum amounts to meet ill health retirement strains (in the normal course of events).
- Both Tier 1 and Tier 2 ill health retirement strains will be covered by this arrangement.
- For smaller employers in the Fund that are covered by external insurance:
  - Eligible employers are unable to opt out of this arrangement.
  - Each of these employer's contributions to the Fund includes its share of that year's insurance premium.
- For all other employers in the Fund:
  - Regular contribution rates will include the expected cost of assumed ill health retirements.
  - The Hymans Robertson Employer Asset Tracker (HEAT) system is used to track actual ill health experience.
  - Any funding strain in excess of the allowance made in the funding basis would ordinarily be met through an increase to ongoing contributions at the next triennial valuation. However, the Fund reserves the right to request immediate additional contributions in the event of material ill health strains during the period between valuations.

## **I3 Policy**

### **Purpose**

The purpose of this ill health risk management policy is to protect the Fund against adverse ill health retirement experience of individual employers.

### **Eligibility**

This policy applies to all employers in the Fund.

The 'smaller employers' (with under 60 active members) that are covered by external insurance.

### **Operation**

The policy works as follows:

- Assets shares for each employer are determined each month by Hymans Robertson, using the HEAT system and based on the monthly cashflows and asset information provided by the Fund.
- Contribution rates are set by the Fund Actuary every three years as part of the triennial valuation.

Primary contribution rates include allowance for the expected cost of assumed ill health retirements (expressed as a percentage of payroll).

This provides ongoing funding for the assumed level of ill health retirement strains.

**Smaller employers**

- Smaller employers in the Fund are covered by the ill health insurance arrangement.
  - When an active member retires on tier one or tier two ill health early retirement, a claim amount equal to the Fund-calculated strain cost for the retirement will be received from the insurer (assuming a valid claim) and credited to the respective employer's asset share in the Fund.
  - It is not guaranteed that the insurer will pay the claim, for example if it does not believe that the requirements for a tier one or tier two ill health retirement have been met.

**Other employers**

- Other employers in the Fund not covered by the ill health insurance arrangement.
  - Where the actual level of ill health retirement strains exceeds the assumed level, this will lead to a shortfall arising at the next triennial valuation for those employers not covered by the ill health insurance arrangement.

No immediate additional contributions will be required from employers to meet this shortfall, but this could increase the contribution requirement following the next triennial valuation.

- Similarly, where the actual level of ill health retirement strains is lower than the assumed level, this will lead to a surplus arising at the next triennial valuation.

No refund will be paid to employers as a result of this, but this surplus could lead to downwards pressures on contributions following the next triennial valuation.

**Review and additional contributions**

The administering authority will review the level of ill health experience across all employers at each triennial valuation.

If an employer has an unusually high incidence of ill health retirement over the previous inter-valuation period, the administering authority will engage with the employer to understand the reasons for this. In the event of concerns around the eligibility criteria applied by the employer in granting ill health retirements, this could lead to the need for the employer to pay additional contributions to the Fund.

**Costs**

The costs of operating this policy will be met by the Fund as part of its administration expenses.

**I4 Related policies**

The Fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

## Appendix J - Policy on cessations

Effective date of policy	1 April 2026
Next review	March 2029

### J1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with circumstances where a scheme employer leaves the Fund and becomes an exiting employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework (see below) and the Fund's discretionary policies (as described in Section 3 – Policies below).

### Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the Fund.
- To provide information about how the Fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) exiting employers, the administering authority, the actuary and, where relevant, the original ceding scheme employer (usually a letting authority).

### Background

As described in Section 7 of the Funding Strategy Statement (FSS), a scheme employer may become an exiting employer when a cessation event is triggered e.g. when the last active member stops participating in the Fund. On cessation from the Fund, the administering authority will instruct the Fund actuary to carry out a valuation of assets and liabilities for the exiting employer to determine whether a deficit or surplus exists. The Fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

### Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the Fund (Regulation 64) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates & Adjustments Certificate to be amended to show the revised contributions due from the exiting employer
- Regulation 64 (2) – where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date. Further, it requires the Rates & Adjustments Certificate to be amended to show the exit payment due from the exiting employer or the excess of assets over the liabilities in the fund.

- Regulation 64 (2ZAB) – the administering authority must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:
  - a) Notify its intention to make a determination to-
    - (i) The exiting employer and any other body that has provided a guarantee to the Exiting Employer
    - (ii) The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement
  - b) Pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the administering authority and the exiting employer agree.
- Regulation (2ZC) – In exercising its discretion to determine the amount of any exit credit, the administering authority must have regard to the following factors-
  - a) The extent to which there is an excess of assets in the fund relating to that employer in paragraph (2)(a)
  - b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions
  - c) Any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
  - d) Any other relevant factors
- Regulation 64 (2A) & (2B)– the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the fund within the period specified in the suspension notice.
- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining fund employers may be amended.
- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the administering authority may obtain a certificate from the Fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.
- Regulation 64 (5) – following the payment of an exit payment to the Fund, no further payments are due to the Fund from the exiting employer.
- Regulation 64 (7A-7G) – the administering authority may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.
- Regulation 64B (1) – the administering authority may set out a policy on spreading exit payments.

In addition to the 2013 Regulations summarised above, Regulation 25A of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the Transitional Regulations”)

give the Fund the ability to levy a cessation debt on employers who have ceased participation in the Fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the Fund expects to deal with any such cases.

This policy also reflects statutory guidance from the Ministry of Housing, Communities and Local Government on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the Fund.

## **J2 Statement of principles**

This Statement of Principles covers the Fund's approach to exiting employers. Each case will be treated on its own merits but in general:

- it is the Fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the Fund.
- the Fund's preferred approach is to request the full payment of any exit debt (an exit payment), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and Section 3.1 below). This would extinguish any liability to the Fund by the exiting employer.

The Fund's key objective is to protect the interests of the Fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the exiting employer in determining arrangements for the recovery of the exit debt.

## **J3 Policies**

On cessation, the administering authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in Section 4.3 of the FSS.

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The Fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the Fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see 3.2 Repayment flexibility on exit payments below).

In circumstances where there is a surplus, the administering authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer (see 3.3 Exit credits below).

## **Approach to cessation calculations**

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the Fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in Section 7.2 of the FSS and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local Authorities, Police, Parc Cenedlaethol Eryri	Low risk basis <sup>1</sup>	Shared between other Fund employers
Other Scheduled Bodies	Low risk basis <sup>1</sup>	Shared between other Fund employers
Admission bodies (TABs)	Ongoing basis <sup>2</sup>	Letting authority (where applicable), otherwise shared between other Fund employers
Admission bodies (CABs)	Low risk basis	Shared between other Fund employers (if no guarantor exists)
Designating employers	Low risk basis	Shared between other Fund employers (if no guarantor exists)

<sup>1</sup>Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (e.g. machinery of Government changes), these cessation principles would apply.

<sup>2</sup>Where a TAB has taken, in the view of the administering authority, action that has been deliberately designed to bring about a cessation event (e.g. stopping future accrual of LGPS benefits), then the cessation valuation will be carried out on a low-risk basis.

### **Risk based cessation approach**

The fund uses a risk-based approach to set employer funding strategy, including within cessation calculations. In particular, the likelihood of the fund's assets achieving particular future investment returns is analysed.

Where appropriate, the Fund will use this approach to set an upper and lower amount (or "corridor") in order to consider the amount of assets a ceasing employer must leave behind to pay for its members' benefits. The lower and upper bounds will correspond to an 85% and 95% prudence level respectively.

Under this approach, an employer is deemed to have a deficit if its assets are below the lower amount and a surplus if its assets are above the higher amount (ie there will be no deficit or surplus if a ceasing employer's assets fall within the corridor).

### **Repayment flexibility on exit payments**

#### **Deferred spreading arrangement (DFA)**

The Fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

In this exceptional case, the Fund's policy is:

- The agreed spread period is no more than three years, but the Fund could use its discretion to extend this period in extreme circumstances.



- The Fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.
- The exiting employer may be asked to provide the administering authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The Fund will only consider written requests within six months of the employer exiting the Fund. The exiting employer would be required to provide the Fund with detailed financial information to support its request.
- The Fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The Fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the Fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.
- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.
- Where appropriate, cases may be referred to the Pensions Committee for consideration and considered on their individual merits. Decisions may be made by the Chair in consultation with officers if an urgent decision is required between Committee meetings.

### **Deferred debt agreement (DDA)**

As an alternative, where the ceasing employer is continuing in business, the Administering Authority may enter into a written agreement with the employer to defer its obligations to make an exit payment and continue to make secondary contributions (a 'Deferred Debt Agreement' as described in Regulation 64 (7A)).

The adoption of this approach will continue to expose the employer to stock market and other funding risks during the deferment period, leading to changes in the size of the debt, rather than crystallising the size of the debt at the point of cessation.

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund actuary until the termination of the DDA.

- The Administering Authority may consider a DDA in the following circumstances:
- The employer requests the Fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The Administering Authority will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing.(including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements
- All costs of the arrangement are met by the employer, such as the cost of advice to the Fund, ongoing monitoring of the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The employer enrolls new active fund members.
- The period specified, or as varied, under the DDA elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.
- The administering authority serves a notice on the employer that the administering authority is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.
- The Fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. employer is now largely fully funded on its low risk basis).
- The Fund actuary assesses that the employer's value of liabilities has fallen below an agreed de minimis level and the employer becomes an exiting employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the employer pays its outstanding cessation debt on its cessation basis)

On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with this policy.

### **Exit credits**

The administering authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the Fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the Local Government Pension Scheme (Amendment) Regulations 2020.

The administering authority may determine the amount of exit credit payable to be zero, however, in making a determination, the Administering Authority will take into account the following factors.

- a) the extent to which there is an excess of assets in the Fund relating to the employer over and above the liabilities specified.

- b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.
- c) any representations to the administering authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.
- d) any other relevant factors

The Fund will consider the following principles as part of the determination process. However, it is important to bear in mind that each and every potential exit credit case will be determined by the administering authority on its own merits, and the administering authority will make its discretionary decision on that basis.

### **Admitted bodies**

- i. No exit credit will normally be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph iii) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the fund.
- ii. No exit credit will normally be payable to any admission body who participates in the fund via a pass-through approach. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the Fund via the "Letting employer retains pre-contract risks" route is subject to its risk sharing arrangement, as per paragraph iii) below.
- iii. The Fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the Fund. The Fund will also consider any representations made by the letting authority/awarding authority/ceding employer regarding monies owed to them by the admission body in respect of the contract that is ceasing or any other contractual arrangement between the two parties. The letting authority/awarding authority/ceding employer must make such representations in a clear and unambiguous document within one month of the admission body ceasing participation in the Fund.
- iv. In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in iii) above, the Fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the administering authority.
- v. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- vi. If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit

payment. In these cases, the Fund will consider the differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.

- vii. If an admitted body leaves on a low risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.
- viii. The decision of the Fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

### **Scheduled bodies and designating bodies**

- i. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- ii. Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- iii. The decision of the Fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.
- iv. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.
- v. If a scheduled body or designating body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

### **General**

- i. The Fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.
- ii. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the Fund and the respective investment returns earned on both.
- iii. The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.
- iv. The final decision will be made by the pension manager, in conjunction with advice from the Fund's actuary and/or legal advisors where necessary, in consideration of the points held within this policy.
- v. The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.
- vi. The guidelines above at point v) in the 'Admitted bodies' section, and at points i) and ii) in the 'Scheduled bodies and designating bodies' section, make reference to the Fund 'considering the approach to setting contribution rates during the employer's participation'. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Table 1 (section

2.2) in the FSS. Considering the approach taken when setting contribution rates of the exiting employer may help the Fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have always been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined within this policy). Equally, a shorter than usual funding time horizon or lower than usual probability of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

- vii. None of the above should be considered as fettering the Fund's discretionary decision, instead it is an indication of how decisions are likely to be made.

### **Disputes**

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

### **J4 Practicalities and process**

#### **Responsibilities of ceasing employers**

An employer which is aware that its participation in the Fund is likely to come to an end must:

- advise the Fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a 3 month notice period is required) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).
- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.
- provide all other information and data requirements as requested by the administering authority which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

#### **Responsibilities of administering authority**

The administering authority will:

- gather information as required, including, but not limited to, the following:
  - details of the cessation - the reason the employer is leaving the Fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.
  - complete membership data for the outgoing employer and identify changes since the previous formal valuation.
  - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).

- identify the party that will be responsible for the employer's deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.).
- commission the Fund actuary to carry out a cessation valuation under the appropriate regulation.
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership.
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

#### **Payment of an exit credit**

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the exit credit policy above. If payment is required, the administering authority will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any exit credit payment until it has received all data requested.
- At the time this policy was produced, the Fund has been informed by HMRC that exit credits are not subject to tax, however all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

#### **Responsibilities of the actuary**

Following commission of a cessation valuation by the administering authority, the Fund actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.
- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.
- where appropriate, advise on the implications of the employer leaving on the remaining Fund employers, including any residual effects to be considered as part of triennial valuations.

#### **J5 Related policies**

The Fund's approach to exiting employers is set out in the FSS, specifically "Section 7 – What happens when an employer leaves the Fund?"

The approach taken to set the actuarial assumptions for cessation valuations is set out in Appendix E of the FSS.

MEETING: **PENSIONS COMMITTEE**

DATE: **9 FEBRUARY 2026**

TITLE: **BUDGET APPROVAL FOR 2026/27**

PURPOSE: **To approve the 2026/27 financial year budget for the Pensions Administration and Investment sections.**

RECOMMENDATION: **APPROVE THE BUDGET**

AUTHOR: **DELYTH JONES-THOMAS, INVESTMENT MANAGER**

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## 1. INTRODUCTION

- 1.1 The purpose of this report is to approve the 2026/27 financial year budget for the Pensions Administration and Investment sections.

## 2. PENSIONS ADMINISTRATION SECTION

	<b>Final 2025/26 £</b>	<b>Inflation £</b>	<b>Adjustments £</b>	<b>Budget 2026/27 £</b>
Employees	1,024,730	33,400	(1,380)	1,056,750
Travel and Subsistence	1,440	0	1,000	2,440
Supplies and Services	304,180	9,180	185,500	498,860
Central Services	138,810	4,160	0	142,970
<b>Total</b>	<b>1,469,160</b>	<b>46,740</b>	<b>185,120</b>	<b>1,701,020</b>

### 2.1 Employees, travel and subsistence

The budget for this section consists of 23 full time posts (4 of which are temporary) and 2 part time posts.

### 2.2 Supplies and Services

This budget includes printing costs, office supplies, and software costs.

The budget for these elements has increased over recent years due to the rise in the cost of posting letters imposed by the postal services. Although we have tried to increase the use of our online portal to send documents electronically and reduce the number of items sent physically through the post, postal costs have continued to rise. We will continue to increase the use of electronic communication during 2026/27 and in the years ahead.

There is a requirement to increase this budget permanently. This is mainly because the Fund needs to purchase additional elements within existing software, such as an ISP for the Pension Dashboard and development fees for the McCloud solution.

### 2.3 Central Services

Central services comprise an element of the Head of Finance and ancillary staff costs, and support from Council services such as information technology, corporate and legal.

## 3. **INVESTMENT SECTION**

	<b>Final 2025/26 £</b>	<b>Inflation £</b>	<b>Adjustments £</b>	<b>Budget 2026/27 £</b>
Employees	138,870	4,330	(7,970)	140,800

### 3.1 Employees

This section is located within the main Central Finance department and therefore only an element of the posts is funded by the Pension Fund.

There are 3 full time posts with officer time divided between the Gwynedd Pension Fund and Cyngor Gwynedd. The following percentages of posts are funded by the Pension Fund:

- Investment Manager (90%)
- Pensions and Investment Officer (85%)
- Pensions and Treasury Management Assistant Accountant (40%)

## 4. **WALES PENSION PARTNERSHIP, FUND MANAGER AND CONSULTANCY FEES**

- 4.1 There is no budget set at this stage as the expenditure can vary significantly, but the expenditure is reported fully in the Fund's financial statements and Annual Report.

## 5. **FIT FOR THE FUTURE**

- 5.1 In line with the Fit for the Future regulations, there will be a statutory requirement to appoint a Senior LGPS Officer by 1 October 2026. This new role will carry significant responsibilities in relation to scheme governance, compliance, and oversight.

Alongside this, the ongoing increase in governance requirements and the need to provide enhanced training for officers and Board and Committee members is expected to place additional demands on staffing resources. As a result, it is anticipated that staffing costs will need to rise during the 2026/27 financial year in order to ensure that the Fund can meet these obligations effectively and maintain compliance with regulatory standards.

Further detail on the precise impact of these requirements, including the scope of the Senior LGPS Officer role and the associated resource implications, will be provided to the Committee as more information becomes available. Regular updates will be shared to ensure transparency and to support informed decision-making in relation to budget planning.



## **6. RECOMMENDATION**

- 6.1 The Committee is asked to approve the 2026/27 financial year budget for the Pensions Administration and Investment sections.

MEETING:	<b>PENSIONS COMMITTEE</b>
DATE:	<b>9 FEBRUARY 2026</b>
TITLE:	<b>REVIEW OF STRATEGIC OBJECTIVES FOR THE FUND'S INVESTMENT CONSULTANTS</b>
PURPOSE:	<b>To report progress against current objectives and to note future objectives</b>
RECOMMENDATION:	<b>NOTE PROGRESS AND FUTURE OBJECTIVES</b>
AUTHOR:	<b>DELYTH JONES-THOMAS, INVESTMENT MANAGER</b>

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## **1. INTRODUCTION**

It is considered good practice for Pension Scheme Trustees to set objectives for their investment consultants and these objectives should be set and reviewed each year.

## **2. ESTABLISHING OBJECTIVES FOR INVESTMENT CONSULTANTS**

The objectives for consultants should include a clear definition of the outcome expected, and should be:

- 'closely linked' to the pension scheme's strategic objectives
- reviewed at least every three years, and after a significant change to the investment strategy or objectives

Establishing long term objectives is part of a well organised governance approach. The extension to set objectives for investment consultants could be regarded as a natural progression towards all stakeholders being aligned towards a common goal.

## **3. GWYNEDD PENSION FUND OBJECTIVES FOR INVESTMENT CONSULTANTS**

The objectives for Gwynedd Pension Fund can be found in Appendix 1, with the progress reported against them during 2025.

## **4. FUTURE OBJECTIVES**

The future objectives have been noted in Appendix 2. They remain broadly similar but have emphasised the requirement to work with the Wales Pension Partnership's new investment company, WPP IM Co.

## **5. RECOMMENDATION**

The Committee is asked to note the progress report and the Investment Consultants' objectives for the upcoming year.

Consultant's Objectives	Progress report during 2025
<p>1. Advise on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from the Fund's investments and support progress towards a long-term steady state of funding. This includes advice following triennial actuarial valuation as appropriate.</p>	<p>Undertook investment strategy review supported by asset liability modelling, leading to a new strategic asset allocation being agreed by the Committee. This includes a new allocation to natural capital. This was supported by advice regarding the implementation of the updated investment strategy, including sales from equities.</p> <p>Advice was provided in relation to index-linked equity solutions and transition to the evolved BlackRock mandate.</p> <p>Advice was provided in relation to the Fund's strategic allocation to property to inform day 1 commitments to UK commercial and UK local property via WPP programmes.</p> <p>Advice was also provided in relation to regular commitments to its private market allocations via WPP programmes.</p> <p>Fund returns over 12 months (and 3 years) to 30 September 2025 were 10.7% p.a. (9.8% p.a.). Both figures are 0.2% p.a. behind the benchmark return over the respective periods.</p>
<p>2. Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.</p>	<p>Advice was provided to reconfirm the make-up of the blended fund (equities, bonds and cash) that is earmarked for investment in private markets (Income) assets. This will be drawn down over a period of years to fund new capital commitments.</p>
<p>3. Advise on the cost-efficient implementation of the Fund's investment strategy as required, taking into account the evolution of the Wales Pension Partnership, and reform to LGPS pooling requirements.</p>	<p>As noted above, the Fund received advice in relation to WPP-aligned equity and property mandates, and in relation to regular commitments to private market allocations via WPP.</p> <p>Officers have engaged with WPP on natural capital to understand WPP's plans and timelines for launching a new fund. Officers will input to the design to ensure it meets the needs of the Fund.</p> <p>At end September, the Fund has c73% of its assets invested in WPP funds. This is expected to increase to c78% when the current property</p>

	<p>holdings are transitions to the WPP UK commercial property fund. In addition, c15% of assets are invested in index-tracking funds with BlackRock.</p> <p>The only material investments outside of WPP and BlackRock are the Partners private equity and infrastructure mandates, which are worth around 6% of total Fund assets. These mandates will be allowed to run off over a period of years with distributions expected to be reinvested in WPP programmes.</p> <p>Hymans considers transaction costs as part of the implementation of advice.</p> <p>Publications and investment updates shared with the Fund without cost.</p> <p>Advice provided in relation to UBS fee changes (although Officers dealt with UBS directly).</p>
4. Ensure advice complies with relevant pensions regulations, legislation and supporting guidance.	<p>All arrangements remain compliant.</p> <p>There have been no recent regulatory changes that the Fund needed to be aware of, other than the Fit for the Future changes that will be implemented from April 2026.</p>
5. Develop the Committee's policies and beliefs, including those in relation to Responsible Investment.	<p>The Fund received training in relation to natural capital via WPP.</p> <p>The Fund undertook a net zero workshop and net zero alignment project to assess the role of natural capital in meeting its climate ambitions.</p> <p>The Fund was involved in discussions in meetings in relation to social considerations.</p> <p>Hymans supported CIPFA risk reporting as requested.</p> <p>The Fund's investment strategy statement (ISS) is to be updated to reflect updated investment strategy and other pooling related requirements.</p>
6. Ensure our advice reflects the Committee's own policies and beliefs,	<p>The Fund's policies and beliefs are reflected throughout the investment advice received by the Fund.</p>

including those in relation to Responsible Investment considerations.	
<p>7. Provide relevant and timely advice. Services shall be proportionate and competitive in terms of costs relative to consultant peer group. Services should adhere to agreed budgets and be transparent, itemising additional work with fees in advance.</p>	<p>Timely follow-up after queries received during meetings, for example, in relation to natural capital exposure in other Fund mandates.</p> <p>Timely rebalancing advice received in Q4.</p> <p>Weekly market updates provided without cost during period of market volatility in Q2.</p> <p>Hymans' fees are in line with peer group, with fixed fees for certain core tasks, and time-cost fees for additional tasks.</p> <p>Hymans set pre-agreed budgets where possible.</p> <p>Feedback from Officers is that papers are of good quality, but delivery times are not always in line with Officer expectations. In particular, the strategy paper for the November Committee meeting was delivered later than expected. Hymans will review the make-up of the team to introduce extra resource. Hymans will also set out a work plan for 2026 with budgets.</p>
<p>8. Help the Committee develop knowledge and understanding of investment matters.</p>	<p>Natural capital training received via WPP.</p> <p>The Fund undertook a net zero workshop and net zero alignment project to assess the role of natural capital in meeting its climate ambitions.</p> <p>Hymans keeps the Panel updated on market developments via presentation of the quarterly performance reports.</p>
<p>9. Develop the Committee's knowledge on ESG and climate risk, leading to establishing a net zero target date and a climate transition action plan setting out the actions the Committee will take to reduce carbon emissions.</p>	<p>Hymans continue to incorporate ESG and climate risk considerations in its advice.</p> <p>The Fund continues to monitor the requirements relating to TCFD, measurement of carbon emissions for the portfolio and net zero targets.</p> <p>As noted above, the Fund undertook a net zero workshop and net zero alignment assessment. This illustrated the support an allocation to natural</p>

	capital could provide in meeting the Fund's net zero ambitions.
10. The investment consultant works collaboratively with the Fund actuary, asset managers, and custodian, as well as with other third parties including the pool's operator and advisors.	<p>Hymans collaborated with the Fund's actuary (also Hymans) as appropriate. Over this year, this has included providing the integrated actuarial valuation and investment strategy review.</p> <p>Hymans shared questions with the Fund in relation to the asset managers presenting at Panel meetings.</p> <p>Hymans work with investment managers where appropriate for performance reporting and projection of private market commitments to support efficient cashflow management.</p>
11. Develop the Committee's knowledge of the government consultation on the future of the LGPS and how this will impact the operation of the Fund.	<p>Hymans provided information to the Fund regarding LGPS consultations over 2025.</p> <p>The Fund received advice in line with pooling expectations following several consultations.</p>

<b>Consultant's Objectives 2026</b>
1. Advise on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from the Fund's investments and support progress towards a long-term steady state of funding.
2. Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.
3. Advise on the cost efficient implementation of the Fund's investment strategy as required, taking into account the evolution of the Wales Pension Partnership Investment Management company (WPP IM Co) and reform to LGPS pooling requirements.
4. Ensure advice complies with relevant pensions regulations, legislation and supporting guidance.
5. Develop the Committee's policies and beliefs, including those in relation to Responsible Investment.
6. Ensure our advice reflects the Committee's own policies and beliefs, including those in relation to Responsible Investment considerations.
7. Provide relevant and timely advice. Services shall be proportionate and competitive in terms of costs relative to consultant peer group. Services should adhere to agreed budgets and be transparent, itemising additional work with fees in advance.
8. Help the Committee develop knowledge and understanding of investment matters.
9. Develop the Committee's knowledge on ESG and climate risk, leading to establishing a net zero target date and a climate transition action plan setting out the actions the Committee will take to reduce carbon emissions.
10. The investment consultant works collaboratively with the Fund actuary, asset managers, and custodian, as well as with other third parties including WPP IM Co's operator and advisors.
11. Continue to develop the Committee's knowledge of the government consultation on the future of the LGPS and how this will impact the operation of the Fund.

MEETING	<b>PENSIONS COMMITTEE</b>
DATE	<b>9 FEBRUARY 2026</b>
TITLE	<b>WALES PENSION PARTNERSHIP UPDATE</b>
PURPOSE	<b>To receive and note a quarterly update from Wales Pension Partnership</b>
RECOMMENDATION	<b>RECEIVE AND NOTE THE INFORMATION</b>
AUTHOR	<b>DELYTH JONES-THOMAS, INVESTMENT MANAGER</b>

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## 1. INTRODUCTION

This is a regular report which provides the members of the Pensions Committee with an update on the work undertaken by the Wales Pension Partnership (WPP) on behalf of the eight LGPS funds in Wales.

The WPP is now well established, with Waystone as its operator to provide FCA regulated services and Russell Investments who provide investment management solutions to the WPP on all listed assets. Northern Trust are the appointed global custodian and depositary. Hymans Robertson are the governance and oversight advisor and Robeco provide voting and engagement services to the WPP in accordance with its stewardship responsibilities and commitments.

## 2. JGC QUARTERLY UPDATE

The WPP's decision making body, the Joint Governance Committee (JGC), last met formally on 8<sup>th</sup> December 2025. The host authority has provided a summary of the items discussed at that meeting which is attached as Appendix 1 to this report.

Project Snowdon is progressing rapidly in order to establish the investment company (WPP IM Co) with the FCA application submitted and regular recruitment and engagement taking place. The Business Plan for 2025/26 has been reviewed and can be found at Appendix 2. A review of some of the risks was carried out within the Investment section. Hymans introduced the changes approved by the JGC. Finally, the following policies were reviewed and updated: Conflicts of interest and the Policy procedure, and Training Policy.

## 3. OPERATOR UPDATE

A copy of the latest quarterly update from the operator is attached under Appendix 3.

The update provides a snapshot of the full range of WPP investment sub-funds as at 30<sup>th</sup> September 2025.

Gwynedd Pension Fund currently has exposure to seven of the ten sub-funds and as of 30<sup>th</sup> September 2025, the sub fund values and percentage were as follows:

- **Global Opportunities - £442.7m (13%)**



- **Global Growth- £493.3m (12%)**
- **Emerging Markets - £67.6m (23%)**
- **Multi Asset Credit - £249.1m (29%)**
- **Absolute Return Bond- £406.6m (76%)**
- **Global Credit Fund - £239.6m (23%)**
- **Sustainable Equity Fund- £331.2m (21%)**

#### **4. PERFORMANCE REPORTS AS AT 30<sup>th</sup> SEPTEMBER 2025**

The performance reports can be seen in Appendix 4.

The MSCI World Net Index rose by 7.3% (USD) in a positive quarter for global equities. Progress on trade talks with President Trump's administration and solid corporate earnings results buoyed sentiment, helping to push major indices to new all-time highs. All regions made gains with Asia and emerging markets the best performers in USD terms. US and Japan also outperformed the global index while Europe and the UK lagged. Oil prices dropped back after peaking near \$70 per barrel in July. Gold hit new records, breaking through the \$3,500 barrier, and climbing to \$3,800 at quarter-end, benefitting from its safe-haven status. The Federal Reserve (Fed) cut its interest rate by 25 basis points (bps) to 4.25% in September, as expected. Fed Chair Jerome Powell argued downside employment risks had increased. The Bank of Canada and the Bank of England (BoE) also cut interest rates by 25 bps in the quarter while the European Central Bank left rates unchanged.

