Bath & North East Somerset Council

Improving People's Lives

Avon Pension Fund Committee

Date: Friday 12th December 2025
Time: 10.00am
Venue: Council Chamber - Guildhall, Bath

Bath and North East Somerset Councillors: Toby Simon (Chair), George Leach (Vice-Chair), Shaun Stephenson-McGall, Chris Dando and Joanna Wright

Co-opted Voting Members: Councillor Mike Drew (South Gloucestershire Council), Councillor Robert Payne (North Somerset Council), Councillor Fi Hance (Bristol City Council), Charles Gerrish (Academies), William Liew (HFE Employers), Wendy Weston (Trade Unions), Pauline Gordon (Independent Member), John Finch (Independent Member) and Jackie Peel (Independent Member)

Co-opted Non-voting Members: Edmund Cannon (Parish & Town Councils), Shona Jemphrey (Unison) and James Hillary (Unite)

Chief Executive and other appropriate officers

Press and Public

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NOTES:

1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

3. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control. Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators. We request that those filming/recording meetings avoid filming public seating areas, children, vulnerable people etc; however, the Council cannot guarantee this will happen.

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4. **Public Speaking at Meetings**

The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group.

Advance notice is required not less than two full working days before the meeting. This means that for meetings held on Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.

Further details of the scheme can be found at:

https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942

5. Emergency Evacuation Procedure

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6. Supplementary information for meetings

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Avon Pension Fund Committee - Friday 12th December 2025

at 10.00am in the Council Chamber - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

   The Chair will ask the Committee Administrator to draw attention to the emergency evacuation procedure as set out under Note 5.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

3. DECLARATIONS OF INTEREST

   At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

   (a) The agenda item number in which they have an interest to declare.
   (b) The nature of their interest.
   (c) Whether their interest is **a disclosable pecuniary interest** or an **other interest**, (as defined in Part 4.4 Appendix B of the Code of Conduct and Rules for Registration of Interests)

   Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

5. ITEMS FROM THE PUBLIC - TO RECEIVE STATEMENTS, PETITIONS OR QUESTIONS

6. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

   To deal with any petitions or questions from Councillors and where appropriate co-opted and added members.

7. MINUTES: 26TH SEPTEMBER 2025 (Pages 7 - 18)

8. DRAFT PENSION BOARD MINUTES: 3RD DECEMBER 2025 - TO FOLLOW

9. INVESTMENTS IN AEROSPACE & DEFENCE (Pages 19 - 46)

10. INVESTMENTS POOLING (Pages 47 - 60)

11. REVIEW OF INVESTMENT STRATEGY & PERFORMANCE (Pages 61 - 114)

12. PENSION FUND ADMINISTRATION - PERFORMANCE REPORT (Pages 115 - 136)

13. LEGISLATION UPDATE (Pages 137 - 142)

14. RISK MANAGEMENT REVIEW (Pages 143 - 150)

15. GOVERNANCE UPDATE (Pages 151 - 174)

The Democratic Services Officer for this meeting is Mark Durnford who can be contacted on 01225 394458.

BATH AND NORTH EAST SOMERSET

AVON PENSION FUND COMMITTEE

Friday 26th September 2025

Present:- Councillors Toby Simon (Chair), Shaun Stephenson-McGall (Vice-Chair), George Leach, Chris Dando and Joanna Wright

Co-opted Voting Members: Councillor Mike Drew (South Gloucestershire Council), Councillor Robert Payne (North Somerset Council), Councillor Fi Hance (Bristol City Council), Charles Gerrish (Academies), William Liew (HFE Employers), Pauline Gordon (Independent Member) and John Finch (Independent Member)

Co-opted Non-voting Members: Shona Jemphrey (Unison), Edmund Cannon (Parish & Town Councils) and James Hillary (Unite)

Advisors: Steve Turner (Mercer) and Paul Middleman (Mercer)

Also in attendance: Nick Dixon (Head of Pensions), Liz Woodyard (Group Manager for Funding, Investment & Risk), Nathan Rollinson (Investments Manager), Carolyn Morgan (Governance and Risk Advisor), Nicky Russell (Technical & Compliance Advisor), Julia Grace (Pensions Valuation Advisor) and Claire Newbery (Pensions Operations Manager)

17 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer announced the emergency evacuation procedure.

18 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Wendy Weston had sent her apologies to the Committee.

19 DECLARATIONS OF INTEREST

John Finch declared an other interest with regard to agenda item 8 (Investments Update: Pooling Decision) as he is employed as an independent advisor to the Cornwall Pension Fund.

20 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

21 ITEMS FROM THE PUBLIC - TO RECEIVE STATEMENTS, PETITIONS OR QUESTIONS

Dr Eldin Fahmy had registered to make a statement, but was unable to attend. His statement was delivered by Youssef Ibrahim. A copy of the statement will be appended to these minutes and a summary is set out below.

‘The APF Committee has not met since 3rd June and is now meeting after its member survey has closed. There has been no opportunity for public scrutiny and APF employees have had no opportunity for direct input.

Most APF members did not get a chance to have a say. APF Committee claim that is too costly and that they cannot email all members. But they could have asked employers to forward an invitation to current APF employees to take part in the email survey on an opt-in basis.

The launch was delayed many times. It seems this was due to serious concerns about bias in the draft question set. It is well-known the Committee supports arms investments, and that it intended to secure that outcome from the outset.

In its guidance:
APF state arms sales are almost exclusively to the ‘good guys’ - but fails to mention Israel here as an ally. It states that all conflicts harm civilians but fails to mention this is often intentional and egregious - as with Israel.

Turning to the questions themselves:
Q1 ‘Many’ is disputable when referring to arms industry employees. 4,000 jobs is a tiny proportion of the Avon workforce.

Q3 It is disputable that this sector plays a key role in the UK’s defence. Its products also put the UK at risk.

Q4 The focus on financial returns implies there will be a risk of significant material detriment is APF divests but no evidence is provided

We demand real accountability – it is members money they are playing with!’

Eileen Kay had registered to make a statement, but was unable to attend. Her statement was delivered by Michaela Wild. A summary is set out below.

She said that she felt that it was wrong that only 1 in 5 fund members would be able to take part in the survey regarding aerospace and defence investments. She stated that she was aware of only one person who had received the survey.

She called for the Committee to hold an open meeting to discuss the results of the survey and said that the member’s views must be listened to.

She said that the UN Independent International Commission has determined that Israel has committed genocide against Palestinians in the Gaza Strip and that the Commission urges Israel and all States to fulfil their legal obligations under international law to end the genocide and punish those responsible for it.

She stated that the Avon Pension Fund has an opportunity to make a real change and must be transparent with the next parts of this process.

She said that the thought of anyone profiteering from this crisis was abhorrent.

Beth Cleeter addressed the Committee, a copy of her statement will be appended to these minutes and a summary is set out below.

‘I am speaking today as a member of the public whose deferred wages are in the Avon Pension Fund. I do not consent to my deferred wages being invested into the companies of weapons manufacturers.

I am concerned that only one in five members of the Avon Pension Fund will get the chance to have their say on such an important issue. I also object to the wording of the survey as it is bias towards continuing with the status quo which is perpetuating war around the globe, genocide in Gaza and environmental destruction.

Members may not be fully informed of what they are agreeing to when reading “investments in aerospace and defence”. Perhaps a more accurate description of the companies we are investing in could be used in the survey question to members, for example “do you agree to your wages being invested into the companies of war profiteers?”

The genocide that Israel is committing against Palestinian’s is ensured by the continual supply of weapons from Western countries, such as the UK and its allies. Companies such as BAE Systems, General dynamics, Boeing, Northrop Grumman and others profit from the unconscionable suffering of our brothers and sisters across the world and have undue influence on our politicians which leads to more economic insecurity and inequality. It is not defence.

I cannot see how investment into these companies aligns with any ethical responsibility towards people or planet. I also object to the APF’s policy of engaging with companies and sectors known to be involved in war crimes, human rights violations and environmental destruction rather than complete exclusion and divestment.

Divestment works. Companies have redirected their production away from weaponry after losing contracts. Please offer our members an alternative that they can vote for. There are more ethical ways for them to get returns on their wages and to support the local economy. Other countries and municipalities have divested their portfolios away from the economy of murder and so can we. Please use your authority to lead to something better.’

The Chair thanked the members of the public for their statements and explained that questions had been received from Dr Eldin Fahmy and Ahmed Hamoud, and that responses to those questions had been prepared and circulated. They will also be appended to these minutes online.

The Chair informed the Committee that they were due to have an informal discussion regarding the survey in October with a public meeting to follow in due course.

22 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

Councillor Joanna Wright wished to make the Committee aware that she had received over 90 emails from members of the public who were concerned about the consultation relating to Aerospace & Defence investments.

23 MINUTES: 27TH JUNE 2025 (PUBLIC & EXEMPT)

The Committee **RESOLVED** that the minutes of the meeting on 27th June 2025 be confirmed as a correct record and signed by the Chair.

24 INVESTMENTS UPDATE: POOLING DECISION

The Head of Pensions introduced the report to the Committee and highlighted the following areas.

- The purpose of this report is to inform the Committee’s in-principle decision in respect of which investment pool Avon Pension Fund (APF) should partner with.

- The recommendation is to adopt Local Pension Partnership Investments (LPPI) as APF’s new pool partner to replace Brunel.

- Delegate to the Chair of the APF Committee the authority to sign non- binding agreements with LPPI, or with its client or shareholder funds, which are recommended by officers, such as Heads of Terms or a Memorandum of Understanding.

- The decision is required, as the government decided in April 2025 that Brunel must close and APF assets should transfer to an alternative pool.

- There will be material one-off costs incurred in closing down Brunel and moving the Fund’s assets into the new joint pool, which should be mitigated over time by lower ongoing costs.

- There are two key future dates: 30th September 2025, by when APF needs to confirm with MHCLG its in-principle decision on which new pool to join, and 31st March 2026, by when such decision needs to be legally binding, e.g. through a new shareholder agreement.

- APF’s practical choice was between either Central or LPPI. The ten Brunel funds undertook a review of the two options, advised by KPMG, which were assessed versus critical decision factors.

- Both Central and LPPI would be excellent pool partners. Both pools score very similarly on the majority of criteria.

- A material number of Brunel funds are likely to join LPPI. Furthermore, LPPI is likely, on the basis of initial discussions, though not guaranteed, to integrate the Brunel business. Hence APF is hopefully able to join LPPI with peer funds from Brunel. LPPI is recommended as APF's new pool partner.

Councillor George Leach said that he was concerned about the potential increase in costs to members and that he hoped that costs would be able to fall in due course.

Councillor Chris Dando referred to section 1.19 of the report and whether Brunel's business could be integrated with LPPI. He asked whether this would mitigate costs in any way.

The Chair replied that the Brunel Oversight Board had discussed this matter and said that they had a preference for a company style merger between Brunel and LPPI and to syphon off the funds that don't join. He said that he felt that, if possible, this would minimise disruption.

The Head of Pensions added that the reason we are keen to integrate Brunel into LPPI is to retain their capabilities in terms of Private Markets, the Climate Strategy and Responsible Investments.

He said that it was also important for the Funds to depart simultaneously, regardless of their pool destination, to share the burden of exiting Brunel in an orderly way. He stated that in total it would be an 18 – 24 month journey of change.

Councillor Mike Drew commented that he was concerned about the impact this decision will have on staff within Brunel and the APF.

Councillor Robert Payne said that he found this a frustrating position to be in and would be happy to remain in Brunel if not being forced to find a new pool partner.

Edmund Cannon stated that he did not agree with the statement that future lower ongoing costs would offset the one-off costs incurred by moving the assets as it is difficult to predict future performance. He added that he was also concerned about fund governance and whether it would still be able to achieve its ESG (Environmental, Social, and Governance) objectives.

The Chair said that a degree of effort will be required to drive costs down and that it was important to protect the ESG expertise from Brunel.

The Head of Pensions that there are two considerations that can drive unit costs lower; the scale of funds that you can procure with 3rd party asset managers and making investment propositions more streamlined and consistent.

John Finch said that he was disappointed that three of the funds within Brunel were considering joining a different pool and that no preferential treatment should be given to them in terms of exit costs.

The Head of Pensions replied that all funds would pay the same fee in exit costs.

The Committee **RESOLVED** to:

i) Note the background to pooling changes and the limited choice faced by the Avon Pension Fund.

ii) Approve in principle the recommendation to adopt Local Pension Partnership Investments (LPPI) as APF's new pool partner to replace Brunel.

iii) Delegate to the Chair of the APF Committee the authority to sign non-binding agreements with LPPI, or with its client or shareholder funds, which are recommended by officers, such as Heads of Terms or a Memorandum of Understanding.

25 FUNDING STRATEGY STATEMENT 2025

The Funding & Valuation Manager introduced the report to the Committee and highlighted the following points.

- The comments received via the consultation with employers were considered carefully and it has been concluded that no fundamental changes to the draft FSS are required (other than to update the technical information as the valuation progresses) as it was felt that the framework covered the issues raised and there was sufficient flexibility within the FSS to address the points raised where appropriate.

- There are outstanding technical (and potentially regulatory) matters that will need to be included in the FSS which may affect the contributions and /or funding policy. These will be resolved as the valuation progresses. As these are technical in nature, it is recommended that Officers are given delegated powers to finalise the FSS having received full advice from the Actuary, should there need to be any changes as a result of further development on these or similar matters.

- Once the valuation is finalised, the FSS will be updated and published. For admissions and exits, the 2025 FSS actuarial assumptions will be effective from 1 April 2026. This is consistent with our current policy.

Paul Middleman, Mercer, Fund Actuary, addressed the Committee and explained that engagement with employers had taken place on key issues such as Surplus Policy, implications for employer contribution rates and overall approach and ongoing review.

He said that there had been some push back from employers regarding reserves and that it was a challenge to find the balance.

He stated that he felt that the FSS as drafted offers sufficient flexibility, including the pay growth assumption, and that further steps would have been impractical.

The Funding & Valuation Manager said that the final actuarial outcome will be reported to Committee at their March 2026 meeting and will take into account various refinements to individual employer results e.g. relating to ill-heath and death in service captive premiums.

William Liew asked for confirmation for when employers would have to pay their new level of contributions.

The Funding & Valuation Manager replied that these would apply from 1st April 2026. She added that the employer's respective finance teams would know the levels by December 2025.

Charles Gerrish asked how this process would affect academies as they set their budgets in the middle of the financial year.

The Funding & Valuation Manager replied that should an increase in their contributions be determined then this can be postponed until 1st September 2026 if required.

Councillor Chris Dando commented that he wished to thank the employers for their responses to the consultation and the officers and the Actuary for their roles in managing the process.

The Committee **RESOLVED** to:

i) Note the feedback responses received, and the proposed amendments to the FSS.

ii) Approve the FSS as set out in Appendix 1, subject to the insertion of information which can only be included when the actuarial valuation is complete.

iii) Delegate the refinement and finalisation of the FSS to Fund Officers, with assistance of Fund Actuary.

26 PENSION FUND ADMINISTRATION - PERFORMANCE REPORT

The Pensions Operations Manager introduced the report to the Committee and highlighted the following points.

Pensions Administration Strategy

The primary purpose of the Pensions Administration Strategy (PAS) is to clearly define the roles and responsibilities of the Fund and scheme employers.

The PAS sets out the performance standards and best practice that the fund and scheme employers should aim to meet. The document defines clear roles and responsibilities and has been developed with the need to comply with new regulations for Pensions Dashboards.

The fund intends to apply the PAS in a working partnership arrangement with scheme employers and their third-party payroll providers. Once the Strategy has been approved by Committee the fund will go into consultation with scheme employers for a period of 3 months.

Communication Policy

The Communications Policy is required by LGPS Regulations 2013, Section 61 and forms part of the PAS. It outlines our guidelines and principles on how the fund will communicate with members, employers and other stakeholders. It has been designed to provide an effective and transparent framework for communications.

Our communication aims are to:

- Provide relevant, accurate, accessible information for all stakeholders.
- Use plain language and avoid unnecessary jargon.
- Use communication channels which best fit individual needs while encouraging digital use to improve service experience.
- Support members to make informed decisions about their pension.

The Pension Board have responsibility for monitoring the application of the PAS, including performance standards and will report to the Pensions Committee. The Board met in an informal meeting on 2nd September 2025 and approved the PAS and Communication Policy.

Performance

Appendix 3 to the report includes performance of service vs SLAs up to 31st July 2025. Following a dip in performance in early 2025, the fund is now seeing continued improvement in performance.

McCloud

On 12th August as part of the PAS workshop the Pension Board were briefed on the funds plan to exercise its discretion to make a determination in respect of McCloud. This will extend the deadline to complete the remedy exercise until 31 August 2026. All board members agreed with the fund’s decision.

Pauline Gordon referred to training that had been undertaken relating to ESOG (Effective System of Governance) and ORA (Own Risk Assessment) and asked how these policies fit within the work of the Fund.

The Pensions Operations Manager replied under the TPR General Code of Practice this will become a compulsory item, but said that it was not yet and the officers were seeking to be ahead of the curve.

The Governance and Risk Advisor added that they were expecting to be able to provide enhanced governance requirements and to add these elements in where necessary.

Charles Gerrish asked if an explanation could be given regarding the term ‘club transfer’.

The Technical and Compliance Manager replied that clubs are a network of public sector pension schemes.

Councillor Joanna Wright asked if further comment could be given on the Access and Fairness Consultation.

The Pensions Operations Manager replied that the Government's response to the consultation has not been received yet. She added that while the changes proposed are welcome, it will require a substantial amount of work for officers, as with McCloud, and it would be better if the work could be staggered.

Councillor Wright asked if the concerns have been shared with the Government.

The Technical and Compliance Manager replied that there is a national officer group that have taken this matter under consideration. She explained that most funds were in favour of the proposals, but recognise the work involved as some cases will go back to 2005.

She added that the LGA has also issued a response and that the deadline has passed to respond further at this stage.

The Chair asked if these points of concern were given in the initial response.

The Technical and Compliance Manager replied that they were.

The Chair suggested that the Pensions Administration Strategy might be renamed to include the word 'policy'.

