Warwickshire Pension Fund

Investment Strategy Statement

March 2026

Introduction and background

This is the Investment Strategy Statement (“ISS”) of the Warwickshire Pension Fund (“the Fund”), which is administered by Warwickshire County Council, (“the Administering Authority”). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”).

The ISS has been prepared by the Fund’s Investment Sub Committee (“the Committee”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Committee on 10 March 2026, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS any Fund money that is not immediately required to make payments from the Fund. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement, Responsible Investment and Climate Risk policies.

The Fund has adopted a set of guiding principles when considering investments and investment strategy. These are outlined in appendix 2 of the statement.

The suitability of particular investments and types of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death for their dependants, on a defined benefits basis. The funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employers 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.

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and other risks and the nature of the Fund's liabilities.

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

- In order to generate attractive long term returns on the portfolio, a proportion of the investments will be in growth assets such as equities.
- To help diversify equity risk and assist with cash flow, a proportion of the investments will also be in income assets, such as property and infrastructure, which are structured to deliver both capital growth and a regular income stream.
- To reduce the volatility of investment returns, and to help protect its capital value, the remaining portfolio will be invested in protection assets which are lower risk and have a low correlation with equity and other growth markets.
- The Fund will maintain a sufficient level of liquidity in the investment portfolio, such that it can facilitate the normal cash flow requirements of the scheme, such as paying pensions, without becoming a forced seller of assets.

It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund.

In 2025, the Fund carried out an asset liability modelling exercise in conjunction with the 2025 actuarial valuation. The Fund's liability data from the valuation was used in the modelling, and the implications of adopting a range of alternative contribution and investment strategies were assessed. The implications for the future evolution of the Fund was considered under a wide range of different scenarios.

The Committee assessed the likelihood of achieving their long-term funding target – which was defined at that time as achieving a fully funded position within the next 19 years. The level of prudence integrated into the funding approach and implications on the investment strategy composition was considered to reflect the change in macroeconomic environment since the last actuarial valuation.

The Committee also considered the level of downside risk associated with different strategies by assessing how the funding position would change under a range of adverse economic/market scenarios. The Committee also considered downside risk from a risk of regret perspective, which is a metric that looks to address the key question of: “If the contribution rate is set at a particular level now, what is the likelihood that a higher contribution rate will be needed at the next actuarial valuation or the investment strategy will need to be changed to achieve higher returns.

A summary of the expected returns and volatility for each asset class included in the modelling is included in Appendix 1.

This asset liability modelling approach helps to ensure that the 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).

The asset liability modelling helps determine how returns will be generated (i.e. the appropriate mix between growth, income and protection assets) and how the strategy will fare under different environments which impact both assets and liabilities. The analysis can also be used to identify the different risks that the investment strategy is exposed to and how resilient the strategy is to specific risk based events. The Fund has undertaken narrative based climate scenario analysis to inform risk management decisions and improve the Committee's understanding of the strategy's resilience to specific adverse scenarios. The output has been used to identify potential risks and establish what engagement should be undertaken and prioritised.

The output from the modelling will be supplemented with a structural review of the investment strategy to determine the appropriate allocations to different asset classes. This will consider any constraints, e.g. cashflow constraints, as well as any investment beliefs. This analysis will be used to articulate the Fund's strategic asset allocation targets and planned evolution of the long-term strategy. This framework will ensure that the Fund can meet the requirements outlined in the Fit for Future consultation.

In addition, the Committee monitors the 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.

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not deviate inappropriately from the target allocations set for each asset class. The Fund's asset allocation can stray from its strategic benchmark for a number of reasons including:

- Market movements
- Fund manager under/outperformance
- Timing of distributions and drawdowns from illiquid mandates

The Committee has set ranges around the strategic asset allocation and will seek advice on re-balancing the portfolio if any individual asset class moves outside its agreed range.

Investment of money in a wide variety of asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index linked bonds, loans, property, infrastructure, alternative credit and cash 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.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee 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 Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's current investment strategy is set out below. The strategic asset allocation has been developed based on the key investment principles outlined in Appendix 2. The table below includes the control ranges agreed for re-balancing purposes and therefore the maximum percentage of total Fund assets that it will invest in these asset classes. The asset class targets reflect the decision from the Committee following consideration to the macroeconomic backdrop; Fund's funding level position and risk appetite. The strategic asset allocation will be reviewed again once the Committee has finalised its local investing ambitions.