In the UK, markets were volatile early in the period, triggered by the government's reversal on planned welfare cuts – and subsequent pressure on its own fiscal rules. 10-year gilt yields climbed sharply on speculation about Chancellor Rachel Reeves future. Although yields fell back following supportive comments from the prime minister, concerns over the fiscal outlook remained. This, together with higher-than-expected inflation and further signs of a weakening jobs market pushed yields higher. The BoE's narrow-majority second vote for a 25 bps rate cut at its August meeting also contributed to a rise in gilt yields. Higher than expected inflation and encouraging GDP growth figures prompted traders to scale back rate cut expectations. Inflation increased to 3.8% YoY in July from 3.6%, ahead of expectations, although was unchanged in August. Early in September 10-year gilt yields reached highs last seen in January and the 30-year yield hit the highest since 1998 due to concerns over public finances and economic stagnation. Political upheaval added to the mix as the deputy prime minister's resignation forced the prime minister into a premature cabinet reshuffle. As the BoE retained its 4.0% interest rate in September it announced a slower pace of quantitative tightening, reducing its balance sheet by £70 billion in the 12 months from October. Over the quarter the yield on benchmark 10-year gilts rose by 21 bps to 4.70%.

#### **5. PRIVATE MARKETS UPDATE**

Most of the major private market investment programmes have now launched – Infrastructure, Private Credit and Private Equity. Real Estate managers have been appointed, and they are currently establishing the Real Estate investment programmes, due to be launched in 2026. Schroders Capital provided a progress update (Appendix 5).

## **6. NOTICE OF MOTION FROM WELSH LOCAL AUTHORITIES**

The Wales Pension Partnership has received a number of notice of motions from local councils in Wales, including Cyngor Gwynedd (Full Council, October 2025). These proposals have been considered, and in light of the work currently being done in relation to the WPP exclusions policy, it was agreed that a response will be issued to all eight Constituent Authorities and the updated policy will be shared after approval by the LAG in March 2026.

## **7. RECOMMENDATION**

To receive and note the information.

## **Wales Pension Partnership (WPP) - JGC Update**

JGC meeting date: Monday 8 December 2025

Location: Virtual, via Zoom

Chair: Cllr Peter Lewis, Powys

<b>Agenda item</b>	<b>Detail</b>
Apologies	No apologies
Host Authority update	<p>Anthony Parnell of the Host Authority provided an update in relation to work that has been completed since the last JGC meeting and WPP's next steps / priorities. Rachel Barrack of Hymans provided an update in relation to Responsible Investment.</p> <p>In relation to Project Snowdon / WPP Investment Management Company Ltd (IM Co), Anthony mentioned that:</p> <ul style="list-style-type: none"> <li>• Weekly steering group meetings continue</li> <li>• FCA application was submitted on 4 November 2025</li> <li>• IM Co recruitment is in progress</li> <li>• Engagement with the Constituent Authorities is ongoing</li> <li>• IM Co transitional board meet regularly</li> <li>• We are still aiming to meet the 31 March 2026 target date</li> </ul> <p>Anthony also mentioned that WPP has been successful in winning the "Innovation in Investment" award at the 2025 LGC Investment Awards ceremony. This is the third award that the WPP has won in the last 12 months.</p> <p>Anthony presented the 2025/26 Business Plan update as at 30 September 2025 (attached).</p>
Risk Register Q4 2025 Review	<p>The OWG is responsible for maintaining the WPP Risk Register and reporting back any changes or developments to the JGC on a quarterly basis. The OWG has a dedicated Risk Sub-Group to take ownership of the Risk Register and quarterly reviews of the document.</p> <p>During Q4 2025, a review has taken place of the Investment Risks. The sub-group also reviewed risk G.16 - Project</p>

	<p>Snowdon does not meet the timescales and delivery capability laid out in the Government consultation and subsequent WPP business case.</p> <p>Hymans presented the updated section of the Risk Register which was approved by the JGC. The Risk Register has been uploaded on the WPP website. The next review will take place in Q1 2026 and will focus on risks G.1 to G.7 of the Governance &amp; Regulation Risks section.</p>
Policy reviews – Conflict of Interest and Procedure Policy, and Training Policy	<p>The WPP have approved several policies / plans which are to be reviewed on a regular basis. This quarter, the OWG have undertaken an annual review of the Conflict of Interest and Procedure Policy, and Training Policy.</p> <p>During this quarter’s review, the Conflict of Interest and Procedure policy has been updated to:</p> <ul style="list-style-type: none"> <li>• Reflect the change from “Department of Levelling Up, Housing and Communities” to the “Ministry of Housing, Communities and Local Government”. (Point 24)</li> <li>• Recognise the Pensions Regulator’s General code of practice, published in March 2024. (Point 26)</li> </ul> <p>The only change on the Training policy has been to reflect the change from “Department of Levelling Up, Housing and Communities” to the “Ministry of Housing, Communities and Local Government”. (Point 5)</p> <p>The updated policies were approved and have been updated on the website.</p>
Operator Update	<p>Waystone presented their quarterly update report as at 30 September 2025 (attached). This provides an update on WPP’s sub funds and corporate and engagement activity.</p>
Performance Reports as at 30 September 2025	<p>Russell Investments presented a Q3 2025 performance summary paper (attached) summarising the performance of each individual ACS sub fund for the quarter ending 30 September 2025.</p>
Private Markets update - Real Estate	<p>Schroders Capital were appointed as one of WPP’s Real Estate Investment Managers in July 2024. Schroders Capital provided a progress update (attached).</p>

	The Real Estate programme which was due to launch on 1 December 2025 has not yet launched. Work is ongoing and will be looking at a launching in early 2026.
Motions on notice from Welsh Local Authorities	<p>The WPP has received motions on notice from the following Welsh Local Authorities:</p> <ul style="list-style-type: none"> <li>• Carmarthenshire County Council</li> <li>• Cardiff Council</li> <li>• Ceredigion County Council</li> <li>• Powys County Council</li> </ul> <p>These motions were considered, and in light of the work currently being undertaken with regards to a WPP exclusions policy, it was agreed that a response will be issued to all eight Constituent Authorities and the updated policy shared once approved by the JGC in March 2026.</p>
<b>Exempt Items</b> – the following items were discussed during the non-public part of the meeting.	
Robeco Engagement Report – Q3 2025	In March 2020, Robeco was appointed as WPP's Voting & Engagement Provider to undertake Voting and Engagement functions on behalf of the WPP. Robeco commenced their engagement service in April 2020, and they have provided an engagement report for Q3 2025. The engagement theme chosen for this quarter was Transition Minerals.
Responsible Investment and Climate Risk reports	<p>Each quarter, Hymans Robertson produce quarterly Responsible Investment &amp; Climate Risk Reports for the WPP's sub funds.</p> <p>For Q3 2025 (quarter ending 30 September 2025), the UK Opportunities and Emerging Markets reports were produced.</p> <p>Hymans presented the reports to the JGC members.</p>

Webcast link for the 8 December 2025 JGC meeting below:

[Agenda for Wales Pension Partnership Joint Governance Committee on Monday, 8th December, 2025, 10.00 am](#)

WPP's website address - [Wales Pension Fund | Home \(walespensionpartnership.org\)](https://walespensionpartnership.org)

Next meeting:

- Tuesday 10 March 2026 – Hybrid meeting, hosted by Cardiff



Wales Pension Partnership  
Business Plan  
2025-2026  
Q2 Review  
(April to September 2025)

## Governance

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Legal Services provider procurement process</li> </ul>	Yes	Approved at the September JGC meeting
<ul style="list-style-type: none"> <li>Delivery of Project Snowdon</li> </ul>	In progress	
<ul style="list-style-type: none"> <li>Annual review of WPP's policies and plans</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Quarterly reviews of the Risk Register</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Respond to any pooling related consultations and carry out any necessary changes as a result of consultation outcomes</li> </ul>	Ongoing	

## Ongoing Investment Programme developments

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Launch the real estate investment programmes</li> </ul>	In progress	Launch due 1 December 2025
<ul style="list-style-type: none"> <li>Launch additional Private Market vintages</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Consideration of WPP's UK, local / impact opportunities and requirements</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Evolution of existing Equity, Fixed Income and Passive Funds</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Consult with CAs on need for further investment programmes, and develop as required</li> </ul>	Ongoing	

## Operator Services

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Operator and Sub-Fund governance Oversight</li> </ul>	Ongoing	

## Investment Reporting

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Develop &amp; Implement Private Markets reporting</li> </ul>	In progress	Private Markets reporting options being considered
<ul style="list-style-type: none"> <li>Stewardship Code reporting</li> </ul>	Yes	<b>2024/25 report submitted 31 October 2025</b>
<ul style="list-style-type: none"> <li>Climate-related / TCFD reporting</li> </ul>	In progress	Climate-related report in the process of being developed
<ul style="list-style-type: none"> <li>Nature-related / TNFD reporting</li> </ul>	In progress	Nature-related report in the process of being developed
<ul style="list-style-type: none"> <li>Ongoing development, implementation and reporting of all stewardship activities</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Ongoing communication and reporting of RI activity to all stakeholders</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>On-going Sub-Fund responsible investment and climate risk reporting</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>Annual performance review of WPP Sub-Funds</li> </ul>		To be reviewed in Q1 (January to March) 2026
<ul style="list-style-type: none"> <li>On-going engagement with CA's regarding ESG standards and climate ambitions to meet evolving needs</li> </ul>	Ongoing	



### Communication and Training

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Formulation of the WPP's Annual Responsible Investment Progress Report</li> </ul>	Yes	Report presented at the July 2025 JGC and published on website
<ul style="list-style-type: none"> <li>Formulation of the WPP's annual training plan</li> </ul>		To be formulated in Q1 (January to March) 2026
<ul style="list-style-type: none"> <li>Formulation of the WPP's Annual Update</li> </ul>	Yes	2024/25 Annual Update published in July 2025
<ul style="list-style-type: none"> <li>Formulation of the WPP's Annual Report</li> </ul>	Yes	<b>2024/25 Annual Report published in October 2025</b>

### Resources, budget and fees

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> <li>Annual review of resources and capacity</li> </ul>		To be reviewed in Q1 (January to March) 2026
<ul style="list-style-type: none"> <li>Formulation of Annual WPP Budget</li> </ul>		To be formulated in Q1 (January to March) 2026
<ul style="list-style-type: none"> <li>Review and Monitoring of Operator / external provider fees</li> </ul>	Ongoing	

## Training Plan

Training topics to be completed during 2025–2026 as per approved 2025-2026 Training Plan and progress to date:

	Completed	Comments
• Private Credit and Infrastructure asset classes	Yes	12 June 2025
• Local / Impact investments within the Private Market asset classes	Yes	12 June 2025
• Stewardship – Voting & Engagement	Yes	24 September 2025
• Stewardship – Stewardship Code and reporting requirements	Yes	24 September 2025
• RI – Biodiversity and Natural Capital	Yes	18 November 2025
• RI – Climate Scenarios and Fiduciary Duty	Yes	18 November 2025
• Pooling Consultation		
• Any new regulatory / guidance developments		

## Budget

### 2025-2026 Budget Monitoring Report:

	Budget 2025 – 2026 £000	Forecast 2025 – 2026 £000	Variances 2025 – 2026 £000
Host Authority	241	194	47
External Advisors	1,376	1,376	0
Project Snowdon	2,915	2,915	0
<b>TOTAL to be recharged *</b>	<b>4,532</b>	<b>4,485</b>	<b>47</b>
Operator Services	46,110	46,110	0
Allocator Services	9,673	9,673	0
<b>TOTAL to be deducted from the NAV **</b>	<b>55,783</b>	<b>55,783</b>	<b>0</b>

*\*Host Authority, External Advisor and Project Snowdon costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

*\*\*Operator / Allocator Services costs are based on each Constituent Authority's percentage share of WPP assets and are deducted directly from the Net Asset Value (NAV) of the Constituent Authority's assets.*

## Investments

### Equity Sub-Funds

#### Global Growth Fund

Managed by: Russell Investments

#### Global Opportunities Fund

Managed by: Russell Investments

#### UK Opportunities Fund

Managed by: Russell Investments

#### Emerging Markets Fund

Managed by: Russell Investments

#### Sustainable Active Equity Fund

Managed by: Russell Investments

### Fixed Income Sub-Funds

#### Absolute Return Bond Fund

Managed by: Russell Investments

#### Global Government Bond Fund

Managed by: Russell Investments

#### Multi-Asset Credit Fund

Managed by: Russell Investments

#### Global Credit Fund

Managed by: Russell Investments

#### UK Credit Fund

Managed by: Waystone Management (UK) Ltd

### Private Markets

#### Infrastructure – closed ended

Managed by: GCM Grosvenor

#### Infrastructure – open ended

Managed by: CBRE, IFM and Octopus

#### Private Credit

Managed by: Russell Investments

#### Private Equity

Managed by: Schroders Capital



Wales Pension Partnership

<https://www.walespensionpartnership.org/>



# Wales Pension Partnership

**Joint Governance Committee – Q3 2025 Review**

8 December 2025

Presented by James Zealander





# Agenda

- 03 Corporate Update
- 04 Compliance Update
- 05 Relationship Overview
- 06 Sub-Fund Values
- 07 Sub-Fund AUM & Ownership Percentage
- 08 Fund Snapshot – Equities
- 09 Fund Snapshot – Fixed Income
- 10 Initiatives
- 11 Market Updates
- 12 Oversight – Third Party Monitoring
- 13 WMUK Engagement
- 14 Meeting Schedule

# Corporate Update

Waystone continue to support WPP for the creation of the new Investment Company as part of the Government's "Fit for the Future" consultation.

Waystone successfully closed its acquisition of BIL Manage Invest, a leading Luxembourg-based ManCo, following regulatory approval. This move strengthens Waystone's position in Continental Europe and expands its capabilities in fund services and third-party management company offerings.

Waystone has launched COMPASS, a client onboarding and delegate due diligence workflow tool. It is an enterprise-wide automation platform, powered by Appian. Focus on enhancing the client experience, service delivery, and scalability through digitalisation. COMPASS is an exciting first step in our broader Digital Strategy. Designed to make interactions with Waystone more intuitive and effective. The due diligence element will be rolled out to Russell Investments in due course.

Strategic Leadership Appointments, Waystone announced several key leadership changes:

Diarmuid Ryan has joined Waystone as our new Global Head of Administration Solutions. This appointment aligns with our strategic goal to build and strengthen our administration offering, ensuring we continue to evolve in line with client needs and deliver exceptional service across our global platform.

Jamie Dean (UK) and Clive Short (Lux) joined as Managing Directors, Business Development. These moves are part of Waystone's strategic expansion of its real assets fund administration services, aiming to meet growing client demand in this sector.

Brand Unification Strategy whereby Waystone are undergoing a global reorganisation to create a unified brand. This includes opening new offices (e.g., Paris) and appointing country heads in key regions like Singapore and Hong Kong.



# Compliance Updates

The table below details recent regulatory compliance developments that are relevant to WMUK. Featured items are gathered from a variety of sources including consultation papers, press releases and speeches.

A full regulatory update is issued to The Host Authority on monthly basis but can also be obtained by signing up to the Waystone Website. [UK/EU updates Archives - Waystone Compliance](#)

Title	Timing	WMUK Impact	WPP Impact	Status
Assessment of Value - FCA proposes amended and simplified AoV rules	Immediate	Low	Low	
Consultation on the updated LGPS Code of Transparency	Immediate	To note	To note	
CP25/17: Supporting consumers’ pensions and investment decisions: proposals for targeted support	Immediate	To note	To note	

## Assessment of Value - FCA proposes amended and simplified AoV rules

On 6 June 2025, the FCA published quarterly consultation paper, No. 48, CP25/16.

In a welcome move Chapter 7 of the CP sets out the FCA's proposals to amend and simplify the Collective Investment Schemes sourcebook (COLL) in respect of the assessment of value (AoV) reporting requirements.

The FCA believes that a reduction in the level of disclosure which an authorised fund manager (AFM) is required to make will lead to a significant cost saving for it.

These requirements will apply equally to the AFM of a UK UCITS, a Non-UCITS Retail Scheme (NURS), a Qualified Investor Scheme (QIS) and a Long-term Asset Fund (LTAF).

## Consultation on the updated LGPS Code of Transparency

The Local Government Pension Scheme Advisory Board has launched a consultation on proposed changes to the LGPS Code of Transparency. The Code was launched in 2017 and details the obligations for its signatories to provide consistent data to funds and pools on investment management fees and costs. It subsequently developed the Cost Transparency Initiative (CTI), and a centralised data system for the associated CTI templates.

These gave a means for the Board to have oversight of compliance with the Code.

At present, the Board is exploring the replacement of the centralised data system with a framework approach and is also taking the opportunity to review the Code itself. This comes from a belief that, under these revised arrangements, some changes are needed to the Code itself to ensure it continues to deliver on its intended aims.

As such, it is holding the consultation which is limited to the LGPS funds and pools as clients and signatories to the Code – with this closing on 15 August.

## CP25/17: Supporting consumers’ pensions and investment decisions: proposals for targeted support

The FCA has consulted on a new regulatory proposition for targeted support in pensions and retail investments.

Pensions and retail investments have a vital function allowing people to build wealth and provide income for later life. The FCA wants people to invest for their future with confidence, understanding the rewards, risks and protection they will get.

Decisions about pensions and retail investments are complex and consumers need support. The consultation sets out the FCA's proposals to introduce a new form of support, called targeted support. The targeted support proposals will enable firms to provide suggestions designed for groups of consumers with common characteristics to help them make financial decisions.

# Relationship Overview

## Relationship Overview

Client	Wales Pension Partnership	AUM (as at 30 September 2025)	£14,468,288,533	Product Suite	ACS – UK
Contract Start Date	December 2017	Contract Expiry	December 2029 (with further 2-year extension provision)	Tenure of Relationship	7 years, 10 months
Contract Renewal	December 2024				

## Fund Range

### Wales Pension Partnership Sub-Fund Range

#### Equities

WS WPP Global Growth Fund  
WS WPP Global Opportunities Equities Fund  
WS Wales PP UK Opportunities Fund  
WS Wales PP Emerging Markets Equity Fund  
WS Wales PP Sustainable Active Equity Fund

#### Fixed Income

WS Wales PP Multi Asset Credit Fund  
WS Wales PP Global Credit Fund  
WS Wales PP Global Government Bond Fund  
WS Wales PP Absolute Return Bond Fund  
WS Wales PP Sterling Credit Fund

# WPP Sub Fund Values

## AUM & Quarterly

Fund	AUM (£)*
Equities	
WS WPP Global Growth Fund	£3,970,577,022
WS WPP Global Opportunities Equities Fund	£3,882,166,537
WS Wales PP UK Opportunities Fund	£ 862,335,790
WS Wales PP Emerging Markets Equity Fund	£ 334,776,946
WS Wales PP Sustainable Active Equity Fund	£ 1,680,059,258
Fixed Income	
WS Wales PP Multi Asset Credit Fund	£ 892,158,056
WS Wales PP Global Credit Fund	£ 1,043,404,325
WS Wales PP Global Government Bond Fund	£ 517,748,699
WS Wales PP Absolute Return Bond Fund	£ 533,645,010
WS Wales PP Sterling Credit Fund	£ 751,416,890
Total	£14,468,288,533

\* As at 30 September 2025

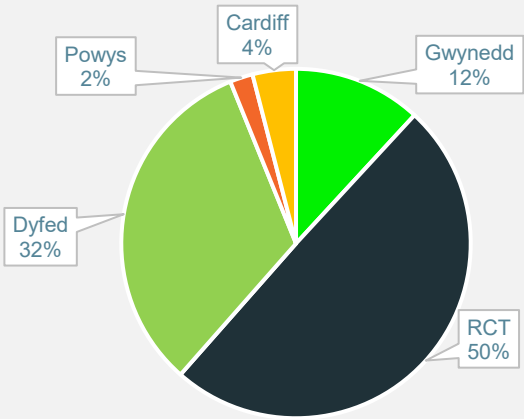
# WPP Sub Fund Values & Percentage Ownership\*

Fund name	Gwynedd	Powys	Clwyd	Swansea	Cardiff	Torfaen	RCT	Dyfed	Sub Fund Total
<b>Equities</b>									
	£469,696,074	£84,041,471			£170,364,635		£1,965,096,300	£1,281,378,542	£3,970,577,022
WS WPP Global Growth Fund	(12%)	(2%)			(4%)		(50%)	(32%)	(100%)
	£525,567,355			£1,348,156,635	£647,294,474	£781,877,930	£579,270,143		£3,882,166,537
WS WPP Global Opportunities Equities Fund	(13%)			(35%)	(17%)	(20%)	(15%)		(100%)
					£178,189,247	£684,146,543			£ 862,335,790
WS Wales PP UK Opportunities Fund					(21%)	(79%)			(100%)
	£77,282,033	£19,704,037			£148,619,297	£89,171,579			£ 334,776,946
WS Wales PP Emerging Markets Equity Fund	(23%)	(6%)			(44%)	(27%)			(100%)
	£350,119,225	£81,592,700	£401,634,024	£175,466,918	£156,905,623	£188,307,090	£125,532,953	£200,500,725	£ 1,680,059,258
WS Wales PP Sustainable Active Equity Fund	(21%)	(5%)	(24%)	(11%)	(9%)	(11%)	(7%)	(12%)	(100%)
<b>Fixed Income</b>									
	£254,204,637	£37,171,391	£351,317,167	£74,856,754	£174,608,107				£ 892,158,056
WS Wales PP Multi Asset Credit Fund	(29%)	(4%)	(39%)	(8%)	(20%)				(100%)
	£237,281,819	£28,746,269			£164,125,925	£270,677,561		£342,572,751	£ 1,043,404,325
WS Wales PP Global Credit Fund	(23%)	(3%)			(15%)	(26%)		(33%)	(100%)
					£248,222,421	£269,526,278			£ 517,748,699
WS Wales PP Global Government Bond Fund					(48%)	(52%)			(100%)
	£403,876,232	£54,137,331		£75,631,447					£ 533,645,010
WS Wales PP Absolute Return Bond Fund	(77%)	(9%)		(14%)					(100%)
							£751,416,890		£ 751,416,890
WS Wales PP Sterling Credit Fund							(100%)		(100%)
<b>Constituent Authority Total</b>	£2,230,202,672	£289,407,259	£713,573,013	£1,550,419,228	£1,739,517,313	£2,144,972,930	£3,230,559,081	£1,703,133,097	£14,468,288,533

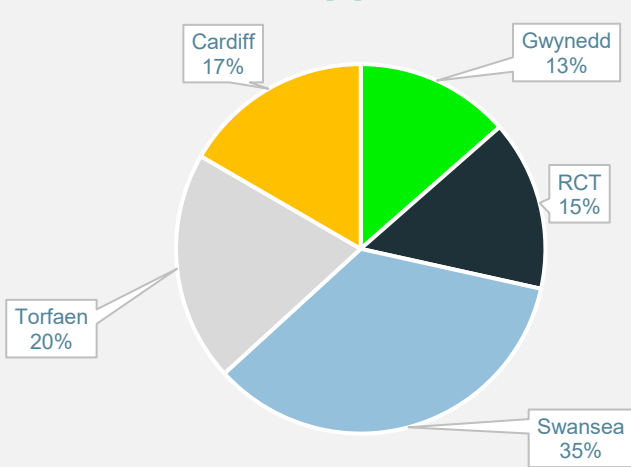
\* at 30 September 2025

# Fund Snapshot\* – Equities

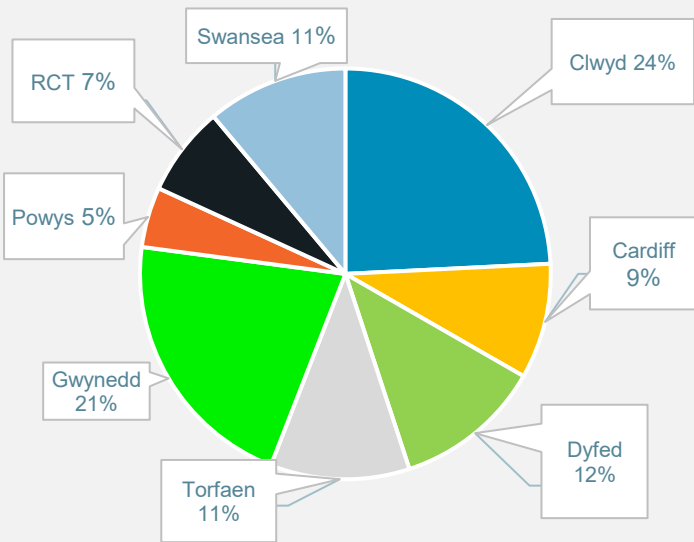
Global Growth



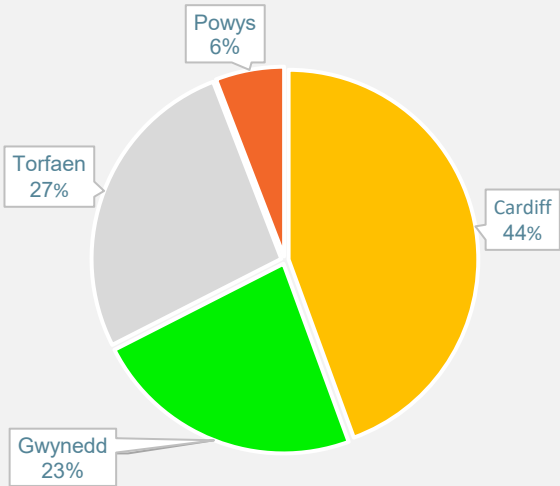
Global Opportunities



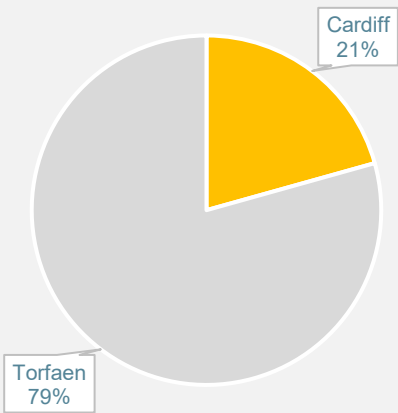
Sustainable Active Equity



Emerging Markets

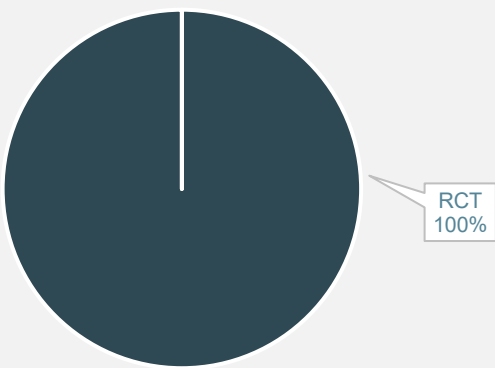


UK Opportunities

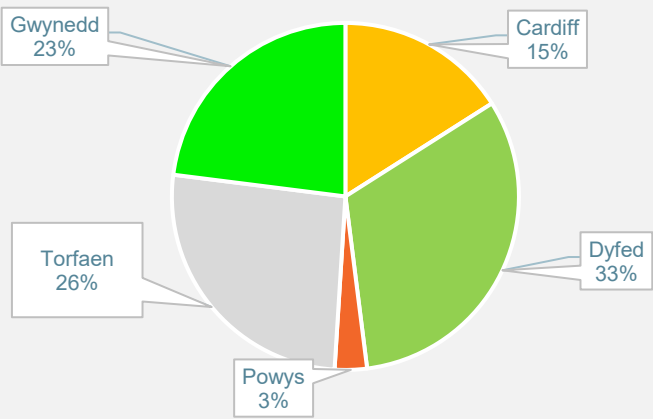


# Fund Snapshot\* - Fixed Income

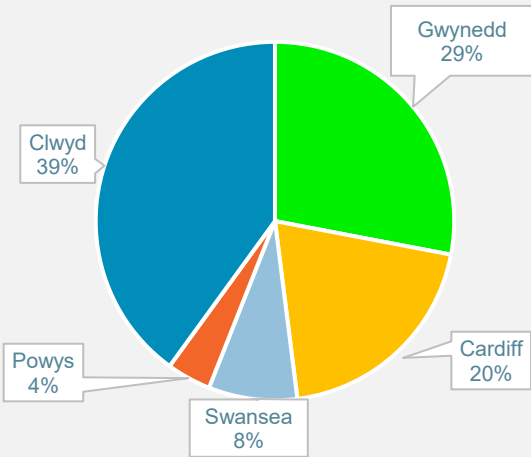
**Sterling Credit**



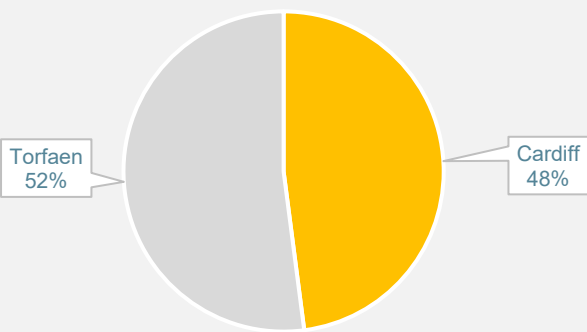
**Global Credit**



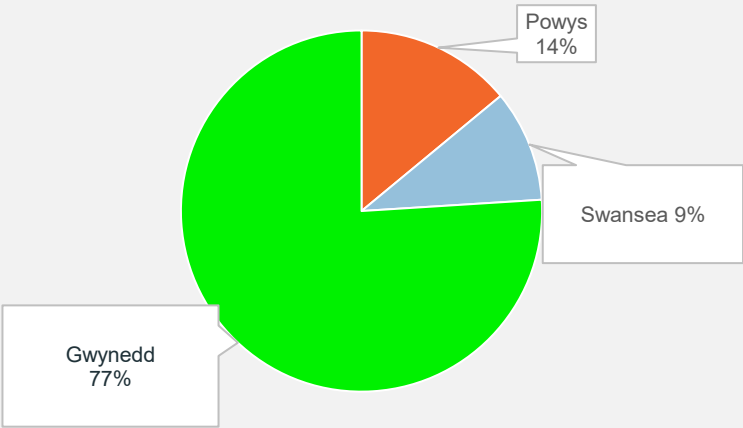
**Multi Asset Credit**



**Global Gov. Bond**



**Absolute Return Bond**



\* As at 30 September 2025

# Initiatives

## Key Achievements & Updates

WS Wales PP UK Opportunities Equity Fund – removal of JO Hambro, replacing with Jupiter Asset Management completed Aug 2025.

