Cardiff University Pension Fund – Investment and ESG beliefs & policies statement

This statement provides a summary of the Trustees' general investment and Environmental Social and Governance ("ESG") investing beliefs and policies.

It should be noted that although the Trustees hold these beliefs, in practise it might not always be possible to implement them fully because of the size of the Pension Fund and investment options available as a result of this. In addition, the Trustees will always act in accordance with their legal obligations and upon professional investment advice.

General

- **Risk management:** An integrated approach which considers the Pension Fund's assets and liabilities is important to ensure the Pension Fund achieves its funding and investment objectives.

- **Strategic asset allocation:** Long-term strategic asset allocation is the primary driver of investment risk/return. While short-term tactical changes can add value, it requires specialist expertise. The Trustees do not have the expertise or desire to do this and therefore use third party active managers for dynamic asset allocation.

- **Active vs. Passive management:** Passive investments are useful in efficient markets and where the priority is to track the benchmark (e.g. gilts). Active management can add value in some markets and protect capital.

- **Diversification:** Asset class performance can vary depending on market conditions. Diversification can therefore help manage risk and improve the risk-return profile of the portfolio.

- **Liquidity and complexity premiums:** Investments in less liquid and complex investments can be rewarded by higher returns due to complexity and/or liquidity risk premiums. These assets can also add diversification benefits.

- **Liability Driven Investments:** Liability Driven Investments (including leveraged gilts and gilts) play a crucial role in protecting the Pension Fund's funding level. While leverage can support higher levels of liability hedging, it should be gradually reduced over time, as the Pension Fund becomes less reliant on growth assets.

- **Value:** Investment opportunities should be considered net of fees. Costs should also be evaluated in the context of overall value and should not be viewed in isolation.

ESG

- The Trustees are supportive of the University's ESG policies and believe that working collaboratively with them benefits members. The Trustees seek to align the Pension Fund's ESG policies with the University's responsible investment policy as far as reasonably possible, whilst acknowledging the constraints they face in terms of investing in pooled fund arrangements and their legal obligations.

- The Trustees believe that ESG risks can be financially material. To manage these risks the Trustees try to use investment funds that have explicit ESG objectives, where possible. The Trustees also believe that considering ESG opportunities is consistent with the Trustees' fiduciary duties to act in the best interest of members.

- The Trustees recognise that certain sectors, including fossil fuels, armaments, tobacco, and those associated with poor labour or working practices, may have adverse social or environmental impacts. The Trustees therefore aim to reduce, and where appropriate eliminate, the Pension Fund's exposure to such sectors over time, subject to investment advice and compliance with legal and fiduciary obligations. Consideration of non-financial factors will take place only where this is lawful, evidence-based, and consistent with the Trustees' duties. Member views may be taken into account through surveys or other appropriate engagement methods where relevant

- The Trustees believe that certain markets are more efficient than others and diversification of ESG investing styles is key to managing risk and improving potential returns. The Trustees therefore use a combination of both active and passive investment management.

- The Trustees believe that climate risk is a systematic threat that could financially impact the Pension Fund. In order to manage this risk within the Pension Fund's investments, the Trustees are working towards achieving a net zero portfolio over time, whilst acknowledging the constraints they face in terms of investing in pooled fund arrangements and whilst complying with their legal obligations.

- The Trustees believe that monitoring climate metrics helps them to understand how exposed the Pension Fund is to climate risk. The Trustees use a mixture of backward and forward-looking climate metrics to monitor climate risk within the Pension Fund's investments.

- The Trustees support positive impacts on society through the Pension Fund's investments, so long as this does not detract from the Pension Fund's ability to meet its funding and investment objectives.

- The Trustees believe that being responsible stewards of capital is important not only for the benefit of members but because pension schemes generally have an important role to play in facilitating good outcomes for the wider society, however they acknowledge the constraints they face in terms of size and scale of the Pension Fund. Although, the

Trustees have provided the appointed investment managers with full discretion concerning the stewardship of their investments, they review their investment managers' policies on the exercise of voting rights and monitor their engagement practice and proxy voting activity annually.

- The Trustees will continue to monitor legal and best practice developments in relation to ESG duties and obligations for pension scheme trustees.

The Trustees will review these beliefs at least every three years or sooner if they feel it is required/appropriate to do so.

March 2026