The Head of Pensions said that he would discuss the proposal offline with the Chair and supporting officers.

The Committee **RESOLVED** to:

i) Approve the new Pensions Administration Strategy

ii) Approve the Communications Policy

iii) Note the service performance for the period ending 31st July 2025.

27 LEGISLATION UPDATE

The Technical and Compliance Manager introduced the report to the Committee and highlighted the following areas.

<u>Access and Fairness Consultation</u>

On 15th May 2025, MHCLG launched its "Access and Fairness" consultation for the LGPS. The proposed changes are intended to improve fairness and access to the LGPS.

The consultation closed on 7th August 2025. The LGA, SAB and Avon Pension Fund have issued responses to this consultation.

Whilst supportive of many of the proposals outlined in the consultation, concerns have been raised in relation to the potential implications on administration teams around rectification of survivor benefits.

The Government have been urged to seriously consider timescales for implementation and ensure there is clear guidance upfront.

Councillor Fi Hance said that she would welcome being informed, at some point, of the costs involved for implementing these changes.

Shona Jemphrey asked if the Committee would be receiving legal advice in relation to their upcoming discussion into Aerospace & Defence investments.

The Head of Pensions replied that the Committee would have a private briefing, early in October, to discuss the survey results, and that he anticipated that legal advice would be given at or prior to the briefing.

He added that following the briefing the Committee would need to decide when to meet publicly.

The Chair commented that advice had been sent to all LGPS funds from the Scheme Advisory Board (SAB).

The Committee **RESOLVED** to note the current position regarding the developments that could affect the administration of the fund.

28 RISK MANAGEMENT PROCESS & RISK REGISTER

The Governance & Risk Advisor introduced the report to the Committee and highlighted the following areas.

The quarterly review of the risk register has taken place and a change has been made to one of the scores for this quarter.

- Risk NR02 – Regulatory Changes. The likelihood has been increased from possible to almost certain to reflect the expected regulatory changes following the Access & Fairness consultation.

She wished to draw the Committee's attention to risk NR06 (the loss of IT including cyber attack and loss of power). She explained that the fund has completed the move to a Heywood hosted solution and that Heywood have provided them with its Disaster Recovery Plan.

She informed the Committee that there was an error on the scoring for risk NR19 and that this should read as 15 (Medium Impact) and in effect make a top 4 of risks.

- NR06 – the loss of IT including cyber attack and loss of power.
- NR01 – Poor service levels below agreed standards. The current factors impacting this risk are set out in the Pension Fund Administration report.

- NR02 – Regulatory Changes – expected regulatory changes and remedial work following the Access & Fairness consultation

- NR19 – Move to new asset pool.

Pauline Gordon referred to risk NR19 and asked officers to consider what initial success within a new pool would look like.

The Governance & Risk Advisor replied that they would take that into consideration when the quarterly review of the risk register takes place.

The Chair, on behalf of the Committee, said that he wished to thank the Administration Team for their work on moving to a Heywood hosted solution.

The Committee **RESOLVED** to note the report.

29 GOVERNANCE UPDATE

The Governance & Risk Advisor introduced the report to the Committee and highlighted the following areas.

- Good progress has been made on the drafting of the Committee's annual report to Council. A final version will be circulated once approved by the Chair, which will be presented to Council on 20th November.

- Hymans LGPS Online Learning Academy (LOLA) - In order to meet the additional knowledge and skills requirements of SAB's Good Governance Review & The Pension Regulator's General Code of Practice the Fund has introduced Hymans LGPS Online Learning Academy (LOLA). Committee members have agreed to complete all training modules within twelve months of becoming a Committee member and repeat the completion of the modules every three years.

- TPR General Code of Practice (GCOP) - The Fund has assessed its position against the code and progress against the action plan is set out in Appendix 4, detailing owners and timescales with the aim of reaching compliance over the next year. Progress against the action plan will be shared with Committee and Pension Board on a quarterly basis.

- The Pension Board met informally on 2nd September and agreed the following:
    - The Board reviewed the Funding Strategy Statement for compliance with the LGPS Regulations 2013 and SAB/CIPFA guidance and agreed that it met regulatory compliance

    - The Pension Board's annual report was reviewed and approved for submission to Council on 20th November

- The Pension Board supported the revised Pensions Administration Strategy and Communications Policy for approval by the Pensions Committee.

The Governance & Risk Advisor informed the Committee that a new Employer and Member representative had been appointed to the Pension Board.

Councillor Chris Dando addressed the Committee. He explained that a Code of Conduct challenge had been made against him and that following an investigation the Monitoring Officer had concluded that no breach of the Code had occurred and that there was no case to answer.

The Committee **RESOLVED** to:

i) Note the Committee Workplan & Training Programme
ii) Notes the Service Plan Monitoring report
iii) Notes the TPR GCOP Action Plan
iv) Notes the agreements made at the Pension Board informal meeting.

As the meeting concluded the Chair took the opportunity to thank Liz Woodyard for her work within the Council over the past 22 years. On behalf of the Committee he wished her all the best for the future in her retirement.

The meeting ended at 11.40 am

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services

Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	12 December 2025
TITLE:	**Investments in Aerospace & Defence**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: a) Legal Advice b) Survey Summary	

1 THE ISSUE

1.1 During its meetings since December 2024, the Pension Committee has received multiple petitions requesting that Avon Pension Fund (the Fund) divest from companies supplying Israel, triggered by concern about the conflict in Gaza and wider occupied territories.

1.2 At its meeting in March 2025, the Committee decided that, rather than focus specifically on Israel, it could compliantly address the issue by deciding whether the Fund should continue investing in the Aerospace & Defence (A&D) sector.

1.3 The Pension Committee also decided in principle to remain invested in A&D companies, pending an assessment of members' views.

1.4 Since then, there have been three developments which can now inform the Pension Committee's final decision on A&D investments:

- The Fund has undertaken a representative survey of its members' views, led by an independent research provider.
- The Fund has received expert legal opinion.
- The UK government has published its Fit for the Future proposals, which shift key investment accountabilities from LGPS funds to their pools.

2 RECOMMENDATIONS

The Committee is asked to;

2.1 **Note the expert legal opinion, projected financial costs, survey results, and upcoming regulatory changes.**

2.2 **Having regard to the above factors and other relevant information, confirm or reconsider its previous decision in principle to remain invested in A&D companies and to continue to apply the Fund's policies on responsible investment and exclusions.**

3 LEGAL CONSIDERATIONS, MEMBER VIEWS

3.1 The Fund's fiduciary duty typically requires that investment decisions are taken in the best financial interests of the Fund's members.

3.2 In the context of the public petitions received, and because it would involve additional costs to the Fund, a decision to exclude A&D companies should be considered as a social and ethical matter rather than a financial one.

3.3 While financial considerations such as managing risk and driving financial returns are the core of the Fund's fiduciary duty, Local Government Pension Scheme (LGPS) legislation and related guidance from the Law Commission support the fact that non-financial criteria can also be considered.

3.4 Legal advice has been taken from external solicitors and counsel (Nigel Giffin KC) to ensure that decisions taken by the Pension Committee align with its legal obligations and duties towards the Fund, its employers, and members. The full legal advice is privileged and confidential in the normal way, and is not intended to be published. However in the interest of the fullest possible public understanding of what the Pension Committee now has to decide, the attached Appendix 1 summarising key legal points has been prepared with the Fund's solicitor. Publication of Appendix 1 is not intended to waive privilege in any other legal advice or communications relating to this issue.

3.5 To summarise this legal advice, any decision around non-financial factors would need to meet two conditions: 1) doing so would not involve significant risk of financial detriment to the Fund **(the financial condition)** and 2) there is good reason to think that scheme members would support the decision **(the member support condition)**.

3.6 In relation to the financial condition (1 above) this requires consideration *"both of the likelihood of financial detriment arising, and the anticipated or potential scale of such detriment if it did arise."*

3.7 In relation to the member support condition (2 above) this requires *"a high proportion of those members with a view"* to support the proposal, in this case the non-financial proposal to divest from A&D companies.

3.8 The attached Appendix 2 summarises the outcome of the member survey, which shows that 42% of members support A&D divestment, while 47% prefer continued A&D investment, with 11% unsure, findings which are statistically significant and representative of the Fund's membership.

3.9 The Fund's responsible investment policy, aligned with Brunel's policy adopted by its 10 LGPS funds in 2024, excludes companies in breach of UN Global Compact (principle-2) on human rights and seeks to exclude manufacturers of controversial weapons, e.g. anti-personnel mines, biological weapons.

3.10 Furthermore, the KC's opinion obtained by the Scheme Advisory Board in 2024 confirmed that investing in A&D companies which supply Israel does not contravene UK or international law.

4 REGULATORY CONTEXT – FIT FOR THE FUTURE

4.1 The Pension Committee should note the UK government's Fit for the Future proposals for the LGPS. Under the proposals, individual LGPS funds will retain the right to set their investment strategy, with asset allocation limited to choices across 9 asset classes which the investment pool[1] decides how to implement.

4.2 Beyond the 9 asset classes, Fit for the Future proposals allow Avon Pension Fund to define ‘investment preferences’ – e.g. responsible investment aims, exclusions including A&D. However the decision on whether and how to implement such preferences will rest with the pool.

4.3 Specifically, the proposals[2] state that “to enable the pool to invest at scale, it is important that pools are not expected to create bespoke arrangements for each Administering Authority (AA) …. The government does not intend to prescribe a single solution, but does not expect to see bespoke arrangements for each AA.”

4.4 Therefore, the Pension Committee should be aware that any decision to exclude A&D companies may not be implemented in practice, e.g. if LPPI decides that such exclusions are incompatible with wider UK government policy or lack sufficient demand across its whole body of 9 LGPS funds.

5 PROJECTED FINANCIAL COSTS

5.1 The Fund holds A&D companies through Brunel in the Paris-aligned equity portfolio, Multi-Asset Credit, and High Alpha Equity. The Fund also holds equity derivatives in the Risk Management Portfolio which includes A&D companies, for which it would be more complex to apply exclusions, so for the purpose of the cost guidance, we have assumed these are physical equity holdings.

5.2 If the material barriers of implementing a bespoke arrangement (outlined in Section 4 above) could be overcome, in the case of Paris-aligned equity (£1,200m in assets) divestment would require the asset manager to create a new fund excluding A&D companies, in which APF would initially be the sole investor, with indicative annual costs of 8 bps (0.08%) which is 5 bps (0.05%) higher than the current fund, an additional c.£600,000 per year. Discussions with other LGPS funds and trade bodies indicate that no other LGPS can commit to such a new fund. However, if other investors were to join over time and total assets reached c.£5 billion, additional annual costs would be nearer 0.03% or £360,000. Hence a reasonable cost range is £360,000 - £600,000.

5.3 Applying the same 0.03% - 0.05% incremental cost range to Multi Asset Credit (£390m in assets) and Global High Alpha equity (£810m in assets) would yield further costs of £360,000 - £600,000.

5.4 Therefore total additional costs would settle into a range of £0.72m - £1.20m per annum, with a mid-point of £960,000.

5.5 The Committee should also note that we assume one-off transition costs of moving to new funds would be 0.02% or c.£480,000, assuming we use in-specie transfer management to mitigate frictional costs such as stamp duty tax.

5.6 The above cost assumptions are based on guidance from Brunel and have been reviewed for reasonableness by the Fund’s future pool partner, LPPI.

5.7 Such additional costs would need to be accounted for in the next triennial valuation and could lead to higher employer contributions.

[1] In the Fund’s case currently Brunel Pension Partnership, then the Local Pension Partnership Investments (LPPI) serving nine different LGPS funds, from 1 April 2026.

[2] Local Government Pension Scheme (England and Wales): Fit for the Future – government response (www.gov.uk)

6 STATUTORY CONSIDERATIONS

6.1 Bath and North East Somerset Council, in its role as administering authority, has executive responsibility for the Avon Pension Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee which is the formal decision-making body for the Fund.

7 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

7.1 There are no material implications related to the Committee in connection with Finance, Property, People, other than the financial implications outlined in Section 5 above.

8 RISK MANAGEMENT

8.1 An effective governance structure, defining clear responsibilities, and ensuring that the decision making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

9 EQUALITIES STATEMENT

9.1 There are no material implications related to the Committee in respect of this report, connected to Equalities in the Fund, among its membership, employees, or employers.

10 CLIMATE CHANGE

10.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

11 OTHER OPTIONS CONSIDERED

11.1 In March 2025 the Pension Committee did also consider two other options: i) divest from A&D companies which supply Israel, ii) apply more robust investment criteria covering conflicts in general.

11.2 These options were discounted owing to legal constraints and complexity of the Fund being able to implement in practice.

12 CONSULTATION

12.1 The Council's Director of Financial Services, Assurance & Pensions has had the opportunity to input to this report and has cleared it for publication.

Contact person	Nick Dixon nick_dixon@bathnes.gov.uk
Background papers	None
Please contact the report author if you need to access this report in an alternative format.	

APPENDIX 1

<u>ITEM 9 - Summary of key legal points</u>

Legal advice has been taken from external solicitors and counsel (Nigel Giffin KC), to ensure that whatever decisions are taken by the Pension Committee are in accordance with its legal obligations and duties towards the Fund and its employers and members. The full legal advice, which discusses the particular facts under consideration here, is privileged and confidential in the normal way, and is not intended to be published. However, in the interests of the fullest possible public understanding of what the Pension Committee now has to decide, this summary of key legal points has been prepared, with the involvement of the Fund's lawyers, for the purposes of publication. Publication of this summary is not intended to waive privilege in any other legal advice or communications relating to this issue.

1. The Pension Committee is considering a proposal to exclude from the Fund's investments all aerospace and defence companies, on grounds which are social or ethical rather than financial.

2. The legal position is that the Authority (i.e, Bath & North East Somerset Council acting as the administering authority of the Fund, and here acting through its pension fund committee) may only base investment decisions upon non-financial factors if two conditions are satisfied:

   (a) That to do so would not involve significant risk of financial detriment to the Fund ("the financial condition"); **<u>and</u>**

   (b) There is good reason to think that scheme members would support the decision ("the member support condition").

3. Both these conditions must be individually satisfied. If either condition is not met, it would be unlawful to proceed on these non-financial grounds. This means it is not a question of, for example, balancing the degree of support against the degree of financial detriment. If both conditions in paragraph 2 are met, it is then for the Authority to make an overall judgment about the right course of action, taking account of all the relevant circumstances.

4. The Authority's investment strategy must include its policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and the Fund must be invested in accordance with that investment strategy. Excluding aerospace and defence companies from the Fund's investments would amount to (part of) such a policy, and it would therefore need to be included in the investment strategy if it were adopted.

5. When formulating or reviewing the investment strategy, the Authority must consult such persons as it considers appropriate on the proposed content of the strategy. It must also take “proper advice”.

6. Whether the financial and member support conditions are in fact met here is a matter for the Authority to judge, provided that it takes a legally correct approach, takes account of the considerations which are legally relevant and reaches a rational conclusion.

7. In relation to the financial criterion, the essential point is that the Authority, acting as a prudent custodian of the Fund, ought not to pursue a policy which, for non-financial reasons, creates a realistic possibility of the Fund suffering financial detriment which is material in the context of the Fund’s size and nature. This requires consideration both of the likelihood of financial detriment arising, and the anticipated or potential scale of such detriment if it did arise.

8. In relation to the member support criterion, this probably requires something effectively equivalent to consent given by the body of members as a whole. That is likely to mean both that a high proportion of those members with a view would support the proposed policy (not necessarily near-unanimous, but not just a bare majority either), and that there is substantial positive support for that policy (as opposed e.g. to an overwhelming indifference amongst the membership).

9. There may be a variety of ways, formal or informal, in which the Authority could legitimately assess the extent of member support for a particular policy, but some rational positive basis is required for determining that the member support criterion is met. Where, as here, an organised survey of member opinion has been carried out, that is likely to represent the best evidence of member views, and some specific reason would be required for departing from what the survey shows.

prevision research

www.previsionresearch.co.uk

Avon Pension Fund member survey 2025

Summary of key findings – 12th December

INTRODUCTION AND SURVEY METHODOLOGY

The survey process

Prevision set up an online survey

The survey was designed and tested in the summer of 2025

APF emailed a link to the survey to a sample of members

The survey was live 4-22 September

Prevision received 2,500 anonymous responses

A sample of 2,500 yields findings with a margin of error of +/- 1.5%.

100,000 unique Fund members *

31,000 had previously given permission for APF to approach via email *

26,360 emailed invitations by APF **

2,500 completed the survey **

* Rounded figures
** Exact figures

Benefits and features of an online survey

BENEFITS

- **Tried and tested methodology:** the default method for consumer surveys
- **Representative**: there is a close match between the profile of those members for whom APF holds email addresses and the profile of the total membership
- **Appropriate**: 90% of UK adults have internet access (source: Office for National Statistics).