Fund Launches/Wind ups & Changes				
	Overview	Status	Details	Owner
No current live changes				

# Market Updates

	Activity	Status	Commentary
Russia / Ukraine	Impact to ACS sub-funds holding Russian companies	Ongoing	WMUK continue to monitor the situation and will advise Constituent Authorities of any developments. WMUK's Fair Value Pricing Committee regularly discuss this, and assets are still priced accordingly. There are no Russian holdings in any of the WPP funds.
	Activity	Status	Commentary
Middle East	Impact to ACS sub-funds holding Israeli companies	Ongoing	<p>Currently 4 securities held in direct Israeli companies across the sub funds and 1 bond;  Global Opportunities Fund - 4 companies with 0.142% exposure across the total AUM.  Global Growth Fund – 3 companies with 0.036% exposure across the total AUM.  Global Government Bond Fund – 1 company with holding being a de minimis position.</p> <p>Total value of approx. £25m.</p> <p>Situation currently being monitored as part of the BAU oversight process.</p> <ul style="list-style-type: none"> <li>Figures from end of September 2025.</li> </ul>



# Oversight – Third Party Monitoring

## 2025 Plan

Third Party Provider	Reporting Period	Sub Fund	Location	Status
Northern Trust				
Transfer Agency	2025	All	Onsite, London – October 2025	Onsite fieldwork to be completed on 14th and 15th October.
Fund Administration	2025	All	Onsite, London – May 2025	Final Report Issued (1High, 6 Medium and 1 Low rated findings). High level findings to be shared.
Price Analysis	2025	All	Onsite, Limerick – May 2025	Final Report Issued (No findings).
Other 'Party' Questionnaire	2025	All	Questionnaire – February 2025	Final Report Issued (No findings).
IT Security Questionnaire	2025	All	Questionnaire – March 2025	Initial response received from NT which has been reviewed by Waystone IT. Following review, follow up queries have been raised with NT to respond by end of Q3.
Annual Due Diligence	2025	All	Questionnaire – June 2025	Final Report Issued (No findings).
Russell Investments				
Annual Due Diligence	2026	All	Onsite, London – Date to be agreed	N/a

# WMUK Engagement

## Key Q3 and future WPP Engagement

### Waystone attendance at OWG/JGC meetings in period:

- OWG 21 July 2025
- JGC 16 July 2025
- JGC 17 September 2025

### Waystone attendance at OWG/JGC meetings in next quarter:

- OWG 22 October 2025
- JGC 08 December 2025

### Waystone attendance at Strategic Relationship Review:

- To be confirmed

### Waystone - Pension Committee attendance in period:

- None planned for this period

### Waystone - Pension Committee attendance in next quarter:

- Powys – 27 November 2025

### WPP Pension Board Chairs Engagement meeting

- 29 October 2025

### Other meetings in period

- Host Authority update – occurs bi-weekly
- LGC Investment & Pension Summit, Birmingham - Sept 2025

### Other meetings in next quarter

- WPP Manager Day 15 & 16 October

# Meeting Schedule

Executive Review	Frequency <ul style="list-style-type: none"><li>Semi-annual</li><li>Next: To be confirmed</li></ul>	Objective <ul style="list-style-type: none"><li>Ensure strategic alignment</li><li>Mutual review of business and strategic goals, priorities and objectives</li></ul>
Attendees		
WPP		Waystone Management (UK) Limited
<ul style="list-style-type: none"><li>Chris Moore, Anthony Parnell &amp; Two Section 151 / Deputy Section 151 officers</li></ul>		<ul style="list-style-type: none"><li>Karl Midl, Country Head, UK and CEO, Waystone Management UK</li><li>Rachel Wheeler, Global Product Head – Regulated Fund Solutions</li></ul>
Joint Governance Committee Meetings	Frequency <ul style="list-style-type: none"><li>Quarterly</li></ul>	Objective <ul style="list-style-type: none"><li>Key metrics</li><li>Pertinent matters</li><li>Strategic deliverables</li></ul>
Attendees		
WPP		Waystone Management (UK) Limited
<ul style="list-style-type: none"><li>Joint Governance Committee (JGC)</li></ul>		<ul style="list-style-type: none"><li>Karl Midl, Country Head, UK and CEO, Waystone Management UK</li><li>Richard Thornton, Head of Relationship Management, Asset Owners</li><li>James Zealander, Senior Relationship Manager</li><li>Russell Investments</li></ul>
Officers Working Group Meetings	Frequency <ul style="list-style-type: none"><li>Quarterly</li></ul>	Objective <ul style="list-style-type: none"><li>Identify and deliver on opportunities to improve and expand the relationship</li><li>Provide update on open projects or issues</li><li>Monthly KPI Review (Data supplied quarterly)</li></ul>
Attendees		
WPP		Waystone Management (UK) Limited
<ul style="list-style-type: none"><li>Officers Working Group (OWG)</li></ul>		<ul style="list-style-type: none"><li>James Zealander, Senior Relationship Manager</li><li>Richard Thornton, Head of Relationship Management, Asset Owners</li><li>Heidi Robinson, Relationship Manager</li><li>Ad-hoc Waystone attendance from functional departments (as required):<ul style="list-style-type: none"><li>CIO Investment Management Supervision</li><li>Head of Product</li><li>Head of Compliance</li><li>Head of Oversight</li></ul></li><li>Russell Investment</li></ul>

# Meeting Schedule continued

Host Authority Update	Frequency <ul style="list-style-type: none"><li>Semi-weekly</li></ul>	Objective <ul style="list-style-type: none"><li>Regular Host Authority – WMUK to discuss deliverables and business updates</li></ul>
Attendees		
WPP <ul style="list-style-type: none"><li>Anthony Parnell</li><li>Tracey Williams</li></ul>		Waystone Management (UK) Limited <ul style="list-style-type: none"><li>Richard Thornton, Head of Relationship Management, Asset Owners</li><li>James Zealander, Senior Relationship Manager</li><li>Heidi Robinson, Relationship Manager</li><li>Client Service Manager (as required)</li></ul>
Pension Committee Meetings	Frequency <ul style="list-style-type: none"><li>Annual</li></ul>	Objective <ul style="list-style-type: none"><li>General update on the ACS and planned initiatives</li></ul>
Attendees		
WPP <ul style="list-style-type: none"><li>Individual Pension Fund Committee members</li></ul>		Waystone Management (UK) Limited <ul style="list-style-type: none"><li>Richard Thornton, Head of Relationship Management, Asset Owners</li><li>James Zealander, Senior Relationship Manager</li><li>Heidi Robinson, Relationship Manager</li><li>Russell Investments</li></ul>
Pension Board Chairs Engagement	Frequency <ul style="list-style-type: none"><li>Semi-Annual</li></ul>	Objective <ul style="list-style-type: none"><li>General update on the ACS and planned initiatives</li></ul>
Attendees		
WPP <ul style="list-style-type: none"><li>Pension Board Chairs of the Constituent Authorities</li><li>Host Authority</li></ul>		Waystone Management (UK) Limited <ul style="list-style-type: none"><li>Waystone Relationship Team</li><li>Russell Investments</li></ul>
Manager Engagement Days	Frequency <ul style="list-style-type: none"><li>Annual</li><li>15 / 16 October 2025</li></ul>	Objective <ul style="list-style-type: none"><li>Open day for presentations on strategy and performance (with IM)</li></ul>
Attendees		
WPP <ul style="list-style-type: none"><li>Open to all involved parties with WPP</li></ul>		Waystone Management (UK) Limited <ul style="list-style-type: none"><li>Waystone Client Team including Exec Team</li><li>Northern Trust</li><li>Russell Investments and other Investment Managers</li><li>Other consultants as required (e.g. bFinance/Hymans)</li></ul>

# Thank you

## Relationship Team

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## Executive Contact

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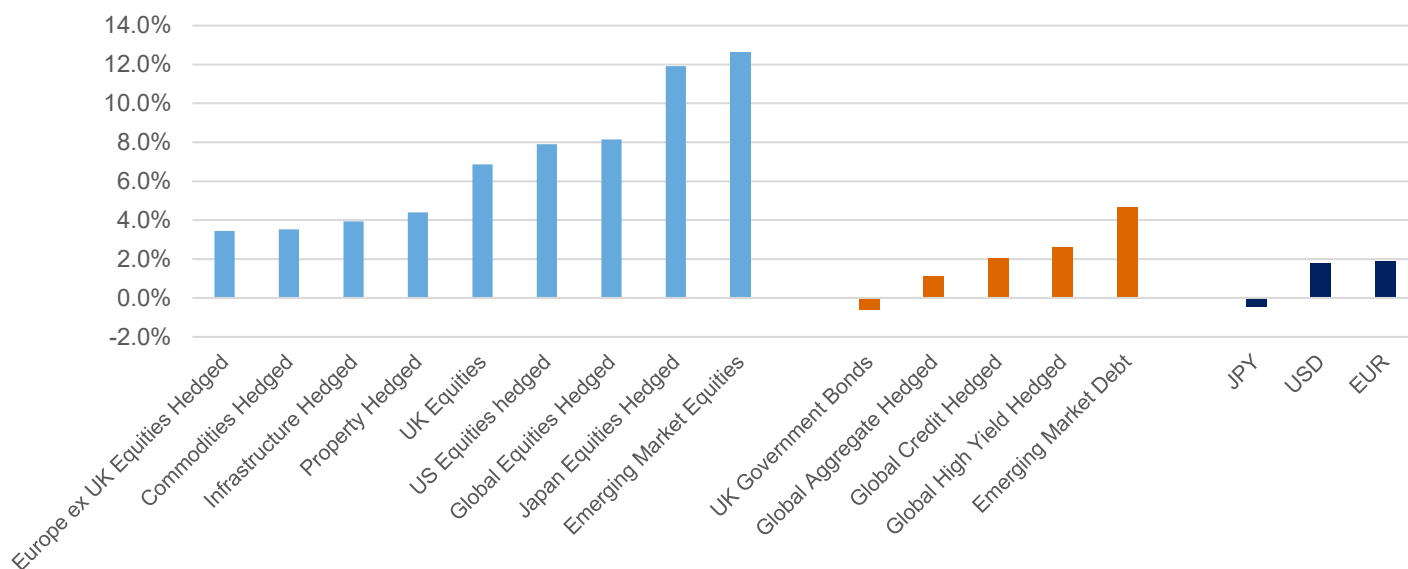
# JGC - WPP Performance Summary Q3 2025

## Global Market Commentary

The MSCI World Net Index rose by 7.3% (USD) in a positive quarter for global equities. Progress on trade talks with President Trump's administration and solid corporate earnings results buoyed sentiment, helping to push major indices to new all-time highs. All regions made gains with Asia and emerging markets the best performers in USD terms. US and Japan also outperformed the global index while Europe and the UK lagged. Oil prices dropped back after peaking near \$70 per barrel in July. Gold hit new records, breaking through the \$3,500 barrier, and climbing to \$3,800 at quarter-end, benefitting from its safe-haven status. The Federal Reserve (Fed) cut its interest rate by 25 basis points (bps) to 4.25% in September, as expected. Fed Chair Jerome Powell argued downside employment risks had increased. The Bank of Canada and the Bank of England (BoE) also cut interest rates by 25 bps in the quarter while the European Central Bank left rates unchanged.

In the UK, markets were volatile early in the period, triggered by the government's reversal on planned welfare cuts – and subsequent pressure on its own fiscal rules. 10-year gilt yields climbed sharply on speculation about Chancellor Rachel Reeves future. Although yields fell back following supportive comments from the prime minister, concerns over the fiscal outlook remained. This, together with higher-than-expected inflation and further signs of a weakening jobs market pushed yields higher. The BoE's narrow-majority second vote for a 25-bps rate cut at its August meeting also contributed to a rise in gilt yields. Higher than expected inflation and encouraging GDP growth figures prompted traders to scale back rate cut expectations. Inflation increased to 3.8% YoY in July from 3.6%, ahead of expectations, although was unchanged in August. Early in September 10-year gilt yields reached highs last seen in January and the 30-year yield hit the highest since 1998 due to concerns over public finances and economic stagnation. Political upheaval added to the mix as the deputy prime minister's resignation forced the prime minister into a premature cabinet reshuffle. As the BoE retained its 4.0% interest rate in September it announced a slower pace of quantitative tightening, reducing its balance sheet by £70 billion in the 12 months from October. Over the quarter the yield on benchmark 10-year gilts rose by 21 bps to 4.70%.

## Asset class performance – Quarter to Date (September 2025)



Benchmarks : Global equity hedged (MSCI World ACWI), UK equity (FTSE All Share), US equity hedged (Russell 1000 Net GBPH), Europe ex UK equity (MSCI Europe ex UK Equity Net GBPH), Japan equity (TOPIX Net GBPH), Emerging equity (MSCI Emerging Markets Net), Global HY bonds (BofAML Global High Yield 2% Constrained Index), EMD LC (JP Morgan GBI-EM Global Diversified Index), Global credit hedged (Bloomberg Barclays Global Aggregate Credit Index), Global aggregate hedged (Bloomberg Barclays Global Aggregate Bond Index GBPH), UK Government Bonds (ICEBofAML UK Gilts All Stocks (GB), Property hedged (FTSEEPRA Nareit Dev Re GBP)

This document is prepared for officers of the WPP based on performance from Northern Trust. Inception dates are based on the starting NAV for the sub-fund. Inception dates (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

## WPP Sub-fund Summary (Gross):

WPP Gross Performance	Q3 2025			1 Year			3 Year			Since Inception			Inception Date
	Sub Fund	Bench-mark	Excess	Sub Fund	Bench-mark	Excess	Sub Fund	Bench-mark	Excess	Sub Fund	Bench-mark	Excess	
Global Growth Equity Fund	8.7	9.5	-0.8	14.3	14.9	-0.6	13.7	15.0	-1.3	10.9	12.2	-1.3	31/01/2019
Global Opportunities Equity Fund	10.4	9.5	0.9	18.3	16.8	1.5	15.7	15.7	0.0	13.4	12.5	0.9	31/01/2019
Sustainable Active Equity Fund	7.1	9.5	-2.4	8.9	16.8	-7.9	-	-	-	11.8	17.3	-5.5	23/06/2023
Emerging Markets Equity Fund	14.0	12.7	1.3	23.4	17.1	6.3	12.7	11.2	1.5	4.9	4.2	0.7	20/10/2021
UK Opportunities Equity Fund	4.8	6.9	-2.1	14.4	16.2	-1.8	16.3	14.5	1.8	7.1	7.5	-0.4	23/09/2019
Global Government Bond Fund	1.4	0.6	0.8	2.0	1.8	0.2	4.2	3.3	0.9	-0.4	-1.3	0.9	30/07/2020
Global Credit Fund	2.1	2.0	0.1	4.2	4.1	0.1	6.4	6.3	0.1	0.0	0.0	0.0	27/07/2020
Multi Asset Credit Fund	4.2	2.0	2.2	7.7	8.8	-1.1	11.0	8.9	2.1	4.5	7.0	-2.5	27/07/2020
Absolute Return Bond Strategy Fund	1.2	1.5	-0.3	6.8	6.7	0.1	6.7	6.8	-0.1	4.5	5.0	-0.5	30/09/2020
Sterling Credit Fund	0.6	0.7	-0.1	3.9	3.7	0.2	7.8	6.9	0.8	-0.2	-1.1	0.9	27/07/2020

## WPP Sub-fund Summary (Net):

WPP Net Performance	Q3 2025			1 Year			3 Year			Since Inception			Inception Date
	Sub Fund	Bench-mark	Excess	Sub Fund	Bench-mark	Excess	Sub Fund	Bench-mark	Excess	Sub Fund	Bench-mark	Excess	
Global Growth Equity Fund	8.7	9.5	-0.8	14.0	14.9	-0.9	13.3	15.0	-1.7	10.5	12.2	-1.7	31/01/2019
Global Opportunities Equity Fund	10.3	9.5	0.8	18.0	16.8	1.2	15.3	15.7	-0.4	13.1	12.5	0.6	31/01/2019
Sustainable Active Equity Fund	7.0	9.5	-2.5	8.5	16.8	-8.3	-	-	-	11.4	17.3	-5.9	23/06/2023
Emerging Markets Equity Fund	13.9	12.7	1.2	23.0	17.1	5.9	12.2	11.2	1.0	4.5	4.2	0.3	20/10/2021
UK Opportunities Equity Fund	4.7	6.9	-2.2	14.1	16.2	-2.1	15.9	14.5	1.4	6.7	7.5	-0.8	23/09/2019
Global Government Bond Fund	1.3	0.6	0.7	1.7	1.8	-0.1	3.9	3.3	0.6	-0.7	-1.3	0.6	30/07/2020
Global Credit Fund	2.1	2.0	0.1	4.0	4.1	-0.1	6.2	6.3	-0.1	-0.2	0.0	-0.2	27/07/2020
Multi Asset Credit Fund	4.2	2.0	2.2	7.3	8.8	-1.5	10.6	8.9	1.7	4.1	7.0	-2.9	27/07/2020
Absolute Return Bond Strategy Fund	1.1	1.5	-0.4	6.5	6.7	-0.2	6.4	6.8	-0.4	4.2	5.0	-0.8	30/09/2020
Sterling Credit Fund	0.6	0.7	-0.1	3.7	3.7	0.0	7.6	6.9	0.7	-0.3	-1.1	0.8	27/07/2020

Note: Inception date is based starting NAV for the sub-fund. This inception date (and therefore actual performance) may differ from the investment manager, who typically takes over following a transition period.

## Global Growth Equity Fund:

The sub-fund has an expected outperformance of **2.0%** in excess of the sub-fund benchmark gross of fees, over the longer term.

	Q3 2025	1 Year	3 Year	5 Year	Since Inception
<b>Gross</b>	8.7	14.3	13.7	10.4	10.9
<b>Net</b>	8.7	14.0	13.3	10.0	10.5
<b>MSCI AC World Index Net*</b>	9.5	14.9	15.0	12.2	12.2
<b>Excess returns (gross)</b>	-0.8	-0.6	-1.3	-1.8	-1.3
<b>Excess returns (Net)</b>	-0.8	-0.9	-1.7	-2.2	-1.7

**Inception Date: 18<sup>th</sup> November 2024**

**Source: Northern Trust as of 30 September 2025**

**Benchmark: MSCI AC World Net Total Return Index GBP**

**\*Figures include a performance holiday in November 2024 around the transition of the Fund.**

Please note that Russell Investments took over the Global Growth Equity Fund mandate on 18 November 2024.

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager(s), who typically takes over following a transition period.

### Overall Fund Commentary

The Fund registered a positive absolute return over the third quarter but finished behind the benchmark on a relative basis.

The Fund's tilt to small caps did not benefit in the market environment. In terms of sectors, overweight exposure to and stock selection within health care detracted. This included overweights to Baxter International and Novo Nordisk. Stock selection within financials (overweight Moody's Corp) and industrials (Carrier Global) was also ineffective. In information technology, both underweight exposure to the sector and stock selection were detrimental, in particular underweights to Apple and Nvidia. This was despite the positive impact from overweights to TSMC, Samsung Electronics and Oracle. On the positive side, stock selection within materials was beneficial (overweight Kinross Gold). Underweight exposure to the real estate and utilities sectors was also effective. At the manager level, Numeric was the best performer, although it finished behind the benchmark. Its tilt away from low volatility was beneficial while its small cap exposure was a headwind. Sector-wise, its stock selection within materials was rewarded (overweight Kinross Gold). Pzena was the worst performer. Its small cap tilt was a hindrance in the period. It was also negatively impacted by overweight exposure and ineffective stock selection within the health care sector (overweight Baxter International).



## Global Opportunities Equity Fund:

The sub-fund has an expected outperformance of **2.0%** in excess of the sub-fund benchmark gross of fees, over the longer term.

	Q3 2025	1 Year	3 Year	5 Year	Since Inception
<b>Gross</b>	10.4	18.3	15.7	13.7	13.4
<b>Net</b>	10.3	18.0	15.3	13.4	13.1
<b>MSCI AC World Index Net</b>	9.5	16.8	15.7	12.6	12.5
<b>Excess returns (gross)</b>	0.9	1.5	0.0	1.1	0.9
<b>Excess returns (Net)</b>	0.8	1.2	-0.4	0.8	0.6

**Inception Date: COB 31<sup>st</sup> January 2019**

**Source: Northern Trust as of 30 September 2025**

**Benchmark: MSCI AC World Net Total Return Index GBP**

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager(s), who typically takes over following a transition period.

### Overall Fund Commentary

The Fund registered a positive absolute return over the third quarter and finished ahead of the benchmark on a relative basis.

The Fund outperformed despite the tilt to small caps and underweight exposure to the US representing headwinds in the period. In sectors, stock selection within industrials was a notable contributor to excess returns. This included an overweight to Contemporary Amperex Technology. An overweight to and stock selection within materials was also rewarded. In particular, an off-benchmark position in AngloGold Ashanti and an overweight to Antofagasta were beneficial. In financials an overweight to Commerzbank was effective. Elsewhere, underweight exposure to consumer staples was positive as this was the worst-performing sector, recording losses over the period. On the other hand, in information technology, both allocations (underweight) and stock selection detracted (underweight Nvidia, Apple). This was despite the positive impact from overweights to TSMC and Seagate Technology Holdings. Stock selection within communication services (overweight Meta, Universal Music Group) and consumer discretionary (underweight Tesla) was also unhelpful. At the manager level, emerging markets specialist Oaktree was the best performer. Emerging markets rallied strongly over the quarter. The manager also benefitted from its tilt away from low volatility names and its exposure to materials ((AngloGold Ashanti, Fresnillo). In contrast, Morgan Stanley was the worst performer. Its quality exposure did not benefit in the market environment. It was also punished for underweight exposure to technology and poor stock selection within consumer discretionary (overweight MercadoLibre).

## Sustainable Active Equity Fund:

The sub-fund has an expected outperformance of **2.0%** in excess of the sub-fund benchmark gross of fees, over the longer term.

	Q3 2025	1 Year	Since Inception
Gross	7.1	8.9	11.8
Net	7.0	8.5	11.4
MSCI AC World Index Net	9.5	16.8	17.3
Excess returns (gross)	-2.4	-7.9	-5.5
Excess returns (Net)	-2.5	-8.3	-5.9

**Inception Date: COB 23<sup>rd</sup> June 2023**

**Source: Northern Trust as of 30 September 2025**

**Benchmark: MSCI AC World Net Total Return Index GBP**

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager(s), who typically takes over following a transition period.

### Overall Fund Commentary

The Fund underperformed the positive benchmark return. Factor positioning was negative on aggregate, despite benefitting from the tilt towards growth. Stock selection was negative within the United States, with underweights to Apple, Tesla and Alphabet key detractors. At the sector level, the large overweight to and selection within health care was unrewarded and included exposure to Novo Nordisk. Selection within industrials, materials and consumer discretionary was also negative. The large underweight to energy was positive and limited additional underperformance. Sparinvest underperformed in the second quarter but was the best-performing manager this period, primarily through effective stock selection. Wellington was the weakest-performing manager due to negative stock selection within numerous sectors.

## EM Market Commentary

Emerging markets (EM) outperformed the global index as measured by the MSCI Emerging Market Index, recording double-digit gains. China, South Africa and Egypt were among the best performers. South Africa's equity market was boosted by a strong performance among gold miners. Chinese equities strengthened on solid interest from domestic investors and improving sentiment as US-Sino trade tensions eased and trade data encouraged with exports beating forecasts in July. In contrast, India, the Philippines and Indonesia were at the bottom of the table recording losses over the period. India's financial markets were hit by President Trump's announcement of 50% tariffs on Indian goods as a penalty for buying Russian oil, which will impact Indian exports. In addition, the market has seen significant outflows from foreign investors. Later in the quarter the shares of Indian IT services companies fell after President Trump raised fees for H-1B visas, which could damage India's large outsourcing industry. In Indonesia, investor confidence was hit by worries over fiscal spending exacerbated by the abrupt removal of the finance minister, Sri Mulyani. Meanwhile, economic growth in the country has slowed significantly prompting social unrest.

## EM Equity Fund:

The sub-fund has an expected outperformance of **2.0%** in excess of the sub-fund benchmark gross of fees, over the longer term.

	Q3 2025	1 Year	3 Year	Since Inception
<b>Gross</b>	14.0	23.4	12.7	4.9
<b>Net</b>	13.9	23.0	12.2	4.5
<b>MSCI Emerging Market Index</b>	12.7	17.1	11.2	4.2
<b>Excess returns (gross)</b>	1.3	6.3	1.5	0.7
<b>Excess returns (Net)</b>	1.2	5.9	1.0	0.3

**Inception Date: COB 20th October 2021**

**Source: Northern Trust as of 30 September 2025**

**Benchmark: MSCI Emerging Markets Index Net**

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager(s), who typically takes over following a transition period.

## Overall Fund Commentary

The Fund outperformed the positive benchmark return. The Fund's positive exposure to growth suited the market environment. The tilt away from large-cap stocks was unrewarded this period. Both country allocation and stock selection contributed positively. The underweight to India in a quarter where it was among the weakest performers added to relative returns. Stock selection was effective within China and South Africa. Positions in mining names were also key contributors at the stock level. Negative selection within Brazil and South Korea weighed on further outperformance. This included exposure to MercadoLibre and an underweight to Samsung Electronics. Oaktree was the best-performing strategy this quarter, benefitting from its pro-cyclical positions and an overweight to and selection within China. Meanwhile, Sands suffered from negative selection within China and the consumer discretionary sector.

## UK Market Commentary

UK equities underperformed the global index and other markets except Europe. Basic materials was the standout performer, with miners benefiting from rising commodity prices, especially gold (Fresnillo, Antofagasta). In contrast, technology names struggled. Markets were volatile early in the quarter, triggered by the government's reversal on planned welfare cuts – and subsequent pressure on its own fiscal rules. Prime Minister Keir Starmer's subsequent support for Chancellor Rachel Reeves helped calm market nerves. The FTSE 100 broke new record highs and symbolically passed 9,000 points in July, helped by strong earnings reports in banking and defence sectors. As the BoE cut rates to 4.0% in August, it warned of rising inflation, predicting it would peak at a two-year high of 4.0% in September before easing back. Inflation increased to 3.8% YoY in July from 3.6%, above expectations but was unchanged in August, matching forecasts. Later, data showed the UK economy grew 0.3% QoQ (1.4% YoY) in the second quarter, beating estimates. Preliminary PMI figures for September showed a decline in both manufacturing and services. Manufacturing was hit particularly hard by challenges in the auto industry.

## UK Opportunities Equity Fund:

The sub-fund has an expected outperformance of **2.0%** in excess of the sub-fund benchmark gross of fees, over the longer term.

	Q3 2025	1 Year	3 Year	5 Years	Since Inception
<b>Gross</b>	4.8	14.4	16.3	12.0	7.1
<b>Net</b>	4.7	14.1	15.9	11.6	6.7
<b>FTSE All Share</b>	6.9	16.2	14.5	13.0	7.5
<b>Excess returns (gross)</b>	-2.1	-1.8	1.8	-1.0	-0.4
<b>Excess returns (Net)</b>	-2.2	-2.1	1.4	-1.4	-0.8

**Inception Date:** COB 23<sup>rd</sup> September 2019

**Source:** Northern Trust as of 30 September 2025

**Benchmark:** FTSE All Share Index

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager(s), who typically takes over following a transition period.

\*Preliminary return figures as Russell Investments reconcile discrepancies with NT

## Overall Fund Commentary

The Fund underperformed the positive benchmark return. Factor positioning was negative on aggregate in a period where stocks lower down the capitalisation scale and small cap value stocks were among the weakest performers. Sector positioning and stock selection was negative. This included positioning and selection within communication services (overweight), consumer discretionary (overweight) and materials (underweight). Overweights to WPP and Games Workshop Group and an underweight to mining giant Glencore were key detractors at the stock level. However, effective stock selection within industrials and health care, alongside an underweight to real estate, limited additional underperformance.

During the quarter, we terminated J O Hambro's UK Dynamic Strategy and hired Jupiter Asset Management's UK Dynamic Equity strategy. Our research team has a 4/Hire ranking for this strategy, which is managed by the former portfolio manager of the J O Hambro strategy. The strategy is value biased with a contrarian outlook, focussing on identifying listed companies that exhibit positive change dynamics.

## Fixed Income Market Commentary

The Bloomberg Global Aggregate Bond Index (USDH) rose by 1.2% over the quarter. Relatively resilient global growth and continuing market optimism pushed 10-year government bond yields higher in major developed markets during July. Later, weakness in the US labour market sent 10-year Treasury yields downward and prompted an apparent policy shift by the Federal Reserve (Fed), away from controlling inflation to growth and employment. Meanwhile, market nervousness at President Trump's tariff policies eased as the Fed indicated the impact on inflation may be temporary. In credit markets, spreads narrowed, particularly in high yield. US dollar performance was mixed, strengthening against the Japanese yen and UK sterling but weakening slightly versus the euro. The Fed cut rates by 25 basis points (bps) to 4.25% in September. The Bank of Canada and the Bank of England (BoE) also cut rates by 25 bps in the quarter while the European Central Bank (ECB) left rates unchanged.