In line with the Regulations, the authority'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 that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

The tables below shows the strategic asset allocation as set out in the 2025 Investment Strategy review.

Asset class %	Current Target	Control range
UK Equities	5.00%	+/-1.0%
Overseas Equities	17.00%	+/-2.5%
Overseas Fundamental Equity	12.25%	+/-2.0%
Private Equity	5.75%	-
Total Growth	**40.00%**	-
Property	10.00%	-

Asset class %	Current Target	Control range
Infrastructure	8.95%	-
Private Debt	6.30%	-
Multi Asset Credit	8.75%	-
Climate Opportunities	1.00%	
Total Income	**35.00%**	-
UK Corporate Bonds	16.00%	+/-2.0%
UK Index Linked Bonds	9.00%	+/-1.5%
Total Protection	**25.00%**	-
Total	**100.00%**	-

The following table shows the same strategic asset allocation - defined by nine asset categories as required by regulation.

Asset class %	Current Target	Control range
Listed Equity	34.25%	+/-5.5%
Private Equity	5.75%	-
Private Credit	6.30%	-
Property / Real Estate	10.00%	-
Infrastructure	8.95%	-
Other Alternatives	9.75%	-
Credit	16.00%	+/-2.0%
UK Government Bonds	9.00%	+/-1.5%
Cash	-	-
Total	**100.00%**	-

Local Investment

Local investing is defined as private markets investments including, but not limited to, real estate such as affordable housing, private equity, private debt (e.g. in small to medium sized enterprises), and infrastructure (e.g. clean energy infrastructure). Real assets (including infrastructure) should be located within the Fund's local area (as defined below). Corporate investment should have their operations within or have a significant proportion of their workforce located within the Fund's local area. The Fund recognises that product development and expertise will occur over time. Therefore, local investment is a long-term aspiration.

The Fund's local area is defined as the area of the administering authority. The pool/managers arranging the local investing should also be able to demonstrate that some quantifiable external benefits are associated with the investments, such as economic growth, environmental benefits, or positive social impacts, and should be able to provide suitable key performance indicators (KPIs) or impact metrics relating to these.

<u>Objective</u>

The local investing strategy is to deliver appropriate investment returns in line with the risks taken, as set out in the Fund's overall investment strategy.

The Fund aspires for its local investing strategy to generate positive local impact, where this aligns with the Fund's investment beliefs and objectives. As the strategy is still at an early stage, the Fund plans to set clear criteria to assess investment opportunities to ensure that it continues to meet the Fund's return and risk profile.

<u>Return expectations</u>

While local investments may deliver environmental or social benefits within the Fund's local area, these are considered secondary to the primary objective of achieving suitable financial returns. Return expectations for the local investing part of the fund are aligned with the rest of the Fund, considering the risks involved in the investments.

<u>Target allocation</u>

The Fund plans to achieve a long-term local investing allocation of 3-7% of the Fund's assets. There is acknowledgement that this allocation will be built up over time and therefore this target allocation will not be achieved immediately.

<u>Implementation</u>

The Fund will use the services of the Pool to source, implement and manage local investments. The Fund will also liaise with the Local Authority and Pool to help identify suitable local investment opportunities. In selecting local investments and themes, the Fund will have regard to local growth plans.

The Fund will include local investments within each of the asset class allocations (as opposed to having a separate allocation for local investments). The Fund has not set any constraints on investment size but there is a preference for a blended approach across asset classes and size. The Fund recognises the governance requirements if local investment was represented by predominately small lot sizes and therefore looks to strike a balance between size, asset class and diversification between investments.

Governance

The Fund will delegate the implementation of local investing to the Pool, as required by regulations. Due diligence on local investments will be conducted by the Pool. The Pool's due diligence should incorporate all requirements set out in this ISS, including ESG requirements. The Fund will review and monitor local investments made by the Pool on its behalf and will work with the Pool if it has any thoughts or concerns in relation to the investments which the Pool has selected.

The Committee retains overall responsibility for the local investment strategy, but recognises that the implementation of the Fund's strategy has been delegated to the Pool. The Fund will review the Pool's implementation and performance in this area on a regular basis.

Monitoring and reporting

The Pool will be expected to report periodically on the implementation of the Fund's local investment strategy. Where the Pool is not delivering against the Fund's local investment objectives, the Committee will engage with the Pool.