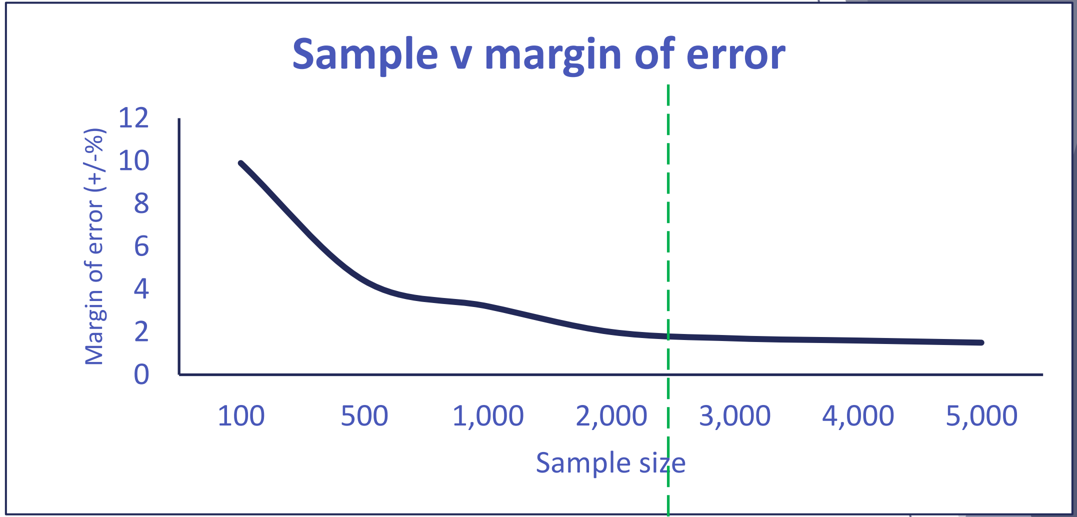
FEATURES

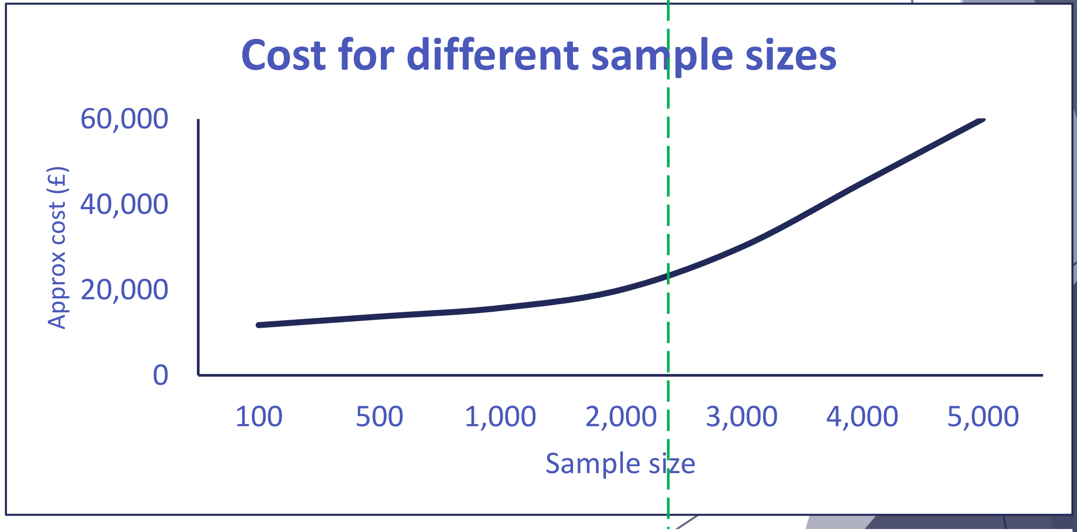
- **Transparent objectives:** explained to respondents in the covering email and within the questionnaire.
- **Clear and unambiguous:** clear terminology, questions not leading, response scales balanced.
- **Easy to complete and short:** no more than five minutes.

Why a sample of members?

A survey of a sample of members yields findings that are statistically robust and representative of the membership.

Increasing the sample size yields diminishing returns in terms of a smaller margin of error, in addition to increasing the cost of conducting the survey.





- Costs assume a mix of online and postal questionnaires - emails for the online survey will be sent by APF and the postal survey will be conducted by Prevision.
- Approx. 30,000 email addresses available for use, 70,000 postal addresses.

Weighting

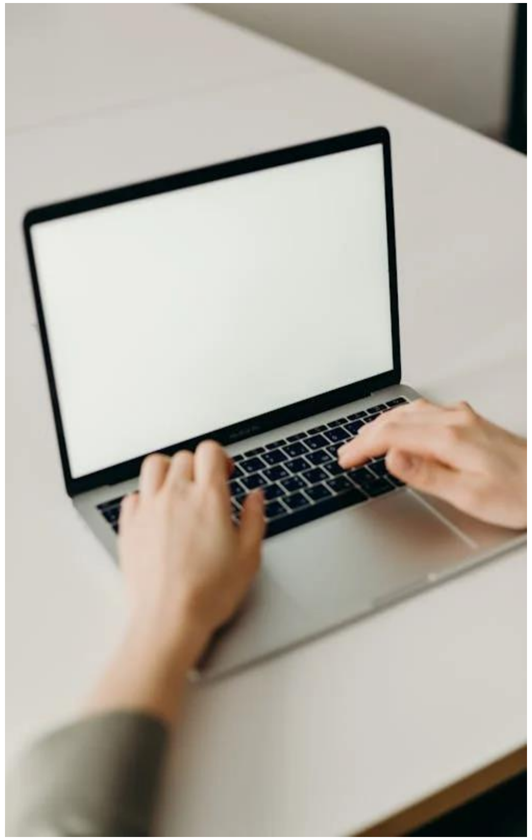
Prevision weighted the findings to ensure that the demographic profile of responses matches the overall member profile.

All figures given in the findings section are weighted.

Gender	Percentage of unique Fund members	Percentage of survey responses	Weighted percentage
Male	28.7%	49.2%	28.0%
Female	71.3%	46.8%	68.0%
Preferred not to say	-	4.%	4.0%
Total	**100%**	**100%**	**100%**

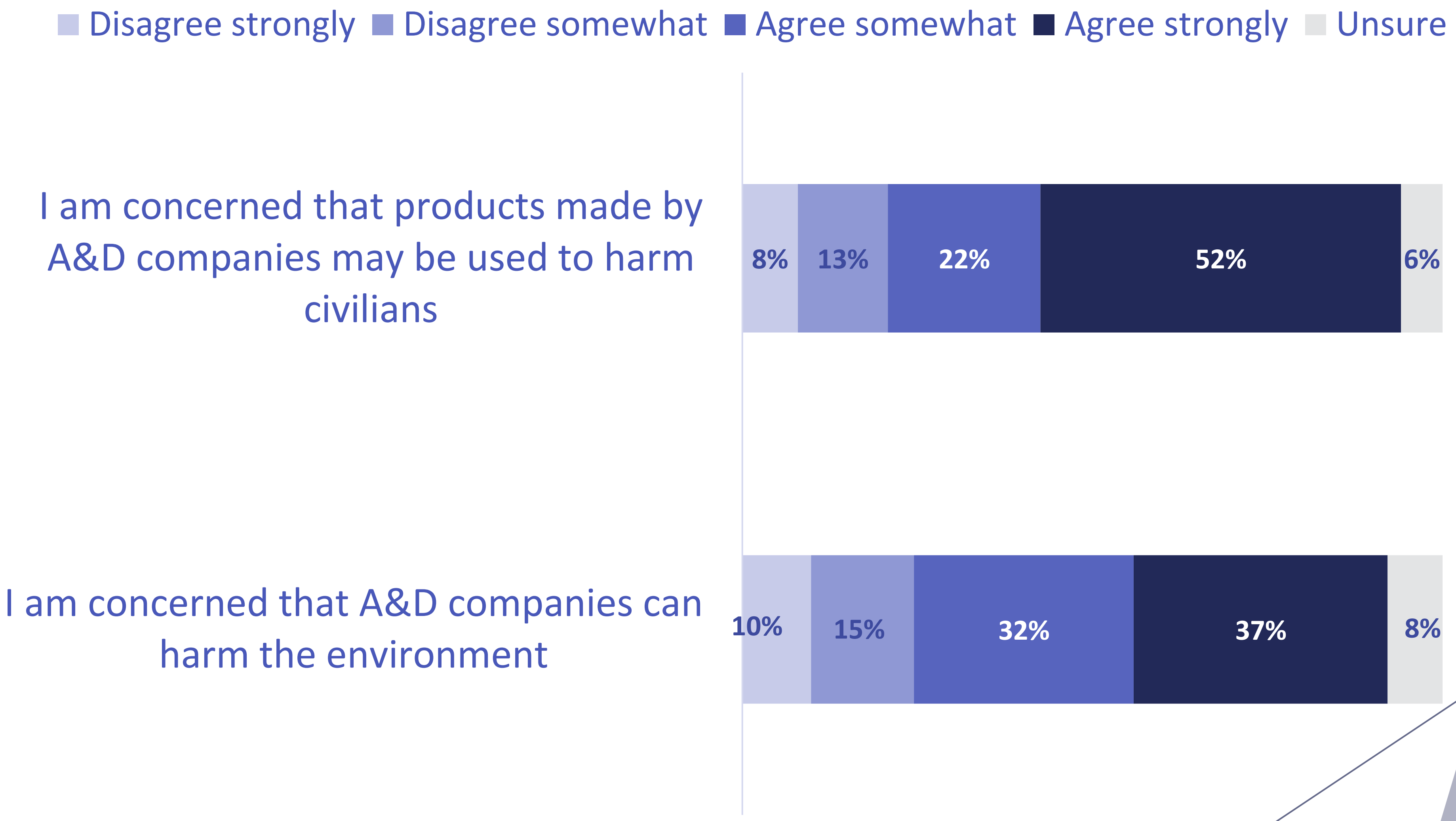
Age	Percentage of unique Fund members	Percentage of survey responses	Weighted percentage
Under 45	29.2%	19.2%	28.9%
45-54	19.9%	15.9%	19.5%
55+	50.9%	62.9%	49.6%
Preferred not to say	-	2.0%	2.0%
Total	**100%**	**100%**	**100%**

SUMMARY OF RESEARCH FINDINGS



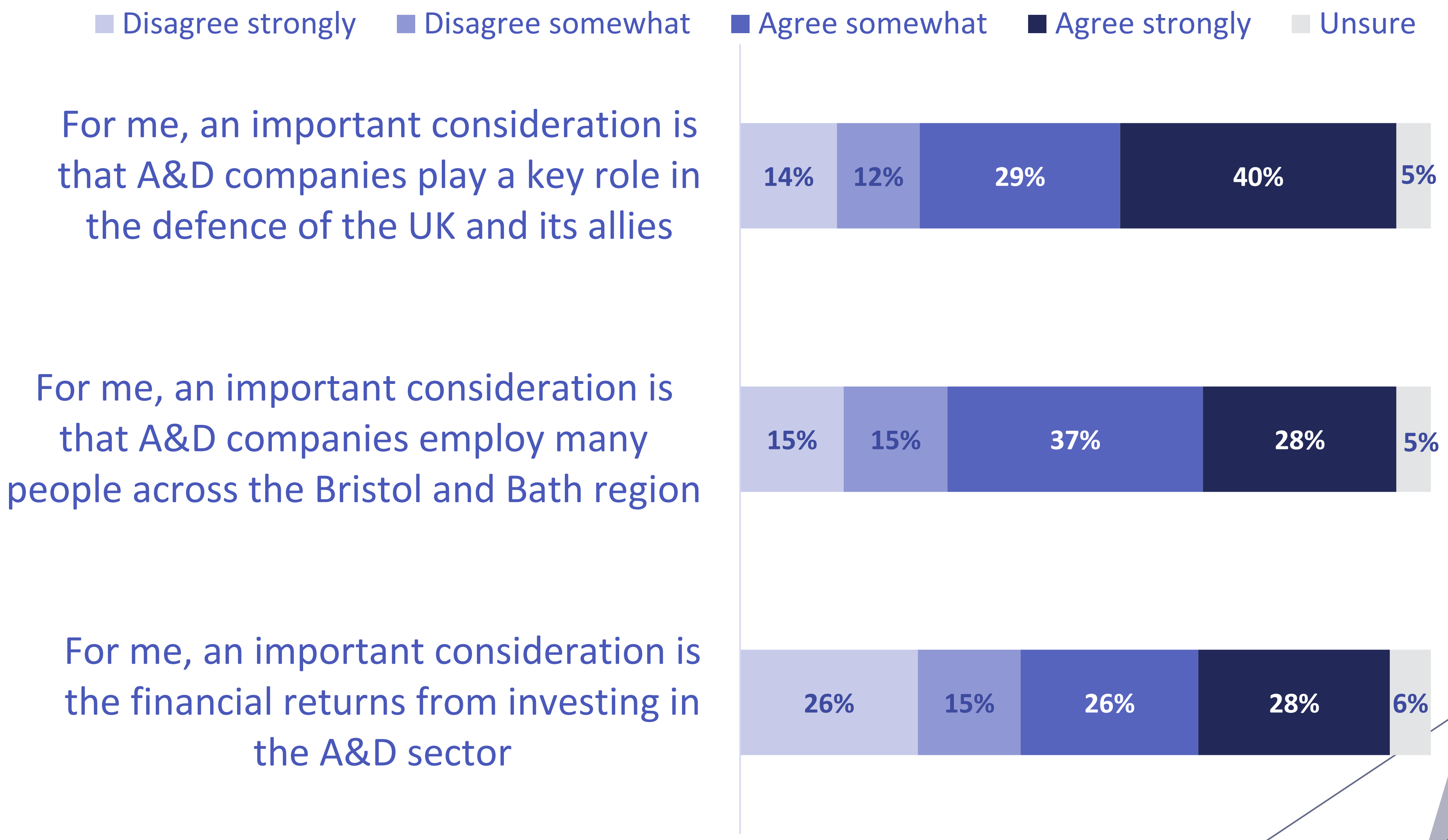
How much do members agree with statements relating to Avon Pension Fund investing in the Aerospace & Defence sector?

Agreement with statements relating to the Avon Pension Fund investing in the A&D sector (1)

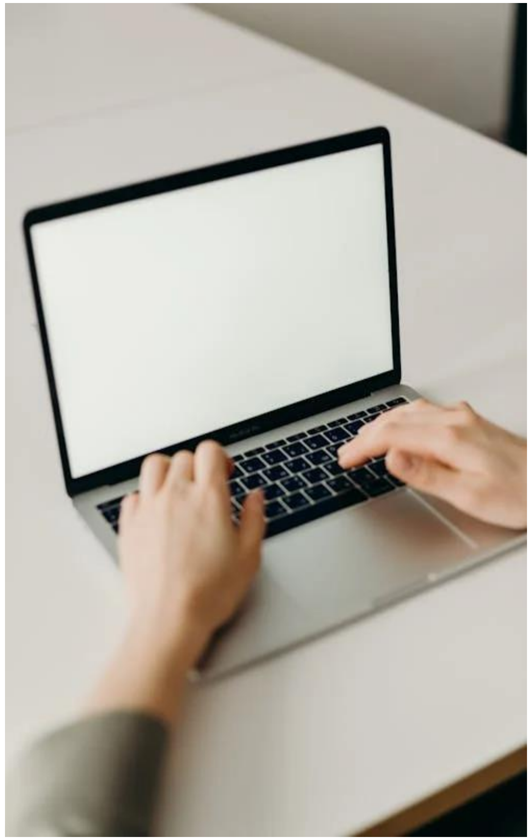


Question: How much do you agree with each statement?
Base: all respondents (n=2,500) - WEIGHTED

Agreement with statements relating to the Avon Pension Fund investing in the A&D sector (2)

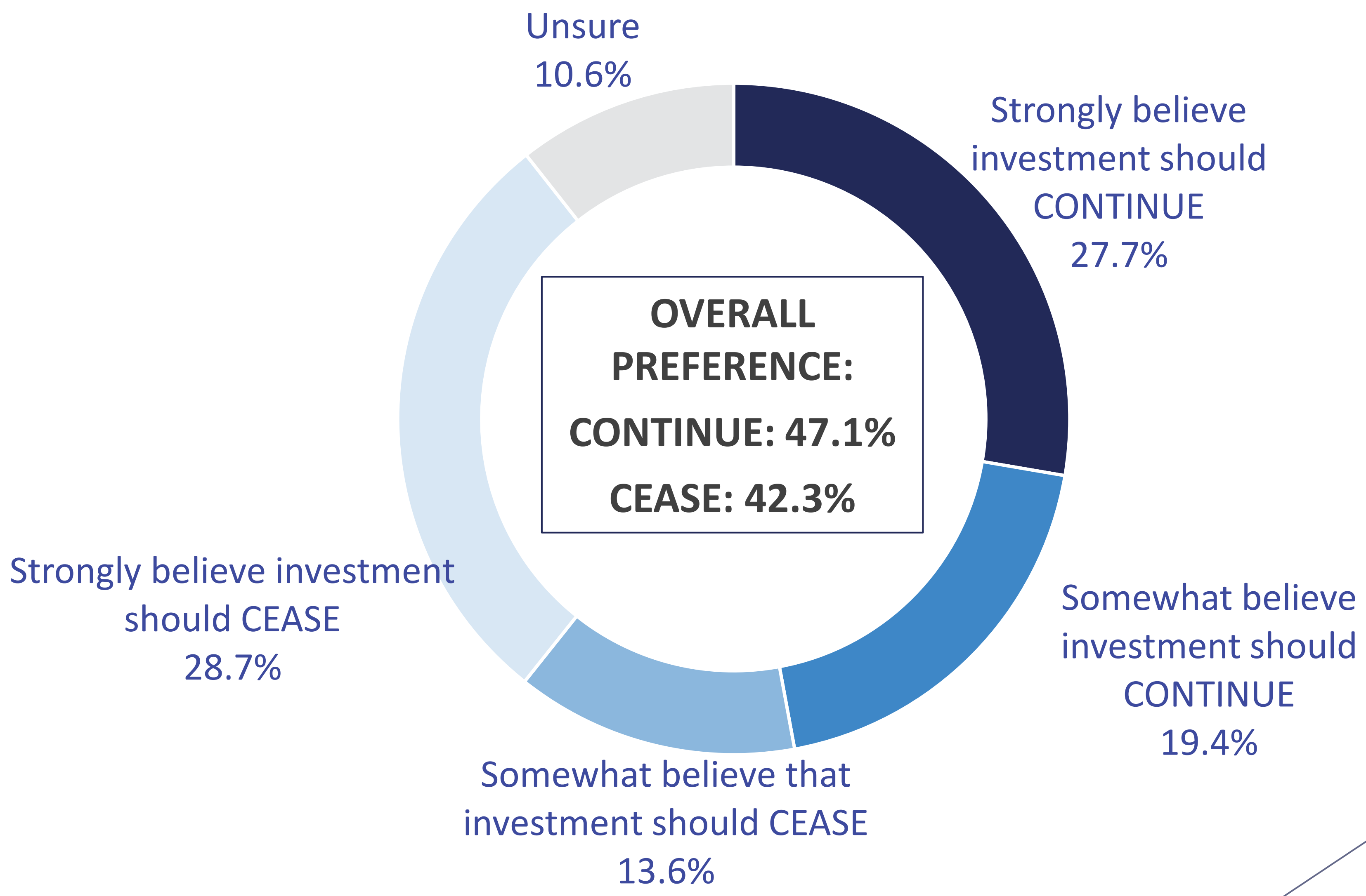


Question: How much do you agree with each statement?
Base: all respondents (n=2,500) - WEIGHTED



Overall, how much do members believe that the Fund should continue / cease investing in the Aerospace & Defence sector?