Credit spreads narrowed in a period when market sentiment was supported by encouraging economic data, solid corporate earnings reports and progress on trade talks with the US. In this environment high yield (HY) outperformed investment grade (IG) credit. European HY was the best performer with spreads tightening by 38 bps to 265. This compares to global HY, which narrowed by 24 bps to 307 and US HY where spreads tightening was similar (-23 bps to 267). In the IG market UK spreads tightened the most (-13 bps to 70) followed by European spreads (-11 bps to 69). Global investment grade (-10 bps to 71) and US (-9 bps to 70) was slightly more modest. In emerging market debt (EMD) hard currency EMD spreads tightened significantly (-37 bps to 258). Hard currency EMD outperformed local currency EMD with the JPM EMBI Global Index rising 4.4% over the period and the JP Morgan GBI-EM Global Diversified Index increasing by 2.8%.

### Global Government Bond Fund:

The sub-fund has an expected outperformance of **0.70%** in excess of the sub-fund benchmark gross of fees, over the longer term.

	Q3 2025	1 Year	3 Year	5 Year	Since Inception
<b>Gross</b>	1.4	2.0	4.2	-0.3	-0.4
<b>Net</b>	1.3	1.7	3.9	-0.5	-0.7
<b>FTSE World Gvt Bond Index (GBP Hedged)</b>	0.6	1.8	3.3	-1.3	-1.3
<b>Excess returns (gross)</b>	0.8	0.2	0.9	1.0	0.9
<b>Excess returns (Net)</b>	0.7	-0.1	0.6	0.8	0.6

**Inception Date:** COB 30<sup>th</sup> July 2020

**Source:** Northern Trust as of 30 September 2025

**Benchmark:** FTSE World Government Bond Index (GBP Hedged)

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager(s), who typically takes over following a transition period.

### Overall Fund Commentary

The Fund recorded a positive return. The Fund's overweight to rates in Mexico has been a positive contributor in 2025 and remained a key driver of performance this quarter. Small exposure to rates in New Zealand and Indonesia was rewarded. An overweight to rates in Colombia was a further contributor. While an underweight to rates in Japan was positive – particularly to 5- and 10-year dated issues – positioning in other traditional markets including Australia (overweight long end of curve), the US (underweight) and the UK (small overweight) was negative.

## Global Credit Fund:

The sub-fund has an expected outperformance of **0.75%** in excess of the sub-fund benchmark gross of fees, over the longer term.

	Q3 2025	1 Year	3 Year	5 Year	Since Inception
<b>Gross</b>	2.1	4.2	6.4	0.2	0.0
<b>Net</b>	2.1	4.0	6.2	0.0	-0.2
<b>Bloomberg Barclays Global Agg Credit Index (GBP Hedged)</b>	2.0	4.1	6.3	0.1	0.0
<b>Excess returns (gross)</b>	0.1	0.1	0.1	0.1	0.0
<b>Excess returns (Net)</b>	0.1	-0.1	-0.1	-0.1	-0.2

**Inception Date:** COB 27<sup>th</sup> July 2020

**Source:** Northern Trust as of 30 September 2025

**Benchmark:** Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager(s), who typically takes over following a transition period.

## Overall Fund Commentary

The Fund outperformed the benchmark return over the third quarter.

In a market where high yield outperformed investment grade credit, the Fund benefitted from overweight exposure to high yield industrials in the US. An overweight to US investment grade utilities was effective although this was offset by an underweight to investment grade industrials which detracted. In European credit, overweight exposure to high yield industrials was rewarded while allocations to investment grade were unhelpful. In UK credit, underweight exposure to investment grade (financials, utilities) were negative. In hard currency emerging market debt underweight exposure to Asia, Europe and the Middle East detracted. Underweight exposure to Spanish sovereign debt was also ineffective while exposure to securitised credit was modestly helpful due to an overweight to passthrough credit. Coolabah was the best-performing manager with contributions from senior and subordinated securities along with government, supranational and agency bonds. Fidelity was the worst performer, negatively impacted by underweight exposure to European investment grade credit. Underweight exposure to hard currency emerging market debt, particularly in Europe, was also unhelpful. MetLife outperformed while Robeco was in line with the benchmark. MetLife benefitted from overweight exposure to US high yield credit industrials. Robeco enjoyed positive contributions from overweights to both high yield and investment grade in Europe.

## Multi Asset Credit Fund:

The sub-funds aims to achieve a total return (the combination of income and capital growth), the equivalent of the 3 Month GBP SONIA + 4%, over any five-year period, after all costs and charges have been taken.

	Q3 2025	1 Year	3 Year	5 Year	Since Inception
<b>Gross</b>	4.2	7.7	11.0	4.5	4.5
<b>Net</b>	4.2	7.3	10.6	4.1	4.1
<b>3 Month GBP SONIA + 4%</b>	2.0	8.8	8.9	7.1	7.0
<b>Excess returns (gross)</b>	2.2	-1.1	2.1	-2.6	-2.5
<b>Excess returns (Net)</b>	2.2	-1.5	1.7	-3.0	-2.9
<b>Strategic asset allocation benchmark</b>	2.4	7.0	9.3	4.3	-

**Inception Date: COB 27<sup>th</sup> July 2020**

**Source: Northern Trust as of 30 September 2025**

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager(s), who typically takes over following a transition period.

\*EMD local currency exposure is not hedged in this SAA return.

## Overall Fund Commentary

The Fund recorded a positive return in the third quarter.

Both rates and credit positioning were rewarded over the period while currency allocations detracted. In rates the biggest positive contributor to performance was overweight exposure to US Treasuries. Overweight exposure to German bunds, particularly 1-year issues, was also beneficial. Elsewhere, overweight exposure to rates in Mexico was a notable positive. In credit, overweight exposure to high yield industrials in the US, Europe and the UK contributed positively. Overweight exposure to hard currency emerging market debt was also effective, particularly high yield in Latin America. Allocations to US securitised credit were beneficial mainly due to overweights to agency credit risk transfers, collateralised loan obligations and non-agency collateralised mortgage obligations. In currencies, an underweight to UK sterling and an overweight to the US dollar were unhelpful. All the underlying managers recorded a positive return. RBC UK (BlueBay) was helped by overweights to US Treasuries and UK gilts. It was also rewarded for overweight exposure to hard currency emerging market debt. Man GLG was punished for underweight exposure to hard currency emerging market debt, particularly in Latin America and Asia.

## Absolute Return Bond Strategy Fund:

The sub-fund aims to achieve a total return (the combination of income and capital growth), the equivalent of the 3-month **GBP SONIA plus 2%**, over any five-year period, after all costs and charges have been taken.

	Q3 2025	1 Year	3 Year	5 Year	Since Inception
<b>Gross</b>	1.2	6.8	6.7	4.5	4.5
<b>Net</b>	1.1	6.5	6.4	4.2	4.2
<b>3 Month GBP SONIA + 2%</b>	1.5	6.7	6.8	5.0	5.0
<b>Excess returns (gross)</b>	-0.3	0.1	-0.1	-0.5	-0.5
<b>Excess returns (Net)</b>	-0.4	-0.2	-0.4	-0.8	-0.8

**Inception Date: COB 30th September 2020**

**Source: Northern Trust as of 30 September 2025**

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager(s), who typically takes over following a transition period.

## Overall Fund Commentary

The Fund recorded a positive return. US Treasury yields declined whereas bond yields increased in the eurozone, UK and Japan. Inflation ticked higher in major economies which suited the Fund's exposure to inflation-linked bonds. In credit markets, spreads narrowed, particularly in high yield. This suited the Fund's allocation to European asset-backed securities (ABS). This market mirrored the broader strength in credit markets as crossover spreads tightened to the lowest levels of the last three years. Global macro specialist Wellington was the only strategy to record a negative return, as positive performance in rates and credit was offset by weakness in currency positions. Long inflation-linked and Japanese short-duration positions added value, while EM FX, long Japanese yen and short South African rand vs the US dollar detracted.



## Sterling Credit Fund:

The sub-fund has an expected outperformance of **0.65%** in excess of the sub-fund benchmark net of fees, over the longer term.

	Q3 2025	1 Year	3 Year	5 Year	Since Inception
<b>Gross</b>	0.6	3.9	7.8	0.0	-0.2
<b>Net</b>	0.6	3.7	7.6	-0.1	-0.3
<b>ICE Bank of America Merrill Lynch Euro-Sterling Index</b>	0.7	3.7	6.9	-1.1	-1.1
<b>Excess returns (gross)</b>	-0.1	0.2	0.8	1.1	0.9
<b>Excess returns (Net)</b>	-0.1	0.0	0.7	0.9	0.8

**Inception Date: COB 27<sup>th</sup> July 2020**

**Source: Northern Trust as of 30 September 2025**

**Benchmark: ICE Bank of America Merrill Lynch Euro-Sterling Index.**

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager(s), who typically takes over following a transition period.

### Overall Fund Commentary

The portfolio marginally underperformed the benchmark over the quarter. Term structure positioning detracted from performance, with the long sterling duration position weighing on returns as gilt yields rose across the curve. Unfavourable positioning via quant model also negatively impacted performance. In contrast, a short euro duration position contributed positively.

Credit positioning contributed positively to performance, supported by prudent sector allocation. Overweight exposures to the banking sector and securitised names were key contributors. At the issuer level, New York Life Insurance, Morgan Stanley and Royal London were notable performers. Conversely, underweight positions in issuers such as Legal & General and Wells Fargo modestly detracted from performance. The structural underweight in quasi-supranational names such as European Investment Bank, the International Bank for Reconstruction and Development and KfW also weighed on returns.

# **WPP JOINT GOVERNANCE COMMITTEE MEETING**

## **SCHRODERS CAPITAL REAL ESTATE**

**Sub-Fund 1:** UK Diversified Real Estate Fund

**Sub-Fund 2:** Local & Impact Fund

**8 December 2025**

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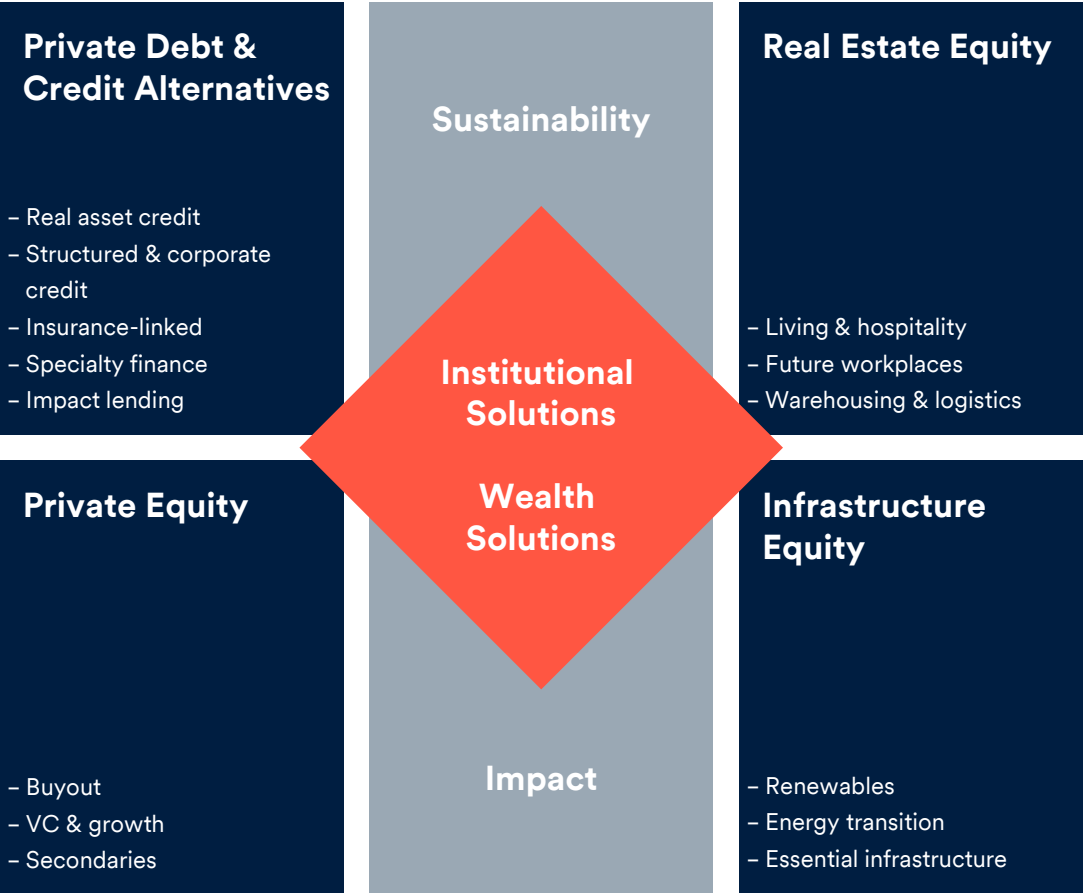
**\$111bn**  
assets under management

**725+**  
employees

**400+**  
investment professionals

**25**  
cities globally

**6**  
continents



# Schroders Capital – UK Real Estate business overview

A diverse Real Estate business with a large team of investment specialists



£10.8bn

Assets under management

101

Real estate professionals

15+ years

Sustainability & Impact integration

2

UK Offices



## Direct Real Estate

Experienced Investment Manager investing in the UK since 1971

Expertise in asset management across all regions and sectors throughout the UK

£7.8bn direct assets



£3.0bn indirect assets

700+ direct assets



1,000+ real estate assets

£2.9bn direct transactions



£2.4bn indirect transactions

3,000+ tenants<sup>1</sup>



£16.2bn underlying exposure<sup>2</sup>

## Real Estate Solutions

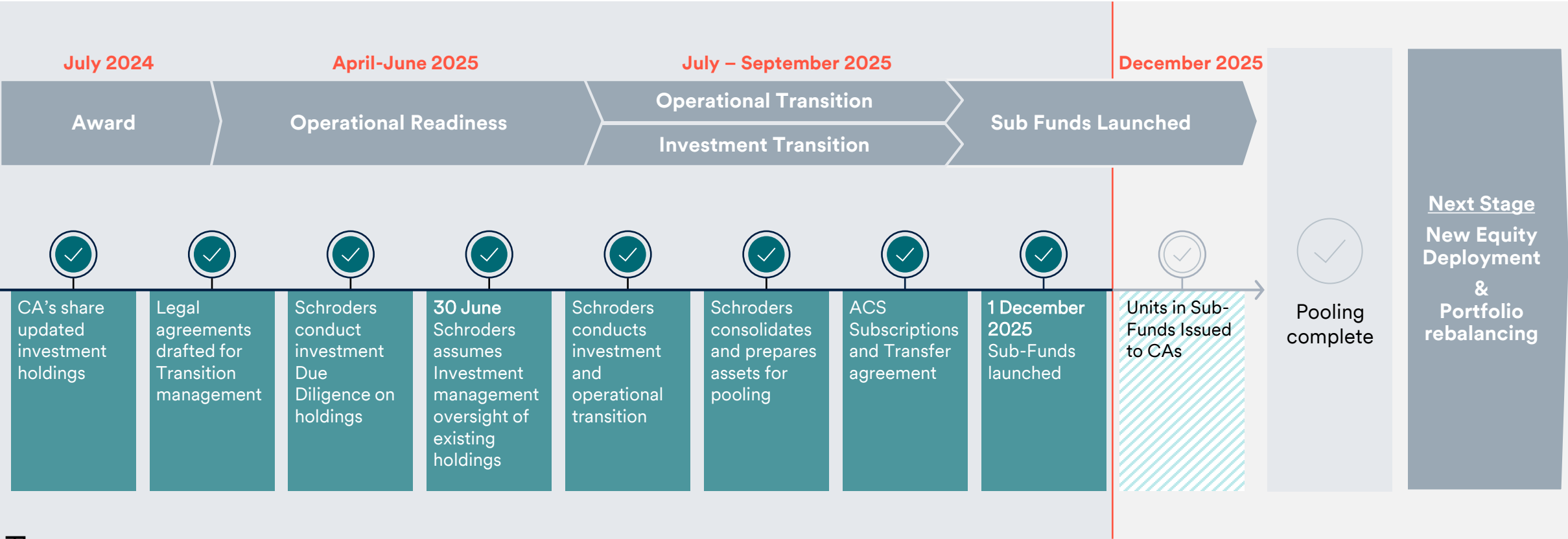
Experienced solutions provider investing in the UK since 1997

Expertise in selecting best in class funds that invest across all regions and sectors throughout the UK

Source: Schroders Capital, June 2025. <sup>1</sup>Excludes residential tenants. <sup>2</sup>Based on a typical mandate size. Introductions and transactions on a five-year rolling basis to June 2025. Schroders Capital has included the consideration of Sustainability & Impact risks in investment committee decisions since 2010. Not all Schroders Capital products have sustainability & impact characteristics or considerations. Not all strategies available in all jurisdictions.

# Timeline: WPP Real Estate Pooling

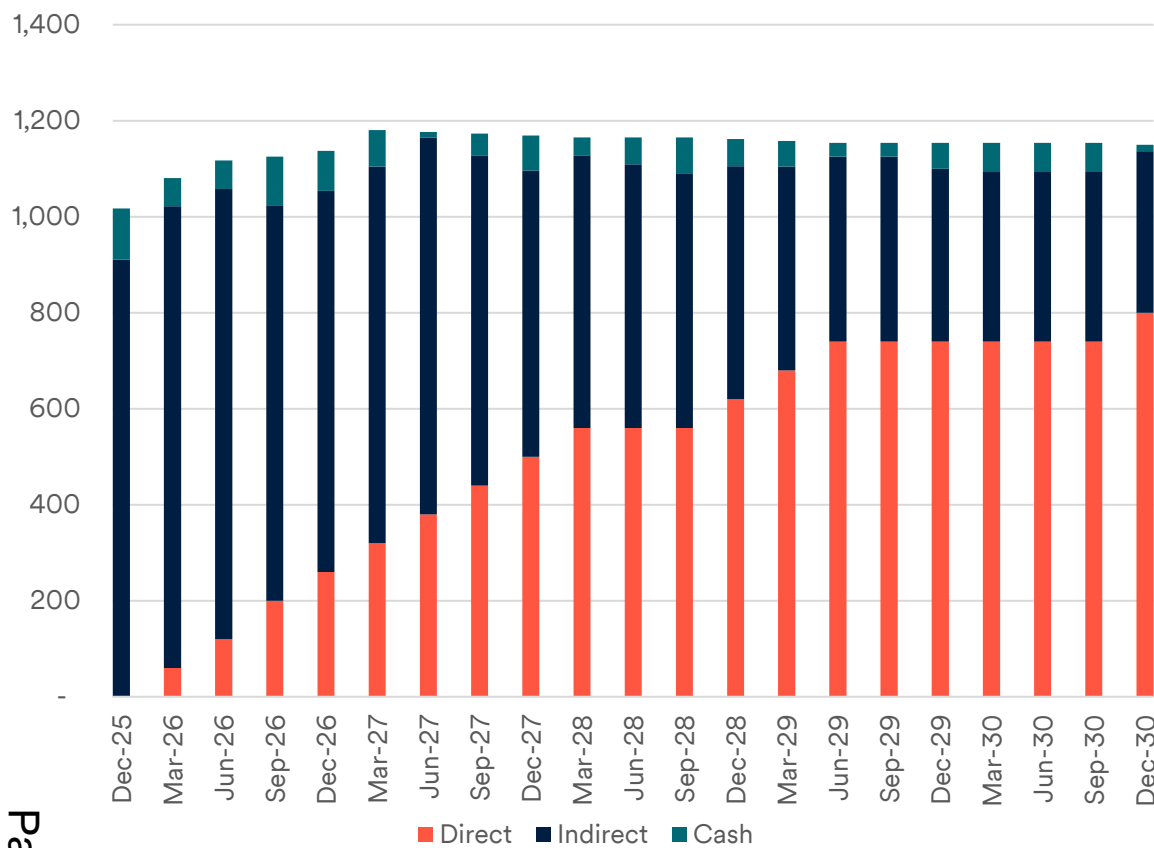
Progress to Date



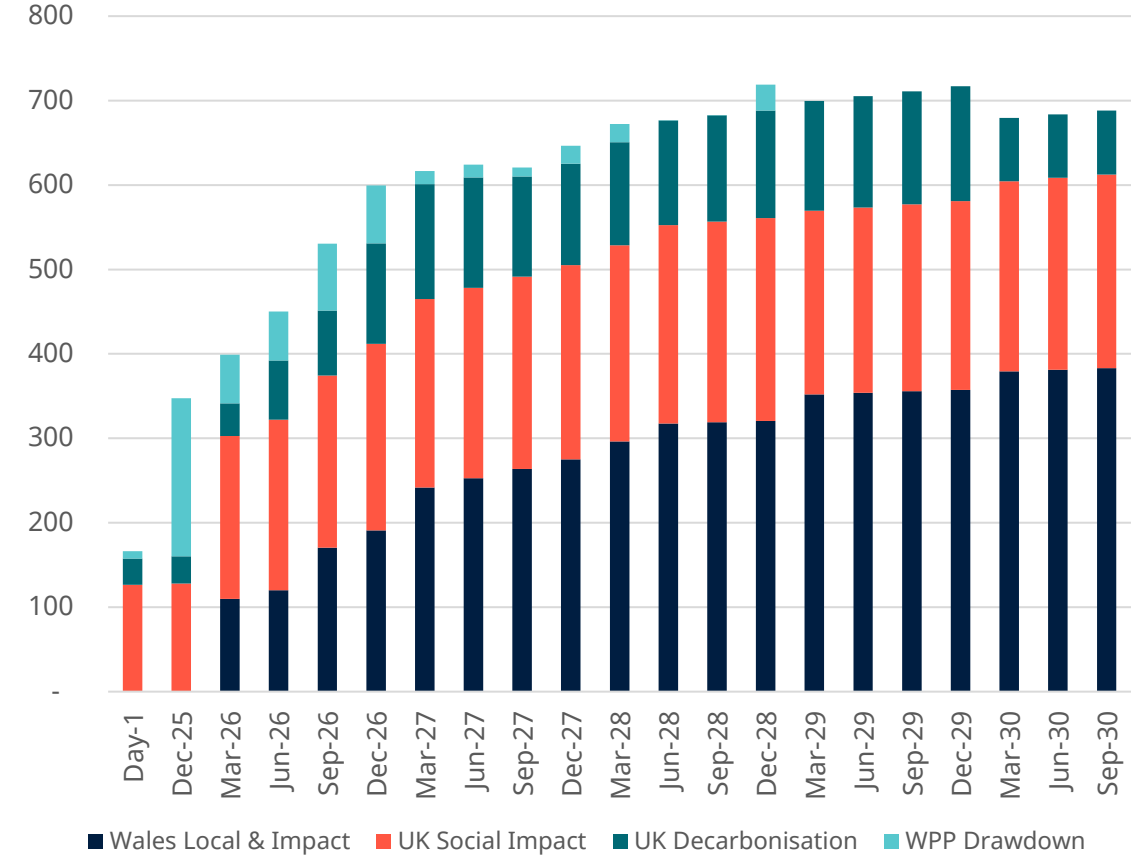
# Timeline: WPP Real Estate Pooling

New Equity Deployment & Portfolio rebalancing

Sub-Fund 1: Deployment (£m)



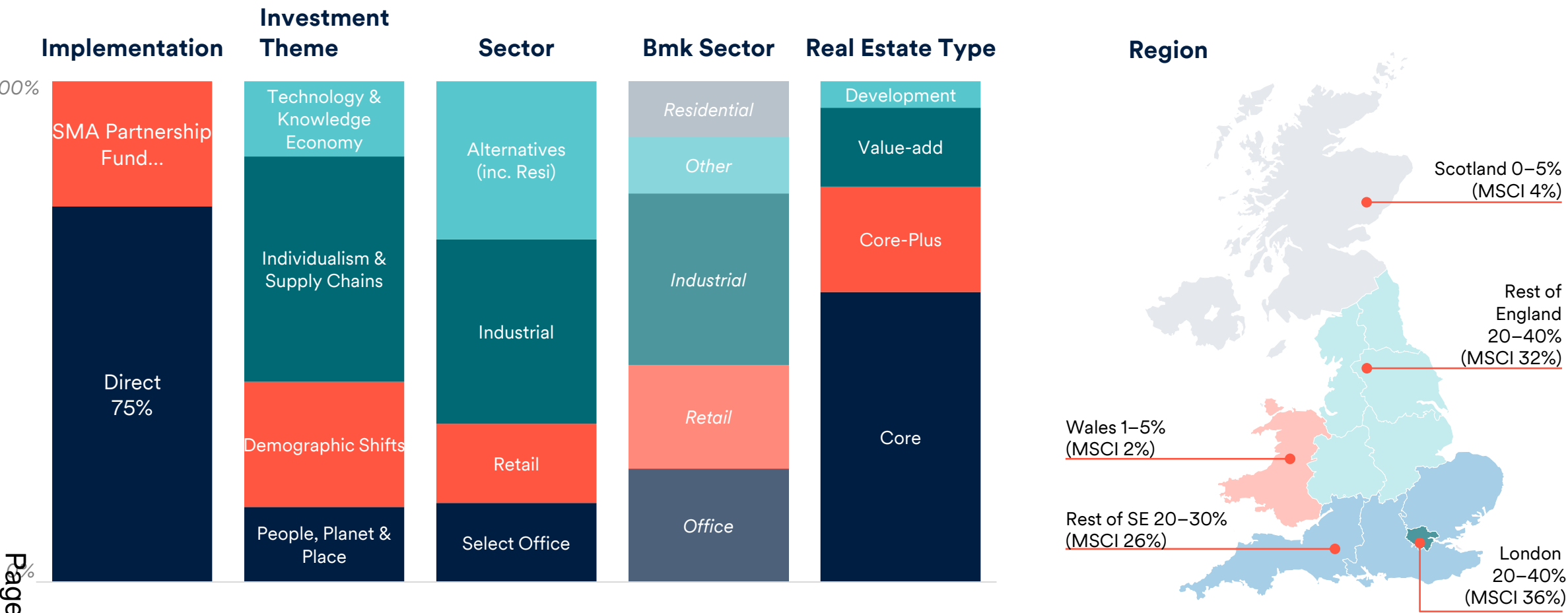
Sub-Fund 2: Deployment (£m)



Source: Schroders Capital, December 2025.

# Sub-Fund 1: Target Portfolio Construction

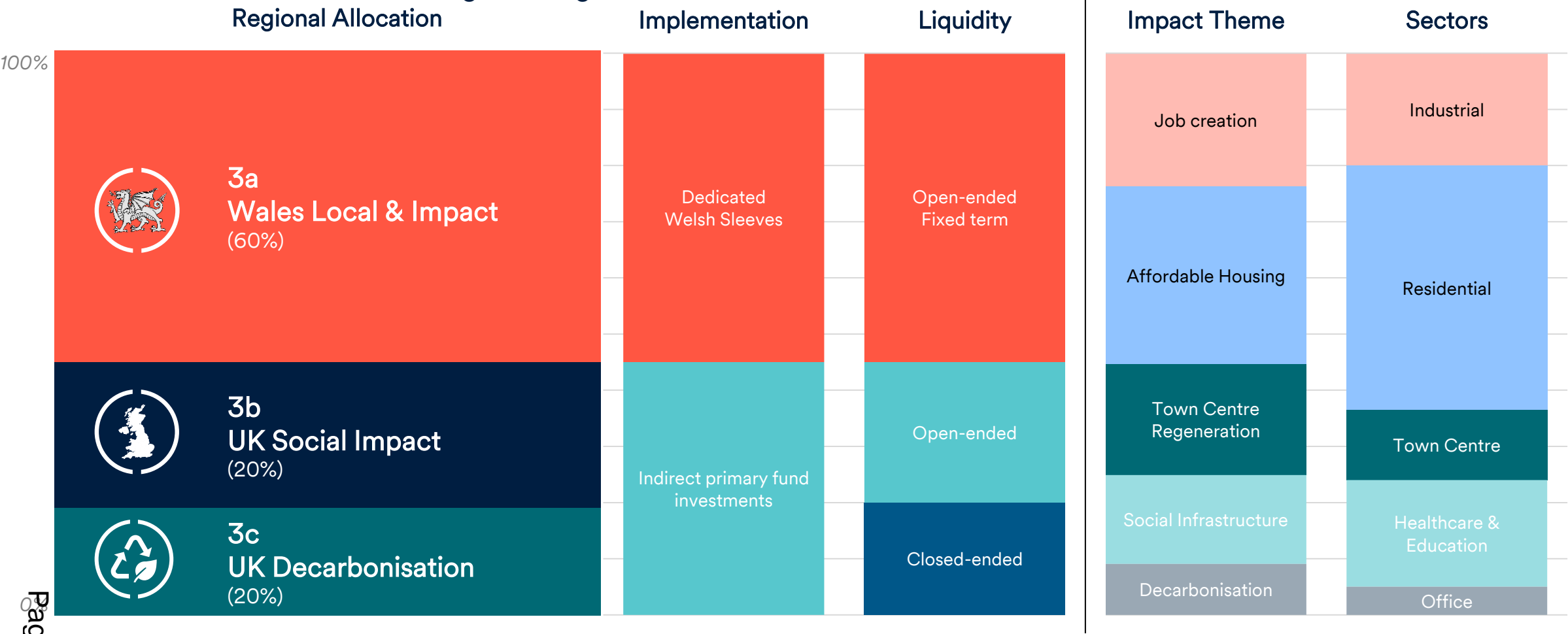
Thematic investment strategy driven by secular trends to achieve WPP’s objective



Source: Schroders Capital, 2025. These forecasts are targets only and not profit expectations. There can be no guarantee these targets can be met. MSCI UK Quarterly Index

# Sub-Fund 2: Target Portfolio Construction

Three targeted sub-strategies to achieve our shared Impact Objectives, though 'Affordable Housing' has evolved to include other housing shortages too



Source: Schroders Capital, 2024. Provided for illustrative purposes only. These forecasts are targets only and not profit expectations. There can be no guarantee these targets can be met.