In addition to the monitoring requirements which apply across the portfolio, local investments will be subject to the following monitoring requirements:

- Local investments will be monitored by the Committee periodically.
- Local investment monitoring information will be supplied by the Pool for comparing against its objectives, including any KPIs relating to these.
- The Fund will escalate concerns to the Pool if the amount of local investments allocated is below expectations and/or suggests that the Fund is unlikely to meet its targets.
- The Fund will report on its local investments in its annual report.

Restrictions on investment

The Committee's approach to setting its investment strategy and assessing the suitability of different types of investment takes account of the various risks involved and a rebalancing policy is applied to maintain the asset split close to the agreed asset allocation target. Therefore, it is not felt necessary to set additional restrictions on investments.

Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, 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. 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. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

As of 31 March 2026, the Fund will be required to have transferred, or have plans in place to transfer, all underlying investments to BTC as part of the governments new pooling approach. From this date onwards, the Fund will remain responsible for setting an investment strategy but the implementation of that strategy, including manager selection, will be fully delegated to BTC.

The individual investment manager mandates in which the Fund assets are currently invested are as follows:-

Investment Manager	Asset Class	Fund type	Style
Legal and General	Global Equities, Investment Grade Credit, Index-Linked Bonds, Low Carbon Transition Global Equity	Pooled fund	Passive
Legal and General	Fundamental Global Equity	Pooled fund	Quasi-active
Border to Coast Pensions Partnership (BTC)	Global Multi Factor Equity	Pooled fund	Quasi-active
Border to Coast Pensions Partnership (BTC)	Multi-Asset Credit, Investment Grade Credit	Pooled fund	Active

Investment Manager	Asset Class	Fund type	Style
Border to Coast Pensions Partnership (BTC)	Private Equity, Private Debt, Infrastructure, Climate Opportunities Fund II	Fund of Funds	Active
Schroders	UK Property	Fund of Funds	Active
Threadneedle	UK Property	Pooled Fund	Active
Border to Coast Pensions Partnership (BTC)	UK Real Estate Fund	Direct	Active
Alcentra	Private Debt	Pooled Fund	Active
HarbourVest	Private Equity	Fund of Funds	Active
SL Capital	Infrastructure	Pooled Fund	Active
Partners Group	Infrastructure, Private Debt	Pooled fund	Active
Barings	Private Debt	Pooled fund	Active
ICG	Private Debt	Pooled fund	Active
IFM	Infrastructure	Pooled fund	Active
Insight	Cash	Pooled Fund	Passive

The approach to risk, including the ways in which risks are to be measured and managed

The Committee is aware that the Fund has a need to take investment risk 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) mitigate the risks being taken. One of the Committee's overarching beliefs is to only take as much investment risk as is necessary to achieve its objectives. The composition of the investment strategy is adjusted periodically to achieve this objective taking into consideration the macroeconomic environment and the latest funding position.

The principal risks affecting the Fund are set out below. We also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

Key funding risks considered include:

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.

- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund 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.

The Committee measures and manages financial mismatch in two ways.

- As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and downside risk. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund’s asset allocation and investment returns relative to the benchmark.

- The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Market risk – The risk that the market value of the Fund’s assets falls.

- Geopolitical risk – The risk of underperformance driven by unexpected changes or events involving political, military or trade factors.

- Concentration risk - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- Illiquidity risk - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.

- Currency risk – The risk that assets denominated in foreign currencies are devalued relative to Sterling (i.e. the currency of the liabilities).

- Environmental, Social and Governance (“ESG”) risks – The risk that ESG related factors reduce the Fund’s ability to generate long-term returns.

- Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measures and manages asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. This approach aims to minimise the impact of financial market corrections and ensures that different mandates provide a complementary blend to other investments held within the strategy.

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.

By investing across a range of assets, including liquid assets (via listed equities and bonds), as well as illiquid assets (such as property and infrastructure), the Committee has recognised the need for implementing a diversified strategy which can achieve the return requirements whilst also ensuring sufficient liquidity is available in the short-term to achieve the Fund's overarching objective.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets. Given the long-term time horizon of the Fund, and the costs associated with hedging instruments, the Committee has currently agreed to not hedge the foreign currency exposure associated with its listed equity exposure. However, this position is constantly under review and the Fund retains the option to hedge this risk under specific circumstances. The Committee assess the Fund's currency risks during their risk analysis and will monitor the merit in introducing a strategic currency hedging target if foreign currency risk is a major contributor to volatility in a specific asset class.

Details of the Fund's approach to managing climate and other ESG risks is set out later in this document.