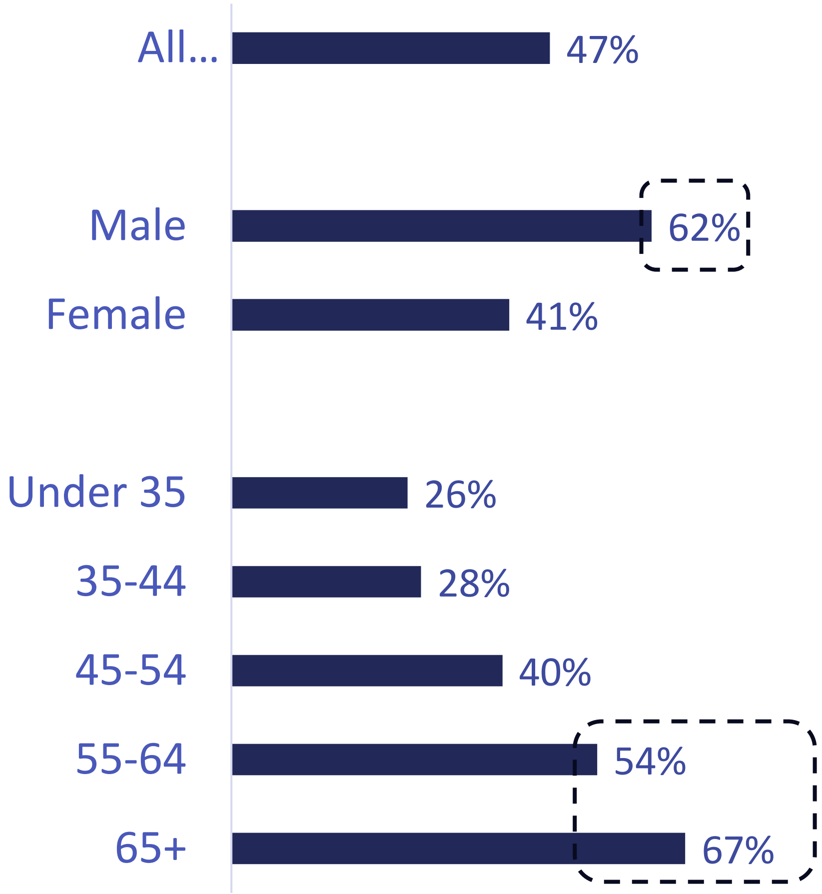
Overall, should investment in A&D sector continue or cease?



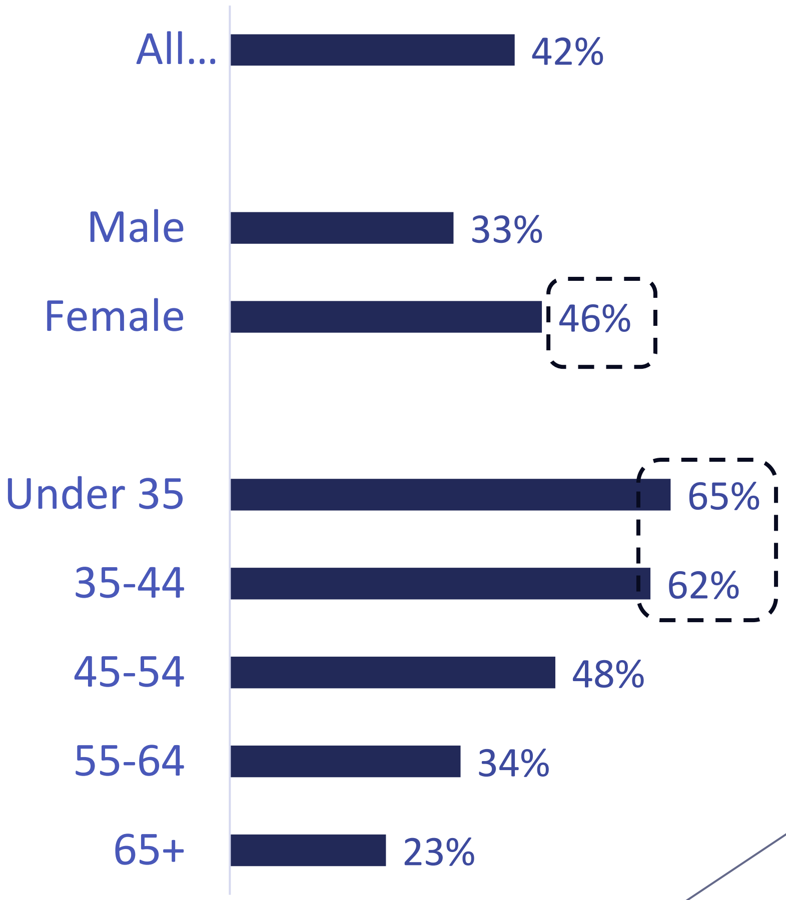
Question: Overall, how much do you agree or disagree that the Avon Pension Fund should continue / cease investing in the A&D sector?
Base: all respondents (n=2,500) - WEIGHTED

Demographic analysis of whether investment in A&D sector should continue or cease

Percentage agreeing that the Fund should CONTINUE investing in A&D sector



Percentage agreeing that the Fund should CEASE investing in A&D sector



Question: Overall, how much do you agree or disagree that the Avon Pension Fund should continue / cease investing in the A&D sector?
Base: all respondents (n=2,500) - WEIGHTED

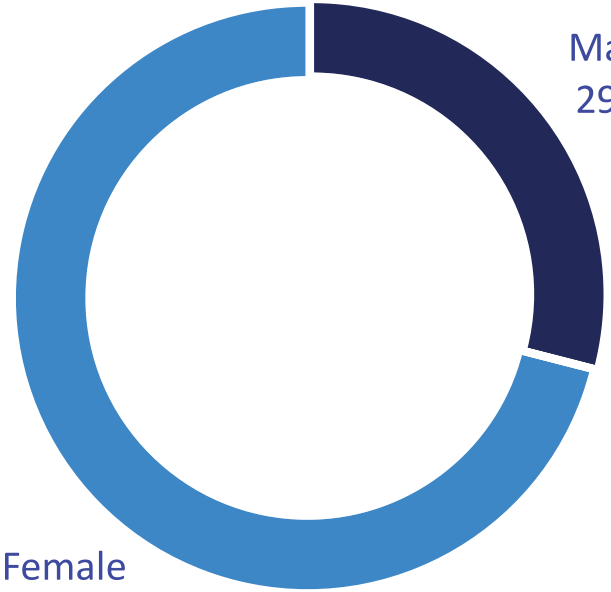
In summary…

- Members expressed concern about the harm caused to civilians and the environmental impact of the Aerospace & Defence sector.
- At the same time, members acknowledged that the sector contributes to UK defence and local employment.
- Members also took into account the financial returns of investment in the sector.
- Weighing up these issues, members expressed a preference for the Fund continuing to invest in the A&D sector, although 42% preferred that the Fund ceased investing in the sector.
- Older members and males tended to prefer continuing investment in the sector, whereas females and younger members tended to prefer ceasing investment in the sector.

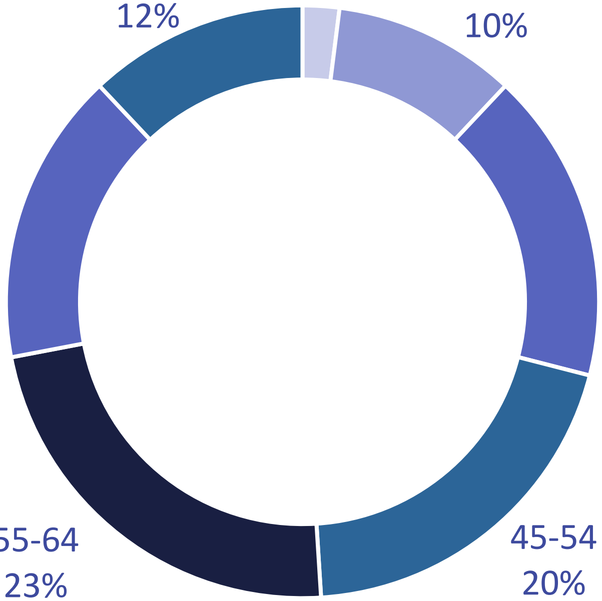
APPENDIX - METHODOLOGY

Profile of all members

BY GENDER



BY AGE



As of August 2025, there were just over 100,000 Fund members.

Over 70% were women.

Just over half were aged 55+.

Sampling and response

The survey employed stratified sampling i.e. invitations were sent to members randomly selected within gender /age groups - to ensure the sample included a good demographic distribution.

Gender	Number of members responding	Percentage of all respondents
Male	1,231	49.2
Female	1,170	46.8
Preferred not to say	99	4.0
Total	**2,500**	**100.0**

Age	Number of members responding	Percentage of all respondents
Under 35	178	7.2
35-44	300	12.0
45-54	398	15.9
55-64	662	26.5
65+	909	36.4
Preferred not to say	53	2.0
Total	**2,500**	**100.0**

Methodology – sampling and weighting

The sample has been weighted to ensure that the demographic profile of those completing the survey matches the actual profile of members (although some preferred not to divulge demographic information).

The weighting ensures that the percentage of respondents in each demographic group matches the actual percentage of members in each group.

Gender	Percentage of unique Fund members	Percentage of survey responses	Weighted percentage
Male	28.7%	49.2%	28.0%
Female	71.3%	46.8%	68.0%
Preferred not to say	-	4.%	4.0%
Total	**100%**	**100%**	**100%**

Age	Percentage of unique Fund members	Percentage of survey responses	Weighted percentage
Under 35	12.0%	7.2%	12.0%
35-44	17.2%	12.0%	16.9%
45-54	19.9%	15.9%	19.5%
55-64	22.9%	26.5%	22.5%
65+	28.0%	36.4%	27.1%
Preferred not to say	-	2.0%	2.0%
Total	**100%**	**100%**	**100%**

Methodology – weighting examples

Examples of the weights are shown opposite.

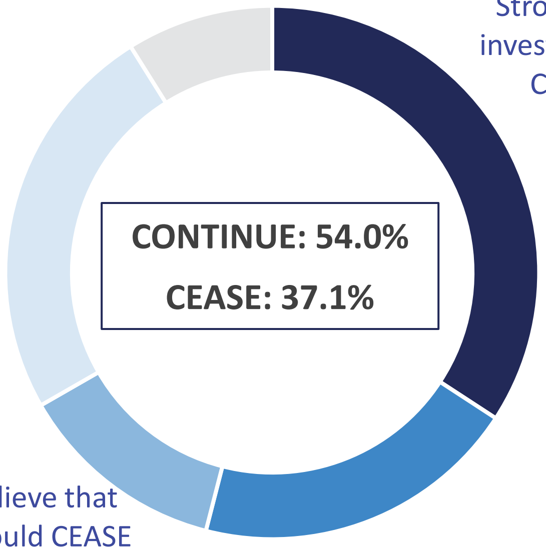
For example, the percentage of males aged 45-54 in the survey was higher than their actual percentage among members.

The findings for survey respondents in this group have therefore been down-weighted by a factor of 0.6.

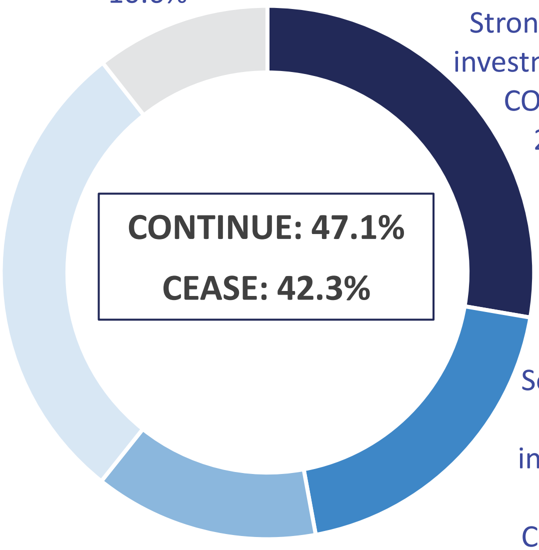
Group	Actual percentage of members	Percentage of completed surveys	Weighting applied to group
Males aged 25-34	3.1%	2.6%	3.1/2.6 = 1.2
Females aged 25-34	6.6%	3.5%	6.6/3.5 = 1.9
Males aged 45-54	4.8%	8%	4.8/8 = 0.6
Females aged 45-54	15%	8%	15/8 = 1.9

Comparing weighted findings with unweighted findings for key question on whether to continue or cease investment in A&D

UNWEIGHTED RESPONSES



WEIGHTED RESPONSES



Key findings:

- When the responses are ***not*** weighted, there is a strong preference for continuing investment in A&D.
- When weighting is applied, there is still a preference for continuing albeit more modest.

Question: Overall, how much do you agree or disagree that the Avon Pension Fund should continue / cease investing in the A&D sector?
Base: all respondents (n=2,500)

Respondents were given some context…

The Avon Pension Fund invests approximately £18m in Aerospace & Defence companies (0.3% of its assets) spread across over twenty companies in the sector.

These companies make nearly all their sales to the UK, NATO countries, and Ukraine, and so play an important role in the defence of the UK and its allies. Some of these companies supply Israel. All conflicts harm civilian populations.

Companies in which the Fund invests align with UN Global Principles on human rights. We exclude companies which make controversial weapons such as land mines *. The Fund also complies with all local laws, such as those of the UK and EU.

Aerospace & Defence companies employ over 4,000 people across the wider region around Bristol and Bath.

* We exclude companies which make controversial weapons such as land mines, where they have been independently assessed as being in breach of the UN Global Compact.

Prevision

- The survey has been conducted by independent market research agency Prevision Research.
- We have extensive experience of conducting research in the public sector e.g. the **Health Dept**, **NHS** and the **Department of Business, Energy and Industrial Strategy**.
- Clients also include not-for-profit organisations e.g. **Citizens Advice**, the **Energy Saving Trust**, **RNIB**, **Age UK.**
- Prevision Director Trevor Wilkinson and Operations Director Richi Turner each has over 20 years' experience in market research.
- Prevision is a member of the Market Research Society and abides by the MRS Code of Conduct.

Bath & North East Somerset Council

Access to Information Arrangements

Exclusion of access by the public to Council meetings

Information Compliance Ref: LGA-2666154
Meeting / Decision: Avon Pension Fund Committee
Date: 12th December 2025
Author: Nick Dixon
Exempt Report Title: Investments Pooling **Exempt Appendix Title:** Appendix a) Memorandum of Understanding

The report and appendix contain exempt information, according to the categories set out in the Local Government Act 1972 (amended Schedule 12A). The relevant exemption is set out below.

Stating the exemption: 3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

The public interest test has been applied, and it is concluded that the public interest in maintaining the exemption outweighs the public interest in disclosure at this time. It is therefore recommended that the report and appendix be withheld from publication on the Council website. The paragraphs below set out the relevant public interest issues in this case.

PUBLIC INTEREST TEST

If the Committee wishes to consider a matter with press and public excluded, it must be satisfied on two matters.

Firstly, it must be satisfied that the information likely to be disclosed falls within one of the accepted categories of exempt information under the Local Government Act 1972. Paragraph 3 of the revised Schedule 12A of the 1972 Act exempts information which relates to the financial or business affairs of the organisations which is commercially sensitive to the organisations. The officer responsible for this item believes that this information falls within the exemption under paragraph 3 and this has been confirmed by the Council's Information Compliance Manager.

Secondly, it is necessary to weigh up the arguments for and against disclosure on public interest grounds. The main factor in favour of disclosure is that all possible Council information should be public and that increased openness about Council business allows the public and others affected by any decision the opportunity to participate in debates on important issues in their local area. Another factor in favour of disclosure is that the public and those affected by decisions should be entitled to see the basis on which decisions are reached.

Weighed against this is the fact that the exempt report and appendix contain strategic and financial information about the proposal, which is commercially sensitive and could prejudice the commercial interests of the organisation if released. It would not be in the public interest if advisors and officers could not express in confidence opinions or proposals which are held in good faith and on the basis of the best information available.

It is also important that the Committee should be able to retain some degree of private thinking space while decisions are being made, in order to discuss openly and frankly the issues under discussion in order to make a decision which is in the best interests of the Fund's stakeholders.

The Council considers that the public interest is in favour of not holding this matter in open session at this time, and that any reporting on the meeting is prevented in accordance with Section 100A(5A).

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	**12 DECEMBER 2025**
TITLE:	**Review of Investment Strategy & Performance**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Mercer Performance Monitoring Report Appendix 2 – LAPFF Quarterly Engagement Report	

1 THE ISSUE

1.1 This paper reports on the investment performance of the Fund and seeks to update the Committee on routine strategic aspects of the Fund's investments and funding level, policy and operational aspects of the Fund.

1.2 The Fund underperformed its strategic benchmark by 1.0% for the quarter ending 30 September 2025, primarily due to underperformance of the Brunel active equity funds. Return drivers are discussed in further detail in section 4 of this report and in the Mercer report (Appendix 1).

1.3 Appendix 2 summarises the voting and engagement activity undertaken on behalf of the Fund by the Local Authority Pension Fund Forum (LAPFF).

2 RECOMMENDATIONS

The Committee is asked to;

2.1 **Note the information set out in the report and appendices**

3 INVESTMENT STRATEGY

A – Funding Level and Investment Performance

3.1 The third quarter of 2025 saw positive returns across most major asset classes as continued enthusiasm around AI drove technology stocks higher, whilst easing trade tensions and a US rate cut in September supported broader risk appetite. Looking ahead, elevated stock valuations, persistent inflation and ongoing geopolitical tensions continue to present potential challenges for markets.