# Sub-Fund 2 Pipeline & Our Impact Objectives

81 Investment Opportunities constituting £2,279m reviewed or under review

Impact theme<sup>1</sup>



## Housing Shortages

Improving access to affordable and quality housing in undersupplied areas

### Development Banc Wales

£50m potential commitment March 2026  
Housebuilder financing for new homes across Wales



## Job Creation

Improved and enhanced access to employment opportunities

### Multi-Let Industrial

£80m potential investment December 2025  
Multi-Let industrial portfolio with local SME employment opportunities



## Town Centre Regeneration

Increasing town centre activity with positive knock-on effects for local economies

### Cardiff Leased Hotel

£20m potential investment March 2026  
Leased Hotel - 210 beds in Atlantic Wharf



## Social Infrastructure

Improving access to Healthcare and Education centres

### Welsh Care Homes

£50m potential commitment March 2026  
Development and refurbishment or care homes across Wales



## Decarbonisation

Measurable progress towards UK's Decarbonisation goals

### UK Finite Land

£50m potential commitment June 2026  
22,000 acres of Forestry, Farmland, Natural Capital



Pipeline

Source: Schroders Capital, 2024. 1. The Targeted Impact objectives listed are summaries, please refer to the Fund's prospectus for full detail on the target Impact Themes, KPIs, and Intended Beneficiaries. There can be no guarantee that these Impact Objectives can be achieved or that targeting Impact Objectives will lead to favourable investment results.

# QUESTIONS

30 September 2025

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# Risk Considerations

**Prospective investors should be aware of the associated risks and special factors of the Real Estate asset class which are not related to investments in traditional listed instruments. Attention is drawn to the following specific risks:**

Credit risk	A decline in the financial health of an issuer could cause the value of its bonds, loans or other debt instruments to fall or become worthless.
Currency risk	The Fund may lose value as a result of movements in foreign exchange rates.
Interest rate risk	The Fund may lose value as a direct result of interest rate changes.
Liquidity risk	The Fund is investing in illiquid instruments. Illiquidity increases the risks that the fund will be unable to sell its holdings in a timely manner in order to meet its financial obligations at a given point in time. It may also mean that there could be delays in investing committed capital into the asset class.
Market risk	The value of investments can go up and down and an investor may not get back the amount initially invested.
Operational risk	Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.
Performance risk	Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.
Property development risk	The Fund may invest in property development which may be subject to risks including, risks relating to planning and other regulatory approvals, the cost and timely completion of construction, general market and letting risk, and the availability of both construction and permanent financing on favourable terms.
Real estate and property risk	Real estate investments are subject to a variety of risk conditions such as economic conditions, changes in laws (e.g. environmental and zoning) and other influences on the market.

# Important information



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MEETING:	<b>PENSIONS COMMITTEE</b>
DATE:	<b>9 FEBRUARY 2026</b>
TITLE:	<b>WALES PENSION PARTNERSHIP RESPONSIBLE INVESTMENT UPDATE</b>
PURPOSE:	<b>To accept the information presented in the report.</b>
RECOMMENDATION:	<b>ACCEPT THE INFORMATION</b>
AUTHOR:	<b>DELYTH JONES-THOMAS, INVESTMENT MANAGER</b>

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## **1. INTRODUCTION**

- 1.1** The Wales Pension Partnership (WPP) Responsible Investment (RI) updates for quarter ending 30 June 2025 have been prepared by WPP's Oversight Advisor (Hymans Robertson) in conjunction with WPP.
- 1.2** This quarterly WPP Responsible Investment (RI) Update sets out recent RI activity and information on the following Sub-Funds that Gwynedd Pension Fund are invested in: Global Growth; Global Opportunities; Emerging Markets; Sustainable Active Equity; Global Credit; Multi-Asset Credit; Absolute-Return Bond.

## **2. RECENT ACTIVITY**

- 2.1** **Passive Mandates Evolution:** all seven of the partner funds invested in the BlackRock ACS Low Carbon gave sign-off for the Aquila Life WPP World ESG Insights Equity Fund, which has now launched. Robeco and BlackRock have been liaising to ensure the appropriate set-up for voting choice to be applied on the bespoke solution.
- 2.2** **Stewardship Code:** WPP submitted its fifth report in line with the FRC UK Stewardship Code, in line with the end-October 2025 deadline
- 2.3** **All-Wales Climate Report (AWCR):** the AWCR is in the process of being finalised.
- 2.4** **Impact reporting:** The Good Economy is undertaking an all-of-Wales impact report, covering the period as at end-March 2025; WPP has partnered with The Good Economy to carry out the reporting on an annual basis going forward.
- 2.5** **Stewardship themes:** initial results of the WPP's stewardship-themes questionnaire, which was shared with Constituent Authorities for comment, were presented to the RIWG, for the Robeco client panels. Further information will be provided next quarter.

## **3. REPORT OVERVIEW**

- 3.1** **Stewardship Summary-** WPP employs Robeco as its Voting and Engagement Provider, with Robeco voting on resolutions across WPP's five active-equity Sub-Funds, while also providing the engagement function with issuers across all active Sub-Funds, as well as the passive mandates. Voting will be applied to the new bespoke *Aquila Life WPP World ESG Insights Equity Fund* from Q4 25.

A summary of the stewardship activity is provided in the report with work also undertaken by LAPFF.

### **3.2 Sub- Fund reviews**

A review is carried out on the sub- funds with the following areas:

- Key Characteristics
- Climate Metrics
- ESG Metrics
- Voting Summary
- Key Votes
- Engagement Summary
- Closed Effective Engagements
- Closed Non- Effective Engagements
- Case Studies

The report demonstrates that a significant amount of work has been undertaken within these sub- funds to report it's ESG credentials and stewardship reporting. This report will be a useful benchmark for future reports.

### **4. RECOMMENDATION**

The Committee is asked to note the report.



## Responsible Investment Update: Q3 2025

### Introduction

This update has been prepared by Hymans Robertson LLP for the Wales Pension Partnership (WPP). This quarterly WPP Responsible Investment (RI) Update sets out recent RI activity and information on the following Sub-Funds: Global Growth; Global Opportunities; UK Opportunities; Emerging Markets; Sustainable Active Equity; Global Credit; Multi-Asset Credit; Absolute-Return Bond; UK Credit. Please note, due to data and metric limitations, the Global Government Bond Sub-Fund is currently not included in this report.

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### JGC RI activity

- **Passive Mandates Evolution:** all seven of the partner funds invested in the BlackRock ACS Low Carbon gave sign-off for the Aquila Life WPP World ESG Insights Equity Fund, which has now launched. Robeco and BlackRock have been liaising to ensure the appropriate set-up for voting choice to be applied on the bespoke solution.
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- **Impact reporting:** The Good Economy is undertaking an all-of-Wales impact report, covering the period as at end-March 2025; WPP has partnered with TGE to carry out the reporting on an annual basis going forward.
- **Stewardship themes:** initial results of the WPP's stewardship-themes questionnaire, which was shared with Constituent Authorities for comment, were presented to the RIWG, for the Robeco client panels. Further information will be provided next quarter.

Simon Jones, Partner  
Rachel Barrack, Associate RI Consultant  
Priyanka Dubb, Senior RI Analyst

For and on behalf of Hymans Robertson LLP  
December 2025

## Stewardship Summary

### Quarter ending 30 September 2025

WPP employs Robeco as its Voting and Engagement Provider, with Robeco voting on resolutions across WPP's five active-equity Sub-Funds, while also providing the engagement function with issuers across all active Sub-Funds, as well as the passive mandates. Voting will be applied to the new bespoke *Aquila Life WPP World ESG Insights Equity Fund* from Q4 25.

A summary of stewardship activity is provided below, with voting broken down between Sub-Funds in subsequent pages. To note, some stocks are common across multiple Sub-Funds, with votes reported against each.

### Robeco engagement

#### Transition minerals

Robeco launched a new theme on transition minerals. The theme focuses on the environmental and human-rights risks associated with the extraction and processing of those materials essential for the low-carbon economy, such as lithium, nickel, and rare earth elements. The engagement targets companies across the electric-vehicle value chain, emphasising the need for robust supply chain traceability, stronger governance and measurable targets for climate and biodiversity impacts. Robeco also advocates for the adoption of international standards and frameworks, and for proactive stakeholder management to ensure responsible sourcing and benefit-sharing with affected communities. The theme targets six companies, spanning mining, battery manufacturing and EV production, with the aim of addressing climate and nature risks, labour rights and indigenous peoples' rights. The engagement prioritises public commitments to net zero, board-level ESG oversight and transparent disclosures aligned with global reporting frameworks. The initiative also highlighted the importance of aligning with regulatory requirements such as the EU Battery Regulation and the Initiative for Responsible Mining Assurance.

#### Hazardous chemicals and PFAS

Robeco continued its three-year engagement with chemical companies on the risks posed by per- and polyfluoroalkyl substances (PFAS). The focus remained on increasing transparency, encouraging the development and implementation of phase-out plans, and promoting safer alternatives. Regulatory tightening in Europe and the US, alongside rising litigation, underscored the urgency of these efforts. Robeco's collaborative work through the Investor Initiative on Hazardous Chemicals reinforced the push for industry-wide change and better disclosure under frameworks like the Corporate Sustainability Reporting Directive (CSRD).

#### Case study: engagement with 3M

Robeco's engagement with 3M, a major PFAS producer, resulted in commitments to exit PFAS manufacturing by the end of 2025 and improve transparency. However, Robeco continues to press for a clear strategy on developing safer chemical substitutes and full disclosure of hazardous substances, in line with industry best practice.



### Tax transparency

Corporate taxation was a key theme over the quarter, with Robeco advocating for improved disclosure, robust governance and alignment with international standards, such as the OECD's BEPS 2.0 and GRI 207. Engagement revealed that many companies have more comprehensive internal tax policies than their public reporting suggests, often due to concerns about regulatory uncertainty and stakeholder expectations. The evolving regulatory landscape, particularly in Europe, is driving increased accountability and public country-by-country reporting.

#### Case study: European companies

Robeco expanded its tax transparency engagement to include more European companies, responding to new EU requirements for public country-by-country reporting, as well as seeing more favourable conditions to engage in Europe versus the US (where several engagements have now closed). The engagement focuses on encouraging companies to clearly articulate their tax policies, governance systems and the alignment of tax payments with economic reality, while balancing the interests of diverse stakeholders.

### Governance and proxy voting

Robeco's stewardship activities addressed governance challenges, including director elections, bundled slates and the persistence of 'zombie' directors, who remain on boards despite lacking shareholder support. The engagement promoted best practices, such as annual individual director elections, comprehensive nominee disclosure and the 'one share, one vote' principle. Robeco is also scrutinising dual-class share structures, advocating for greater board accountability, particularly in markets where minority shareholder rights are at risk.

## LAPFF

### Engagement area: cement

Over Q3, LAPFF placed a focus on cement and its negative effects on the climate. Cement production is a highly localised industry, with emissions closely linked to domestic consumption and accounting for as much as 10% of a country's CO<sub>2</sub> output. Key environmental challenges include decarbonising both the core chemical reaction and the energy sources used to heat the kiln. Beyond carbon, the sector faces significant issues around water usage, given the water-intensive nature of cement supply, as well as the sourcing of aggregates required to produce concrete. At present, the only viable solution for decarbonising the chemical process, aside from substituting production, is carbon capture and storage (CCS). Notably, during 2024/25, Heidelberg became the first company to commence using this technology at scale.

#### Case study: Heidelberg & CRH

Engagement with Heidelberg and CRH focused on the credibility of their decarbonisation strategies, with LAPFF playing an active role in meetings to scrutinise progress on CCS, clinker substitution and alternative fuels. Heidelberg delivered the sector's first full-scale CCS project at Brevik and maintains the industry's lowest clinker ratio, though it remains reliant on subsidies and faces supply constraints. CRH advanced CCS projects in France, reduced its clinker factor, increased alternative fuel use and linked executive incentives to ESG targets. Both companies engaged directly with LAPFF on issues of transparency, cost and scalability, while LAPFF continues to monitor their progress and advocate for robust, credible emissions-reduction measures.

### Engagement area: Asia Research and Engagement

LAPFF remains engaged in Asia Research and Engagement's Energy Transition Platform, which aims to align major Asian financial institutions with a 1.5°C climate pathway. The engagement theme focuses on improving disclosure, strengthening transition finance frameworks and encouraging the adoption of clearer policies on new financing for high-emission energy sources, such as coal and oil sands. The platform also seeks to address the

structural challenges posed by national energy policies and regulation, which can slow the pace of transition in the region.

#### **Case Study: Bank Mandiri and CIMB**

This quarter, LAPFF met with Bank Mandiri and CIMB to assess their progress. Bank Mandiri reported that coal accounts for 4-5% of its loan book, with renewable financing now comprising 24% of its energy lending, and outlined steps towards sectoral decarbonisation and improved emissions data coverage as new disclosure standards are introduced. CIMB highlighted a 48% reduction in thermal-coal exposure since 2021, a full phaseout by 2040, and a growing focus on sustainable finance and internal carbon pricing. Both banks acknowledged ongoing challenges in emerging markets, particularly around regulation and market uptake. LAPFF will continue to engage with Asian banks on aligning transition plans with 1.5°C scenarios, especially where coal and other high-emission sources remain part of near-term strategies.

#### **Engagement area: water stewardship**

LAPFF sees water risk as a critical issue spanning multiple sectors, including mining, energy, utilities, and food and drink, where failures can have severe social, environmental and financial consequences. The engagement focuses on two main perspectives: the risks of water use and scarcity; and the human-rights impacts when access to clean water is compromised. These concerns are particularly acute for water-intensive industries and companies operating in water-stressed regions or near vulnerable communities, where climate change is amplifying scarcity and quality challenges. LAPFF also addresses water pollution, with a particular focus on sewage discharges in the UK utilities sector and the growing threat of persistent contaminants such as PFAS ‘forever chemicals’. The objective is to press companies to embed water stewardship and human-rights due diligence into strategy and operations, reducing risks from scarcity and pollution, and safeguarding ecosystems, communities and long-term investor value.

#### **Case study: Pennon and Severn Trent**

In Q3, LAPFF met with Pennon and Severn Trent to assess progress on reducing storm overflow pollution and managing emerging pollutants. Both companies reported improvements in pollution reduction and investment in infrastructure, while also engaging with regulators amid significant changes to the oversight of the UK’s water sector. LAPFF continues to monitor company performance, regulatory developments and the management of persistent chemical risks.

#### **Engagement area: nature and biodiversity**

LAPFF’s engagement on nature-related risks is guided by the recommendations of the Taskforce on Nature-Related Financial Disclosures, encouraging companies with significant impacts on nature to make public commitments to mitigate nature loss, and provide detailed disclosures on dependencies, impacts and actions across their operations and supply chains.

#### **Case Study: Pfizer**

In Q3, as part of Nature Action 100, LAPFF led its first investor meeting with Pfizer, discussing the company’s initial biodiversity risk assessments, and the importance of transparent disclosure before setting targets and governance structures. Pfizer acknowledged the link between climate and biodiversity, and outlined its ongoing work on water stewardship and net zero, as well as engagements on pharmaceuticals in the environment and microbial resistance. LAPFF also wrote to several global companies with large natural-resource dependencies, receiving a response from Bunge, which shared its current approach and invited further dialogue. LAPFF will continue to press companies to integrate nature-related risks into governance and disclosure, monitor progress on tangible actions, and consider escalation where companies do not sufficiently address or respond to nature and biodiversity risks.

### Engagement theme: human rights

LAPFF looked at two key themes under their social-factors category. The first was conflict-afflicted and high-risk areas (CAHRAs) and the second was human-rights risks in luxury goods. On CAHRAs, LAPFF expanded its engagement with companies in, or exposed to, these areas, aiming to cover a broader range of sectors and geographies where these risks are significant. The focus is on ensuring that companies undertake heightened human-rights due diligence, in line with the UN Guiding Principles on Business and Human Rights and the UN Development Programme's guidance for CAHRAs. On luxury goods, LAPFF undertook engagements focusing on how to encourage better disclosures and practices on how the sector manages human-rights risks.

#### Case study: CAHRAs

LAPFF engaged with Australian banks and oil & gas companies to address CAHRA risks, focusing on enhanced due diligence, risk assessment, and responsible business practices. Banks described processes for identifying and managing human rights risks, with examples of influencing client behaviour and declining finance in high-risk cases. In oil & gas, TotalEnergies and Eni outlined conflict analysis, security risk management, and human rights due diligence, including community initiatives and contractual safeguards. LAPFF continues to press for robust, transparent approaches in high-risk contexts.

#### Case study: CAHRAs and the OPT

In response to the July UN Special Rapporteur report on human rights in the Occupied Palestinian Territories (OPT), LAPFF wrote to several companies named in the report to better understand their approaches to human rights due diligence in CAHRAs. Microsoft has since replied, sharing relevant public materials and indicating that further detail on its approach to CAHRAs will be included in its upcoming annual report.

#### Case study: human rights and luxury fashion

LAPFF engaged with luxury goods manufacturers to encourage stronger human-rights practices and disclosures, focusing in particular on LVMH following the placement of its Loro Piana subsidiary under court administration in July 2025, after a similar situation with Dior in 2024. The engagement centred on LVMH's audit and remediation processes, with LAPFF seeking clarity on how issues at Loro Piana were identified and addressed. LVMH provided further details on the discovery and ongoing management of the case, confirming that its audit programme was functioning as intended, though some information could not be disclosed due to legal constraints. LAPFF reiterated the need for LVMH to commit to the UN Guiding Principles on Business & Human Rights and to provide transparent disclosures on risk prevention and mitigation. Ongoing engagement will monitor LVMH's human-rights due diligence and seek updates as new information emerges.

### Overall voting summary

Breakdown of voting activity			
Number of meetings		199	
Proposals voted		1,982	
Meetings with at least one vote against management		79 (40%)	
For	1,820	With management	1,817
Against	153	Against Management	159
Abstain	4	Not applicable	6
Withhold	1		

Do not vote 1 year	3 1		
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Overall engagement summary

Number of engagement cases by topic		Number of engagement activities by contact type	
Environment	47	Meeting	11
Social	7	Conference call	55
Governance	20	Written correspondence	103
UN SDGs	33	Other	30
Voting Related	5	Total	200
Enhanced	6		
Total	120		

## Global Growth Sub-Fund:

### Key Metrics as at 30 September 2025

#### Key characteristics

Fund value	£3.9bn
Underlying managers	Baillie Gifford, Pzena, PineStone, Numeric

Source: Waystone/Russell

#### Top-10 holdings (by AUM)

1. Microsoft	6. Autozone
2. Nvidia	7. Moody's
3. Alphabet	8. Meta
4. TSMC	9. Oracle
5. Mastercard	10. Amazon

Source: Waystone

#### Climate metrics

Figures as at 30 September 2025	Fund	Coverage	Benchmark	Coverage
WACI (tCO <sub>2</sub> e/\$m sales)	55.1	>97%	112.9	>99%
WACI EVIC (tCO <sub>2</sub> e/\$EVIC)	24.1	>97%	39.3	>99%
Carbon emissions (tCO <sub>2</sub> e/£m invested)	49.7	>97%	77.2	>99%
Holdings with exposure to FF reserves	1.6%	Not applicable	5.5%	Not applicable
Approved Science-Based Targets (%)	49.6%	Not applicable	52.7%	Not applicable

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

#### ESG metrics

Figures as at 30 September 2025	Fund	Coverage	Benchmark	Coverage
Overall ESG score	5.5	>96%	5.5	>99%
E pillar	6.7	>96%	6.6	>99%
S pillar	5.2	>96%	5.2	>99%
G pillar	5.8	>96%	5.6	>99%
UNGC violators	0.1%	>97%	0.2%	>99%

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

## Global Growth Sub-Fund:

### Stewardship Summary

#### Voting Summary (Q3 2025)

Number of meetings		34	
Proposals voted		313	
Meetings with at least one vote against management		9 (26%)	
For	288	With management	288
Against	23	Against Management	23
		Not applicable	2

#### Key votes

##### Nu Holdings (8 September 2025, Cayman Islands)

At the AGM of Nu Holdings', the Brazilian digital-banking-services company, Robeco voted against the board elections. Robeco is generally concerned with board elections that follow a 'slate' method (ie where shareholders vote for the entire board rather than individual directors), as is the case at Nu. However, this would not always mean a default vote against. Rather, Robeco voting against was based on governance concerns, including: lack of auditor ratification (by shareholders); a multi-class share structure without a sunset provision; insufficient disclosure of previous proxy voting results; and low board gender diversity. The slate was approved, with 97% of shareholders voting for.

##### Compagnie Financière Richemont (10 September 2025, Switzerland)

At the AGM of Richemont, the Swiss luxury-goods company, shareholders voted on the re-election of fifteen directors. This was significant, given Richemont's controlled structure and governance implications. While the board met many expectations for independence, Robeco identified two concerns: the Chair's dual role leading the Nominations Committee, concentrating influence over appointments, and the nomination of a long-tenured director to the Audit Committee, which is expected to be fully independent. Robeco voted against both nominees, though both were re-elected with strong shareholder support (at least over 91%)..

#### Engagement Summary (Q3 2025)

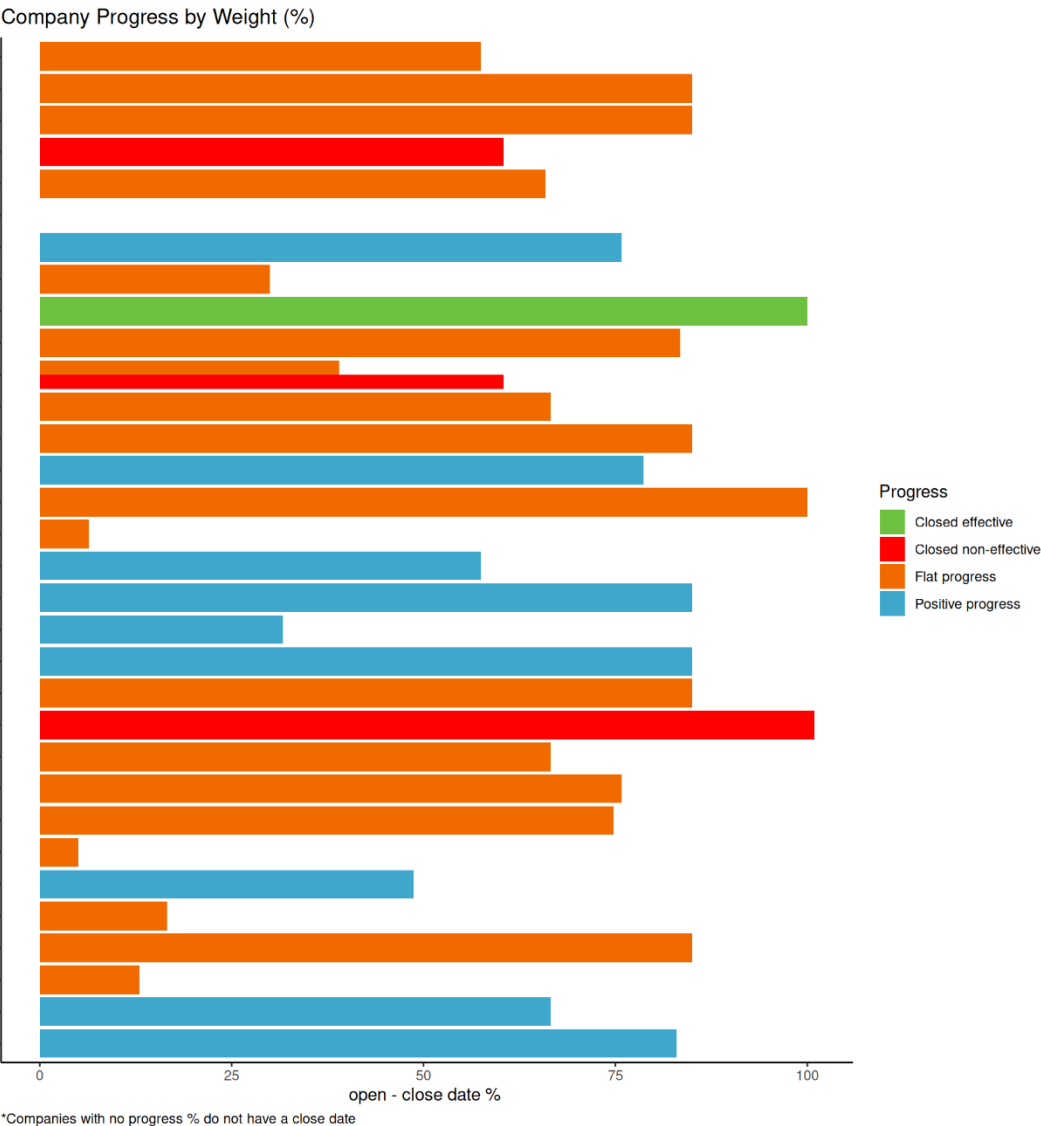
Of the issuers held in the Sub-Fund that were engaged over the quarter, the vast majority of AUM comes from companies domiciled in the US. A list of companies by engagement theme is set out below.

Theme	Companies
AGM engagement 2025	Thermo Fisher Scientific, Inc.
Biodiversity	Contemporary Amperex Technology
Climate Transition of Financial Institutions	ING Groep, Bank of America
Fashion Transition	LVMH
Good Governance	Prosus
Hazardous Chemicals	Honeywell International
Modern Slavery in Supply Chains	Walmart
Natural Resource Management	PepsiCo
Nature Action 100	Ahold, Alibaba Group
Net Zero Carbon Emissions	Shell PLC, Hynix Semiconductor, Haier Smart Home, Siemens Energy
SDG Engagement	AbbVie, Adobe, Advanced Micro Devices, Amazon, AutoZone, Broadcom, Capital One, CB Richard Ellis, Meta, NASDAQ, Novartis, PayPal, Salesforce, Total, Trane Tech
Tax Transparency	Apple, AbbVie, Sanofi-Aventis
Transition Minerals	Contemporary Amperex Technology

Source: Robeco, Hymans Robertson

### Progress by company

Engagements are typically for a period of three years, although Robeco will close an engagement if the objectives are achieved early or if attempts to engage the company are unsuccessful. As at 30 September 2025, Robeco notes the following progress:



Source: Robeco, Hymans Robertson; please note, some issuers may be duplicated, given ISIN data. As this data may be presented publicly, we do not report on the progress of specific engagements, given the sensitivities in the ongoing engagement relationship with corporates.

Closed effective engagements

Water risk and waste management

Robeco engaged with a global consumer company to address water-risk management, waste reduction and controversies. Robeco found that the company demonstrated strong progress on operational water efficiency, surpassing its near-term target ahead of schedule and setting ambitious goals to become net water positive by 2030. Transparency and disclosures were robust, supported by detailed ESG reporting, while packaging emerged as a key area with updated targets to reduce virgin plastic and increase recycled content. Despite ongoing litigation related to plastic pollution, Robeco finds the company’s proactive measures enabled successful closure of the controversies objective. With four objectives closed and only low-priority areas showing flat progress, the engagement concluded positively, recognising the issuer’s leadership in sustainable practices.



## Closed non-effective engagements

### Tax transparency

As noted above, under the tax transparency theme, Robeco closed engagements with some US issuers, in favour of targeting European companies more receptive to engagement. To this end, Robeco closed its engagement with two US names, given a lack of progress on both.

## Case Studies

### Russell Investments: active ownership case study

Russell Investment engaged with utility Vistra, a name on WPP's climate-focus list, on its climate-transition strategy and capital allocation. Russell wanted to push for clarity on Vistra's decarbonisation pathway, coal retirement timeline and Capex plans to support low-carbon growth. The engagement is ongoing.

### Russell Investments: active-ownership case study

Russell engaged with LVMH, the world's largest luxury goods group, on reputational risk based on a recent controversy with one of its subsidiaries. Russell found that the case is low risk, though will monitor the situation.