The Committee has considered the risk of underperformance by any single investment manager and has attempted to reduce this risk by appointing more than one manager and having a proportion of the Fund's assets managed on a passive basis. The Fund will take steps, including potentially replacing one or more of their managers, if underperformance persists.

Given the Fund's key principle that investment risk should only be taken where the Committee believes it will be rewarded over the longer term, the Committee monitors the Fund's funding position and will look to reduce risk where it does not believe this to be commensurate to the required return needed. This is not restricted to the physical movement of assets but relates to the replacement of actively managed mandates for passive alternatives where deemed necessary.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - 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.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

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

The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the Border to Coast Pensions Partnership. The proposed structure and basis on which the BTC pool operates was set out in the July 2016 submission to Government. There is an ongoing review of how partner funds interact and allocate asset to the pools which is envisaged to alter the Fund's approach going forward. Following the Fit for Future Consultation, there will be a requirement from March 2026 for the Fund to have transferred all assets to the pool who will then be responsible for the allocation of assets as well as the strategic advice to the Fund. Given the evolving roles and responsibilities of different entities, the Committee will continuously review what services are needed and how that impact their approach to pooling.

Assets to be invested in the Pool

The Fund's intention is to invest its assets through the BTC pool as and when suitable investment solutions become available. The key criteria for assessment of Pool solutions will be as follows:

1 That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund.

2 That there is financial benefit to the Fund in investing in the solution offered by the Pool.

BTC launched their first sub-funds in 2018 and a timetable was in place covering the proposed fund launches over the following years. The Fund has invested assets in the Multi-Factor fund, Investment Grade Credit fund, Multi-Asset Credit fund and Alternatives sub-funds (including the, UK Real Estate, climate opportunities, private equity, infrastructure and private debt funds).

The Fund retains the following assets outside of the BTC pool:

- Passive investments with Legal and General are currently held through life policies and these will continue to be directly held by the Fund. However, the Fund benefits from fee savings through joint fee negotiations with other partner funds within BTC.

- The Fund has investments in a number of closed end funds as part of its private markets programme. These funds invest in underlying private equity, private debt and infrastructure investments. Each of the individual funds has a fixed life with all assets being returned to investors within a specified period. There is no liquid secondary market for these types of investment – and there is a risk that sales would only be possible at material discounts to net asset value. The Fund recognises that these funds are required to be pooled and will work on processes to achieve this that have regard to managing costs and risk appropriately.

The Fund will be required for these assets to be transferred to the BTC pool, or have a transfer plan in place, by March 2026. The Fund retains the option to undertake local investing as best meets the Fund objectives.

Structure and governance of the BTC Pool

Border to Coast Pensions Partnership ("the Pool") was established in 2017 to enable the pooling of assets of certain administering authorities ("Administering Authorities") of LGPS pension funds ("Partner Funds").

To achieve this objective, Border to Coast Pensions Partnership Limited ("the Company") was structured as a private limited company registered in England and Wales. Since 2018, the Company has been authorised and regulated by the Financial Conduct Authority ("FCA") as an Alternative Investment Fund Manager ("AIFM") and operator of collective investment vehicles.

Each Partner Fund exercises control through its Administering Authorities ownership of the Company as an equal shareholder. Each Partner Fund, owns a single equity voting share.

A Board of Directors has been appointed and a senior management team put in place. The Board is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs, having due regard to its shareholders, customers, and other stakeholders as a whole.

The Joint Committee ("JC") is comprised of the Pension Fund Chairs from all Partner Funds. It meets quarterly and the primary objective of the Committee is to exercise oversight over the investment performance of the collective investment vehicles held in the Pool and monitor progress relative to pooling objectives. This Committee provides a forum for effective engagement between Partner Funds and the Pool.

The Officer Operations Group (OOG) consists of representatives from all partner funds. The OOG works collaboratively to carry out due diligence over the Pool's investment capabilities and specific sub groups have been established on investment and responsible investment topics to achieve the intended objective.

Following the 'fit for future consultation' and the amalgamation of the pools from eight to six, BTC will be expanding to incorporate a further seven partner funds. As such the Pool continues to develop its structure and process. The Fund will include further information in future iterations of the ISS.

ESG Policy

This policy addresses how social, environmental or corporate governance ("ESG") considerations are taken into account in the selection, non-selection, retention and realisation of investments.

It is recognised that ESG factors, including climate change, are financially material to the Fund's investments at all stages of the investment process as they have the potential to significantly affect long term investment performance and the ability to achieve long term sustainable returns. The Committee considers 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 into account in investment decision making.
- Stewardship and governance – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee takes ESG matters, including climate change, seriously and regularly reviews its policies in this area and its investment managers' approach to ESG.

The Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues. The Fund will also engage collectively with partner funds through its relationship with BTC.

The Fund has developed a separate more in-depth Responsible Investment Policy and Climate Risk Policy. These policies can both be found on the Fund's website. They outline how the Fund implements, monitors and discloses its approach to ESG related risks. The Climate Risk Policy was developed in 2023 and states that the Fund:

- Seeks to achieve increased disclosure of information on the climate related risks that could affect the value of an investment;
- Aims to increase transparency on how portfolio companies are adjusting to a low carbon economy.
- Monitors changes in market practice and where appropriate make every effort to act upon, changing best practice.
- Reports on the implementation of the Climate Change Policy, including stewardship activities undertaken on behalf of the Fund, on an annual basis.
- Prefers strategies which focus on climate impact – mitigating climate risk and increasing exposure to climate opportunities.
- Adopts a "do not harm" approach believing that the carbon transition should and can be managed in such a way as to avoid negative impact to specific sectors / regions / communities.
- Acknowledges that comprises on ESG priorities have to be made to reach consensus on pooled fund mandates.

In Q3 2024, the Committee and officers undertook a review of their climate strategy and policies to include short, mid and long-term carbon objectives. The review also included carbon footprint modelling aimed at illustrating how the Fund could move towards a net zero position. The Fund aims to take further action with regards to ESG governance and oversight, in conjunction with BTC. Work is expected to include; ESG reporting, carbon footprinting, and setting measurable metrics and targets for driving change.

Investments made via BTC are subject to its responsible investment policies that can be found here:

Border-to-Coast-RI-Policy-2025-FINAL-EXTERNAL.pdf

The Committee has reviewed BTC's responsible investment policies and is satisfied they are consistent with the Fund's own policies. The Fund will regularly monitor BTC's responsible investment policies and actively engage with the pool to facilitate change as required.

Historically, 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 reported on this matter as part of the Fund's annual ESG review. The Fund does not currently hold any assets which it deems to be social investments.

The exercise of rights (including voting rights) attaching to investments

Voting rights

The Committee has approved its own voting policy with the objective of preserving and enhancing long term shareholder value.

Historically, the Fund actively voted on the Fund's segregated equity holdings through a voting platform. The Fund's segregated equities have now been transitioned into BTC equity pooled funds. As a result, BTC vote on behalf of the Fund in line with the BTC voting and engagement policy. The BTC voting and engagement policy has been reviewed by the Committee.

The funds past voting record can be found here:

https://warwickshirepensionfund.org.uk/investments/investments-1/9

The voting record of assets invested via BTC can be found on its website here: https://www.bordertocoast.org.uk/sustainability/

Both the Fund and BTC's voting policies are reviewed on a regular basis.

Stewardship

An enhanced UK Stewardship Code 2020 took effect on 1 January 2020. The Committee expects both BTC and any directly appointed fund managers to comply with the Stewardship Code and is monitored on an annual basis.

At the FRC's most recent review, BTC retained their UK Stewardship Code signatory status.

Appendices

Appendix 1 – Expected returns and volatilities

Appendix 2 – Investment Guiding Principles

Appendix 1 - Expected returns and volatilities

The table below shows the absolute expected returns (20 year geometric averages), net of fees, and the absolute volatilities (first year's standard deviations) as of 31 March 2024 used in the 2025 investment strategy review and asset liability modelling.

As at 31 March 2024	Expected return % p.a.	Volatility % p.a.
UK equity	7.9	16
Developed markets ex UK equity	7.7	17
All World Equity	8.0	16
Private equity	11.7	31
Property	6.7	16
Private debt	7.9	11
Infrastructure equity	8.2	14
Multi-Asset Credit	7.6	6.3
Corporate Bonds (A-rated average)	5.3	7
Index Linked Gilts (medium)	3.6	7
Cash	4.0	0

The following table shows the same expected return and volatility data - defined by nine asset categories as required by regulation.

As at 31 March 2024	Expected return % p.a.	Volatility % p.a.
Listed Equity	8.0%	16%
Private Equity	11.7%	31%
Private Credit	7.9%	11%
Property / Real Estate	6.7%	16%
Infrastructure	8.2%	14%
Other Alternatives	6.0%	8%
Credit	5.7%	7%
UK Government Bonds	3.6%	7%
Cash	4.0%	0%

Appendix 2 – Investment Guiding Principles

The Fund adopts the following principles when considering investments and investment strategy.