3.2 The Fund's assets stood at £6,184m on 30 September 2025, delivering a net return of 3.0% over the quarter. This was 1.0% behind the return for the strategic benchmark. The Brunel listed equity portfolios delivered positive absolute returns over the quarter, but failed to outperform their respective benchmark indices. The LDI portfolio also detracted from returns as did some of the newly initiated local impact positions, owing to the fact fees are charged on committed capital rather than actual monies invested. The Brunel private markets positions performed well, benefitting from a diverse set of underlying assets and sectors.

3.3 Longer-term returns followed a similar pattern, with the Fund underperforming its strategic benchmark by 5.9% and 3.6% for 1-year and 3-year timeframes, respectively.

3.4 The estimated funding level stood at 109% at 30 September 2025 (c. £489m surplus), 12% ahead of the projected funding level from the 2022 valuation.

Table 1: Fund Investment Returns (30 September 2025)

	3 Months	12 Months	3 Years (p.a)
Avon Pension Fund (incl. currency hedging)	2.9%	2.8%	4.9%
Avon Pension Fund (excl. currency hedging)	3.3%	2.9%	3.7%
Strategic benchmark (no currency hedging)	3.9%	8.7%	8.5%

B – Portfolio Performance

3.5 The Fund's top 10 equity positions and a brief summary of portfolio level performance can be found below. Further detail on portfolio performance can be found in Section 4 of the Mercer report (Appendix 1).

Table 2: Top 10 Equity Positions

Security Name	**Sector**	**Country**	**Value of Holding**	**% of Fund assets**
Microsoft	IT	United States	£93.9m	1.5%
NVIDIA	IT	United States	£71.7m	1.2%
Amazon	Consumer Discretionary	United States	£65.5m	1.1%
Alphabet	Communications	United States	£43.7m	0.7%
Taiwan Semiconductor	IT	Taiwan	£42.5m	0.7%
Mastercard	Financials	United States	£36.8m	0.6%
Apple	IT	United States	£33.4m	0.5%
ASML	IT	Netherlands	£30.1m	0.5%
Tesla	Consumer Discretionary	United States	£29.2m	0.5%
Visa	Financials	United States	£24.7m	0.4%
TOTAL	**--**	**--**	**£471.5m**	**7.7%**

3.6 **Listed Markets.** The Brunel Global High Alpha portfolio returned 7.1% over the quarter, which was 2.2% behind the MSCI World Index. The positive contribution from sector allocation was offset by weaker stock selection. The portfolio's underweight position in banks, which performed strongly over the period, and higher relative exposure to payments service providers, financial exchanges and data companies were the largest detractors due to perceived threats from AI models. Meanwhile, the Global Sustainable Equity portfolio delivered a return of 5.7% over the quarter, which was behind the 9.7% return for the MSCI ACWI benchmark index. Half of the relative underperformance was attributable to the funds underweight to large IT names such as NVIDA and Apple; companies known to be inconsistent with the funds sustainability criteria.

Diversifying Returns fund returned 3.3% over the quarter, whist its benchmark (SONIA +3%) returned 1.8%. Underlying managers were able to capture strong returns from both traditional asset classes as well as alternatives. The Multi Asset Credit fund returned 2.2%, slightly ahead of its primary target (SONIA +4%).

3.7 **Private Markets.** The private markets portfolios delivered small positive returns in the third quarter despite continued uncertainty across both policy and the broader macroeconomic environment. Private Debt portfolios benefitted from healthy private credit markets, supported by company fundamentals, disciplined underwriting and growing investor interest. The performance of the Brunel Private Debt portfolios remains strong, generating an attractive cash yield. Floating-rate loans have benefited from sustained high base rates, and FX hedging has insulated returns from currency volatility.

The Brunel Infrastructure portfolios are diversified across sponsors, technologies and regions. Performance remains positive and despite headwinds for renewables, the portfolio continues to benefit from rising demand for clean power, energy independence and digital infrastructure, the latter of which remains one of the fastest-growing segments. Performance of the Secured Income portfolios continues to be driven by income and capital values have been helped by the recent UK interest rate cut.

3.8 **Returns vs Strategic Assumptions.** Absolute returns compared to the strategic returns modelled at the strategy review in 2023 have been positive for all equity mandates. Within the liquid growth portfolio, the Multi-Asset Credit fund has exceeded modelled returns however the Diversified Returns Fund has marginally underperformed. Returns for the illiquid portion of the portfolio have generally been lower than expected, however many of these portfolios are still in drawdown phase. Modelled returns will be updated to reflect data used in the 2025 strategy review next quarter.

3.9 **Local Impact Portfolio.** The Fund has a 5% strategic allocation to local impact investments across 3 core themes: renewable infrastructure, affordable housing and SME funding. At 30 September 2025 3% (£180m) had been committed to underlying managers and c. £63m deployed. As the portfolio is still in its build up phase performance is not yet meaningful, however pace of capital deployment and the developing pipeline of opportunities is meeting expectations. During the quarter Wessex Gardens (renewable infrastructure) made a distribution of £0.9m, Foresight (SME) acquired a second portfolio company and Octopus (affordable housing) expects to make its first distribution in Q425. Octopus are also in the process of agreeing terms with a local housing association to support the deployment of the Fund’s Avon co-invest allocation (£10m).

4 QUARTERLY STEWARDSHIP SUMMARY

1.1 As a responsible investor, we actively endorse collaborative engagement and seek to use our power as a shareholder to encourage corporate change. Voting and engagement are delegated to the Brunel Pension Partnership for the actively managed equity portfolios and to Legal and General Investment Management (LGIM) for the passive portfolios. On significant issues, Brunel may request that their shares held by LGIM are split out and a different vote made. The voting records of Brunel and LGIM at company meetings held over the last quarter are summarised in the following table:

Table 3 – Votes cast at company meetings (30 September 2025)

Manager	Number of Meetings	Number of Resolutions	Votes against management recommendation
Brunel/LGIM - Passive Portfolios	77	900	167
Brunel - Active Portfolios	20	212	12

1.2 The votes against management recommendations will reflect matters where there is concern that the company is not addressing the relevant issue and managing it effectively. The Fund would expect that votes against management should be primarily on the priority areas set out in the Fund's Investment Strategy Statement.

1.3 Brunel conduct significant engagement with investee companies on behalf of the Fund. Information on Brunel's engagement activity can be found on their website using the following link: Brunel Website

1.4 Details of LAPFF lead initiatives and engagement work can be found at Appendix 2.

5 STATUTORY CONSIDERATIONS

5.1 Bath and North East Somerset Council, in its role as administering authority, has executive responsibility for the Avon Pension Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee which is the formal decision-making body for the Fund.

6 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

6.1 Returns achieved by the Fund for the three years commencing 1 April 2023 impact the next triennial valuation which will be calculated as at 31 March 2025. The returns quoted are net of investment management fees.

7 RISK MANAGEMENT

7.1 An effective governance structure, defining clear responsibilities, and ensuring that the decision making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

8 EQUALITIES STATEMENT

8.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

9 CLIMATE CHANGE

9.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

10 OTHER OPTIONS CONSIDERED

10.1 None.

11 CONSULTATION

11.1 The Council's Director of Financial Services, Assurance & Pensions has had the opportunity to input to this report and has cleared it for publication.

Contact person	Nathan Rollinson, Investments Manager 01225 395357 (ext. 5357)
Background papers	None
Please contact the report author if you need to access this report in an alternative format.	

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Mercer

welcome to brighter

Avon Pension Fund

Committee Investment Report
Quarter to 30 September 2025

November 2025

Steve Turner

A business of Marsh McLennan

Contents

Executive Summary

1

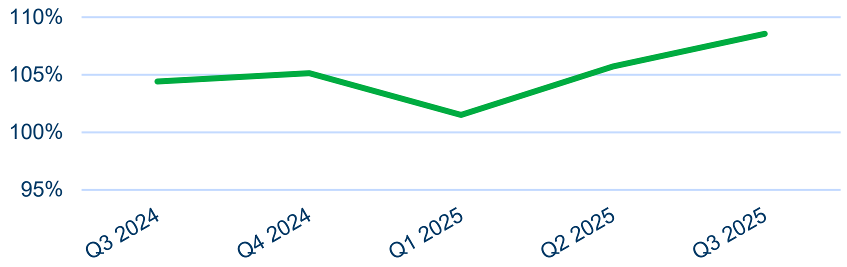
Executive Summary

Market background

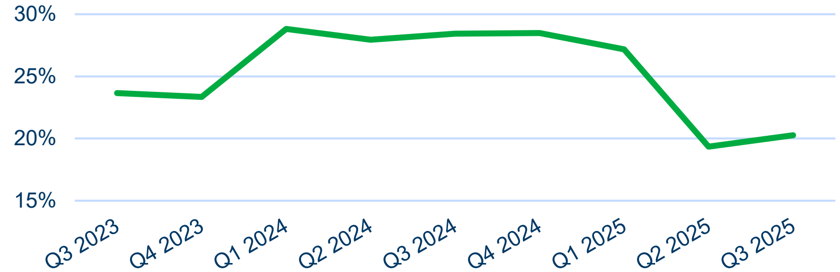
- In the third quarter, financial markets were driven by the resilience of economic growth with equities continuing to rally and bond returns mixed.
- While some developed market central banks continued cutting rates, policymakers warned that the outlook warranted a cautious approach on the back of potential risks emerging from tariffs and trade. In the third quarter, the US Federal Reserve reduced its policy rate by 0.25%, amid tensions between President Donald Trump and members of the central bank. Interestingly, economic resilience shone through with growth surpassing expectations, even as the labour market softened.
- Overall, bond yields were mostly higher across developed markets, while global equities ended the quarter on a positive note.

Funding level and risk

- The funding level is estimated to have increased over the quarter to c.109% due to the assets increasing in value. The estimated present value of the liabilities also fell marginally.
- The funding level is estimated to be c. 4% higher over the year to 30 September 2025.



- The Value-at-Risk ("VaR") increased over the quarter to £1,154m, due to the rise in the value of the assets, as well as a change in correlation assumptions over the quarter between interest rates and inflation expectations.
- As a percentage of liabilities, the VaR remained broadly unchanged at c.20%.



Asset allocation and strategy

- Over the quarter, a net amount of c. £11m was drawn down to the private market portfolio.
- The Committee has agreed changes to the Strategic Asset Allocation as part of the 2025 Investment Strategy Review. These have not been reflected in this report, but are outlined on slide 22 for reference, and will be reflected in the next performance report once the changes have been ratified in the Investment Strategy Statement and implementation is further progressed.

Executive Summary

Performance

- In aggregate, positive returns were driven mainly by the equity holdings. Most of the alternative Liquid Growth and Illiquid Growth portfolios were also positive, with Private Debt standing out.
- The Equity Protection Strategy detracted from returns, which was in-line with expectations given rising markets, whilst the LDI also detracted due to a rise in UK gilt yields.
- At the underlying level, relative performance of the mandates against their respective benchmarks was mixed. The Active Equity mandates and the Synthetic Equity holdings (due to currency dynamics) detracted, though most of the Liquid Growth and Illiquid Growth portfolios delivered positive relative returns.
- Underperformance relative to the strategic benchmark over the one-year period was driven by the Active Equity mandates, the Synthetic Equity (due to benchmarking dynamics), the Equity Protection Strategy and the Secured Income mandates, as well as the way in which the LDI allocation is reflected in the methodology for total Fund benchmark returns.
- The drivers of underperformance over the three year period were the Active Equity, Equity Protection, and Secured Income mandates.

	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund **(1)**	2.9	2.8	4.9
Strategic Benchmark **(2)** (ex currency hedge)	3.9	8.7	8.5
Relative **(1 - 2)**	**-1.0**	**-5.9**	**-3.6**

- The Currency Hedge detracted from returns over the three month period due to the weakening of Sterling. It was neutral over the one year period, but added to returns over three years due to Sterling strengthening.

- Absolute returns compared to the strategic returns modelled at the strategy review in 2023 have been positive for all of the Equity mandates.
- Within the Liquid Growth portfolio, relative returns have been positive for the Multi-Asset Credit mandate but negative for the Diversified Returns mandate.
- Absolute returns have been negative for the Illiquid Growth assets except for Private Debt. However, many of these assets are still in the drawdown phase.

Liability hedging mandate

- BlackRock was in compliance with the investment guidelines over the quarter.
- The interest rate and inflation hedge ratios are c.29% and c.15% respectively (as a proportion of assets).
- Following the June 2025 Committee meeting, it was agreed to discontinue the yield trigger framework in favour of adopting a strategic hedge ratio target of 50%. This will be implemented as part of the 2025 investment strategy review.

Collateral position

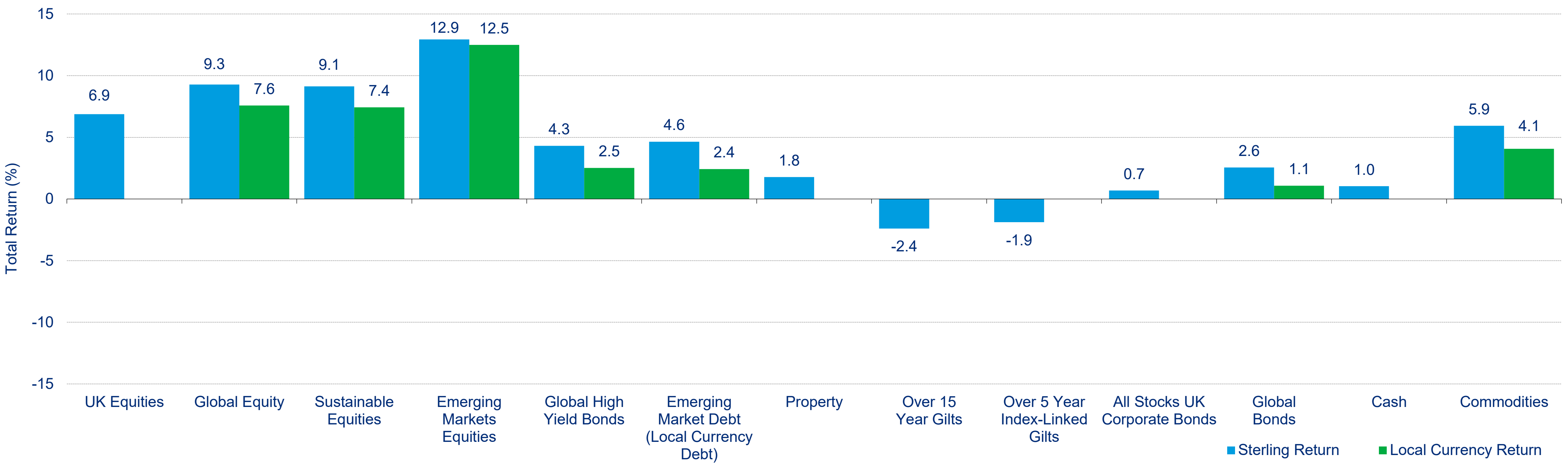
- Inclusive of assets within the collateral waterfall and the updated collateral monitoring framework, there was a total interest rate buffer of more than 10.0% as at end September 2025.
- BlackRock would request additional collateral if the interest rate buffer fell below 3%.

Market Background

2

Market Background

Return over 3 months to 30 September 2025 (%)



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In the third quarter, financial markets were driven by the resilience of economic growth with equities continuing to rally and bond returns mixed.

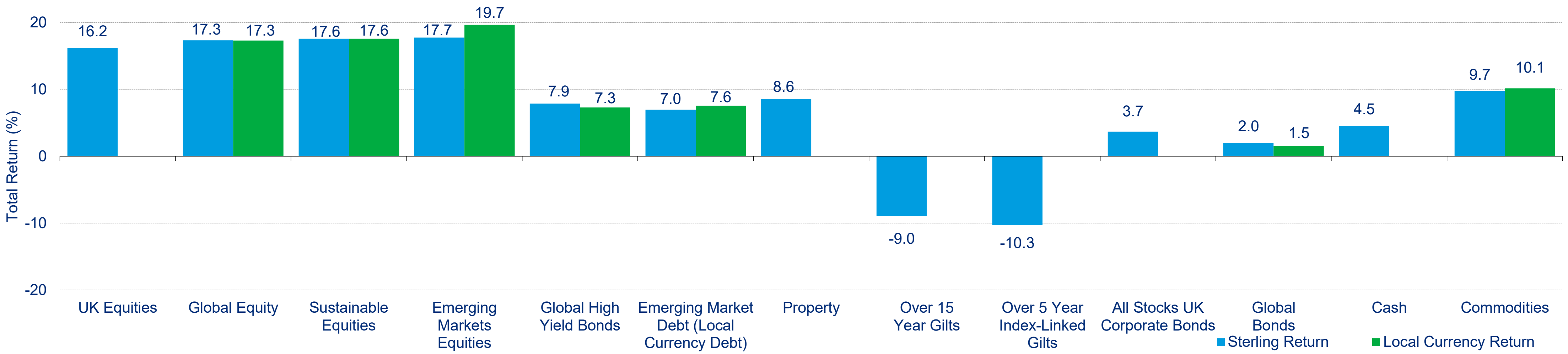
While some developed market central banks continued cutting rates, policymakers warned that the outlook warranted a cautious approach on the back of potential risks emerging from tariff and trade. In the third quarter, the US Federal Reserve reduced its policy rate by 25 basis points (bps), amid tensions between President Donald Trump and members of the central bank, including Chair Jerome Powell. Interestingly, economic resilience shone through with growth surpassing expectations, even as the labour market softened. In Europe, the European Central Bank left rates unchanged, with Germany's fiscal stimulus supporting the growth story. Notably, the change in leadership in France stirred some volatility in regional markets.

Overall, bond yields were mostly higher across developed markets, while global equities ended the quarter on a positive note.

