

Investment Strategy Statement

1. Introduction and background

- 1.1 This is the Investment Strategy Statement (“the ISS”) of the London Borough of Ealing Pension Fund (“the Fund”), which is administered by Ealing Council, (“the Administering Authority or Scheme Manager”). This ISS has been made in accordance with Paragraph 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”).
- 1.2 The ISS has been prepared by Officers in consultation with the Pension Fund Panel (‘the PFP’) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP. The PFP acts on the delegated authority of the Administering Authority.
- 1.3 The Statement, which was approved by the PFP on 17 July 2025, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The PFP has consulted with the Treasury Risk & Investment Board and Trade Union representatives on the contents of the Fund’s investment strategy.

Pension Fund Panel

- 1.4 The PFP comprises seven Councillors, two non-voting Trade Union representatives and one nonvoting scheme employer representative and is advised by an Investment Consultant and the Treasury Risk & Investment Board (TRIB), whose membership includes the Chief Finance Officer. The Panel, which meets quarterly, is responsible for setting investment policy, appointing persons to implement that policy and carrying out regular reviews and monitoring of investment performance. This decision is taken whilst remaining cognisant of the need to meet the Fund’s liabilities.
- 1.5 This ISS outlines the broad investment principles governing the investment policy of the pension fund and covers investment responsibilities; scheme liabilities; eligible assets; social, environmental and corporate governance considerations.

2. Investment responsibilities

- 2.1 The PFP has overall responsibility for investments but delegates a number of roles to specialist providers.

- 2.2 Appointed investment managers have responsibility for the day-to-day management of the assets and full investment discretion subject to the investment guidelines and restrictions agreed with the PFP.
- 2.3 The Fund's custodian and custodians of the investment manager's pooled funds have responsibility for the recording and safekeeping of the assets, the settlement of transactions as directed by the relevant investment manager and some administrative matters.
- 2.4 The investment consultant provides advice to the PFP on strategic investment issues such as the long-term investment strategy (in conjunction with the Fund Actuary) and the appointment and suitability of the investment managers for the Fund. The Actuary provides advice on the financial position of the Fund and the nature and extent of its liabilities.

Liabilities

3. The suitability of particular investments and types of investments

- 3.5 The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The Fund's funding position is reviewed at least at each triennial actuarial valuation, or more frequently as required especially in light of new regulations allowing flexibility for employers.
- 3.6 The PFP aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are expected to be fully covered by a combination of the current value, and future expected growth, of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.
- 3.7 The PFP has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the PFP's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities. The PFP has decided that, given the financial circumstances of the Fund, it can afford to take on some risk in pursuit of

incremental return. However, the PFP has decided that the risk level should be such that the possibility of the funding level falling by 25% from the current level, over 5 years, is small. Naturally there may be market events (such as Covid) which might be expected to significantly impact the value of the Fund.

Investment strategy

3.8 The approach that the Fund has taken to setting an appropriate investment strategy is as follows:

- Commissioning an Investment Adviser to assist.
- Undertake an asset/liability study following the latest actuarial valuation to consider the risk/return expectations of a range of investment strategies.
- The Fund's Investment beliefs are considered alongside this modelling.
- Establish the Fund's constraints, e.g. cash flow constraints for a mature pension fund and balance between complexity/resources availability.
- Establish how returns will be generated (e.g. mix between growth and income seeking, use of derivatives, Liability Driven Investments, asset class mix etc)
- Strategy review
- Manager selection
- Monitoring performance of the overall strategy and the investment managers on a regular basis
- Rebalancing as necessary

3.9 The PFP review the suitability of the investment strategy on a regular basis and at least every 3 years, typically around the triennial Actuarial Valuation. The PFP last formally reviewed the strategy, with the assistance of the Fund's investment consultants, in 2023.

3.10 The individual managers' activity transactions plus quarterly and longer-term rolling performance are reported quarterly to the PFP who question and seek explanations from the investment consultant and investment managers (when asked to attend PFP meetings) on their activities and performance. The investment performance of the managers is calculated independently by the Fund's custodian BNY Mellon.

