Quantum Advisory

Cardiff University Pension Fund – Environmental, Social & Governance and Stewardship summary

The Trustees monitor the Environmental, Social & Governance ("ESG") and Stewardship policies employed by their investment managers on an ongoing basis. This document provides a high-level summary of these policies for each of the investment managers.

Legal & General Investment Management ("L&G")

The Pension Fund invests in an actively managed fund (Dynamic Diversified Fund) and a passively managed fund (L&G FTSE TPI Global (ex. Fossil Fuels) Equity Index Fund (GBP Hedged)) with L&G.

Stewardship and ESG policies

For all investments/funds (including those that are passively managed), L&G strongly believe in "active ownership"; using their influence to encourage companies to improve their behaviours/management of ESG matters and incorporate ESG matters into their culture and everyday thinking. L&G integrate their thoughts and the consideration of ESG risks and investment opportunities into their communication and engagement with individual companies and believe that well-governed companies are more likely to provide better long-term returns. L&G's expertise in passive investment strategies has allowed them to develop a track record of being active owners of the companies in which they invest, whether they invest passively or actively. Specifically, L&G's objective is to effect positive change in the companies and assets in which they invest, and for society as a whole.

For L&G's active investments, L&G's aim is to enhance their ability to separate between likely outperformers and underperformers within each sector, taking into account ESG-related criteria, with the purpose of supporting the process of security selection.

L&G are a signatory to the United Nations Principles for Responsible Investing ("UNPRI") and have been awarded a score of 5 stars for five modules: Policy governance and strategy, Passive equity, Real estate, Fixed income (SSA) and Fixed income (corporate).

Further information on L&G's ESG and stewardship policies can be found on their website (Investment stewardship & governance | L&G Institutional).

L&G FTSE TPI Global (ex. Fossil Fuels) Equity Index Fund (GBP Hedged)

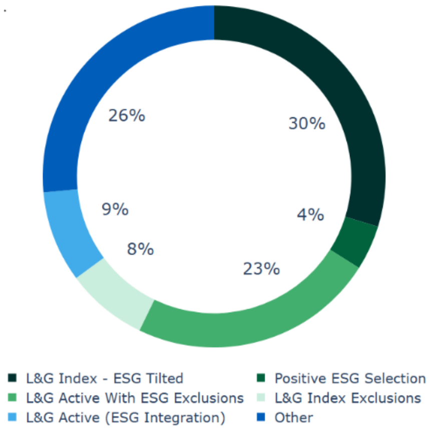
The fund employs an index tracking strategy, aiming to replicate the performance of its benchmark.

The benchmark tracks a global basket of securities with constituent weights adjusted for climate-related risks and opportunities. The weighting considers exposure to green revenues, fossil fuel reserves, carbon emissions, climate governance, and alignment with the Paris Agreement. It also excludes companies with activities in relation to fossil fuels, tobacco and/or certain companies that do not comply with the United Nations Global Compact ('UNGC') screening criteria.

L&G Dynamic Diversified Fund

The Dynamic Diversified Fund makes use of both passive and active investments in its underlying asset allocation. Whilst it is not obligated to do so, L&G have moved towards stronger incorporation of ESG factors within investment decision making over recent years.

Specifically, L&G are increasingly looking to integrate ESG and stewardship factors into the Dynamic Diversified Fund's investment process, through the use of L&G's "Future World" and ESG focussed index fund ranges when accessing passive investments (specifically equity and corporate bonds) within the fund. This fund range makes use of ESG "tilting", rewarding companies with better ESG credentials by investing more than the benchmark index in them, and penalising those companies with lower ESG credentials by allocating less capital to them. The chart below details the proportion of investments within the L&G Diversified Fund that have ESG embedded and the various approaches that are used to achieve this:



Year in review

L&G's main focus regarding investment stewardship activity is structured around six core themes.

1. Climate – Keeping 1.5˚C alive
2. Nature: Supporting a world that lives in harmony with nature, recognising the economic value of natural capital
3. People: Improving human capital across the corporate value chain
4. Health: Safeguarding global health to limit negative consequences for the global economy
5. Governance: Strengthening accountability to deliver stakeholder value
6. Digitisation: Establishing minimum standards for how companies manage

digitisation-related risks

During 2024 L&G:

- engaged with a total of 3,447 companies, voting on 142,000 resolutions globally;
- increased their assets they manage in responsible investment strategies to £424.6 billion from £378.1 billion in 2023;
- launched new investment strategies, 45% of which were launched in line with their responsible investment product methodology;
- launched their human rights engagement campaign, contacting 400 companies in 43 countries;
- updated their Deforestation Policy and identified 119 companies for vote sanctions, due to them not meeting L&Gs minimum deforestation expectations;
- co-filed shareholder resolutions at Walmart, Target and Kroger, asking them to develop a policy on paying a living wage to their employees;
- published their Nature Framework, which outlines our approach to aligning with the five direct drivers of nature change that have the largest global impact; and
- published their expectations of companies on artificial intelligence (AI) in 2023 and have continued to engage with the four largest US tech firms (Alphabet, Apple, Meta and Microsoft*) that are building AI systems as products.