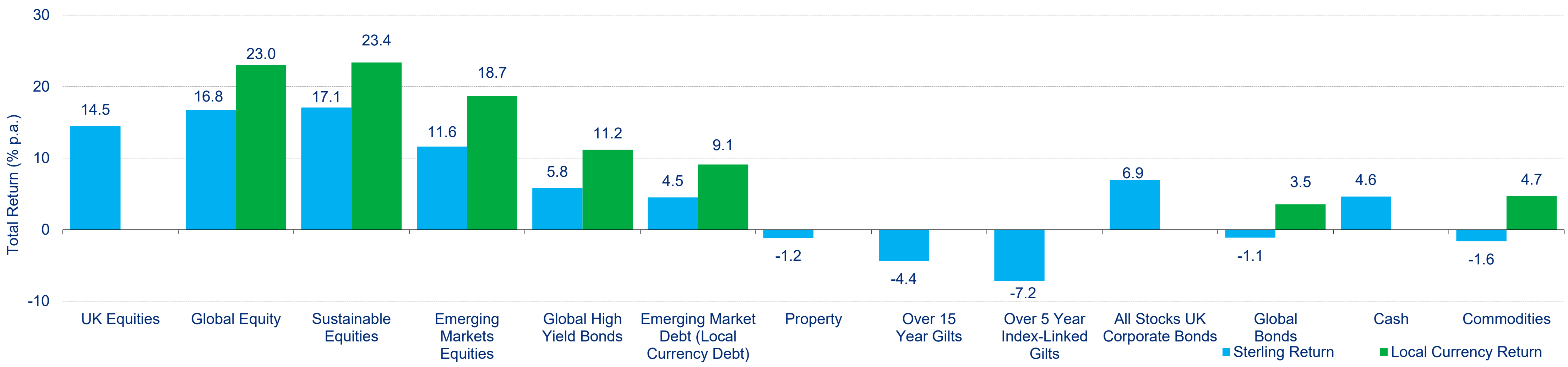
Source: LSEG Datastream

Market Background – 1 & 3 Years

Return over 1 year to 30 September 2025 (%)



Return over 3 years to 30 September 2025 (% p.a.)



Source: LSEG Datastream

Funding Level and Risk

3

Funding Level and Deficit

The Fund's assets returned 2.9% over the quarter. The liabilities are estimated to have decreased by 0.1%, which allows for market movements, benefit accrual and benefits paid.

The combined effect of this saw the estimated funding level increase to c.109%.

The funding level is estimated to be c.4% higher over the year to 30 September 2025.

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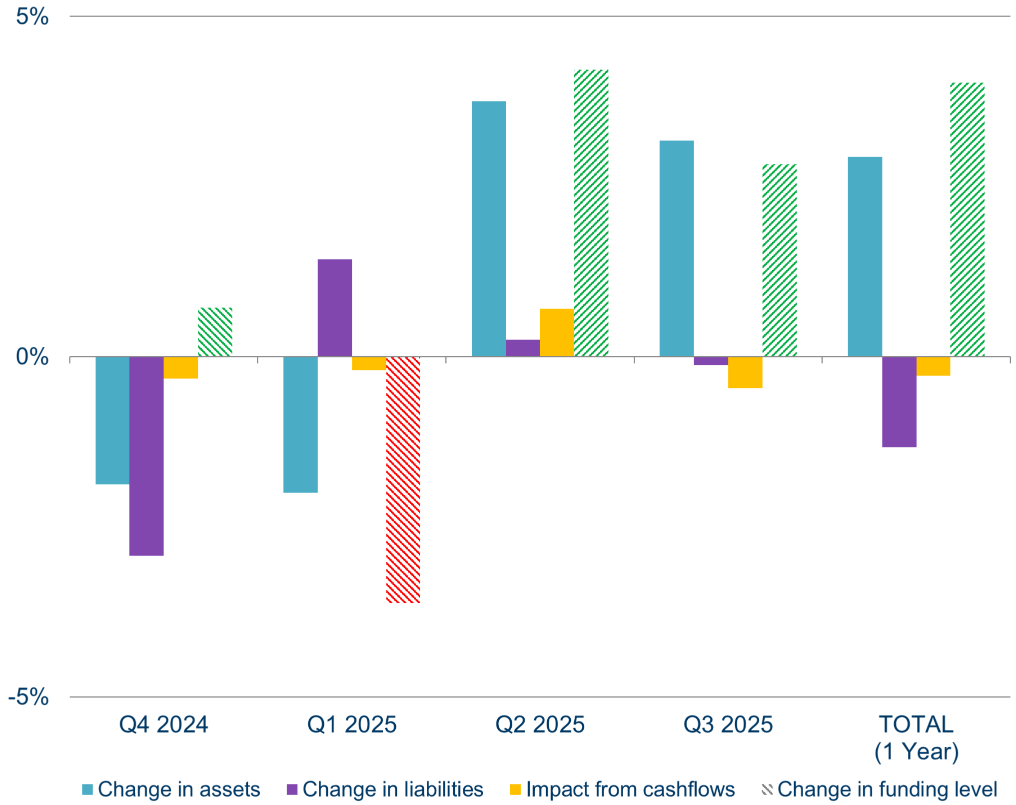
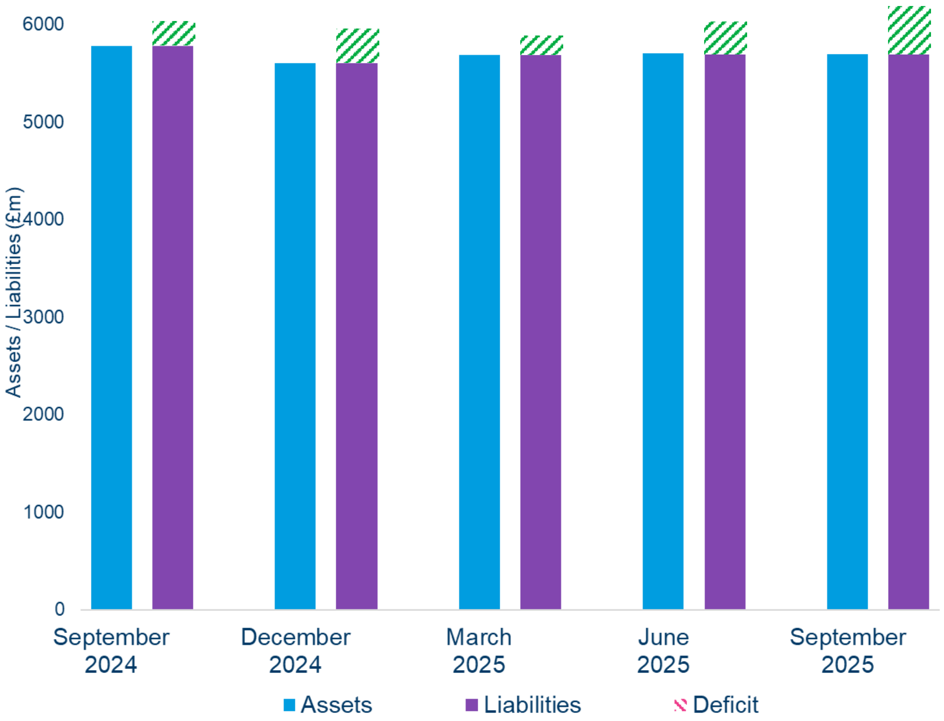


The surplus was estimated to have increased over Q3 from £327m to £487m.

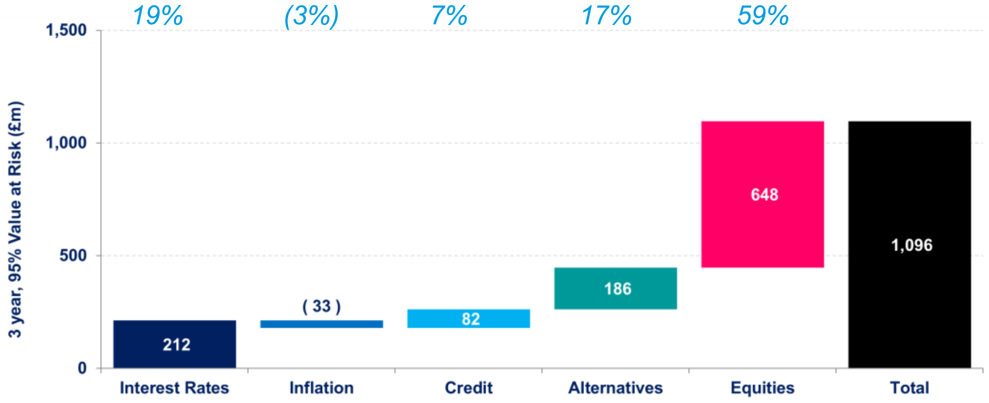


Liability values are estimated by Mercer. They are based on the actuarial valuation assumptions as at 31 March 2022 and the 'CPI plus' discount basis. This margin above CPI is dynamic, and so changes on a monthly basis due to market conditions and is reviewed each quarter to also consider any changes in return outlook. This can sometimes result in retrospective changes to previous liability value estimates presented in previous reports.
Impact figures are estimated by Mercer.

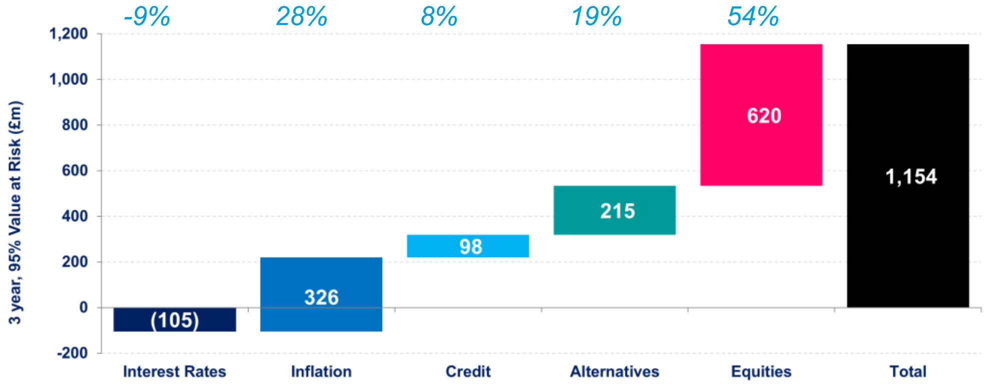
Risk Decomposition – 3 Year Value at Risk

- The two charts below illustrate the main risks that the Fund is exposed to, and the size of these risks.
- The purpose of showing these is to ensure there is an awareness of the risks faced and how they change over time, and to initiate debate on an ongoing basis around how to best manage these risks, so as not to lose sight of the 'big picture'.
- The final columns show the estimated 95th percentile Value-at-Risk (VaR) over a one-year period. In other words, if we consider a downside scenario which has a 1-in-20 chance of occurring, what would be the impact on the deficit relative to our 'best estimate' of what the deficit would be in three years' time.

30 June 2025



30 September 2025



- As at 30 September 2025, if a 1-in-20 'downside event' occurred over the next three years, the funding position could deteriorate by at least an additional **£1.2bn**.
- Each bar to the left of the total represents the contribution to this total risk from the primary underlying risk exposures (interest rates and inflation, changes in credit spreads, volatility of alternative assets and equity markets, and the benefit from equity options*).
- Overall, **the VaR increased by £59m over the quarter**, due to the rise in the value of the assets as well as a change in correlation assumptions over the quarter between interest rates and inflation expectations.
- VaR rose marginally as a percentage of liabilities over the quarter from c. 19.4% to c. 20.3%.

*The offset to risk from the equity options are shown implicitly within the 'Equities' bucket, rather than separately, due to modelling refinements.

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VaR figures shown are based on approximate liability data rather than actual Fund cashflows, and are based on the strategic asset allocation at the time. They are therefore illustrative only and should not be used as a basis for taking any strategic decisions. Both are using cashflows from the 2022 valuation.

Performance Summary

4

Total Fund Performance

	3 Months (%)	1 Year (%)	3 Years (% p.a.)
Total Fund **(1)**	2.9	2.8	4.9
Total Fund (ex currency hedge)	3.3	2.8	3.7
Strategic Benchmark **(2)** (ex currency hedge)	3.9	8.7	8.5
Relative (1 - 2)	**-1.0**	**-5.9**	**-3.6**

Source: Custodian, Mercer estimates. Returns are net of fees. 'Relative' figures may not sum due to rounding.

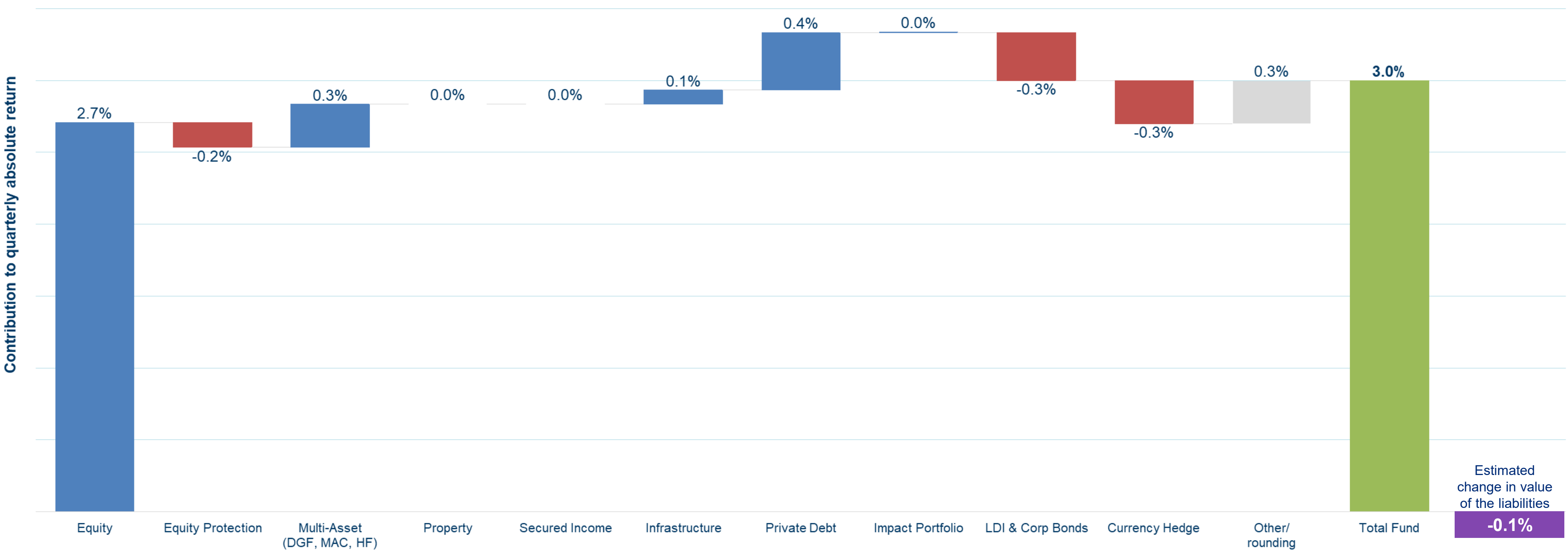
Commentary

- As illustrated on the next slide, positive absolute returns were predominantly driven by the Equity holdings.
- Most of the Liquid Growth and Illiquid Growth portfolios were also positive, with Private Debt standing out. The Equity Protection strategy offset a proportion of equity market gains as expected, and the LDI portfolio performance was negative due to a rise in UK gilt yields.
- At the underlying level, relative performance of the mandates against their respective benchmarks was mixed. The Active Equity mandates and the Synthetic Equity holdings (due to currency dynamics) detracted, though most of the Liquid Growth and Illiquid Growth portfolios delivered positive relative returns.
- Underperformance relative to the strategic benchmark over the one-year period was driven by the Active Equity mandates, the Equity Protection Strategy and the Secured Income mandates. The way in which the Synthetic Equity is benchmarked in the methodology also impacted the relative position*, as did the LDI allocation is reflected for total Fund benchmark returns**.
- The drivers of underperformance over the three year period were the Active Equity, Equity Protection and Secured Income mandates.
- The Currency Hedge detracted from returns over the three month period due to the weakening of Sterling. It was neutral over the one year period, but added to returns over three years due to Sterling strengthening.

*With regards to Synthetic Equity, the benchmark is the MSCI PAB index, however the total Fund benchmark solely reflects the FTSE PAB index, which delivered higher returns than the MSCI index. Also note Synthetic Equity returns are impacted by funding costs.

**With regards to LDI, the total Fund benchmark assumes a fixed target % allocation, whereas in practice the allocation can vary materially, with the portfolio still delivering the expected performance in £ terms as it hedges the relevant liability exposures. As LDI performance was negative over the year due to gilt yield movements, and the % allocation to LDI was above the SAA, this has had a larger impact on total performance. We are also investigating the Custodian's treatment of cashflows within the BlackRock portfolio, which may be overstating underperformance.

Total Fund Performance Attribution – Quarter



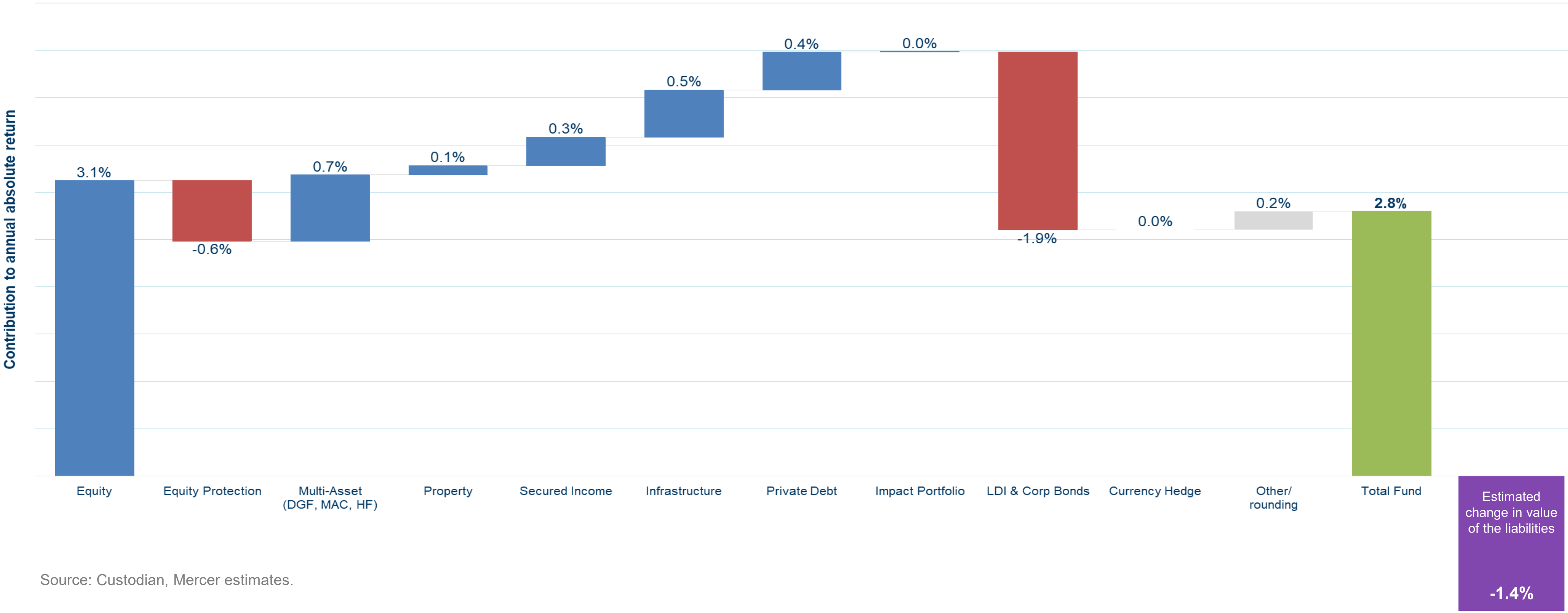
Source: Custodian, Mercer estimates.