3.11 This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities

in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

3.12 In addition, the PFP monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns
- Environmental, Social, and Governance (ESG) factors

3.13 The PFP also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation.

3.14 The Fund's actual asset allocation can stray from the strategic benchmark due to a number of reasons e.g.:

- Market movements
- Fund manager under/outperformance relative to benchmark
- Distribution and drawdowns by the Fund

3.15 The Fund believes that a rebalancing programme can lead to better returns over time. This may require the Fund to sell assets that have performed very well and buy assets which are deemed to be undervalued. Furthermore, rebalancing enables the Fund to invest in line with the agreed risk budget.

3.16 Officers will review and compare actual asset allocations to target allocation and in consultation with the advisers, and the PFP, and recommend rebalancing. Where rebalancing needs to be carried out quickly in between meetings then the Chair and Vice Chair of the PFP will be consulted.

Investment Beliefs

3.17 In October 2021, the Fund's investment adviser carried out an exercise through a questionnaire and interactive session to review the general and responsible investment beliefs of the PFP and this is summarised below. This is an update from previous exercises that took place in September 2015 on general investment beliefs and in March 2018 on responsible investment beliefs.

Objectives and strategy matters - The PFP believes that having a set of well-defined objectives and a robust investment strategy will have the most influence over the Fund's future direction, hence they prioritise discussions on these topics.

Contributions and investment risk -The PFP believes in striking a balance between affordable, but stable, contributions and taking investment risk. It is appreciated that this balance may change over time. The aim is to not take any more investment risk than is necessary.

Investment horizon - The PFP appreciates that long-term investing tends to improve returns and reduce costs.

Diversification - The PFP believes that diversification is important and reduces the overall dependence on any particular market or asset class and help manage volatility but are also conscious of the risks associated with over-diversification (e.g., excessive governance demands and higher fees).

Existence of Risk Premia - The PFP believes that investing in equities, credit and real assets should over the long-term deliver higher returns than government bonds, i.e., the Fund can earn a risk premium for investing in such asset classes.

Liquidity - The PFP is willing to accept a degree of illiquidity to enhance returns, but not an excessive amount that it would impact the Fund's ability to pay benefits or become a forced seller of assets.

Strategic Asset Allocation - The PFP believes that setting an appropriate strategic asset allocation is fundamental for the Fund to achieve its objectives and that rebalancing, subject to appropriate tolerances, can add value over the longer term.

Tactical Asset Allocation - The PFP believes that market inefficiencies can exist and that managers are better placed to capture these opportunities. Tactical asset allocation should only be used by the PFP in very exceptional situations with the aim to protect the Fund.

Strategy Implementation - The PFP believes that a balance of passive and active management will, over the course of a market cycle, provide the best mix of performance, diversification and cost.

Passive Management - Passive management should be used where market inefficiencies are not expected, and managers should be selected mainly on the basis of appropriateness of benchmark and competitiveness of fees.

Active Management - Active management should be considered where market inefficiencies are anticipated. Active management should be delegated to the Fund's investment managers. Managers should be selected on the basis of

expected added value net of fees, and manager appointments are expected to be for the long-term.

Currency Hedging - The PFP understands that currency hedging should be analysed on a case by-case basis, considering the level of risk, the level of return of the underlying asset, the time horizon and the operation feasibility and cost.

Pooling - The PFP believes that pooling should deliver material benefits to the Fund including gaining exposure to new asset classes, stronger oversight of investment managers, lower investment costs and sharing of best practice.

The PFP understands that active engagement with the Pool and effective governance of the services it provides will be necessary to maximise the benefits realised.

Responsible Investment Beliefs

Responsible Investment Policy - The PFP believes that investing responsibly will lead to better investment outcomes for the Fund. In particular, it believes that Environmental, Social and Governance issues, including but not only climate change, create risks and opportunities for the Fund and that these should be considered in the investment process and the stewardship of its assets. Furthermore, although the primary purpose of the Fund is to pay benefits to members, the PFP believes that the Fund should not invest in ways which are detrimental to society.

Climate/ESG Specific Mandates - The PFP accepts that the Fund's investment strategy may need to incorporate specific mandates that make explicit allowance for ESG and climate factors in order to achieve its objectives.

Stewardship - The PFP understands that responsible ownership of companies benefits long term asset owners. Therefore, investment managers should be committed to the Fund's RI policy, have appropriate voting policies and engage with companies on relevant matters.