## Global Opportunities Sub-Fund:

### Key Metrics as at 30 September 2025

#### Key characteristics

<b>Fund value</b>	<b>£3.8bn</b>
<b>Underlying managers</b>	Intermede, Jacobs Levy, Morgan Stanley, Numeric, Nissay, Oaktree, Sanders, SW Mitchell

Source: Waystone/Russell

#### Top-10 holdings (by AUM)

1. Meta	6. TSMC
2. Apple	7. Amazon
3. Microsoft	8. Mastercard
4. Alphabet	9. Alibaba Group
5. NVIDIA	10. Deutsche Bank

Source: Russell

#### Climate metrics

Figures as at 30 September 2025	Fund	Coverage	Benchmark	Coverage
<b>WACI (tCO<sub>2</sub>e/\$m sales)</b>	76.7	>93%	112.9	>99%
<b>WACI EVIC (tCO<sub>2</sub>e/\$EVIC)</b>	46.7	>93%	39.3	>99%
<b>Carbon emissions (tCO<sub>2</sub>e/£m invested)</b>	98.9	>93%	77.2	>99%
<b>Holdings with exposure to FF reserves</b>	3.2%	Not applicable	5.5%	Not applicable
<b>Approved Science-Based Targets (%)</b>	46.5%	Not applicable	52.7%	Not applicable

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

#### ESG metrics

Figures as at 30 September 2025	Fund	Coverage	Benchmark	Coverage
<b>Overall ESG score</b>	5.5	>93%	5.5	>99%
<b>E pillar</b>	6.7	>93%	6.6	>99%
<b>S pillar</b>	5.2	>93%	5.1	>99%
<b>G pillar</b>	5.7	>93%	5.6	>99%
<b>UNGC violators</b>	0.7%	>93%	0.2%	>99%

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

## Global Opportunities Sub-Fund:

### Stewardship Summary

#### Voting Summary (Q3 2025)

Number of meetings		63	
Proposals voted		444	
Meetings with at least one vote against management		25 (40%)	
For	391	With management	389
Against	46	Against Management	51
Abstain	2	Not applicable	4
Withhold	1		
Do not vote	3		
1 year	1		

#### Key votes

##### Linde (29 July 2025, Ireland)

At the annual general meeting of Linde, the global industrial gas engineering company, a shareholder proposal requested that the company prepare a report describing whether and how its direct and indirect lobbying activities align with its public goal of achieving carbon neutrality by 2050. This was the first time such a proposal had been filed at Linde, reflecting growing investor interest in the transparency of the company's climate policy. While Linde discloses some lobbying activities through annual reporting and the CDP Climate Change questionnaire, these disclosures are limited, particularly regarding state-level lobbying and the company's involvement in trade associations with negative climate stances. Robeco determined that the proposal's focus on transparency and alignment with climate goals was both relevant and material, and would bring Linde closer to international best practice. However, the proposal was ultimately not voted on, as the proponent did not attend the meeting and the company did not hold a vote on the matter.

##### Electronic Arts (14 August 2025, United States)

At the AGM of Electronic Arts (EA), the games company, shareholders voted on the election of directors, executive compensation and auditor ratification. Robeco was unable to support the executive-compensation proposal due to concerns over the structure of executive pay. Further, given the significant CEO payout this year and ongoing concerns raised in previous years, Robeco escalated concerns by voting against the Say-on-Pay proposal and the re-election of the chair of the remuneration committee, who is deemed most responsible for these issues. The proposal passed, with just over 90% support from shareholders.

### Nu Holdings (8 September 2025, Cayman Islands)

At the AGM of Nu Holdings', the Brazilian digital-banking-services company, Robeco voted against the board elections. Robeco is generally concerned with board elections that follow a 'slate' method (ie where shareholders vote for the entire board rather than individual directors), as is the case at Nu. However, this would not always mean a default vote against. Rather, Robeco voting against was based on governance concerns, including: lack of auditor ratification (by shareholders); a multi-class share structure without a sunset provision; insufficient disclosure of previous proxy voting results; and low board gender diversity. The slate was approved, with 97% of shareholders voting for.

### Engagement Summary (Q3 2025)

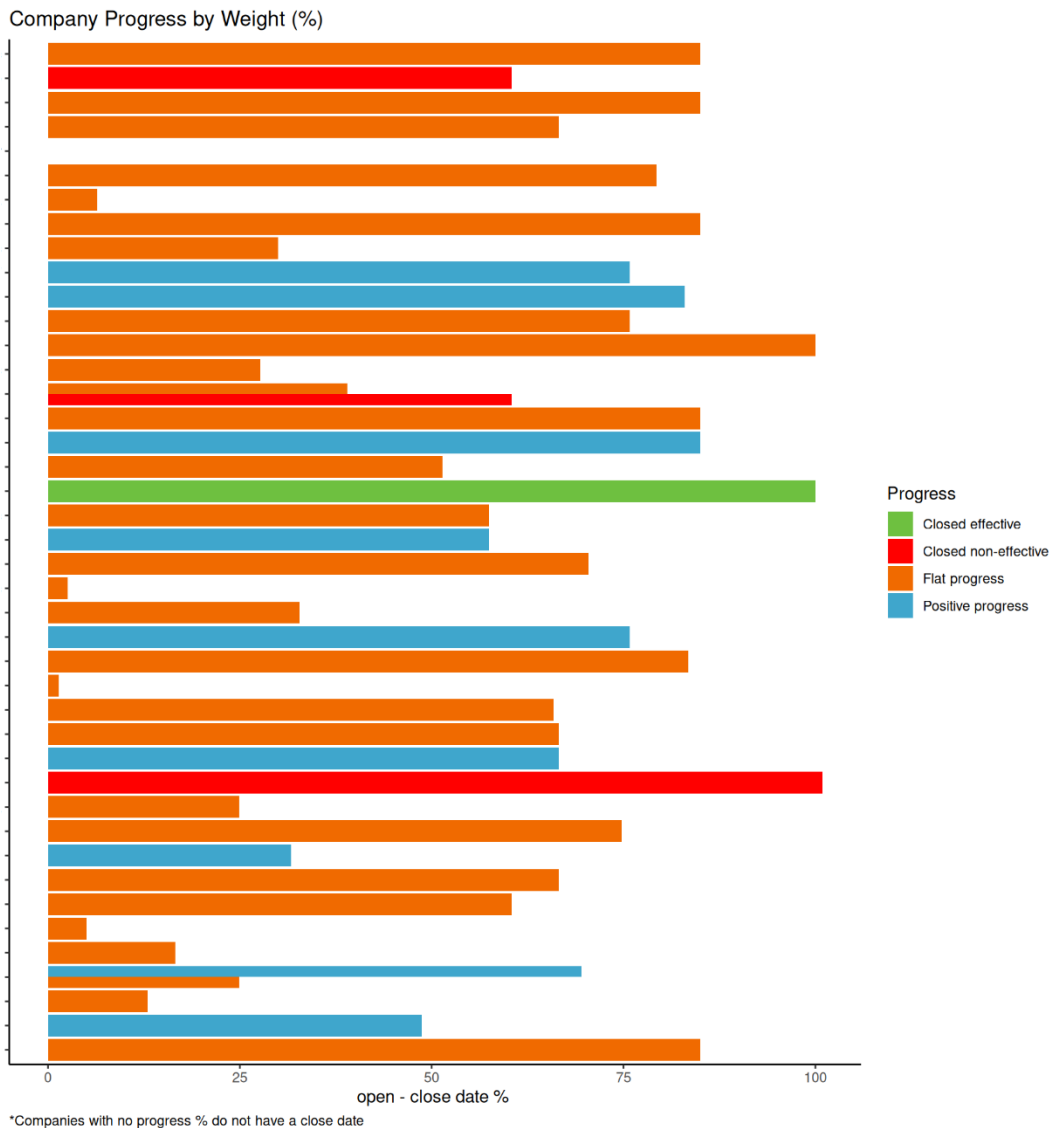
Of the issuers held in the Sub-Fund that were engaged over the quarter, the vast majority of AUM comes from companies domiciled in the US. A list of companies by engagement theme is set out below.

Theme	Companies
Acceleration to Paris	WH Group
Acceleration to Zero-Deforestation	WH Group
AGM engagement 2025	Mahindra & Mahindra
Biodiversity	Contemporary Amperex Technology
Climate Transition of Financial Institutions	Bank of America, DBS Group, ICICI Bank, ING Groep
Fashion Transition	Inditex, LVMH
Good Governance	Unilever, Airbnb
Hazardous Chemicals	Honeywell International
Modern Slavery in Supply Chains	Wal-Mart
Natural Resource Management	PepsiCo
Nature Action 100	Ahold, Archer Daniels Midland, Alibaba Group
Net Zero Carbon Emissions	BP, Haier Smart Home, Siemens Energy, Hynix Semiconductor, Ternium,
SDG Engagement	Meta, Amazon, Adobe Systems, Broadcom, Total, AbbVie, Novartis, Salesforce.com, Sumitomo Mitsui Financial Group, AutoZone, Trane Technologies, Jabil, Capital One, Hon Hai Precision Industry, Advanced Micro Devices, NASDAQ
Tax Transparency	Apple, Schneider Electric, AbbVie, McDonalds
Transition Minerals	Contemporary Amperex Technology, Mahindra and Mahindra,

Source: Robeco, Hymans Robertson

Progress by company

Engagements are typically for a period of three years, although Robeco will close an engagement if the objectives are achieved early or if attempts to engage the company are unsuccessful. As at 30 September 2025, Robeco notes the following progress:



Source: Robeco, Hymans Robertson; please note, some issuers may be duplicated, given ISIN data. As this data may be presented publicly, we do not report on the progress of specific engagements, given the sensitivities in the ongoing engagement relationship with corporates.

Closed effective engagements

Water risk and waste management

Robeco engaged with a global consumer company to address water-risk management, waste reduction and controversies. Robeco found that the company demonstrated strong progress on operational water efficiency, surpassing its near-term target ahead of schedule and setting ambitious goals to become net water positive by 2030. Transparency and disclosures were robust, supported by detailed ESG reporting, while packaging emerged

as a key area with updated targets to reduce virgin plastic and increase recycled content. Despite ongoing litigation related to plastic pollution, Robeco finds the company's proactive measures enabled successful closure of the controversies objective. With four objectives closed and only low-priority areas showing flat progress, the engagement concluded positively, recognising the issuer's leadership in sustainable practices.

### Closed non-effective engagements

#### Tax transparency

As noted above, under the tax transparency theme, Robeco closed engagements with some US issuers, in favour of targeting European companies more receptive to engagement. To this end, Robeco closed its engagement with two names, given a lack of progress on both.

### Case Studies

#### Russell investments: direct engagement

Russell engaged with Tesla on executive pay and governance, raising concerns about the proposed 2025 CEO Performance Award and the retention of the supermajority voting rule. The board's limited independence, lack of support for governance reform and the scale of the CEO award – potentially increasing concentrated control – were key issues. Russell will continue to advocate for stronger board oversight and governance best practices at Tesla.

#### Russell investments: direct engagement

Russell engaged with Otis Worldwide following the failed 2025 Say-on-Pay vote to understand the Board's response and plans for improving pay alignment. Otis confirmed it is developing an off-season engagement programme for Q4 2025 to gather feedback from major shareholders, including Russell. Any future changes to pay or disclosure will be shaped by these discussions and publicly disclosed once finalised. Russell will continue to monitor the Board's actions in response to shareholder input.

## UK Opportunities Sub-Fund:

### Key Metrics as at 30 September 2025

#### Key characteristics

Fund value	£859.3m
Underlying managers	Baillie Gifford, Fidelity, JO Hambro, Liontrust, Ninety One

Source: Waystone/Russell

#### Top-10 holdings (by AUM)

1. HSBC	6. Unilever
2. Shell	7. Tesco
3. Reckitt Benckiser	8. British American Tobacco
4. BP	9. AJ Bell
5. GSK	10. Natwest

Source: Waystone/Russell

#### Climate metrics

Figures as at 30 September 2025	Fund	Coverage	Benchmark	Coverage
WACI (tCO <sub>2</sub> e/\$m sales)	55.1	>96%	76.2	>94%
WACI EVIC (tCO <sub>2</sub> e/\$EVIC)	43.9	>96%	54.0	>94%
Carbon emissions (tCO <sub>2</sub> e/£m invested)	85.5	>96%	108.1	>94%
Holdings with exposure to FF reserves	7.9%	Not applicable	11.5%	Not applicable
Approved Science-Based Targets (%)	57.4%	Not applicable	53.6%	Not applicable

Source: MSCI; Hymans Robertson; Benchmark: FTSE All Share

#### ESG metrics

Figures as at 30 September 2025	Fund	Coverage	Benchmark	Coverage
Overall ESG score	6.0	>96%	5.9	>94%
E pillar	6.6	>96%	6.3	>94%
S pillar	4.9	>96%	5.0	>94%
G pillar	7.3	>96%	7.0	>94%
UNGC violators	0.0%	>96%	0.0%	>94%

Source: MSCI; Hymans Robertson; Benchmark: FTSE All Share

## UK Opportunities Sub-Fund:

### Stewardship Summary

#### Voting Summary (Q2 2025)

Number of meetings		35	
Proposals voted		602	
Meetings with at least one vote against management		12 (35%)	
For	584	With management	583
Against	18	Against Management	19
		Not applicable	0

#### Key votes

##### Qorvo (13 August 2025, United States)

At the AGM of Qorvo, the US technology company, there were two key proposals. Robeco did not support the election of the chair of the governance and nominating committee, due to ongoing concerns around board diversity and disclosure. The board's gender diversity remains at 20%, below the 30% best-practice threshold for US companies, and no clear plan has been provided to address this gap. As the committee chair is accountable for these shortcomings, Robeco withheld support for the election, which ultimately saw around 20% shareholder dissent. Robeco also supported a shareholder proposal to lower the threshold for calling a special meeting from 25% to 10% of outstanding shares, believing this would enhance shareholder rights without undue risk, given the company's shareholder base. The proposal received close to 44% support from shareholders.

#### Engagement Summary (Q3 2025)

Of the issuers held in the Sub-Fund that were engaged over the quarter, the vast majority of AUM comes from companies domiciled in the UK. A list of companies by engagement theme is set out below.

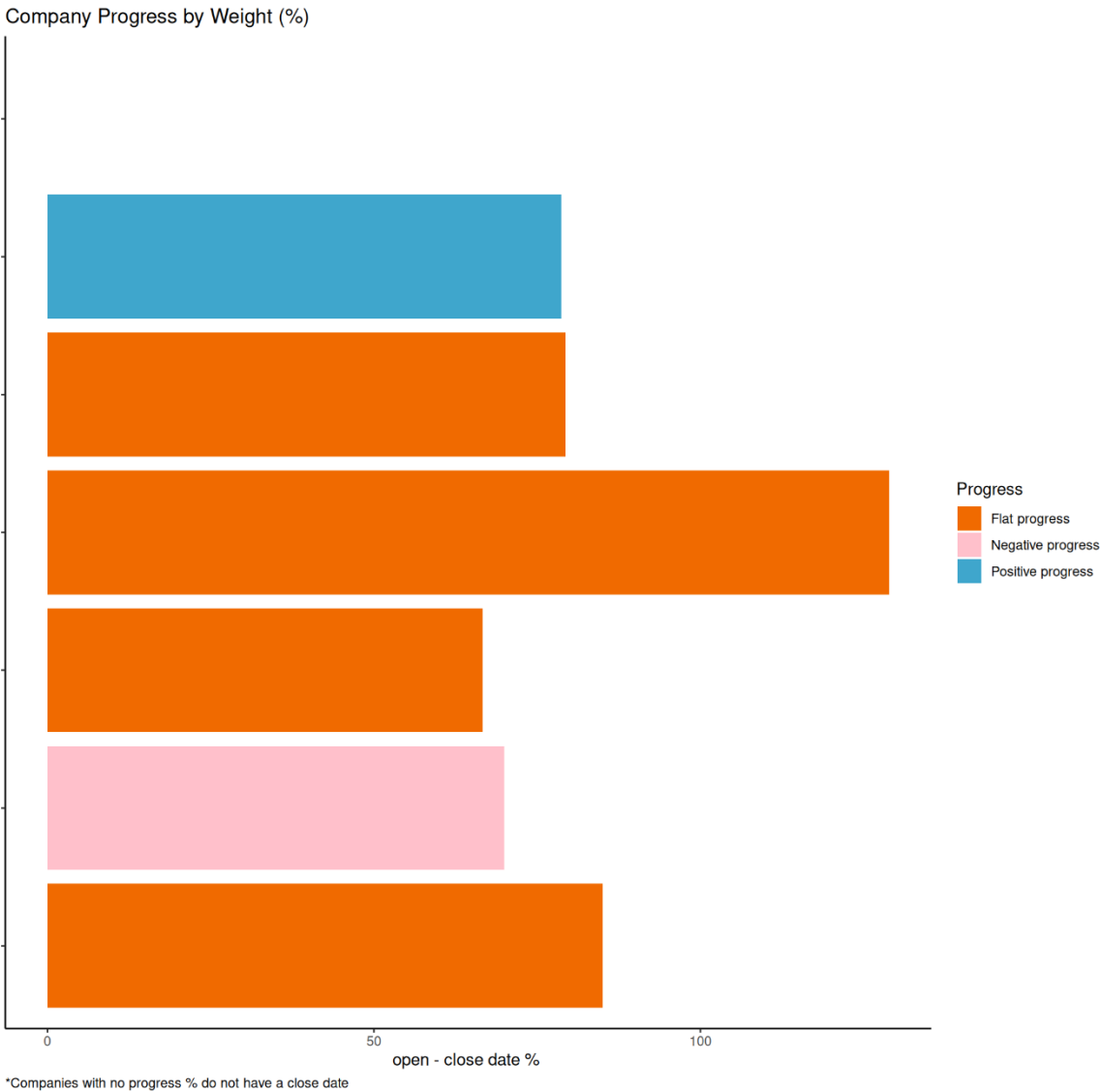
Theme	Companies
Biodiversity	Cranswick
Good Governance	Unilever
Modern Slavery in Supply Chain	Associated British Foods
Net Zero Carbon Emissions	Shell, BP
SDG Engagement	Meta
Sound Environmental Management	Rio Tinto
Transition Minerals	Rio Tinto

Source: Robeco, Hymans Robertson



Progress by company

Engagements are typically for a period of three years, although Robeco will close an engagement if the objectives are achieved early or if attempts to engage the company are unsuccessful. As at 30 September 2025, Robeco notes the following progress:



Source: Robeco, Hymans Robertson; please note, some issuers may be duplicated, given ISIN data. As this data may be presented publicly, we do not report on the progress of specific engagements, given the sensitivities in the ongoing engagement relationship with corporates.

Case Studies

Russell Investments: direct engagement

Russell continued its engagement with Haleon’s executive team on climate resilience and natural-capital management, focusing on reducing scope 3 emissions and virgin plastic use. Haleon aims for a 42% reduction in Scope 3 emissions by 2030 and is engaging around 400 suppliers, with 50 having set science-based targets,

though annual supplier reductions and the financial impact of carbon pricing are not yet disclosed. On packaging, 89% is now recycle ready, though virgin plastic use increased in 2023; pilots for recycling initiatives are underway though there is currently no set rollout timeline. Russell will follow up on supplier emissions data, interim scope 3 targets, and annual disclosure of virgin plastic metrics and recycling plans.

**Russell investments: direct engagement**

Russell engaged with Centrica on its climate transition strategy, welcoming improved disclosure and stronger interim targets in the 2025 Climate Transition Plan, which now links climate performance to executive pay. However, Russell noted that Centrica's scope 3 ambition is not yet 1.5°C aligned and encouraged clearer pay-linked climate metrics. Centrica highlighted the need for greater government support to enable customer decarbonisation and agreed to share its top policy priorities for potential investor advocacy. Russell will continue to monitor progress on remuneration, scope 3 targets, and policy developments.

## Emerging Markets Sub-Fund:

### Key Metrics as at 30 September 2025

#### Key characteristics

Fund value	£333m
Underlying managers	Artisan, Axiom, Barrow Hanley, Bin Yuan, Numeric, Oaktree

Source: Waystone/Russell

#### Top-10 holdings (by AUM)

1. TSMC	6. MediaTek
2. Tencent	7. AngloGold
3. Alibaba	8. Bharti Airtel
4. SK Hynix	9. Xiaomi
5. Samsung	10. Ping An Insurance Group

Source: Waystone/Russell

#### Climate metrics

Figures as at 30 September 2025	Fund	Coverage	Benchmark	Coverage
WACI (tCO <sub>2</sub> e/\$m sales)	146.1	>94%	276.9	>99%
WACI EVIC (tCO <sub>2</sub> e/\$EVIC)	83.2	>94%	113.1	>99%
Carbon emissions (tCO <sub>2</sub> e/£m invested)	220.2	>94%	263.2	>99%
Holdings with exposure to FF reserves	3.9%	Not applicable	6.1%	Not applicable
Approved Science-Based Targets (%)	18.9%	Not applicable	20.9%	Not applicable

Source: MSCI; Hymans Robertson; Benchmark: MSCI EM

#### ESG metrics

Figures as at 30 September 2025	Fund	Coverage	Benchmark	Coverage
Overall ESG score	5.3	>92%	5.2	>98%
E pillar	6.1	>92%	6.1	>98%
S pillar	5.3	>92%	5.2	>98%
G pillar	5.3	>92%	5.0	>98%
UNGC violators	1.8%	>94%	1.0%	>99%

Source: MSCI; Hymans Robertson; Benchmark: MSCI EM

## Emerging Markets Sub-Fund:

### Stewardship Summary

#### Voting Summary (Q3 2025)

Number of meetings		131	
Proposals voted		1,050	
Meetings with at least one vote against management		52 (40%)	
For	941	With management	940
Against	107	Against Management	106
Abstain	2	Not applicable	4

#### Key votes

##### Britannia Industries (11 August 2025, India)

At the AGM of Britannia Industries, shareholders voted on standard proposals including the approval of accounts, profit allocation and auditor appointment. Robeco supported all agenda items except the election of the Chairman of the Board, a member of the Wadia family, who holds a controlling stake in the company. The decision not to support the Chairman's election was due to concerns over Britannia's significant exposure to forest risk commodities without sufficient policies or processes to mitigate their impact. Despite these concerns, the Chairman's re-appointment was approved by a large majority.

##### Naspers (21 August 2025, South Africa)

At Naspers' AGM, Robeco voted against the election of the audit committee chair due to concerns over independence, as well as against both the remuneration policy and implementation report. Persistent issues included reliance on a single performance metric for long-term incentives, short vesting periods, excessive CEO pay, and insufficient disclosure of incentive limits. Despite some improvements in disclosure, ongoing shareholder dissent and lack of meaningful response to concerns justified these votes.

##### Nu Holdings (8 September 2025, Cayman Islands)

At the AGM of Nu Holdings', the Brazilian digital-banking-services company, Robeco voted against the board elections. Robeco is generally concerned with board elections that follow a 'slate' method (ie where shareholders vote for the entire board rather than individual directors), as is the case at Nu. However, this would not always mean a default vote against. Rather, Robeco voting against was based on governance concerns, including: lack of auditor ratification (by shareholders); a multi-class share structure without a sunset provision; insufficient disclosure of previous proxy voting results; and low board gender diversity. The slate was approved, with 97% of shareholders voting for.

#### Engagement Summary (Q3 2025)

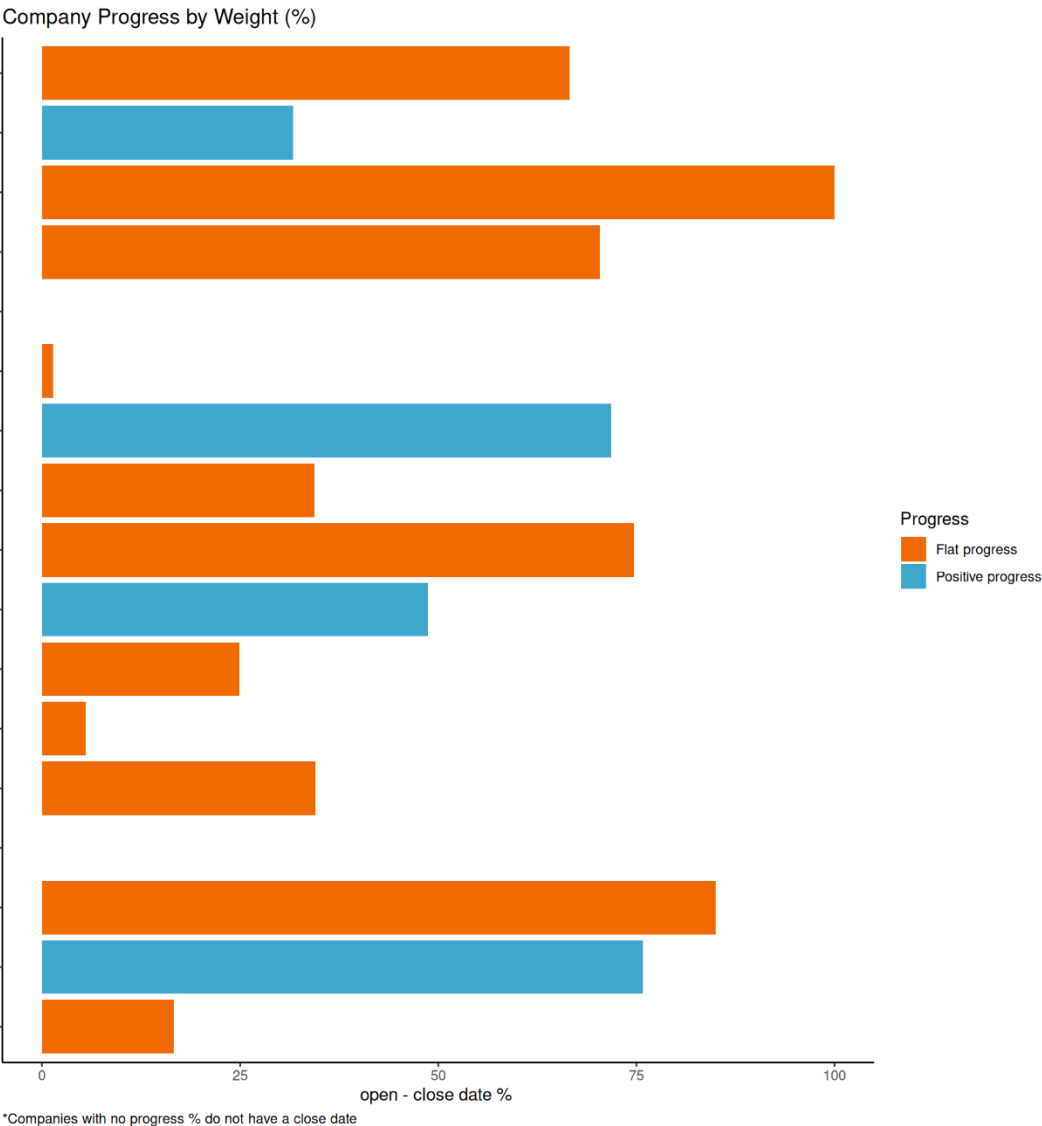
Of the issuers held in the Sub-Fund that that were engaged over the quarter, the vast majority of AUM comes from companies domiciled in China and South Korea. A list of companies by engagement theme is set out below.

Theme	Companies
AGM Engagement 2025	Mahindra & Mahindra
Biodiversity	Contemporary Amperex Technology
Climate and Nature Transition of Financial Institutions	ICICI Bank, DBS Group
Good Governance	Prosus, ORLEN
Nature Action 100	Alibaba Group
Net Zero Carbon Emissions	BYD, Haier Smart Home Co, Hynix Semiconductor, Hyundai Motor, Siemens Energy AG, Ternium
SDG Engagement	Infosys, Meta, Hon Hai Precision Industry
Transition Minerals	Contemporary Amperex Technology, Mahindra & Mahindra, Vale

Source: Robeco, Hymans Robertson

### Progress by company

Engagements are typically for a period of three years, although Robeco will close an engagement if the objectives are achieved early or if attempts to engage the company are unsuccessful. As at 30 September 2025, Robeco notes the following progress:



Source: Robeco, Hymans Robertson; please note, some issuers may be duplicated, given ISIN data. As this data may be presented publicly, we do not report on the progress of specific engagements, given the sensitivities in the ongoing engagement relationship with corporates.

Case study

Russell Investment: direct engagement

Russell Investments engaged Barrick Gold on governance and human-rights risks in high-risk jurisdictions. The company has introduced standards aligned with international principles, and implemented training and oversight measures. Russell encouraged greater transparency through site-level KPIs, independent assurance and stronger board oversight. Follow-up will focus on governance and safety disclosures, adoption of a social performance dashboard and progress on risk scenario planning.

## Sustainable Active Equity Sub-Fund:

### Key Metrics as at 30 September 2025

#### Key characteristics

Fund value	£1.7bn
Underlying managers	Mirova, Neuberger Berman, Sparinvest, Wellington

Source: Waystone/Russell

#### Top-10 holdings (by AUM)

1. Microsoft	6. Ebay
2. Nvidia	7. Alphabet
3. ASML	8. Mastercard
4. Visa	9. Danaher
5. TSMC	10. L'Oreal

Source: Waystone/Russell

#### Climate metrics

Figures as at 30 September 2025	Fund	Coverage	Benchmark	Coverage
WACI (tCO <sub>2</sub> e/\$m sales)	71.1	>95%	112.9	>99%
WACI EVIC (tCO <sub>2</sub> e/\$EVIC)	41.4	>95%	39.3	>99%
Carbon emissions (tCO <sub>2</sub> e/£m invested)	67.6	>95%	77.2	>99%
Holdings with exposure to FF reserves	1.3%	Not applicable	5.5%	Not applicable
Approved Science-Based Targets (%)	62.8%	Not applicable	52.7%	Not applicable

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

#### ESG metrics

Figures as at 30 September 2025	Fund	Coverage	Benchmark	Coverage
Overall ESG score	5.9	>95%	5.5	>99%
E pillar	6.9	>95%	6.6	>99%
S pillar	5.5	>95%	5.1	>99%
G pillar	6.2	>95%	5.6	>99%
UNGC violators	0.0%	>95%	0.2%	>99%

Source: MSCI; Hymans Robertson; Benchmark: MSCI ACWI

## Sustainable Active Equity Sub-Fund:

### Stewardship Summary

#### Voting Summary (Q3 2025)

Number of meetings		7	
Proposals voted		107	
Meetings with at least one vote against management		2 (29%)	
For	105	With management	105
Against	2	Against Management	2
		Not applicable	0

#### Key Votes

No key votes to report over this period.

#### Engagement Summary (Q2 2025)

Of the issuers held in the Sub-Fund that were engaged over the quarter, the vast majority of AUM comes from companies domiciled in the US or the Netherlands. A list of companies by engagement theme is set out below.