Positive returns were driven by the Equity holdings. Most of the alternative Liquid Growth and Illiquid Growth portfolios were also positive, with Private Debt standing out in particular.

The Equity Protection counteracted equity market gains, although the effects are less visible quarter-on-quarter in terms of the ‘profit and loss’. The LDI portfolio detracted due to a rise in UK gilt yields.

The Currency Hedge contribution was negative due to the weakening of Sterling.

Total Fund Performance Attribution – 1 Year



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Source: Custodian, Mercer estimates.

The Equity holdings primarily drove positive returns over the one year period.

The Liquid Growth and Illiquid Growth asset class buckets were all also positive, with the exception of the Impact Portfolio for which the assets are early in their drawdown phase.

The LDI portfolio detracted over the year due to a rise in UK gilt yields, in line with the interest rate hedged element of the liabilities.

The Equity Protection detracted due to the rise in underlying equity markets.

Performance vs. Expected Strategic Returns

	Brunel Global High Alpha	Brunel Global Sustainable	Brunel / BlackRock Passive Global PAB	Brunel Diversified Returns	Brunel Multi-Asset Credit
Benchmark Allocation	10.5%	10.5%	20.5%	6.0%	6.0%
Commentary	Returns above expectations since December 2022 due to equity market strength, though mandate has underperformed the benchmark over this period.	Returns slightly above expectations since December 2022 due to equity market, though mandate has underperformed the benchmark over this period.	Brunel PAB (FTSE index) returns above expectations since December 2022 due to equity market strength. BlackRock synthetic PAB (MSCI index) returns above expectations since May 2023; when exposure was put in place.	Returns slightly below expectations since December 2022, due to muted returns in 2024.	Returns above expectations since December 2022 largely due to strength in high-yield debt markets.

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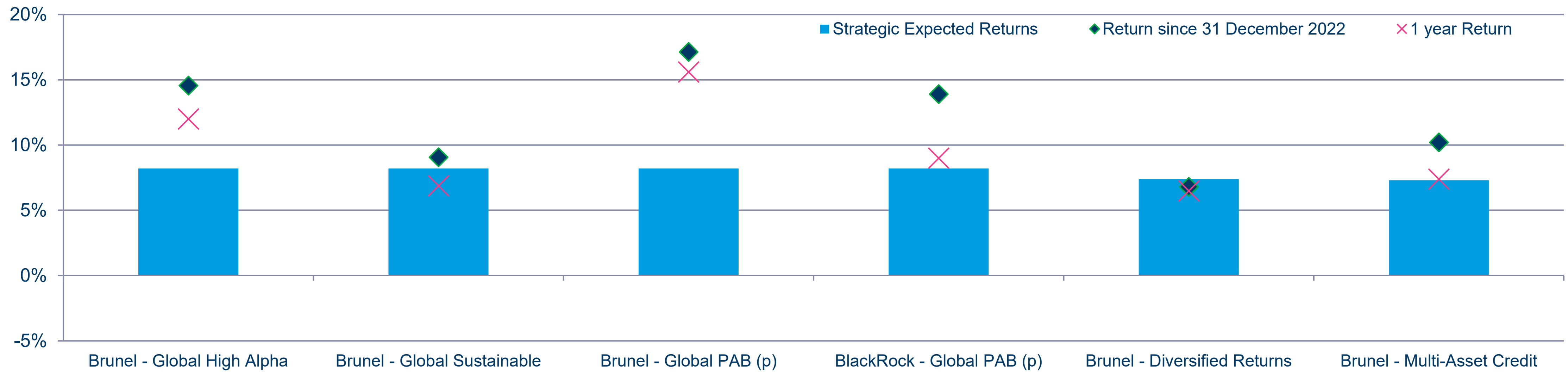
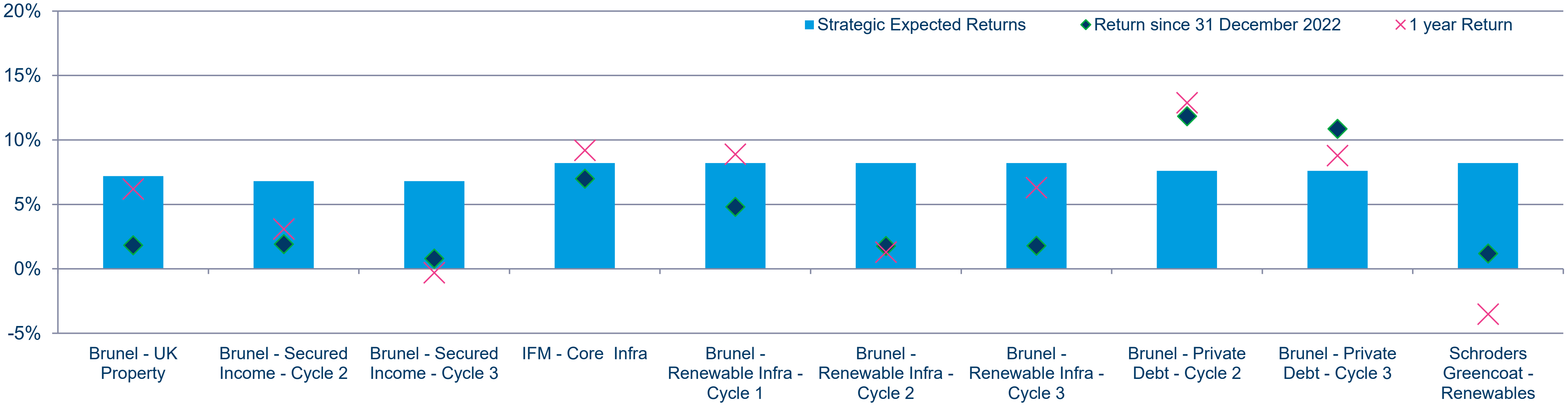


Notes:
We have illustrated the performance of the key mandates within the Fund’s investment strategy.
Actual returns are from 31 December 2022 to 30 September 2025. Returns for periods over a year have been annualised.
The strategic expected returns are from the 2023 strategy review, which reflect the 10 year mean Mercer Q4 2022 asset model assumptions.
Mandates with a track record less than one year have not yet been included.

Performance vs. Expected Strategic Returns

	Brunel UK Property	Brunel Secured Income	IFM Core Infra	Brunel Renewable Infra	Brunel Private Debt	Schroders Greencoat - Renewables
Benchmark allocation	3.5%	9.0%	4.0%	5.0%	4.5%	3%
Commentary	Returns below expectations since December 2022 due to the challenges seen in Property markets. The Secured Income mandates came out of the drawdown phase relatively recently, with the last capital call to Cycle 3 occurring in Q2 2024.		Returns slightly below expectations since December 2022, though performance has picked up again in the past year.	Returns for all cycles below expectations since December 2022. Mandates are still in the drawdown phase; the first drawdowns were in 2019, 2020 and 2022 respectively. Returns are stronger over since inception periods (i.e. prior to December 2022).	Returns above expectations since December 2022. Mandates are still in the drawdown phase.	Return below expectations, but mandate is still early in the drawdown phase.



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Actual returns are from 31 December 2022 to 30 September 2025. Returns for periods over a year have been annualised.
The strategic expected returns are from the 2023 strategy review, which reflect the 10 year mean Mercer Q4 2022 asset model assumptions.
Mandates with a track record less than one year have not yet been included.

Mandate Performance to 30 September 2025

Manager / Asset Class	3 Months			1 Year			3 Year			5 Year			3 Year Performance Target (% p.a.)**	3 Year Performance vs Target
	Fund (%)	B'mark (%)	Relative (%)	Fund (%)	B'mark (%)	Relative (%)	Fund (% p.a.)	B'mark (% p.a.)	Relative (% p.a.)	Fund (% p.a.)	B'mark (% p.a.)	Relative (% p.a.)		
Brunel Global High Alpha Equity	7.1	9.3	-2.2	12.0	17.3	-5.3	14.3	16.8	-2.5	10.8	14.0	-3.2	+2-3	Target not met
Brunel Global Sustainable Equity	5.7	9.7	-4.0	6.9	17.4	-10.5	9.1	16.2	-7.1	7.1	13.1	-	+2	Target not met
Brunel Passive Global Equity Paris-Aligned	10.2	10.2	0.0	15.6	15.7	-0.1	16.4	16.5	-0.1	-	-	-	-	N/A (p)
MSCI World Paris-Aligned (Synthetic)*	6.4	9.0	-2.6	9.0	13.8	-4.8	N/A	N/A	-	-	-	-	-	N/A (p)
Brunel Diversified Returns Fund	3.3	1.8	1.5	6.5	7.6	-1.1	6.5	7.7	-1.2	4.9	5.9	-	-	Target not met
Brunel Multi-Asset Credit	2.2	2.1	0.1	7.4	8.7	-1.3	10.7	8.8	1.9	-	-	-	-	N/A
Brunel UK Property	1.3	1.3	0.0	6.2	6.3	-0.1	-3.6	-2.3	-1.3	-	-	-	-	N/A
Brunel Secured Income - Cycle 1	0.7	0.3	0.4	4.7	3.8	0.9	-3.0	4.0	-7.0	0.9	5.0	-4.1	+2	Target not met
Brunel Secured Income - Cycle 2	0.3	0.3	0.0	3.1	3.8	-0.7	-1.2	4.0	-5.2	-	-	-	+2	N/A
Brunel Secured Income - Cycle 3	-0.9	0.3	-1.2	-0.3	3.8	-4.1	-	-	-	-	-	-	+2	N/A
IFM Core Infrastructure	1.6	2.3	-0.7	9.2	9.7	-0.5	8.3	9.8	-1.5	9.8	8.1	1.7	-	Target not met
Brunel Renewable Infrastructure - Cycle 1	0.9	0.3	0.6	8.9	3.8	5.1	4.4	4.0	0.4	6.2	5.0	1.2	+4	Target not met
Brunel Renewable Infrastructure - Cycle 2	0.4	0.3	0.1	1.3	3.8	-2.5	5.0	4.0	1.0	-	-	-	+4	N/A
Brunel Renewable Infrastructure - Cycle 3	-0.5	0.3	-0.8	6.3	3.8	2.5	-	-	-	-	-	-	+4	N/A
Brunel Private Debt - Cycle 2	13.5	2.1	11.4	12.9	8.7	4.2	10.2	8.8	1.4	-	-	-	-	N/A
Brunel Private Debt - Cycle 3	2.3	2.1	0.2	8.8	8.7	0.1	-	-	-	-	-	-	-	N/A
Schroders Greencoat Wessex Gardens	-2.7	1.8	-4.5	-3.5	7.6	-11.1	-	-	`	-	-	`	-	N/A
Octopus Affordable Housing	2.9	1.8	1.1	-	-	-	-	-	-	-	-	-	-	N/A
Foresight Regional Investment	-17.4	1.8	-19.2	-	-	-	-	-	-	-	-	-	-	N/A
BlackRock Corporate Bonds	0.6	0.6	0.0	2.6	2.6	0.0	7.1	7.1	0.0	-4.5	-4.5	0.0	-	N/A (p)
BlackRock LDI	-2.8	-2.8	0.0	-12.0	-11.3	-0.7	-5.9	-5.9	0.0	-2.8	-2.3	-0.4	-	N/A (p)
Equity Protection Strategy	-0.8	N/A	N/A	-3.1	N/A	N/A	-4.6	N/A	N/A	-	-	-	-	N/A

Source: Investment Managers, Custodian, Mercer estimates. Returns are net of fees, unless otherwise stated. Returns are in GBP terms
Relative returns are calculated arithmetically.
A summary of the benchmarks for each of the mandates is given in the Appendix.
Green = mandate exceeded target. Red = mandate underperformed target. Black = mandate performed in line with target (mainly reflecting passive mandates).
Performance of the Equity Protection Strategy is estimated by Mercer based on the change in market value of the options over time, accounting for realised profit/loss upon rolling of the strategy.
Performance for the LDI portfolio is estimated by Mercer based on the change in exposure. These returns are gross of fees.

*Performance for MSCI World Paris-Aligned (Synthetic) has been converted to GBP by Mercer, as the associated index is denominated in USD. There will therefore be differences between actual performance and the benchmark shown as a result of only a portion of the mandate (the profit/loss on the positions) being exposed to currency movements, whilst the benchmark is entirely exposed to currency movements. The funding leg cost of synthetic equity will also have an impact on the mandate's relative performance, however this is offset elsewhere within the BlackRock portfolio so does not have an impact on overall relative performance.
**Where the outperformance target has not already been incorporated into the benchmark returns shown. See Appendix for further details.

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Asset Allocation

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Valuation by Asset Class

Asset Class	Start of Quarter (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)	Benchmark (%)	Ranges (%)	Relative (%)
Global Equity*	845,450	914,746	14.0%	14.8%	10.5%	5.5 - 15.5	+4.3%
Global Sustainable Equity	671,048	709,091	11.1%	11.5%	10.5%	5.5 - 15.5	+1.0%
Paris-Aligned Equity**	1,037,429	1,136,073	17.2%	18.4%	20.5%	12.5 - 28.5	-2.1%
Total Equity	**2,553,927**	**2,759,910**	**42.3%**	**44.6%**	**41.5%**	**36.5 - 46.5**	**+3.1%**
Diversified Returns Fund	389,741	402,613	6.5%	6.5%	6.0%	3 - 9	+0.5%
Multi-Asset Credit	378,860	387,300	6.3%	6.3%	6.0%	3 - 9	+0.3%
Total Liquid Growth	**768,601**	**789,913**	**12.7%**	**12.8%**	**12.0%**	**7 - 17**	**+0.8%**
Property	284,404	286,638	4.7%	4.6%	7.0%	No set range	-2.4%
Secured Income	618,401	609,209	10.3%	9.9%	9.0%	No set range	+0.9%
Core Infrastructure	252,817	256,837	4.2%	4.2%	4.0%	No set range	+0.2%
Renewable Infrastructure	240,813	237,528	4.0%	3.8%	5.0%	No set range	-1.2%
Private Debt	260,914	289,006	4.3%	4.7%	4.5%	No set range	+0.2%
Local Impact	52,137	53,899	0.9%	0.9%	3.0%	No set range	-2.1%
Total Illiquid Growth	**1,709,485**	**1,733,117**	**28.3%**	**28.0%**	**32.5%**	**No set range**	**-4.5%**
Corporate Bonds	188,527	189,643	3.1%	3.1%	2.0%	No set range	+1.1%
LDI & Equity Protection	1,153,656	1,143,069	19.1%	18.5%	12.0%	No set range	+6.5%
Total Protection	**1,342,183**	**1,332,712**	**22.3%**	**21.5%**	**14.0%**	**No set range**	**+7.5%**
*Synthetic Equity Offset***	-573,834	-625,403	-9.5%	-10.1%	-	-	-
Other**	230,327	194,205	3.8%	3.1%	0.0%	0 - 5	+3.1%
Total	**6,030,707**	**6,184,471**	**100.0%**	**100.0%**	**100.0%**		

Source: Custodian, Investment Managers, Mercer.
Totals may not sum due to rounding.
*Global Equity valuation also includes the collateral holdings for the currency overlay which are held in overseas equities and two residual equity portfolios.
**Paris-Aligned includes synthetic exposure via the BlackRock QIF; Synthetic Equity Offset reflects an offsetting value to account for the difference between the exposure to equity markets and the actual mark to market value of the holding.
***Valuation includes the Fund of Hedge Fund mandate (due to be terminated), internal cash, the ETF and currency instruments.