The PFP is committed to monitoring investment managers voting and other engagement activities and the outcomes achieved and taking action to address any issues identified.

Engagement - The PFP believes that engagement with managers and companies on ESG issues is a more effective way of creating change and supporting shareholder value, than divestment. However, the PFP is prepared to divest from companies that lack the commitment and a credible plan to deliver the required change, or persistently fail to do so.

Exclusion - The PFP prioritises engagement over exclusion, but it would consider excluding specific types of assets from its investment universe in specific circumstances.

Pooling - The PFP believes the Pool should provide leadership on ESG issues and play an important role in implementing the Fund's RI policy. Specific areas of contribution include the selection and oversight of managers, coordinating engagement activity and reporting on climate risk and other ESG issues.

Collaboration - The PFP understands that working with other LGPS Funds, within and beyond the Pool, and industry wide bodies on their approaches to ESG and climate issues will enable the Fund to have greater influence.

Disclosure and Communication - The PFP believes that communicating to members and other stakeholders the Fund's responsible investment policy, the actions being taken on climate risk and other ESG issues, and the outcomes achieved is important and should be pursued.

The PFP expects the Pool and underlying fund managers to provide sufficient disclosure on these issues to discharge its responsibility for stakeholder communication.

4. Diversification

- 4.1 The PFP seeks to diversify risk through investing in a range of assets, investment managers, strategies and investment styles. The investment policy is to appoint expert investment managers with clear performance benchmarks and to place maximum accountability for performance against those benchmarks on the investment manager. Ealing has adopted an active specialist approach to investment management where this is deemed appropriate to best meet objectives.
- 4.2 The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest, credit instruments, index linked bonds, cash, property, infrastructure and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

4.3 The PFP reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The PFP seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the PFP is proposed, appropriate advice and training is sought and considered to ensure its suitability and diversification.

4.4 The Fund's target investment strategy is set out below.

Asset class	Target allocation (%)
Global Equity	47.0
Private Equity	3.0
Property	9.0
Infrastructure	6.0
Private Debt	5.0
Impact Investments	1.0
Multi Asset Credit	4.0
UK IG Credit	15.0
Index-Linked Gilts	10.0
Cash	Held for liquidity requirements
Total	100.0

4.5 A detailed breakdown of these mandates, including benchmarks and targets is provided in appendix A.

4.6 In line with the Regulations, the Fund's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the authority.

4.7 It is estimated that the maximum that the Fund will invest in each asset will be around 50% higher than the target allocation, albeit this is unlikely to be the case in reality, given the regular rebalancing of the Fund.

5. Restrictions on Investment

5.1 The Regulations have been amended to remove the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund has agreed a number of its own restrictions as set out in the table below. Some other investment restrictions have been negotiated with individual fund managers and the CIV Pool.

Type of investment	Maximum investment by the Fund (% p.a.)
*Contributions invested in any single partnership	5.0
*Contributions invested in partnerships	30.0
Cash deposits	10.0
Investment with any single manager strategy, either directly or via the Pool (excluding investments in passive index tracking strategies)	25.0
Investment in illiquid assets	30.0

*Are usually classified as illiquid investments

6. Managers

- 6.1 The PFP has appointed a number of investment managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.
- 6.2 The PFP, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund.
- 6.3 The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles.
- 6.4 The PFP have appointed investment managers which invest passively, who have the aim of replicating the performance of a market index, and active investment

managers looking to outperform a particular benchmark index. Active investment managers will hold a mix of investments which reflects their views relative to their respective benchmark.

7. Risk management

7.1 The PFP is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible and practical) mitigate the risks being taken. One of the PFP's overarching beliefs is to only take as much investment risk as is necessary.

7.2 Funding risks

The main funding risks affecting the Fund are:

- Financial mismatch – The risk that the Fund's assets fail to grow in line with the cost of meeting its liabilities.
- Demographic changes – The risk that improved longevity and adverse developments in other demographic factors increase the cost of providing benefits.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities. Climate change is a particular systemic risk that has the potential to have a significant economic, financial, and demographic impact.

