CRONFA BENSIWN
POWYS
PENSION FUND

Responsible Investment Policy

July 2026

Policy History

Policy Date	Summary of change	Contact	Version/ Implementation Date	Review Date
2019	Initial version published	Pension Fund	1	2021
2021	Policy Review	Pension Fund	2	2024
2024	Policy Review	Pension Fund	3	2027
2025	Policy Review	Pension Fund	4	2027
2026	Policy Review	Pension Fund	5	2028

Introduction and Purpose

The Powys Pension Fund ('Fund') is a long-term investor. The Fund's aim is to deliver financially sustainable returns to meet the future pension benefits of our members, by allocating across different investment types whilst retaining an appropriate level of diversification and risk.

As the Pensions and Investment Committee ('the Committee'), we have a fiduciary duty to act in the best interest of the Fund's members. We acknowledge that this includes effectively managing Environmental, Social and Governance ('ESG') issues that may be financially material to the Fund now and in the future.

The Fund defines **Responsible Investment ('RI')** as the integration of ESG issues into its investment processes and ownership practices in the belief that this can positively impact financial performance. The Committee recognises that the Fund should manage ESG risks that may arise across all time horizons (short, medium and long-term).

Currently, the Fund has a pooling arrangement with the Wales Pension Partnership ('WPP') and in future it will be with the Wales Pension Partnership Investment Management Company Limited (both collectively 'WPP' in this paper and engages with WPP to ensure its objectives and approach to RI are expressed with the pooling arrangements that are in place with WPP. The Fund also actively engages with its appointed investment managers with the aim of aligning the Fund's RI approach with that of the managers (as described in detail in this Policy).

The Fund seeks to integrate RI across its investment decision-making process for the entire portfolio, adopting a flexible approach to managing its investment strategy. considering the appropriate nuances and differences which apply to differing asset types.

The Fund also seeks to understand and manage ESG and reputational risks to which the Fund may be exposed to. This policy sets out the Fund's approach to RI and details the actions the Fund take on behalf of the Fund's members and other stakeholders to protect the Fund from ESG and reputational risks. We expect industry best practice, quality, and availability of ESG data will continue to evolve.

Responsible Investment Beliefs and Principles

The Committee has discussed their beliefs relating to RI and these have formed the basis of this policy. These beliefs were initially set in 2019 and were reviewed in 2024. The review was done to reflect the changing membership of the Committee, alongside the assets the Fund was invested in, how this ties in with other ambitions and goals and the wider evolving ESG/RI landscape. The Fund's **RI Beliefs and Principles** are set out below:

- The Fund is a long-term investor, with liabilities stretching out for decades to come, and seeks to deliver long-term sustainable returns. There is an opportunity to generate better expected returns by making decisions with a long-term outlook.
- The Committee carefully considers investments made in areas of conflicts and, where appropriate, assesses what actions may be available to the Committee under the Fund's investment structure.
- The Fund recognises that ESG considerations are relevant to the setting of investment objectives, ongoing monitoring, and assessment of future risks. The identification and management of ESG risks that may be financially material is consistent with our fiduciary duty to our members.
- Similarly, the Fund seeks to integrate ESG issues throughout the Fund's investment decision-making process, from setting investment strategy to monitoring the Fund's investment managers. Accordingly, input is sought from the Fund's appointed investment consultant on these matters.
- Impact investing, ESG integration and screening align with the mission statement of the Fund and are considered in the Fund's investment decision-making. For instance, climate change related considerations have been the subject of multiple discussions held by the Fund, including the approach taken to retaining or divesting from the Fund's exposure to fossil fuels. Additional investment opportunities aligned with impact, ESG integration or screening will be explored in tandem with the Fund's investment objectives and the extent to which they provide reduced risk and improved returns.

- Effective stewardship of assets is important and should continue to remain an integral part of how the Fund monitors its investments. The Fund recognises the importance of responsible ownership and has a duty to exercise its stewardship and active ownership responsibilities (such as the use of proxy voting rights and encouraging its appointed investment managers to actively engage with investee companies) effectively by using its influence as a long-term investor to encourage positive behaviour.
- The Fund recognises that our members are likely to have an interest in how the Fund's RI objectives are enshrined through its investment strategy and aims to be transparent and accountable by publicly disclosing its RI policy.

Responsible Investment Implementation Approach

Role of the investment consultant

In setting and implementing its investment strategy, the Fund takes advice from its appointed investment consultant. This advice is contextualised by the fact that the Fund's assets are managed by third-party investment managers, including WPP, and they are responsible for the day-to-day investment decisions, including undertaking voting and engagement activities on behalf of the Fund.