Purpose

1. The Fund's primary purpose is to pay pension benefits to its members.
2. The Committee should focus on ensuring the Fund has sufficient financial resources to meet its obligations, including efficient management of the Fund's cash position.
3. The Committee should ensure that accrued benefits are fully funded (on a 20-year view).
4. The Fund should set a stable and affordable level of contributions for each employer to fund future service benefits. Long-term stability and affordability are more important than the short-term level of contribution rates.
5. The Fund is a long-term investment vehicle which should be managed to generate sustainable investment returns over the long-term. This will be achieved by Responsible Investment ("RI"), which is the practice of integrating consideration of Environmental, Social and Governance ("ESG") factors, including climate change, into the investment process (as further defined by the UN Principles for Responsible Investment – www.unpri.org).
6. The Committee believes that a Responsible Investment ("RI") approach will enhance long-term investment outcomes as well as benefitting the economies and societies in which the Fund invests and is therefore consistent with the Fund's primary purpose.

Strategy

7. The Fund should take a long-term view when setting investment strategy although the impact of short-term volatility should also be considered.
8. Strategic asset allocation is the most important determinant of investment outcomes and it is here that the optimum balance of risk and return is set.
9. The Fund's investment strategy and risk appetite should be set with due consideration for its liabilities and funding strategy which is reviewed at each actuarial valuation.
10. The Fund should consider as broad a range of investment opportunities as possible, subject to these being compatible with its risk appetite and RI considerations
11. Investment risk should only be taken where the Committee believes it will be rewarded over the longer term.
12. Appropriate diversification of asset and manager risks reduces overall risk but may lower returns; excessive diversification creates complexity and may increase risk.

13. The Fund invests for the long-term, so ESG factors are expected to have a material impact on investment outcomes.

14. The Committee believes that climate change and the expected transition to a low carbon economy will have a significant long-term impact on the Fund and considers managing the associated financial risks to be part of its fiduciary duty.

15. The Committee believes that the transition to a low carbon economy will create investment opportunities and will mandate the Fund's investment managers to seek out these opportunities.

16. The Committee believes that an RI approach will enhance long-term investment outcomes as well as benefiting the economies and societies in which the Fund invests, and is therefore consistent with the Fund's primary purpose.

17. The Committee believes that, in relation to the management of ESG factors, ongoing engagement with portfolio companies is preferable to divestment. Divestment should remain an option if engagement proves unsuccessful.

Implementation

18. Pooling presents an opportunity to access best in class investments at a low cost. Where suitable mandates are available, the Fund aims to use pool products to achieve its stated strategic asset allocation.

19. Both active and passive management strategies, where appropriate, will be considered as implementation options. Active managers will be expected to demonstrate a strong track record of delivering expected returns, with performance assessed over a suitably long period.

20. Due to the significant improvement in the funding position of the Fund, the committee will look to reduce risk where it does not believe this to be commensurate to the required return needed. This includes the implementation of passive mandates over active when appropriate.

21. Foreign currency exposure is inherent to a global portfolio of investments. The Committee believes the strategic hedging of currency exposure from volatile asset classes such as equities has limited benefit to long-term investment returns.

22. Fees and costs incurred within investment manager mandates are important though the primary focus should be on achieving the best risk-adjusted returns net of fees.

23. Systematic rebalancing, subject to appropriate tolerances, can add value over the longer term.

Governance

24. Effective governance not only ensures appropriate levels of control over the Fund but can add value through improved decision making and resource allocation.

25. Staff and members of the Fund's Investment Sub-Committee must have, or have access to, the correct level of skills and investment knowledge to take investment decisions and manage risk effectively.

26. The Fund should retain responsibility for setting RI policy but will delegate much of the implementation to BCPP and its other investment managers. The Committee regularly monitors and evaluates its investment managers' approach to RI.

27. The Fund should only invest with managers who comply with relevant regulations and codes of practice (eg UK Stewardship Code) and have committed to provide full disclosure on ESG issues.

28. The Fund expects its investment managers to invest responsibly and to engage proactively with the management of portfolio companies on key ESG issues, including climate change, wherever it is cost effective to do so. The aim of such engagement should be to enhance investment returns and risk profile by positively influencing portfolio companies on such matters.

29. The Committee believes engagement is more effective when carried out in collaboration with other investors (eg via BCPP or LAPFF).

30. Full disclosure of the Fund's RI policy and activity strengthens accountability and should be embraced.