7.3 The PFP manages financial mismatch in two ways. The strategic benchmark for the Fund was set taking into account asset liability modelling which focused on probability of success and level of downside risk. The results from the 2023 strategy review analysis highlighted the PFP has agreed to move the Fund to a strategy with an approximately 90% probability of being fully funded in 20 years. The downside risk measure shows that the funding level of this strategy, in the average of the worst 5% of outcomes projected to 3 years, is 75%.

7.4 The PFP assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns against the benchmark. The PFP also assesses risk relative to liabilities by monitoring the delivery of returns against liabilities.

7.5 The PFP keeps mortality and other demographic assumptions which could influence the cost of benefits under review. These assumptions are considered formally at triennial valuations.

7.6 The PFP seeks to mitigate systemic risk through a diversified portfolio. However, the PFP recognises that it is not possible to make specific provisions for all possible eventualities that may arise. In addition the PFP considered the potential impact of climate change on the Fund's finances in its 2023 strategy review and keeps these factors under review.

Asset risks

7.7 The main asset risks affecting the Fund are:

- Concentration risk – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulty achieving the Fund's funding objective.
- Liquidity risk – The risk that the Fund is unable to meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency in which the Fund's assets are denominated underperforms relative to Sterling (the currency in which the liabilities are denominated).
- Manager performance risk – The failure by the Fund's asset managers to achieve the rate of investment return assumed in setting their mandate.
- Environmental, Social, and Governance (ESG) risks – The extent to which ESG issues are not reflected in asset prices and/or have not been considered in investment decision making, leading to financial underperformance relative to expectations.
- Climate risk – The extent to which climate change causes a material deterioration in the value of the

Fund's assets as a consequence of factors including, but not limited to, policy changes, physical impacts, and the expected transition towards a low carbon economy.

- 7.8 The Fund's strategic asset allocation benchmark targets investment in a diversified range of asset classes. The PFP has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.
- 7.9 By investing across a range of assets, including more liquid assets such as quoted equities and bonds, the PFP recognises the need and ensures the Fund's ability to access sufficient level of funds in the short term to pay out benefits. The PFP (through Officers) also actively manage and monitor its cashflow requirements over the short and long term in order to manage required liquidity levels.
- 7.10 The PFP assesses the Fund's currency risk as part of its risk analysis processes. The PFP aims to invest in a range of overseas markets in order to provide a diversified approach to currency markets recognising it is a long-term investor that can withstand fluctuations. Decisions to hedge currency are delegated to the investment managers.
- 7.11 The PFP attempts to reduce the risk of underperformance by any single investment manager by appointing a range of managers and by having a significant proportion of the Fund's assets managed on an index-tracking basis. The PFP also assesses the managers' performance on a regular basis, and will take adequate steps, including replacing managers in the case of persistent underperformance.
- 7.12 The PFP also assesses ESG risks on an ongoing basis and has implemented mandates to reduce its climate impact.

Other provider risks

- 7.13 Further third-party risks affecting the Fund are:
- Transition risk – The risk of occurring unexpected costs in relation to the transition of assets among managers.
 - Custody risk – The risk of losing economic rights to the Fund's assets or outright loss of the assets while held in custody or being traded
 - Credit default risk – The possibility of default of a counterparty in meeting its obligations
 - Stock lending – The possibility of default and loss of economic rights to Fund assets.

- Investment advice risk – Risk that the Fund is negatively impacted by investment advice received.
- Regulatory and political risks – Adverse regulatory or political change

7.14 The PFP manages risks in these areas through a process of regular scrutiny of the appointed service providers and audit of the operations the PFP in the name of the Fund. In cases where management of specific risks has been delegated to service providers (e.g. custody risk in relation to pooled funds), the PFP actively monitors how the relevant service providers exercise the responsibilities delegated to them and will replace providers should serious concerns arise.

7.15 The Fund does not permit stock lending on directly held assets. Any decisions around stock lending within pooled investments are delegated to the pool manager. These factors are considered as part of overall monitoring.

7.16 These risks (such as occurring additional costs during transitions of assets) are further managed through the use of professional advisers and experienced in house staff.