Partners Group

The Pension Fund is invested in the Partners Group Generations Fund.

Stewardship and ESG policies

Partners Group state they are a committed and experienced responsible investor and have sought to develop and enhance their approach to incorporating ESG factors into the investment decision making process informed by the UNPRI. Partners Group integrated the ten principles of the United Nations Global Compact into their investment processes in 2006 and was one of the first private markets signatories to the UNPRI when it joined in 2008.

Partners Group support a range of external initiatives including voluntary participation in the Carbon Disclosure Project since 2008, being a founding signatory of the International Finance Corporation’s (IFC) Operating Principles for Impact Management and supporting the Task Force on Climate-related Financial Disclosures, a framework to help public companies and other organisations to report climate-related risks and opportunities.

Partners Group have developed a Responsible Investment Policy and Framework, which they seek to apply to each investment opportunity in order to integrate ESG factors into the investment decision making process. Partners Group believe this approach mitigates investment risk and has the potential to enhance investment returns in the best interest of the firm's clients and their beneficiaries.

To successfully integrate ESG into their investment and ethical objectives, the implementation of the methodology is tailored to different asset classes (e.g. private equity, private debt etc.) and investment types (e.g. direct and secondary) depending on the opportunities for engagement and value creation. At present, Partners Group has an internal, dedicated ESG team that work with external ESG providers. The team is embedded within the wider investment team that comprises over 500 professionals globally.

Partners Group's integration of ESG factors into its investment activities is guided by the following principles:

- ESG factors are part of the investment process and considered when identifying potential investment opportunities and / or potential investment risks.
- Investment returns must be generated in a way that complies with relevant local and international laws, including adherence to international protocols on banned products.
- Partners Group avoids investing in companies whose practices or products cause significant social or environmental harm.
- Partners Group is committed to using their corporate governance influence as a private markets investor to encourage companies and assets in which it has invested to improve their ESG performance.
- Partners Group base their judgments regarding ESG factors on their own research as well as third-party research, respecting that ESG topics are often diverse and vary over time.
- Partners Group strive to collaborate where reasonably possible with likeminded investors and organisations on responsible investment matters.

Further information relating to Partners Group's policies can be found on the following website: Our Sustainability - Partners Group

Partners Group Generations Fund

Partners Group, and therefore the Fund, does not invest in companies/assets:

- Which breach applicable legal or regulatory sanctions laws;
- Which are involved with landmines and/or cluster bombs, in adherence with legal restrictions and international conventions.
- That are responsible for violations to human rights, as defined by the UN Human Rights Declaration, which cannot be remediated during ownership.
- Which make any portion of revenue from: (i) the direct manufacturing and/or sales of controversial weapons and munitions of mass destruction, (ii) the deforestation or burning of natural ecosystems for the purpose of land clearance, (iii) the production of asbestos fibers and (iv) prostitution.
- Which make any material portion of revenue from: (i) tobacco, (ii) pornography, (iii) production and/or distribution of palm oil and/or wood pulp, (iv) controversial/predatory lending, and/or (v) gambling.

- Whose main business relates to certain activities connected with the fossil fuels industry (in particular, in relation to thermal coal, crude oil, Canadian oil sands and the coal and oil upstream industry).
- Which are unable to make any improvement to the resource consumption and/or carbon footprint of the relevant building, unless such asset is already best in class (Real Assets).

Year in review

During 2024, Partners Group made substantial progress in implementing the Net Zero Investment Framework (NZIF) across its investment portfolio. Following its adoption in 2023, in 2024 the firm developed interim 2030 targets for Private Equity and Infrastructure assets, began applying NZIF guidance to Private Credit after NZIF guidance was published in June 2024, and mapped a pathway to transition its full AuM to net zero by 2050. By year-end, 75% of portfolio companies had NZIF-aligned governance or ambitions in place. The framework now guides both controlled and partnership investments, with active engagement of GPs and integration into governance processes such as the Transformational Ownership Review. This marks a significant step in aligning investment strategy with long-term climate goals and regulatory expectations.