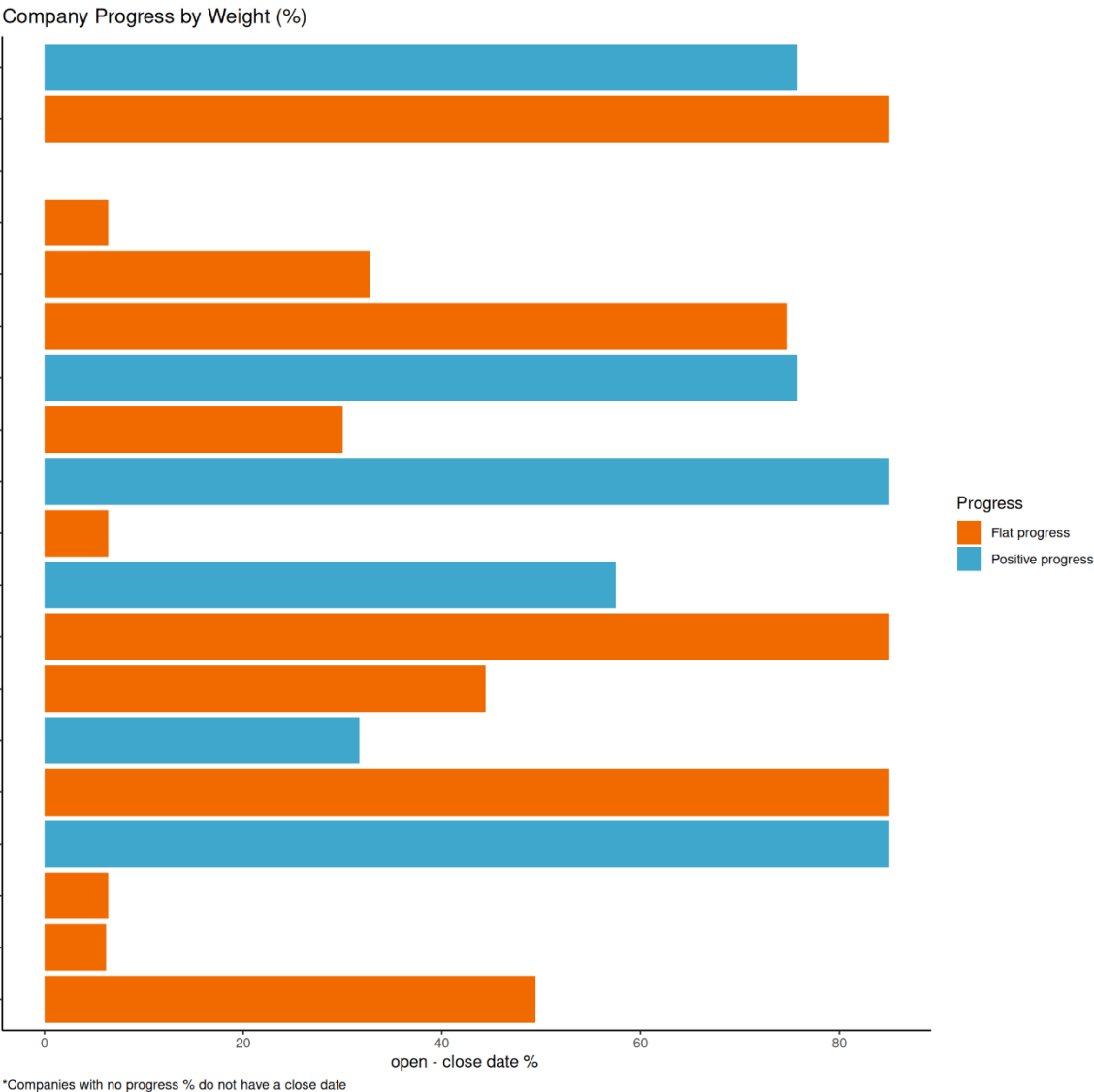
Theme	Companies
AGM engagement 2025	Thermo Fischer Scientific
Climate and Nature Transition of Financial Institutions	DBS Group, ING Groep
Fashion Transition	Inditex
Good Governance	TravelSky, Unilever, Toyota
Net Zero Carbon Emissions	Air Liquide, Hynix Semiconductor
SDG Engagement	Adobe, Amazon, Broadcom, NASDAQ, Salesforce, Sony, Trane Tech
Tax Transparency	Schneider Electric, Sanofi-Aventis, Henkel

Source: Robeco, Hymans Robertson

#### Progress by company

Engagements are typically for a period of three years, although Robeco will close an engagement if the objectives are achieved early or if attempts to engage the company are unsuccessful. As at 30 September 2025, Robeco notes the following progress:





Source: Robeco, Hymans Robertson; please note, some issuers may be duplicated, given ISIN data. As this data may be presented publicly, we do not report on the progress of specific engagements, given the sensitivities in the ongoing engagement relationship with corporates.

Case Study

Russell Investment: direct engagement

Russell engaged Owens Corning, one of the names on WPP’s climate-focus list, on climate strategy and integration of decarbonisation goals into business planning. The company has science-based 2030 targets and significant progress on scopes 1 and 2 reductions, while scope 3 efforts are expanding. Owens Corning is investing in lower-carbon technologies and renewable energy, with over half of revenue now linked to green products. Russell will encourage a formal net-zero commitment, a published transition plan, and clearer links between capital allocation and emissions reduction.

Russell Investment: direct engagement

Russell engaged NextEra Energy, another name on the climate-focus list, on its long-term decarbonisation strategy and delivery of the Real Zero 2045 ambition. Hydrogen and other technologies are at pilot stage and detailed long-

term spending plans have not been disclosed. Russell will encourage publication of a comprehensive 2045 roadmap, and continue monitoring progress on technology pilots, gas dependency and demand impacts from EVs and data centres.

## Global Credit Sub-Fund:

### Key Metrics as at 30 September 2025

#### Key characteristics

Fund value	£1.0bn
Underlying managers	Fidelity, MetLife, Robeco, Coolabah

Source: Waystone/Russell

#### Climate metrics

Figures as at 30 September 2025	Fund	Coverage	Benchmark	Coverage
WACI (tCO <sub>2</sub> e/\$m sales)	207.0	>73%	197.3	>84%
WACI EVIC (tCO <sub>2</sub> e/\$EVIC)	66.5	>72%	69.0	>82%
Carbon emissions (tCO <sub>2</sub> e/£m invested)	99.4 <sup>†</sup>	>73%	441.0	>84%
Holdings with exposure to FF reserves	3.3%	Not applicable	5.5%	Not applicable
Approved Science-Based Targets (%)	16.6%	Not applicable	28.7%	Not applicable

Source: MSCI; Hymans Robertson; Benchmark: Bloomberg Barclays Global Agg

<sup>†</sup> To note, one issuer has been removed from this data run, insurer American National Group, given a reporting error from the MSCI data on that specific issuer; we have flagged this with the data provider and will re-run the data once this data point has been corrected.

#### ESG metrics

Figures as at 30 September 2025	Fund	Coverage	Benchmark	Coverage
Overall ESG score	5.6	>72%	5.7	>82%
E pillar	7.5	>72%	6.8	>82%
S pillar	4.9	>72%	5.2	>82%
G pillar	6.0	>72%	6.0	>82%
UNGC violators	0.2%	>74%	0.0	>84%

Source: MSCI; Hymans Robertson; Benchmark: Bloomberg Barclays Global Agg

# Global Credit Sub-Fund:

## Stewardship Summary

### Engagement Summary (Q3 2025)

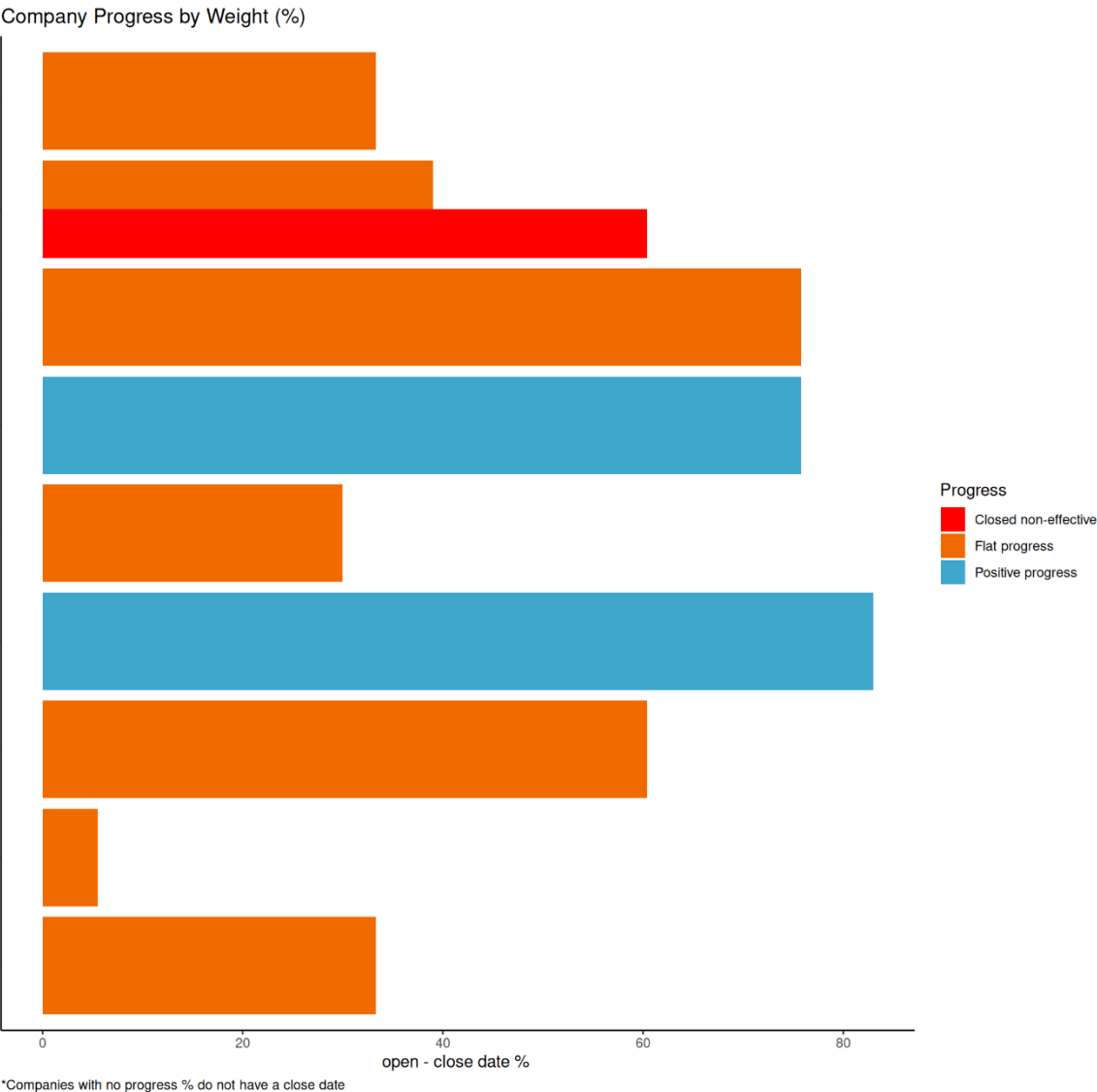
Of the issuers held in the Sub-Fund that were engaged over the quarter, the vast majority of AUM comes from companies domiciled in the US. A list of companies by engagement theme is set out below.

Theme	Companies
Climate Transition of Financial Institutions	Bank of America, ING Groep
Ocean Health	Carnival, Royal Caribbean Cruises
SDG Engagement	Broadcom, Total, AbbVie
Tax Transparency	AbbVie, McDonalds
Transition Minerals	LG Energy Solution

Source: Robeco, Hymans Robertson

### Progress by company

Engagements are typically for a period of three years, although Robeco will close an engagement if the objectives are achieved early or if attempts to engage the company are unsuccessful. As at 30 September 2025, Robeco notes the following progress:



Source: Robeco, Hymans Robertson; please note, some issuers may be duplicated, given ISIN data. As this data may be presented publicly, we do not report on the progress of specific engagements, given the sensitivities in the ongoing engagement relationship with corporates.

Closed Engagements

Closed non-effective engagements

Tax transparency

As noted above, under the tax transparency theme, Robeco closed engagements with some US issuers, in favour of targeting European companies more receptive to engagement. To this end, Robeco closed its engagement with two names, given a lack of progress on both.

Case Studies

Russell Investment: direct engagement

Russell Investments engaged Pinnacle West on its carbon-neutral 2050 goal, natural gas reliance and transparency in planning. The company retains gas as a bridge fuel and is adding hydrogen-ready turbines, but lacks a clear phase-down pathway and interim targets. Scope 3 disclosure remains limited, and capex transparency lags peers. Russell will encourage publication of a post-2038 pathway, expansion of scope 3 coverage, and improved disclosure on climate resilience and capital planning.

**Russell Investment: enhanced oversight**

Russell Investments engaged with ArcelorMittal, a name on WPP's climate-focus list, on its decarbonisation strategy and transition risks as a major steel producer. Discussions focused on capital allocation, green steel investments and the impact of policy measures such as EU Carbon Border Adjustment Mechanism. While targets are viewed as credible, uncertainty around tariffs and subsidies may affect project timelines. Russell will continue to monitor progress on aligning financial decisions with emissions goals and ensuring resilience in a challenging market environment.

## Sterling Credit Sub-Fund:

### Key Metrics as at 30 September 2025

#### Key characteristics

Fund value	£708.5m
Underlying managers	Fidelity

Source: Waystone

#### Climate metrics

Figures as at 30 September 2025	Fund	Coverage	Benchmark	Coverage
WACI (tCO <sub>2</sub> e/\$m sales)	24.9	>70%	52.2	>91%
WACI EVIC (tCO <sub>2</sub> e/\$EVIC)	10.4	>70%	19.6	>90%
Carbon emissions (tCO <sub>2</sub> e/£m invested)	13.5	>70%	24.5	>91%
Holdings with exposure to FF reserves	0.7%	Not applicable	2.4%	Not applicable
Approved Science-Based Targets (%)	18.0%	Not applicable	27.9%	Not applicable

Source: MSCI; Hymans Robertson; Benchmark: ICE BoA Euro-Sterling

#### ESG metrics

Figures as at 30 September 2025	Fund	Coverage	Benchmark	Coverage
Overall ESG score	5.8	>67%	6.2	>88%
E pillar	7.4	>67%	7.0	>88%
S pillar	5.2	>67%	5.8	>88%
G pillar	6.0	>67%	6.5	>88%
UNGC violators	0.0%	>71%	0.0%	>91%

Source: MSCI; Hymans Robertson; Benchmark: ICE BoA Euro-Sterling

## Multi-Asset Credit Sub-Fund:

### Key Metrics as at 30 September 2025

#### Key characteristics

Fund value	£876.5m
Underlying managers	Barings, BlueBay, ICG, ManGLG, Voya

Source: Waystone/Russell

#### Climate metrics

Figures as at 30 September 2025	Fund	Coverage
WACI (tCO <sub>2</sub> e/\$m sales)	187.5	>23%
WACI EVIC (tCO <sub>2</sub> e/\$EVIC)	97.9	>23%
Carbon emissions (tCO <sub>2</sub> e/£m invested)	175.4	>23%
Holdings with exposure to FF reserves	1.8%	Not applicable
Approved Science-Based Targets (%)	5.3%	Not applicable

Source: MSCI; Hymans Robertson

#### ESG metrics

Figures as at 30 September 2025	Fund	Coverage
Overall ESG score	5.2	>22%
E pillar	6.5	>22%
S pillar	4.8	>22%
G pillar	5.6	>22%
UNGC violators	2.9%	>25%

Source: MSCI; Hymans Robertson

Please note a low level of coverage for the MAC Sub-Fund, given the nature of the holdings (including derivatives, government and quasi-government bonds, and securitised products). The majority of the data that is available is from listed corporate bonds. Given the low data availability, this may result in: (1) marked fluctuations in metrics from quarter to quarter; (2) the reported metrics not being representative of the portfolio as a whole.

The nature of the MAC Sub-Fund means that adopting a single benchmark comparator may not be appropriate. At this time, we have therefore not shown a benchmark.



## Absolute Return Bond Sub-Fund:

### Key Metrics as at 30 September 2025

#### Key characteristics

Fund value	£532.8m
Underlying managers	Aegon, Wellington, Oaktree, DNCA

Source: Waystone/Russell

#### Climate metrics

Figures as at 30 September 2025	Fund	Coverage
WACI (tCO <sub>2</sub> e/\$m sales)	65.5	>16%
WACI EVIC (tCO <sub>2</sub> e/\$EVIC)	36.7	>16%
Carbon emissions (tCO <sub>2</sub> e/£m invested)	204.9	>16%
Holdings with exposure to FF reserves	0.0%	Not applicable
Approved Science-Based Targets (%)	3.4%	Not applicable

Source: MSCI; Hymans Robertson

#### ESG metrics

Figures as at 30 September 2025	Fund	Coverage
Overall ESG score	5.1	>16%
E pillar	6.6	>16%
S pillar	4.6	>16%
G pillar	5.8	>16%
UNGC violators	0.0%	>16%

Source: MSCI; Hymans Robertson

Please note a low level of coverage for the ARB Sub-Fund, given the nature of the holdings (including derivatives, government and quasi-government bonds, and securitised products). The majority of the data that is available is from listed corporate bonds. Given the low data availability, this may result in: (1) marked fluctuations in metrics from quarter to quarter; (2) the reported metrics not being representative of the portfolio as a whole.

The nature of the ARB Sub-Fund means that adopting a single benchmark comparator may not be appropriate. At this time, we have therefore not shown a benchmark.

## Appendix 1: WPP stewardship themes (2025/26)



### Focusing on net zero

Organisations, particularly those in materially affected sectors, should be developing and implementing transition plans to ensure that the long-term migration to a low-carbon economy is orderly. Companies should ensure that plans are published, and climate management disclosures are comprehensive and available for investor scrutiny. We believe supporting nature resilience is a key component in achieving net zero, given the interconnectedness of nature and climate. These must therefore be addressed together. We believe companies should therefore be taking steps to address and report on nature dependencies and impacts within their supply chains.



### Supporting people

An organisation's workforce is one of its most valuable assets, and it is incumbent on the organisation to ensure that its people are properly managed and rewarded. This includes the consideration of people within supply chains, which can often be areas of lower scrutiny. Technological disruption is increasingly relevant when it comes to workers – whether that's the rise in automation or use of artificial intelligence and machine learning, or because of the shift away from a fossil-fuel-dependent economy towards a lower-carbon one. Organisations must therefore ensure: adequate human-capital-management due-diligence practices are in place; risks and opportunities (around AI, the just transition) have been considered; appropriate management plans are in place, to mitigate against any adverse impacts on workers. While acknowledging that engagement may be nuanced, given unique regional, sector and size circumstances, WPP is particularly supportive of engaging with UK companies on the alignment of their wage structures with the Living Wage Foundation's guidance.



### Delivering sustainable outcomes (governance)

Sustainable governance practices are central to how an organisation is run, as many environmental and social failures can be traced back to weaker governance practices. We believe organisations should be managed in such a way as to ensure sustainable, long-term value creation with a focus on strong risk management, particularly in relation to emerging sources of risk. Organisations should be transparent in how they assess and manage any ESG risks within their supply chains and in their strategies. This should include: monitoring (and, where appropriate, reporting on) ESG due-diligence practices; how ESG is incorporated into corporate decision-making; incorporating ESG criteria into compensation awards; performance criteria that promotes the management of both financial and non-financial risks; performance criteria that is linked to company goals; more structured (ie less discretionary) performance-evaluation frameworks for both short-term and long-term incentive awards (especially executive bonus calculations).

## Appendix 2: issuers under engagement (Q3 2025)

### ENVIRONMENT

#### Biodiversity

Axfood AB  
Cranswick PLC  
Kimberly-Clark Corp  
Unilever  
VF Corp

#### Climate and Nature

#### Transition of Financial

#### Institutions

Bank of America Corp.  
Citigroup, Inc.  
DBS Group Holdings  
ICICI Bank Ltd  
ING Groep NV  
JPMorgan Chase & Co.,  
Inc.

#### Hazardous Chemicals

3M Co  
AkzoNobel  
Albemarle Corp  
Honeywell International

#### Natural Resource

#### Management

Ambev SA  
CF Industries Holdings,  
Inc.  
PepsiCo, Inc.  
Tronox Holdings Plc

#### Nature Action 100

Ahold  
Corteva, Inc.  
Sociedad Quimica y  
Minera SA

#### Net Zero Carbon

#### Emissions

A O Smith Corp  
Air Liquide SA  
Celanese Corp  
CEZ as  
Cheniere Energy Inc  
Cummins, Inc.  
Darling Ingredients Inc  
Doosan Bobcat Inc  
Dow Inc  
Duke Energy Corp.  
Fortescue Metals Group  
Ltd.  
Haier Smart Home Co.,  
Ltd.

Hynix Semiconductor,  
Inc.

JSW Group  
Mando Corp.  
Petroleo Brasileiro  
Repsol  
Shell PLC  
Siemens Energy AG  
Sumitomo Forestry Co  
Ltd  
Ternium SA  
Veolia Environnement  
SA  
Yutong Bus Co Ltd

#### Ocean Health

Evergreen Marine Corp  
Taiwan Ltd  
Leroy Seafood Group  
ASA  
MISC Bhd  
Thai Union Frozen  
Products Public Co. Ltd.

#### Sound Environmental

#### Management

Rio Tinto

#### SOCIAL

#### Human Capital

#### Management

Eli Lilly & Co.  
Netflix Inc

#### Just Transition in

#### Emerging Markets

Ganfeng Lithium Group  
Co Ltd  
Impala Platinum  
Holdings Ltd  
Reliance Industries Ltd

#### Modern Slavery in

#### Supply Chains

Associated British Foods  
Plc  
Canon  
General Mills  
Giant Manufacturing Co  
Ltd  
Hon Hai Precision  
Industry Co. Ltd.  
Wal-Mart Stores  
Wesfarmers Ltd

#### Sound Social

#### Management

Baidu, Inc.  
Tencent Holdings Ltd.

#### GOVERNANCE

#### Corporate Governance

#### Standards in Asia

INPEX Corp.  
Panasonic Corp.  
ROHM Co. Ltd.

#### Corporate Governance

#### in Emerging Markets

CPFL Energia SA

#### Good Governance

Adyen NV  
Ahold  
Arcadis NV  
DSM-Firmenich AG  
FUJIFILM Holdings Corp  
Grifols SA  
New Oriental Education  
& Technology Group Inc  
Northland Power Inc  
Philips  
Prosus NV  
Signify NV  
TravelSky Technology  
Ltd  
Unilever

#### Tax Transparency

Microsoft  
Thermo Fisher Scientific,  
Inc.

#### SUSTAINABLE

#### DEVELOPMENT

#### GOALS

#### Fashion Transition

Adidas  
Beiersdorf AG  
Brunello Cucinelli SpA  
Bureau Veritas SA  
Cintas Corp.  
Compagnie Financiere  
Richemont  
Crocs Inc  
Deckers Outdoor Corp  
DSM-Firmenich AG  
Companies under  
Engagement  
Eclat Textile Co Ltd

Galderma Group AG

Hermes International

SCA

Inditex

Intercos SpA

JD Sports Fashion PLC

Kering

L Oréal

Levi Strauss & Co

LVMH Moët Hennessy

Louis Vuitton

Marimekko Oyj

MercadoLibre Inc

Moncler SpA

NIKE

Novozymes

On Holding AG

Pandora A/S

Puma

Ross Stores Inc

Shopify Inc

Silgan Holdings Inc

Stella International

Holdings Ltd

The TJX Cos.

Unilever

Watches of Switzerland

Group PLC

Zalando SE

Zebra Technologies

Corp

#### SDG Engagement

AbbVie, Inc.

Adobe Systems, Inc.

Amazon.com, Inc.

Amgen

AutoZone Inc

Banco BTG Pactual S.A.

Broadcom Inc

Capital One Financial

Corp.

CB Richard Ellis Group,

Inc.

Deutsche Boerse

Deutsche Telekom

Elevance Health Inc

Haleon PLC

Hitachi Ltd.

Infosys Ltd

Jeronimo Martins

Lowe's Cos Inc

LyondellBasell Industries  
 NV  
 Meta Platforms Inc  
 Mr. Price Group Ltd.  
 NASDAQ OMX Group,  
 Inc.  
 Novartis  
 OTP Bank Nyrt  
 PayPal Holdings, Inc.  
 Salesforce.com, Inc.  
 Sandvik AB  
 Sony  
 STMicroelectronics NV  
 Sumitomo Mitsui  
 Financial Group, Inc.  
 Tencent Holdings Ltd.

Total  
 Trane Technologies PLC  
 Volvo Group

**VOTING RELATED  
 ENGAGEMENTS**

**AGM engagement 2025**  
 Doosan Bobcat Inc  
 Schneider Electric SA

**EHANCED  
 ENGAGEMENTS**

**Acceleration to Paris**  
 Aluminum Corp of China  
 Ltd  
 Anhui Conch Cement  
 Co. Ltd.

Berkshire Hathaway  
 Caterpillar, Inc.  
 China Longyuan Power  
 Group Corp Ltd  
 China National Building  
 Material Co. Ltd.  
 China State Construction  
 Engineering Corp Ltd  
 Continental Resources,  
 Inc.  
 Hunan Valin Steel Co  
 Ltd  
 Sany Heavy Industry Co  
 Ltd  
 Toyota Industries Corp  
 WH Group Ltd. (HK)

**Acceleration to Zero-  
 Deforestation**

JBS SA  
 WH Group Ltd. (HK)

**Global Controversy**

**Engagement**  
 Adani Ports & Special  
 Economic Zone Ltd.  
 Lockheed Martin Corp  
 Mattel  
 Raytheon Technologies  
 Corp  
 Zijin Mining Group Co.  
 Ltd.

## Appendix 3: metrics definitions

MSCI ESG Research LLC data coverage:

The MSCI ESG Ratings product measures exposure to and management of key ESG risks and opportunities for more than 10,000 companies (16,500 issuers including subsidiaries). The offering includes company level ratings, scores, and data, as well as company, industry and thematic reports.

MSCI ESG Climate Change Metrics provides: carbon emissions, fossil-fuel exposure, environmental impact (ie clean technology) data and screens, as well as climate-related risk exposure and management assessment & target scorecard, on more than 11,000 companies.

More info here: [link](#)

To note, the metrics used in this report cover corporate issuers, but do not currently cover sovereign issuers. This means that coverage across the fixed-income funds will be lower than among listed-equity funds. In addition, certain products (for example, securitised products) will not return data from the parent issuer, resulting in reduced coverage. The above may result in much lower coverage for the MAC and ARB Sub-Funds in particular. This may also result in marked fluctuations in data output from quarter to quarter.

Metric	Description/Methodology
ESG Rating	A final ESG Rating. At a company level, this represents the weighted average of individual 'E', 'S' and 'G' pillars. The weight given to each pillar is dictated by MSCI's process, which determines the relevance of each pillar to a given company and sector. At a portfolio level, this is the weighted average of individual company scores by the weight in the portfolio.
Environmental Score	The Environmental Pillar Score, at a company level, represents the weighted average of all Key Issues that fall under the Environment Pillar.
Social Score	The Social Pillar Score, at a company level, represents the weighted average of all Key Issues that fall under the Social Pillar.
Governance Score	The Governance Pillar Score, at a company level, represents the weighted average of all Key Issues that fall under the Governance Pillar.
UNGC Violators	This factor indicates the percentage of the portfolio exposed to companies that violate the United Nations Global Compact principles.
Weighted Average Carbon Intensity (WACI)	A measure of a portfolio's exposure to carbon-intense companies. This is expressed in terms of tons of CO <sub>2</sub> equivalent emitted per million dollars of revenue, weighted by the size of the allocation to each company. This is measured using Scope 1 + Scope 2 emissions.
Weighted Average Carbon Intensity (EVIC)	A measure of a portfolio's exposure to carbon-intense companies. This represents companies' most recently reported or estimated Scope 1 & Scope 2 greenhouse gas emissions, normalised by enterprise value including cash (USD). This ratio facilitates portfolio analysis by allocating emissions across equity and debt.

Metric	Description/Methodology
Total Carbon Emissions	This represents the portfolios estimated Scope 1 + Scope 2 greenhouse gas emissions. This is expressed in terms of thousand tons of CO <sub>2</sub> equivalent emitted by the companies invested in by the portfolio, weighted by the size of the allocation to each company.
% of Portfolio with Ties to Fossil Fuels Reserves	The percentage of the portfolio invested in companies with evidence of owning fossil fuel reserves regardless of their industries, including companies that own less than 50% of a reserves field. Fossil reserves are defined as proved and probable reserves for coal or proved reserves for oil and natural gas. Evidence of owning reserves includes companies providing the exact volume of reserves and companies making a statement about their ownership of reserves.
% of Portfolio with SBT Approved Target	The percentage of the portfolio invested in companies with one or more active carbon-emissions-reduction target(s) approved by the Science-Based Targets initiative (SBTi).
Scope 1 emissions	Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle.
Scope 2 emissions	Scope 2 emissions are those caused by the generation of electricity purchased by the company.

## Appendix 4: Risk Warnings and Disclaimer

### Risk warning

Please note the value of investments and income from them, may fall as well as rise. You should not make any assumptions about the future performance of your investments based on information contained in this document. This includes equities, government or corporate bonds, currency, derivatives, property and other alternative investments, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the full amount originally invested. Past performance is not necessarily a guide to future performance.