7.17 Further, the PFP regularly considers and reviews the effectiveness of advice given.

7.18 A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

8. Funds approach to Pooling, Collective Investment Vehicles (CIV) and Shared Services

8.1 The Fund is a participating scheme in the London Collective Investment Vehicle (CIV) Pool. The proposed structure and basis on which the London CIV Pool ("the Pool") operates was set out in the Fund's July 2016 submission to Government.

8.2 The London CIV has been operational for some time and continues to open vehicles and sub-funds for use by Pool participants. This will include an investment management wrapper over all nonpooled assets.

8.3 A full list of assets held by the fund and whether they reside inside or outside the pool is set out in the appendix.

Holding the London CIV to account

8.4 The Boroughs interact with the London CIV through the Pensions Sectoral Joint Committee (PSJC) and through the CIV Investment Advisory Committee (IAC).

- 8.5 London CIV has formal agreements and arrangements in place for pooling investments of the London LGPS funds.
- 8.6 There are three levels of interaction between investing authorities and London CIV as the operating company; the PSJC, the IAC and regular contact through formal and informal interaction at borough level. At the time of setting up the London CIV it was understood that all activities of the CIV are carried out 'for and on behalf of' the investing authorities and, while London CIV has to ultimately take decisions independently of investors (for regulatory reasons) those decisions will be taken with appropriate levels of collaboration and the best interest of the investing authorities at heart. Formal agreements and documentation include:
- The Shareholders Agreement which sets out the terms and conditions of the joint venture and regulates their relationship with each other and certain aspects of the affairs of and dealings with the Company. The Company has agreed with the Shareholders that it will comply with the terms and conditions of the Agreement insofar as it relates to the company and provided it is legal to do so.
- 8.7 The PSJC is established under London Councils' governance arrangements. The PSJC has specific Terms of Reference which include the following:
- "...to receive and consider reports and information from the ACS Operator particularly performance information and to provide comment and guidance in response (in so far as required and permitted by Companies Act 2006 requirements and FCA regulations).
- 8.8 In addition, members of the Pensions CIV Joint Committee will meet at least once each year at an Annual General Meeting of the ACS Operator to take decisions on behalf of the participating London local authorities in their capacity as shareholders exercising the shareholder rights in relation to the Pensions CIV Authorised Contractual Scheme operator (as provided in the Companies Act 2006 and the Articles of Association of the ACS Operator company) and to communicate the decisions to the Board of the ACS Operator company. These include:
- the appointment of directors to the ACS Operator board of directors;
 - the appointment and removal of auditors of the company;
 - agreeing the Articles of Association of the company and consenting to any amendments to these;
 - receiving the Accounts and Annual Report of the company;

- exercising rights to require the directors of the ACS Operator company to call a general meeting of the company;”

8.9 As an FCA authorised contractual scheme, the CIV is required to publish a prospectus which details how the CIV will operate including the valuation, pricing and administration of the Scheme.

8.10 A service level agreement is also currently being drafted which will set out in more detail agreed service levels between the CIV and the Authorities which will help to further enable the CIV to be held to account for ensuring that thorough investment strategies are being implemented and the timescales.

9. Environmental Social & Corporate Governance considerations of the Fund

9.1 Regulation 7(2)(e) requires the ISS to state how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

9.2 The PFP recognise that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. The PFP consider the Fund’s approach to responsible investment in two key areas:

- Sustainable investment/ESG factors – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
- Stewardship and governance – acting as responsible and active investors/owner, through considering voting of shares, and engaging with investee company management as part of the investment process.

9.3 To date, the Fund’s approach to Social investments has largely been to delegate this to their underlying investment managers as part of their overall ESG duties. The Fund’s managers report on this matter as part of the Fund’s quarterly review.

9.4 The PFP require the Fund’s Investment Managers to have a formal policy on how they take governance, social and environmental issues into account when investing on behalf of the Fund. The PFP will review these policies from time to time and will, where it is deemed necessary, engage the Investment Manager in discussion on these policies. It will, however, be made clear to the Investment Managers that any decisions by the Investment Managers should be in the best long term financial interest of the Fund and its stakeholders.

9.5 The PFP expects its fund managers to integrate material ESG factors within their investment analysis and decision making.