In 2024, Partners Group moved out of their natural gas heated Zug office into their new headquarters, which is fully powered by renewable energy and purchased EACs to achieve their target of zero Scope 2 emissions by 2025 for the remaining offices that could not yet transition to renewables. With this switch, there is expected to be a significant reduction in their Scope 1 emissions in the future.

Partners Group continue to highlight their continued high-growth conviction on decarbonization as an investment theme and have committed to achieve corporate net zero by 2030 across Scope 1, Scope 2, and material Scope 3 emissions (Categories 1-14) and global net zero status by 2050 at the latest.

In their 2024 UNPRI assessment, Partners Group scored 4-5 stars across all UNPRI areas of assessment and increased its score by an average of 9% across four UN PRI categories, scoring five stars in their approach to Responsible Investment across directly controlled Private Equity, Infrastructure, Fixed Income/Private Debt, and Listed Equity.

Insight Investments (“Insight”)

The Pension Fund’s Multi-Asset Credit fund and LDI strategy are managed by Insight.

Stewardship and ESG policies

For the LDI assets, Insight’s ability to apply an ESG procedure is limited due to the nature of the investment and the available counterparties/sellers of these instruments. Insight do, where possible, apply a screening framework which incorporates ESG factors, when assessing and selecting the counterparties they use. Poor ESG scoring by one of Insight's counterparties can merit engagement with that party. For the Multi-Sector Credit strategy, Insight seek to take ESG factors into consideration when making investment decisions and seek to invest only in issuers that meet a range of exclusion criteria that include climate and societal characteristics.

Central to Insight's consideration of ESG issues are the below themes:

- Integrated ESG analysis across the investment process, from assets to counterparties.
- Active engagement with all relevant parties to foster collaborative progress on ESG issues.
- Supporting sustainable markets and protecting client interests by working with policy makers and regulators to best serve client interests.

Insight were a founding signatory of the UNPRI in 2006 and climate change is addressed through the application of this.

As a firm, Insight believes that ESG issues can be important drivers of risk and investment value and have integrated ESG into their entire investment decision making process. Insight's analysts maintain a large focus on ESG factors when undertaking investment research.

Further information on Insight's ESG and stewardship policies can be found on their website (https://www.insightinvestment.com/investing-responsibly/).

Insight Responsible Horizon Multi-Sector Credit Fund

The Responsible Horizons Multi-Sector Credit Fund is actively managed and has the flexibility to invest across a wide range of credit assets, while focusing on long-term business sustainability. The strategy seeks to take ESG factors into account when making investment decisions, with some exclusions and sustainability restrictions subject to a materiality analysis. It seeks to obtain exposure to issuers which the portfolio manager believes have stronger ESG profiles. The sustainability criteria is summarised below:

- ESG-optimised universe: Seeks to invest only in issuers that meet a range of exclusion criteria that include climate and societal characteristics
- Positive allocation themes: Aims for a better asset-weighted average Prime corporate ESG rating than the global credit market (Bloomberg Global Credit Index) and targets a minimum 10% exposure to positive impact bonds and issuers
- Climate risk: Aims for carbon intensity at least 25% below the global credit market (Bloomberg Global Credit Index) and excludes companies deemed to be materially exposed to climate change risk

Year in review

In 2024/25, Insight's focus on climate change and responsible investment continued to progress. Highlights over the past 12 months include:

- In their latest assessment, Insight were awarded a UNPRI rating of 5 stars for Policy Governance and Strategy and 4 start across all other categories.
- Insight revised their Stewardship Policy to reflect the scope and approach on how they engage with issuers and on systemic issues and formulated a new engagement escalation process to enable effective monitoring of progress and action against engagement objectives set.
- Insight hosted a sovereign emissions reporting roundtable with clients and consultants mainly to review the current landscape of UK sovereign emissions data and reporting, discuss discrepancies both in terms of the extent, quality and timeliness of UK sovereign emissions data, questions around various guidance on emissions metrics and potential policy engagement, to bring the UK sovereign emissions reporting closer to best practices and potentially replicate across global sovereigns.
- Insight has been a participant and a reviewer in the FCA Climate Financial Risk Forum working group on climate adaptation and contributed to an upcoming paper on "Impact of physical climate risk and adaptation efforts on sovereigns' credit assessments".
- Insight produced a Statement on climate policy advocacy with the UK government which can be accessed on their website (https://www.insightinvestment.com/globalassets/documents/responsible-investment/responsible-investment-reports/statement-on-climate-advocacy-and-uk-govt.pdf)

Future reviews

This report will be reviewed annually, and the ISC will have the opportunity to question the investment managers at the ISC meetings they attend.

November 2025