- The Fund expects its investment consultant to proactively consider and integrate ESG issues when providing investment advice;
- In addition, the Fund expects its investment consultant to bring to the Committee's attention new and important issues related to ESG and RI as appropriate;
- The Fund considers ESG issues as they relate to its strategic asset allocation, including taking advice on the impact of ESG matters on differing asset types; and
- The Fund considers ESG integration and active ownership when selecting and monitoring investment managers.

Role of the investment managers

When monitoring external investment managers, the Fund:

- Requires its investment managers to provide a statement setting out the extent to which they take ESG considerations into account in their investment processes, along with the impact that this has had on the investment;
- Seeks input from its appointed investment consultant regarding ESG issues that could have a material impact on the value of the Fund's assets and the funds in which the Fund invests; and
- Monitors the active ownership activities of its investment managers by seeking their reporting and examples of engagement activity undertaken.

Climate-related risks and opportunities

Exposure to carbon intensive sectors

The Committee has held several discussions regarding the Fund's approach to divestment from fossil fuels. This has also included receiving details of the approach taken by other LGPS Constituent Authorities and pooling arrangements, along with noting the stance taken by the Local Authority Pension Fund Forum ('LAPFF') of which the Fund is a member.

Additionally, the Fund has conducted a review of its portfolio's carbon emissions profile and the attitudes of its investment managers to climate-related risk management to facilitate engagement with managers as needed.

The Fund recognises that exposure to fossil fuel investments is one component of overall exposure to climate change risks and acknowledges the importance of considering climate change risk holistically.

Alignment with the WPP and the LAPFF

Throughout this process, the Committee has sought to take an approach to responsible investment which is appropriate in the context of the Fund's long-term investment objectives and has implemented investment options within the WPP pooled framework.

The Committee has agreed that it supports the LAPFF stance regarding engagement with investment managers on issues regarding climate related risks to which the Fund and its members may be exposed, including the transition to a low-carbon economy.

In March 2026, the WPP updated its responsible investment policy, updating its approach to stewardship, exclusions and divestment. Specifically, the updates to the policy noted that there are areas of investment which can be inconsistent with the WPP's long-term investment outlook and may create risk. Upon review of the March 2026 update, the Committee is aligned with and supports the WPP's position to review its investment framework, including exclusions that could apply in the future and to take a multi-layered approach to stewardship, and agrees to incorporate the areas that will not be invested in by WPP as noted in section 7.2, into the Fund's policy.

Stewardship – Voting and Engagement

The Fund recognises that, alongside voting rights, it has responsibilities as a shareholder as regards to the effective stewardship of assets on behalf of its members and beneficiaries. Appropriate stewardship is a cornerstone of good governance: accordingly, the Committee will consider and review the Fund's alignment with the principles of the UK Stewardship Code1.

Consequently, the Fund recognises the importance of active ownership, i.e. the proactive use of engagement and asset stewardship activity. Furthermore, the Fund recognises that engagement activities undertaken alongside other investors – such as the LAPFF and WPP as a pooled entity – have potential to significantly impact on corporate behaviours and drive improvements in actions and disclosures.

Whilst the Fund delegates voting and engagement to its Voting & Engagement provider, the Committee will seek comments from its investment consultant, where relevant and available, regarding how the Fund's managers exercise of voting rights on its behalf.

Initiative and Industry Collaboration

The Fund recognises that collaboration with other investors is a powerful tool to keep abreast of developments in this area and gives the potential for collective action to influence the behaviour of companies, policy makers and other industry stakeholders. The Fund seeks to work with and support the initiatives of relevant bodies.

- The Fund takes its role in the Local Authority Pension Fund Forum (LAPFF) seriously, recognising that this contributes to the effective exercise of its influence through collaboration;
- Members of the Committee have joined Aon's Responsible Investment Network, a forum for pension fund investors to interact and discuss objectives and implementation; and
- The Fund regularly reviews its participation in collaborative initiatives such as LAPFF, including the benefits of participation.

Disclosure and Reporting

The Committee recognises that transparency and disclosure is an important aspect of being a responsible investor. The Committee will therefore provide accessible and frequent communication to members through annual newsletters.

This will also include the availability of a publicly available website where the Fund's RI policy will be provided alongside any other reports on the Fund's progress and developments in the way it approaches RI matters, such as their investment strategy statement.