- 9.6 The PFP receives responsible investment training on a regular basis. This can include general responsible investment concepts and approaches, the impact of ESG factors and climate risk on the Fund, regulatory requirements, and any other relevant topics. The PFP will also consider climate analytics to support decision making and best practice approach.
- 9.7 The PFP expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors.
- 9.8 In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.
- 9.9 Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.
- 9.10 The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.
- 9.11 The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests.

Corporate Governance, Voting & Engagement

- 9.12 The PFP wishes to be an active shareholder and exercise its voting rights to promote and support good corporate governance principles in particular with regard to management and reporting. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that

the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

9.13 In practice, investment managers have delegated authority to exercise the Funds' voting rights in this respect, subject to the PFP's prerogative to give specific instructions to the investment managers to vote in accordance with the Fund's voting policies. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2) (f). The PFP monitor the voting decisions made by all its investment managers on a regular basis.

9.14 The Fund's voting policies reflect these main concerns:

- To protect its rights as a shareholder.
- To ensure that corporate governance standards are consistent with protecting shareholder value.
- To promote good corporate governance standards in order to enhance longer term value.

Stewardship

9.15 The Fund is committed to being a long-term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition, the PFP undertakes training on a regular basis and this will include training and information sessions on matters of social, environmental and corporate governance

9.16 The PFP aims for the Fund to become a signatory to the UK Stewardship Code. The PFP expects both the London CIV Pool and any directly appointed fund managers to also become signatories in the near future.

9.17 However, the PFP believes in the benefit of dialogue and engagement with companies within which they invest as a means of enhancing shareholder value. To this end the Fund joined the Local Authority Pension Fund Forum (LAPFF) a collaboration of over 70 Local Authority Pension Schemes which exists to promote the interest of the group and engage with companies to ensure that their views are taken into account in the management of the affairs of the companies in which they collectively invest.

- 9.18 The Fund is also a member of the Pension and Lifetime Savings Association (PLSA) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners.
- 9.19 The Fund also gives support to shareholder resolutions where these reflect concerns which are shared and represent the Fund interest and finally the Fund joins wider lobbying activities where appropriate opportunities arise.
- 9.20 In terms of escalation of issues, the Panel will consider options such as voting against management or reducing exposure where this is deemed appropriate, in line with fiduciary duty and implementable within the structure,

Appendix A – mandate details

Set out below is the detail of the target investment structure agreed by the Panel.

Please note that items marked TBC are in the process of being considered and implemented.

Name of Investment Manager	Mandate Type	Target Allocation of Fund	Benchmark Index	Tracking Error band	Target Gross outperformance %p.a. (rolling 3 years)
Baillie Gifford Global Alpha Fund	Global Equity	10.0%	MSCI All Country World Index	4% to 6% p.a.	3.0% p.a. over the market cycle
LGIM Future World Fund	Global Equity	15.0%	Solactive L&G ESG Global Markets Index	0.6% p.a.	Replicate the performance of the benchmark +/- 0.6% p.a.
LGIM ESG Paris Aligned World Equity Index fund	Global Equity	20.0%	Developed markets Paris Aligned ESG SDG index	1% p.a.	Replicate the performance of its benchmark +/- 1% p.a.
Blackrock World ESG Equity Tracker	Global Equity	2.0%	MSCI World ESG Focus Low Carbon Screened NET Index	0.6% to 0.9% p.a.	Replicate the performance of its benchmark +/- 0.75% p.a.
TBC	Private Equity	3.0%	TBC	TBC	TBC
Royal London Asset Management	UK Corporate Bonds	15.0%	ML Sterling Non-Gilts (TR)	Up to 3% p.a.	1.0% p.a.
Standard Life Hermes Lothbury Henley	UK Property	9.0%	IPD All Balanced Fund	N/A	0.5% p.a.
JP Morgan Infrastructure Gresham House	Infrastructure	6.0%	N/A	N/A	Target total return 8-12% p.a.

Darwin Temporis	Impact Investments	1.0%	Absolute Return	N/A	8% p.a.
LCIV	Multi Asset Credit	4.0%	SONIA	N/A	4.5% p.a. over a rolling 4-year period, with net asset value volatility less than 8%
Permira Churchill Brightwood HSBC	Private Debt	5.0%	SONIA	N/A	3% p.a.
LGIM	Index-Linked Gilts	10.0%	TBC	TBC	TBC
Total		100%			