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MEETING	<b>PENSIONS COMMITTEE</b>
DATE	<b>9 FEBRUARY 2026</b>
TITLE	<b>LOCAL GOVERNMENT ASSOCIATION GOVERNANCE CONFERENCE 2026</b>
PURPOSE	<b>To receive relevant feedback and information from the conference</b>
RECOMMENDATION	<b>Receive the information</b>
AUTHOR	<b>Councillor Elin Hywel</b>

---

## **1. INTRODUCTION**

The Governance Conference was held in January and Councillor Elin Hywel attended on behalf of the Committee.

## **2. LOCAL GOVERNMENT ACCOCIATION GOVERNANCE CONFERENCE**

The conference agenda can be found here: [Local Government Association](#)

A report from Councillor Elin Hywel is attached.

## **3. RECOMMENDATION**

The Committee is requested to receive the information.





Cronfa Bensiwn  
**GWYNEDD**  
Pension Fund

**Ffurflen Gofnodi Adborth o Gynadleddau CPLIL /  
LGPS Conference Feedback Recording Form**

**1. Manylion y Cyngorydd neu Aelod / Councillor or Member Details**

Enw / Name:	Elin Hywel
Teitl y Gynhadledd / Conference Title:	LGPS Governance Conference 2026
Dyddiad y Gynhadledd / Date of Conference:	29/01/26 – 30/01/26
Lleoliad neu Ddarparwr / Location or Provider:	Cardiff Marriott Hotel, Mill Lane, Cardiff, CF10 1EZ

**2. Prif Sesiynau a Fynychwyd / Key Sessions Attended**

Rhowch fanylion y prif sesiynau, gweithdai neu gyflwyniadau a fynychwyd / Please list the main sessions, workshops or presentations you attended:

Dydd 1 / Day 1

- Pensions Dashboards
- Peer support: sharing LGPS Good Governance experience
- Balancing the LGPS equation: legislation, administration and leadership
- Pooling: LGPS relationships in transition
- An update from the Pensions Ombudsman

Dydd 2 / Day 2

- MHCLG Update ([Ministry of Housing, Communities and Local Government](#))
- Implications of Local Government reorganisation (Lloegr yn unig / England Only)
- Being an effective pension committee or board Member
- LGPS Legal Framework
- Managing cyber risk

**3. Prif Bwyntiau a Ddysgwyd / Materion a Amlygwyd / Key Points Learned / Issues Highlighted**

Crynowch y pwyntiau pwysicaf, y mewnwelediadau neu'r diweddariadau polisi a gyflwynwyd yn ystod y gynhadledd / Summarise the most important points, insights or policy updates shared during the conference:

Pensions Dashboard yn blatfform sydd yn galluogi unigolion i weld eu holl bensiynau mewn 1 lle. Mae'r dyddiad i gael ein cynnwys wedi pasio 10/2025(6- ddim yn sicr os dwi wedi sgwennu y dyddiad cywir).

Beth yw ein cynllun i gyflwyno'r wybodaeth?

Beth yw ein cynllun i ymateb i unrhyw gynnydd mewn ymholiadau wedi iddo fynd yn fyw gan bod terfyn o 10 diwrnod i ymateb i bob ymholiad?

Mae cyfle i roi eich enw ymlaen i fod ar raglen Peer support: sharing LGPS Good Governance experience fydd yn creu cyfle i gronfeydd dderbyn cefnogaeth drwy raglen o ymweliad ac adrodd gan ein cyfoedion a all helpu i baratoi am adolygiad llywodraethu / IGR

Balancing the LGPS equation: legislation, administration and leadership yn trafod y sialensau parthed cynnydd mewn cymhlethdod a gwaith llywodraethu a gweinyddol, cynnydd mewn cysylltiadau a chyflogwyr eraill yn y gronfa a sialensau penodol yno. Nodi bosib bydd achos le fydd rhaid ail gyfrifo survivor benefits i 2005, erbyn Ebrill 2026 (*checkio dyddiadau*). Lle ydym ni efo huna? Gofyn beth mae ein cronfa ni yn ei wneud i ymateb i'r Gender Pensions Gap?

Pooling: LGPS relationships in transition yn drafodaeth ar brofiadau LGPS Central. Gofyn pwy ydi ein rhandaliadau a sut fydd pooling yn eu heffeithio. Nodi pwysigrwydd trafodaeth agored a bod gor-gyfarthrebu yn well. Ydym ni wedi sefydlu ein diffiniad o 'lleol' er mwyn sicrhau llwyddiant buddsoddi yn lleol i'r gronfa? Nodi ein cyfrifoldeb ni i adnabod a cynnig cyfleon am fuddsoddi lleol. Sut fyddwn ni yn sicrhau bod ein shareholder reps i'r cwmni newydd yn meddiannu sgiliau digonol i sicrhau eu bod yn cyflawni eu cyfrifoldebau fel cynrychiolwyr cronfeydd awdurdodau lleol? Sut byddwn ni yn craffu hyn fel Pwyllgor Pensiynau Cronfa Bensiwn Gwynedd i sicrhau ein bod yn cyrraedd ein dyletswydd ymddiriedol?

Roedd y diweddariad gan yr Ombwdsman Pensiynau yn cynnwys trafodaeth ar eu llwyth gwaith ac yn enwedig wedi ymosodiad seibir.

#### Diweddariad MHCLG

Nodi pwysigrwydd sicrhau ein bod ni fel cronfa wedi sefydlu craffu digonol o'r cwmni newydd yn dilyn pwlio. Nodi pwysigrwydd sefydlu craffu digonol o'r stakeholder reps, yn enwedig os ydynt i gyd yn swyddogion, sut mae hynny yn bwydo lawr. Bydd angen prif swyddog a Independant Member yn dilyn pasio *Fit for the Future* – Beth yw'r cynllun i sicrhau fod yr aelod annibynnol efo sgiliau digonol?

#### Being an effective pension committee or Board Member

Nodwyd bod disgwyliad level o ddealltwriaeth a sgill yn cael ei gyflwyno efo *Fit for the Future* ac dylid ystyried os bydd ein Pwyllgor yn ei gyrraedd. Ydym ni yn ymwybodol o'n Terms of Reference a Terms of delegation (angen gofyn mwy am hyn? )

Sgwrs ddiddorol ar elfen gyfreithiol ein cronfa oedd yn nodi y posib bydd y gyfraith ddim yn barod mewn pryd beth fydd effeithiau hynny a'r pwysigrwydd ein bod yn parhau ta waeth unrhyw oedi posib Beth yw ein cynllun i fydd drwy'r holl ganllawiau a rheoleiddio a all gael eu cyhoeddi ar unwaith? Oes angen cynllun i graffu'r broses cymhwyso canllawiau a rheoleiddio? Sut byddwn yn rheoli ein ddogfennau cyfreithiol?

Nodwyd yn y sgwrs ar fygythiadau seibir y cynnydd yn yr ymosodiadau a'u heffaith. Ydym ni yn ymwybodol o beth yw risg diogelwch seibir ein systemau? Sut ydym yn craffu eu addasrwydd?

Pensions Dashboard is a platform that enables individuals to see all their pensions in 1 place. The date to be included has passed 10/2025 (6- not sure if I have written the correct date).

What is our plan to present the information?

What is our plan for responding to any increase in inquiries once it goes live, given the 10-day response limit?

There is an opportunity to put your name forward to be on the Peer Support programme: sharing LGPS Good Governance experience, which will create an opportunity for funds to receive support through a program of visits and reports from our peers who can help prepare for a governance review / IGR

Balancing the LGPS equation: legislation, administration, and leadership discussed the challenges posed by increased complexity, governance, and administrative work, which have increased in part due to relationships with other employers in the fund, as well as the specific challenges they present.

Note that there may be a case where survivor benefits will have to be recalculated for 2005, by April 2026 (check dates). Where are we with him?

Ask what our fund is doing to respond to the Gender Pensions Gap?

Pooling: LGPS relationships in transition is a discussion of LGPS Central's experiences.

Asking who our instalments are and how pooling will affect them.

State the importance of open discussion and that over-communication is better.

Have we established a clear definition of 'local' to ensure the success of the fund's local investments?

Identify our responsibility to identify and offer opportunities for local investment.

How will we ensure that our shareholder reps for the new company possess sufficient skills to ensure that they fulfill their responsibilities as representatives of local authority funds?

How will we scrutinise this as the Pensions Committee of the Gwynedd Pension Fund to ensure that we meet our fiduciary duty?

The update from the Pensions Ombudsman included a discussion on their workload, especially after a pause attack.

MHCLG update

Identify the importance of ensuring that we, as a fund, have established adequate scrutiny of the new company following a pooling.

Identify the importance of establishing adequate scrutiny of the stakeholder reps, especially if they are all officers, and how that feeds down.

A chief officer and an Independent Member will be needed following the passing of Fit for the Future - What is the plan to ensure that the independent member has sufficient skills?

Being an effective pension committee or Board Member

It was noted that an expected level of understanding and skill is outlined in Fit for the Future, and it should be considered whether our Committee has reached it.

Are we aware of our Terms of Reference and Terms of Delegation (need to ask more about this)

An interesting conversation on the legal element of our fund, which stated that the law may not be ready in time what the effects will be and the importance of continuing regardless of any possible delay

What is our plan to go through all the guidance and regulations that may be issued at once?

Do we need a plan to scrutinise the process of applying guidelines and regulations?

How will we manage our legal documents?

It was noted in the conversation on threats that the increase in attacks and their impact will be paused. Are we aware of the security risk to our systems?

How do we scrutinise their suitability?

#### **4. Perthnasedd i'r Gronfa LGPS / Relevance to the LGPS Fund**

Esboniwch sut mae'r wybodaeth yn berthnasol i lywodraethu'r gronfa, strategaeth fuddsoddi, gweinyddiaeth neu reoli risg / Explain how the information relates to the fund's governance, investment strategy, administration or risk management:

**Gweler yr adroddiad uchod**

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**5. Camau Gweithredu neu Gamau Dilynol a Argymhellir / Recommended Actions or Follow-Up**

Rhestrwch unrhyw gamau gweithredu, newidiadau neu drafodaethau pellach y dylai'r pwyllgor eu hystyried / List any suggested actions, changes, or further discussions needed by the committee:

**Cynnig:** Adolygiad o anghenion craffu a datblygu rhaglen addas i'w diwallu gan y Pwyllgor Pensiynau ar gyfer y cyfnod wedi 31 Fawrth 2026 pam fo IMco yn weithredol.

**Cynnig:** Adolygiad o'r cynllun gweithredu er mwyn sicrhau cymhwyso digonol o ganllawiau a rheoleiddio newydd. Beth fydd yn disgyn i ni a beth fydd yn cylch gorchwyl IM co

**Cynnig:** Ein bod yn cael trafodaeth o beth yw ein diffiniad ni o 'lleol' yn nhermau buddsoddiad.

**Cynnig:** Ein bod yn cael trafodaeth ar yr unigolyn annibynnol fydd angen wedi mis Mawrth ac ar ffurf y Pwyllgor er mwyn gweithredu Fit for the Future.

**Proposal:** Review of scrutiny needs and development of a suitable program to be met by the Pensions Committee for the period after 31 March 2026 why IMco is active.

**Proposal:** Review of the action plan to ensure adequate application of new guidelines and regulations. What will fall to us, and what will be the remit of IM co

**Proposal:** That we have a discussion of what our definition of 'local' is in terms of investment.

**Proposal:** That we have a discussion on the independent individual who will be needed after March, and in the form of the Committee, in order to implement Fit for the Future.

**6. Deunyddiau neu Adnoddau a Gasglwyd / Materials or Resources Obtained**

Cofnodwch unrhyw ddogfennau, dolenni, cyflwyniadau neu nodiadau a all fod o gymorth i'r pwyllgor / Include links, documents, slide decks, or notes that may assist the committee:

Rwyf wedi gwneud cais am y sleidiau.

I have requested the slides.

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<b>7. Asesiad Cyffredinol / Overall Assessment</b>
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Rhowch eich adborth cyffredinol ar werth ac effeithiolrwydd y gynhadledd / Provide your general feedback on the value and usefulness of the conference:
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Werth mynychu. Gwybodaeth da, wedi ei gyfathrebu yn effeithiol.
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Worth attending. Good information, effectively communicated.
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<b>8. Sylwadau Ychwanegol / Additional Comments</b>
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Defnyddiwch y rhan hon ar gyfer unrhyw sylwadau neu bryderon ychwanegol / Use this space for any extra observations or concerns not covered above:
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MEETING	<b>PENSIONS COMMITTEE</b>
DATE	<b>9 FEBRUARY 2026</b>
TITLE	<b>LAPFF CONFERENCE 2025</b>
PURPOSE	<b>To receive relevant feedback and information from the conference</b>
RECOMMENDATION	<b>Receive the information</b>
AUTHOR	<b>Councillors Stephen Churchman and Goronwy Edwards</b>

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## **1. INTRODUCTION**

The LAPFF Annual Conference was held in December and Councillors Stephen Churchman and Goronwy Edwards attended on behalf of the Committee.

## **2. LAPFF ANNUAL CONFERENCE**

The conference agenda can be found here: [LAPFF Annual Conference 3 - 5 December 2025 - LAPFF](#)

A report from Councillor Stephen Churchman is attached.

## **3. RECOMMENDATION**

The Committee is requested to receive the information.

# LAPFF CONFERENCE 2025

## BOURNEMOUTH 3rd to 5th December

### RESPONSIBLE INVESTING IN AN UNCERTAIN WORLD

#### Day 1: Wednesday 3rd December (1345-1700)

- 1.1. The need for speed – delivering green energy security – affordably and at pace  
(attended Pension Committee meeting)
- 1.2. Fit for the future: how can housebuilders deliver net zero?  
(attended Pension Committee meeting)
- 1.3. LAPFF's engagement in an uncertain world  
The panel discussion covered the engagement process by LAPFF representing the asset owners (Shareholders) and it was reported that in particular in the US, there is a considerable and growing amount of pushback being experienced regarding climate related matters such as greenhouse gas emissions.  
  
The issue of businesses exploring their upward supply chain for goods provided by companies employing modern day slaves and areas affected by conflict was also discussed.
- 1.4. Mitigating climate risk: An Asian perspective  
Ben McCarron, Managing Director, Asia Research and Engagement

#### Day 2: Thursday 4th December (0930-1230)

- 2.1. Exile Economics: What happens if globalisation fails?  
This subject delved into the recent growing trend of inward investment, based upon the internalisation of trade - a national push by some countries to “buy local” at the expense of international trade as an inverse of globalisation. It was acknowledged that whilst there are benefits, they are short lived and internalisation leads to slower economic growth in the long term.  
  
It was noted that the world economy thrives on international trade which drives the GDP of the world and in periods of Exile Economics throughout history, has seen the slowdown of the world economy.
- 2.2. From trade wars to the ESG backlash: How can we manage investment risk in an uncertain world?

The by-word of this session was “Economic multi-polarity” which is defined as a global system with several “poles” or major economic powers influencing world affairs, shifting away from the US-dominated unipolarity towards a more complex economy with competing centres like China, the EU, and emerging economies. This is a less cohesive globalisation



model with increased focus on national resilience employing “friend-shoring” tactics utilising a supply chain strategy where production and sourcing is relocated to politically and ideologically aligned nations to reduce geopolitical risks.

There is a potential for more economic conflict (tariffs, sanctions), and more regular use of multiple alternative currencies (EG: Euro, Yuan) alongside the dollar. With nations seeking economic security and self-sufficiency, economic multi-polarity has the potential to slow global integration whilst creating opportunities for emerging market economies.

### 2.3. Reducing risks and impacts in conflict areas: what can investors do?

Some statistics 1 in 8 of the world population live in areas affected by wars/conflict, only 37% of people have trust in politics, governments and corporations, 1 in 4 in the UK would entertain violence to bring about change, whilst only 17% of UK adults believe the next generation will live in a better society.

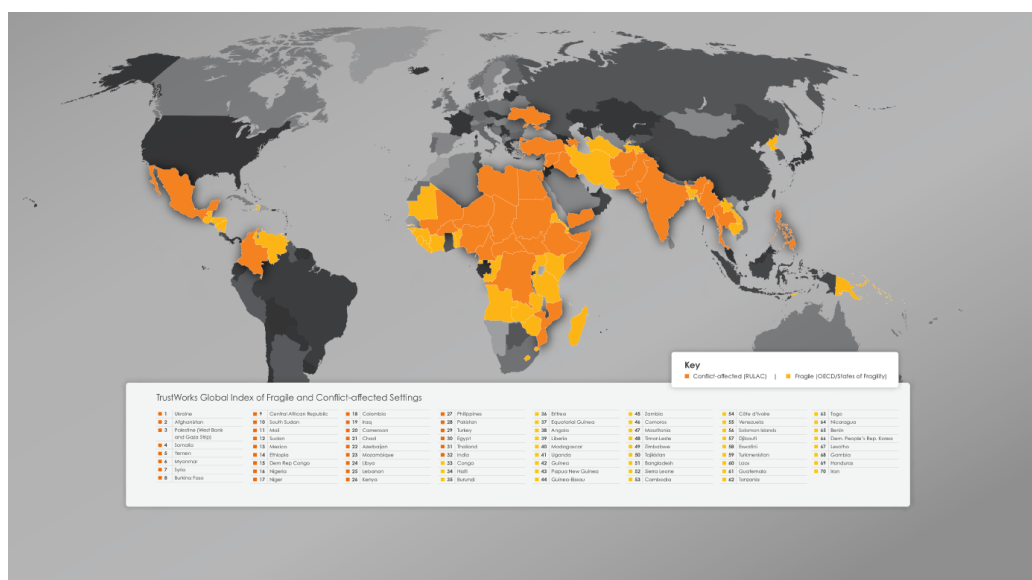
Of three huge changes ushered in during recent decades: The Cold War; the liberalisation of democracy since the end of the Soviet era to the; Arab Spring of 2012, the greatest returns from investments surprisingly did not occur in the relative stability of peace during the growth of liberal democracy

The panel discussed mapping out for different scenarios including war, concluding that planning ahead with diversification of investments and assessing the portfolio's risks in order to be able to shift the portfolio to different asset classes along with the ability to hedge and de-hedge accordingly if necessary is a means of protecting investments.

### 2.4 Reducing risks and impacts in conflict areas

There is no internationally recognised index on conflict risk. The TrustWorks Fragile and Conflict-affected Settings (FCS) Index has identified and ranked 70 FCS as of 2024. TrustWorks has chosen to develop its own ranking to provide companies and investors with a better understanding of their potential exposure to conflict risks.

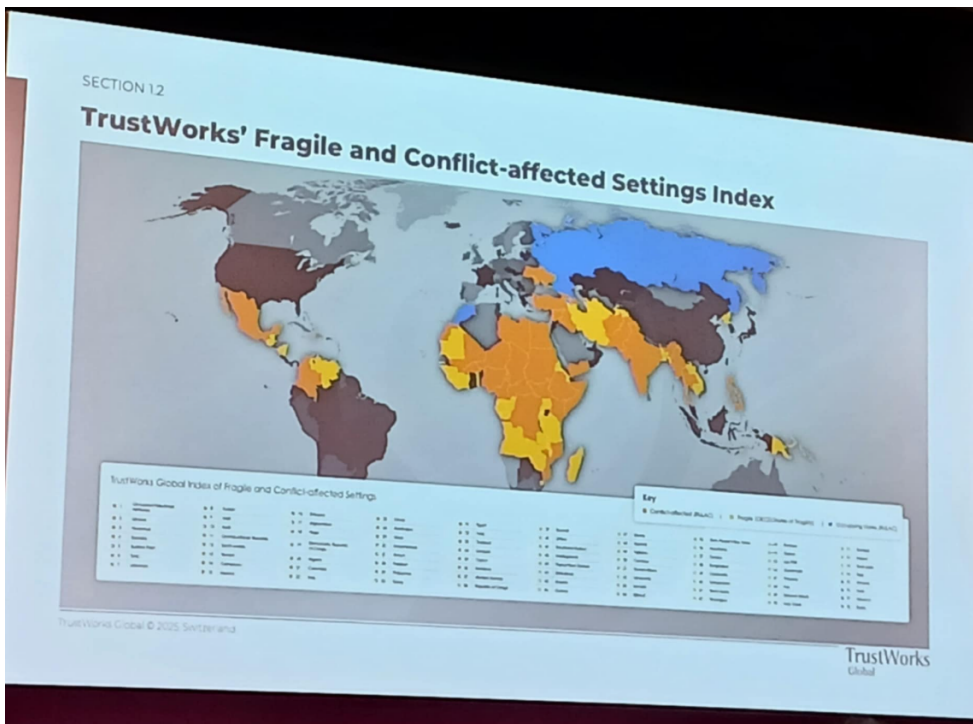
The TrustWorks Fragile and Conflict-affected Settings (FCS) Index is a tool for companies and investors to assess conflict risks, ranking countries based on factors like political instability, security, economic conditions, and societal vulnerabilities, drawing from frameworks like the OECD States of Fragility and the Rule of Law in Armed Conflict (RULAC) Project. It helps understand complex risks in these areas, where traditional business models often fail, by identifying countries with weak governance and high conflict.



#### KEY

Orange:  
Conflict affected (RULAC)

Yellow:  
OECD States of Fragility



## KEY

Blue:  
Occupying states

Orange:  
Conflict zones

Yellow:  
OECD States of Fragility

The Rule of Law in Armed Conflicts (RULAC) is an online portal that identifies and classifies all situations of armed violence and is updated regularly.

The OECD States of Fragility Framework identifies fragile contexts by assessing the risk and coping capacities of countries across 6 dimensions: economic, environmental, human, political, security, and societal.

For further info: <https://trustworksglobal.com/fcs-index-methodology/>

## **Day 2: Thursday 4th December (1400-1700)**

### **2.5 Under Fire: Where do shareholder initiatives go from here**

Climate change and switching to alternatives, shareholder engagements and shareholder resolutions and the fight-back against the shareholders.

Conference received a report regarding Shell plc's bullish LNG strategy following a co-filed shareholder resolution by the Australasian Centre for Corporate Responsibility (ACCR), alongside Brunel Pension Partnership, Greater Manchester Pension Fund, Merseyside Pension Fund and ShareAction, to help ensure shareholders have sufficient information to appraise the financial risks related to Shell plc's bullish LNG strategy.

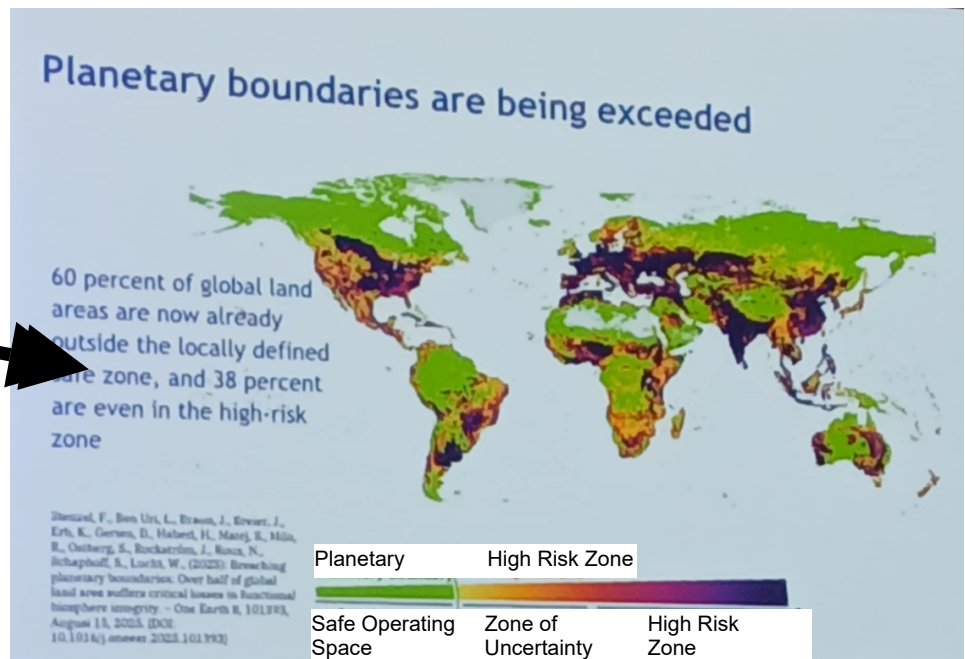
The resolution called for better alignment of Shell's LNG strategy with climate goals and received over 20% support, forcing Shell to engage further with investors. While the resolution wasn't legally binding, it pressured Shell to promise more detailed disclosures and their consistency with net-zero targets.

### **2.6 Biodiversity and business: Managing risks, unlocking opportunities**

This session considered the relationship between biodiversity and business and explored the risks and opportunities. The risks considered ranged from habitat loss and single species extinction to cascade failures along with the impact across economies caused by ecological collapse.

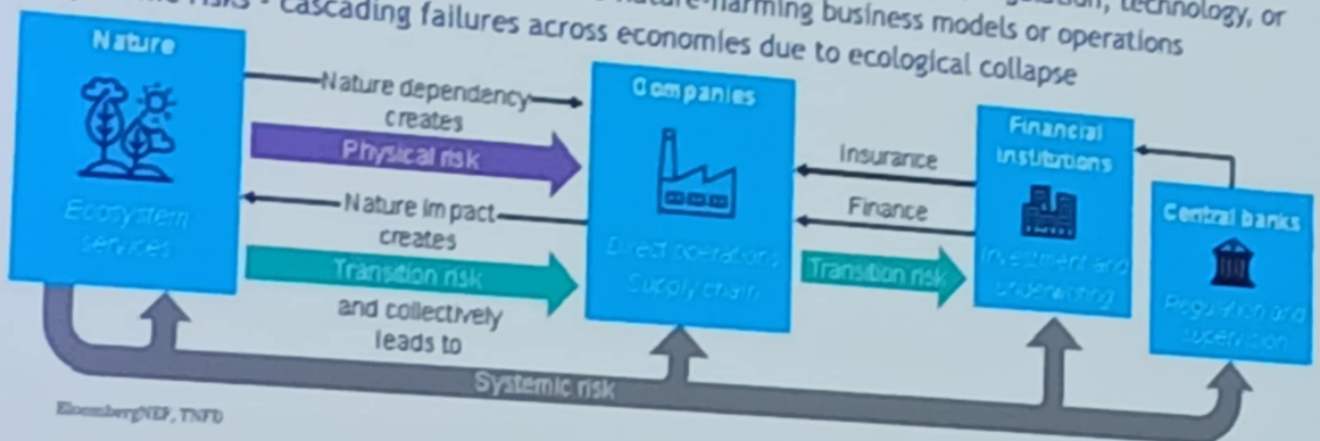
Also presented were the opportunities for new investments in food, land and ocean uses as a result of climate change and combating climate change.

60% of global land areas are now already outside the locally defined safe zone, and 38% are even in the high-risk zone



## Nature impacts and dependencies create nature-related risks

- Physical - companies lose value as a result of direct loss of ecosystem services and/or physical harm caused by nature changes
- Transition risks - companies lose value as a result of shifts in policies, regulation, technology, or customer/public sentiment that devalue nature-harming business models or operations
- Systemic risks - cascading failures across economies due to ecological collapse



2.7 LGPS Pools Panel: What do the pooling reforms mean for responsible investment in the LGPS?

A panel discussion around different ESG priorities from one pool to another and how they are to be addressed when pools are merged. It was acknowledged that whilst there is mainly consensus, on individual ESG matters, there may not necessarily consensus on priority.

Asked if there are any anticipated changes in direction with regards to ESG and RI with Reform now in control of a number of Local Authorities, the two pool representatives agreed “No”

2.8 Scaling-up Local investing for place-based impact

**Day 3: Thursday 4th December (0930-1300)**

3.1 AI governance: What should investors expect of companies?

The presenter noted that AI is the biggest growing risk in transforming the world economies. China in embracing AI is moving in the opposite direction to the US and that every day businesses are losing £Bn's due to bad AI practice.

An AI risk framework has been produced by Thompson Reuters Foundation Partnership. Businesses taking part in the questionnaire are being asked responses public on a question-by-question basis in order to encourage participation.

Thompson Reuters is highlighting the concerns of hidden supply chains on AI development and deployment. This is perhaps something for shareholder engagement to concentrate on.

Thousands of businesses across the US, EMEA and APAC have been analysed with Asia leading on model regulation. Thompson Reuter aim to gather data over time and monitor the impact of the deployment on employment. To date, the evidence demonstrates that manual work is less impacted than middle management as workers are cheaper to employ than AI programming.

A key question for shareholder engagements:

How transparent are companies on policies governing deployment of AI, but whatever the response, accept that “Something, is better than nothing”

3.2 The 2026 Stewardship Code: how will asset owners monitor their asset managers?

*“The UK Stewardship Code 2026 is a revised standard from the Financial Reporting Council (FRC) setting high stewardship expectations for institutional investors (asset owners, managers) and their service providers (like proxy advisors) to foster long-term sustainable value for clients.”*

Deborah Gilsham: The code provides asset owners with a framework to hold asset managers to account by putting the onus upon asset managers to hold them to account.

Andrew Ninian: A lot of the changes to the code has changed the behaviour of all signatories who have to demonstrate it has been properly managed and integrated into the fund management and demonstrate any changes introduced follow the 2020 code.

The code is focused on reporting rather than practice, ie “It is no good doing if it is not being reported to the FRC”

Philippa Bliss: Like the previous code, the 2026 code could have unintentional consequences. Whilst not unwelcome, were unexpected. For example, monitoring that the asset manager is investing against how the owner intends creates more unwelcomed dialogue.

It was noted that the current code in requiring holding fund managers to account addresses the needs of the FRC rather than the asset owners. It is hoped that in future, reports will be more client facing and easier to understand.

Steve Churchman  
December 2025