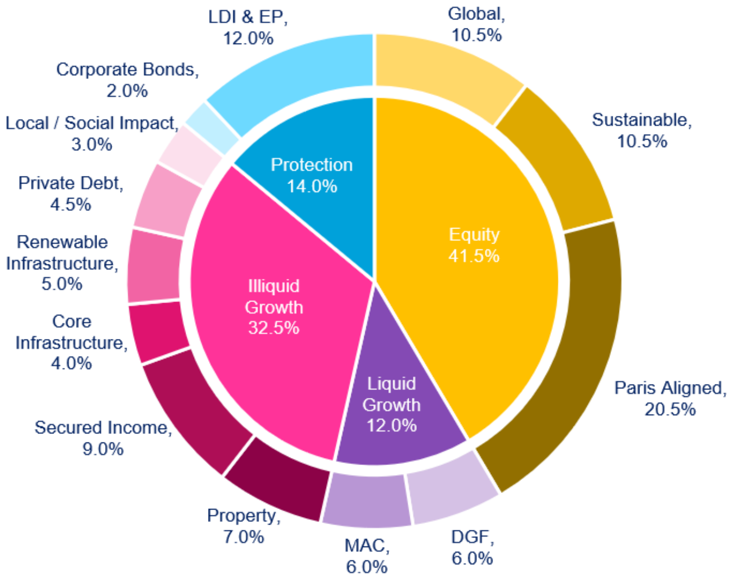
Valuation by Mandate

Manager	Asset Class	Start of Quarter (£'000)	Cashflows (£'000)	End of Quarter (£'000)	Start of Quarter (%)	End of Quarter (%)
Brunel	Global High Alpha Equity	758,100	-	811,548	12.6	13.1
Brunel	Global Sustainable Equity	671,048	-	709,091	11.1	11.5
Brunel	Passive Global Equity Paris Aligned	463,595	-11	510,669	7.7	8.3
BlackRock	MSCI World Paris-Aligned (Synthetic)	573,834	-	625,403	9.5	10.1
Brunel	Diversified Returns Fund	389,741	-	402,613	6.5	6.5
Brunel	Multi-Asset Credit	13,895	-	15,265	0.2	0.2
Brunel	UK Property	378,860	-	387,300	6.3	6.3
Schroders	UK Property	190,619	-	193,168	3.2	3.1
Partners	Overseas Property	13,267	-	13,420	0.2	0.2
Brunel	Secured Income – Cycle 1	80,518	-127	80,050	1.3	1.3
Brunel	Secured Income – Cycle 2	287,562	-4,437	285,182	4.8	4.6
Brunel	Secured Income – Cycle 3	97,689	-1,595	96,424	1.6	1.6
IFM	Core Infrastructure	233,150	-3,377	227,603	3.9	3.7
Brunel	Renewable Infrastructure – Cycle 1	252,817	-	256,837	4.2	4.2
Brunel	Renewable Infrastructure – Cycle 2	118,126	249	119,386	2.0	1.9
Brunel	Renewable Infrastructure – Cycle 3	96,154	-4,148	92,513	1.6	1.5
Brunel	Private Debt - Cycle 2	26,533	-816	25,629	0.4	0.4
Brunel	Private Debt - Cycle 3	188,326	-5,638	208,537	3.1	3.4
Schroders Greencoat	Local Impact – Renewables	72,588	6,123	80,470	1.2	1.3
Octopus	Local Impact - Affordable Housing	188,527	-	189,643	3.1	3.1
Foresight	Local Impact - SME Financing	1,153,656	-	1,143,069	19.1	18.5
BlackRock	Corporate Bonds	-573,834	-	-625,403	-9.5	-10.1
BlackRock	LDI & derivatives MTM	141,561	-	130,099	2.3	2.1
BlackRock	Synthetic offset	24,611	-	25,907	0.4	0.4
JP Morgan	Fund of Hedge Funds	36,594	-856	34,744	0.6	0.6
Record	Currency Hedging	3,030	664	3,569	0.1	0.1
BlackRock	ETF	12,513	2,715	15,586	0.2	0.3
Internal Cash	Cash	137,167	-12,975	125,681	2.3	2.0
Residual assets	Residual Assets	444	-	451	0.0	0.0
Total		**6,030,707**	**-24,228**	**6,184,471**	**100.0**	**100.0**

Source: Custodian, Investment Managers, Mercer. Totals may not sum due to rounding. The cashflow column shows only the cash movements within the asset portfolio. It does not include non-investment cash movements such as employer contributions or pension payments made, however these amounts are included in the 'Internal Cash' start and end balance to reflect the asset value position of the total Fund. * MSCI Paris-Aligned synthetic exposure is via the BlackRock QIF; Synthetic Equity Offset reflects an offsetting value to account for the difference between the exposure to equity markets and the actual mark to market value of the holding.

Positioning relative to target

Strategic Asset Allocation ("SAA")



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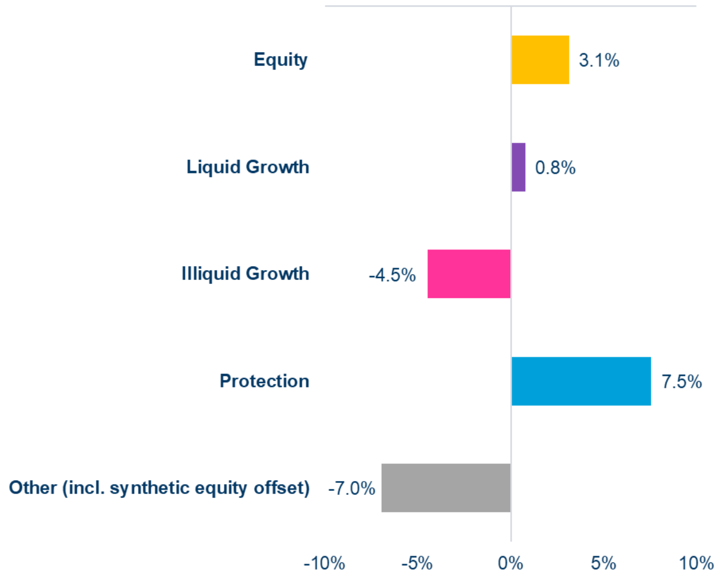
Relative positioning



Commentary

- The Committee has agreed changes to the Strategic Asset Allocation as part of the 2025 Investment Strategy Review.
- **We have not illustrated these in this report**, but will do so next quarter once the changes have been ratified in the Investment Strategy Statement, and implementation is further progressed. Changes include:
  - The removal of the DGF allocation, funding an increase of the MAC allocation and a new allocation to Index-Linked Gilts (alongside a restructuring of the liability hedging structures)
  - Re-weightings within the Illiquid Growth portfolio to accommodate a higher strategic allocation to the Local Impact Portfolio and a new strategic allocation to Natural Capital
- The right-hand side chart displays the actual relative weights of the key portfolio building blocks compared to the current documented SAA:
  - The underweight to Illiquid Growth reflects the fact that in aggregate, capital is still being drawn (i.e. in excess of distributions being returned).
  - The overweight to Protection reflects the collateral boost provided by the synthesising of some of the Equity allocation; meaning that in practice an overweight to this building block is likely to persist and is unlikely to trigger any consideration for action, which would continue to be driven more specifically by collateral adequacy requirements.

Appendix

Q3 2025 Equity Market Review

In Q3 2025, global equities rose due to easing trade tensions, sustained enthusiasm for AI, and growing expectations of interest rate cuts by the Fed.

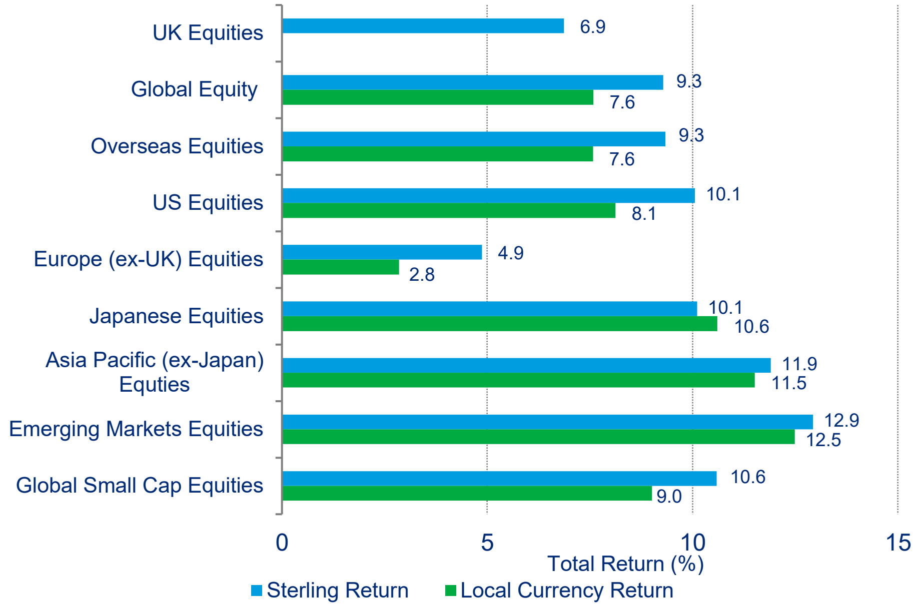
Global equities rose 9.3% in unhedged sterling terms and 7.6% in local currency terms as the sterling depreciated against the US dollar.

US equities returned 8.1% in local currency terms, whilst European (ex-UK) equities returned 2.8%, and Japanese equities returned 10.6%.

Emerging markets equities returned 12.5% in local terms.

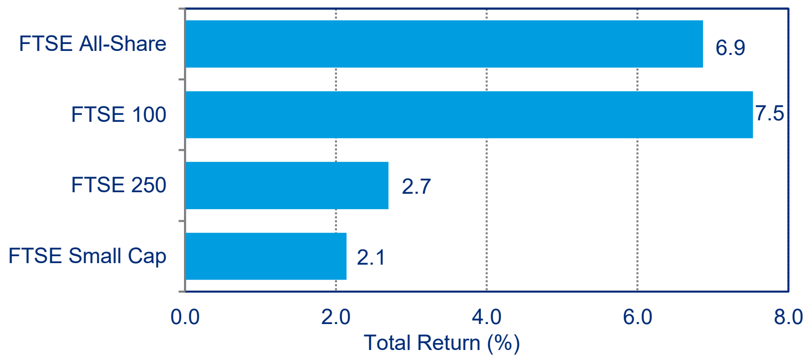
Global small cap stocks returned 9.0% in local terms, driven by resilient global activity data and rising expectations for near-term policy easing from the Fed.

Equity Performance



The **FTSE All Share** index returned 6.9% over the quarter, with the large-cap **FTSE 100** index returning 7.5%. More domestically focused equities **(FTSE 250)** produced returns of 2.7%. The **small-cap** index produced a positive 2.1% return.

FTSE Performance by Market Cap



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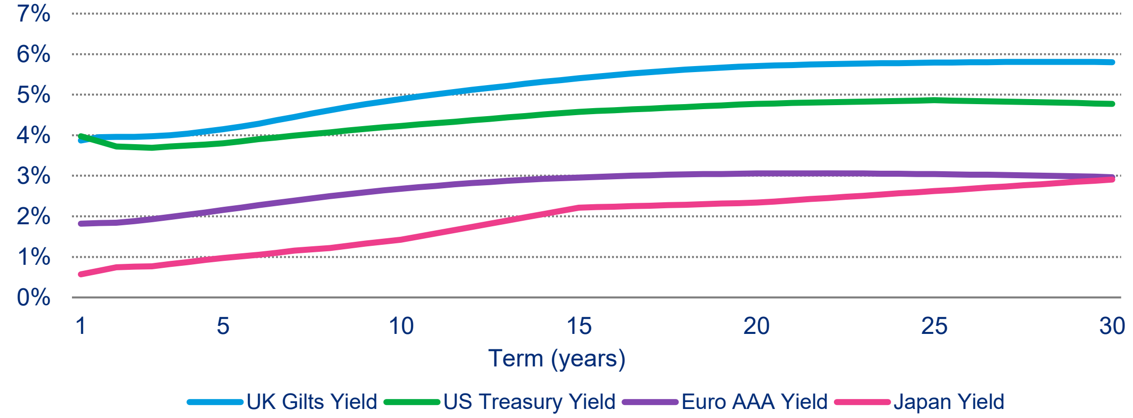
Mercer

Source: LSEG Datastream

Q3 2025 Bond Market Review



Source: Mercer and Bloomberg

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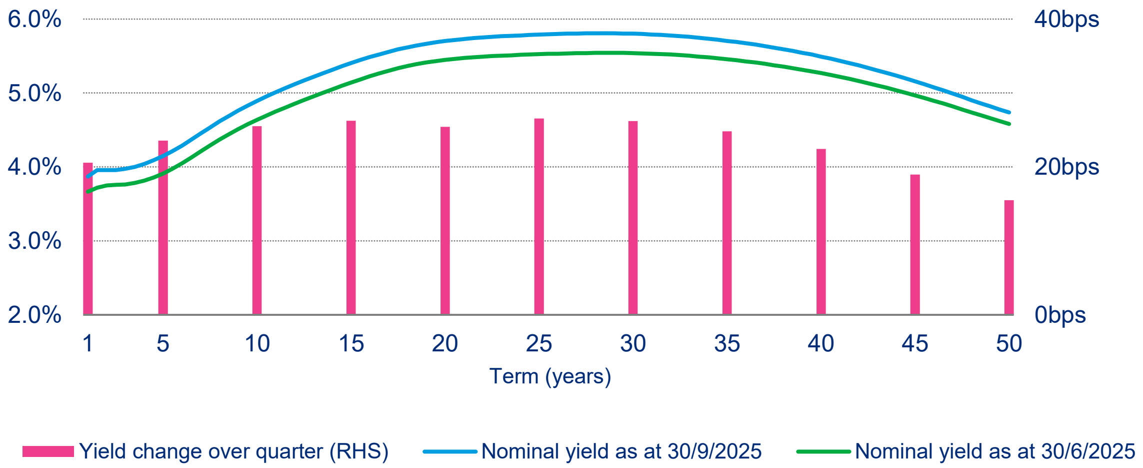


Source: Mercer

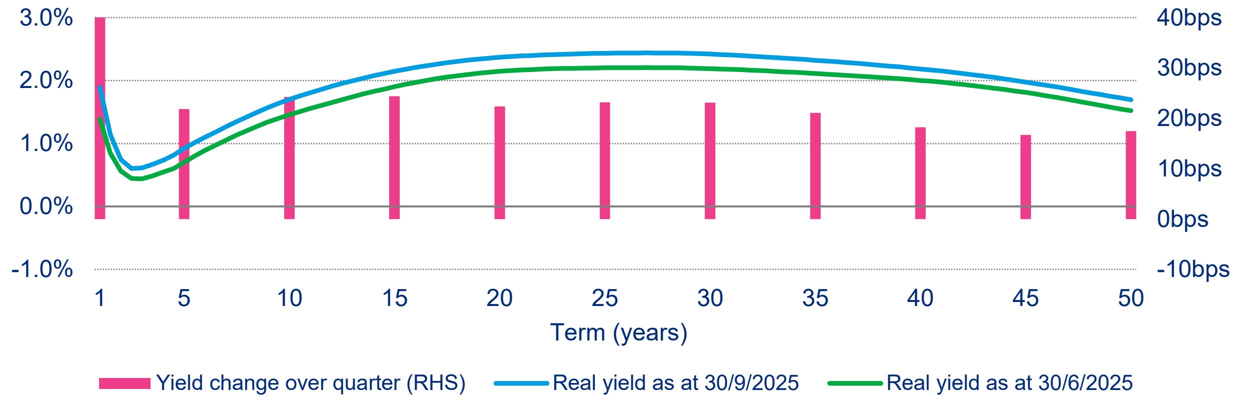
Government Bond Yields

Omitting the US, government bond yields were higher across the curve for most other major economies in the third quarter.

In the US, yields declined across the curve as weakening macro fundamentals strengthened the case for more Fed rate cuts. Meanwhile, yields in the UK and Germany were higher as political uncertainty and concerns over fiscal prudence weighed on bonds. Moreover, the ECB and BoE maintained a more cautious approach over future monetary easing, as compared to the Fed. The 10-year benchmark bond yield in the US fell 0.08%, closing the quarter at 4.15%. In contrast, the UK and German 10-year yield rose 0.21% and 0.11%, respectively.

The 10-year Japanese Government Bonds (JGB) yield also rose by 0.22% during the quarter as increased bets of BoJ rate hikes offset ongoing political and fiscal woes.

Q3 2025 Bond Market Review



Source: Mercer

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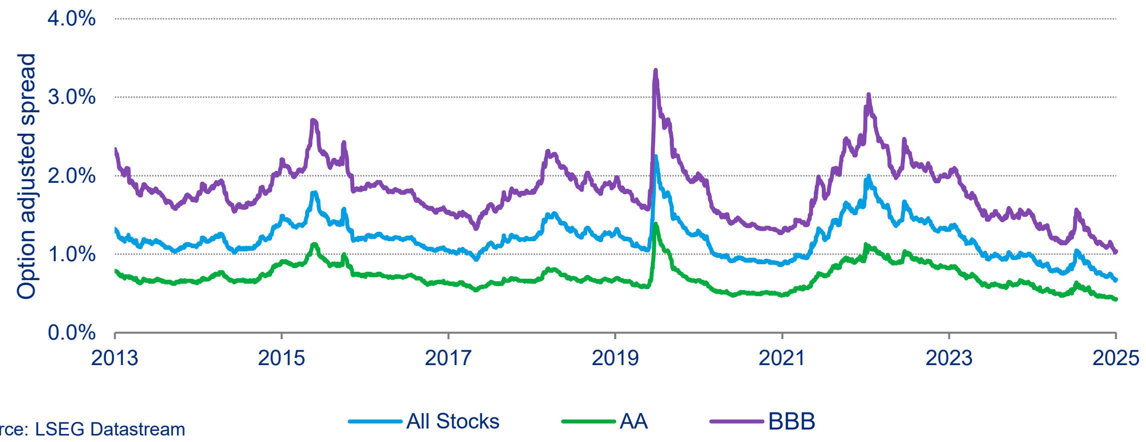
UK Index-Linked Gilt Yields

UK real yields rose across the curve over the previous quarter. Both headline inflation and wage growth remained sticky through the quarter, although services inflation witnessed notable moderation. While the BoE cut rates by 25bps in Q3, the Monetary Policy Committee ("MPC") maintained a cautious approach over future rate cuts owing to inflation risks and elevated global uncertainty due to US tariffs. UK 5-year, 10-year and 30-year breakeven rates finished the quarter at 3.13%, 3.11% and 3.09%, respectively.



Source: LSEG Datastream

Corporate bonds

Spreads on UK investment-grade credit tightened across the credit quality spectrum through the third quarter, falling to multi-year lows. Spreads on AA-rated credit was down 6bps at 43bps, and that for BBB-rated credit was lower by 16 bps at 104bps.

Q3 2025 Currency Market Review

In the third quarter of 2025, sterling depreciated against the US dollar and the euro, whilst strengthening against the Japanese yen. Sterling weakened 1.8% and 1.9% against USD and EUR, respectively, while appreciating 0.4% against JPY. The US dollar index rose ~1% over the quarter, reversing its downward trend seen through the year, in the third quarter, as growth showed signs of resilience. On a 12-month basis, sterling strengthened 0.4% against USD and 3.6% against JPY, while declining 4.7% against EUR.

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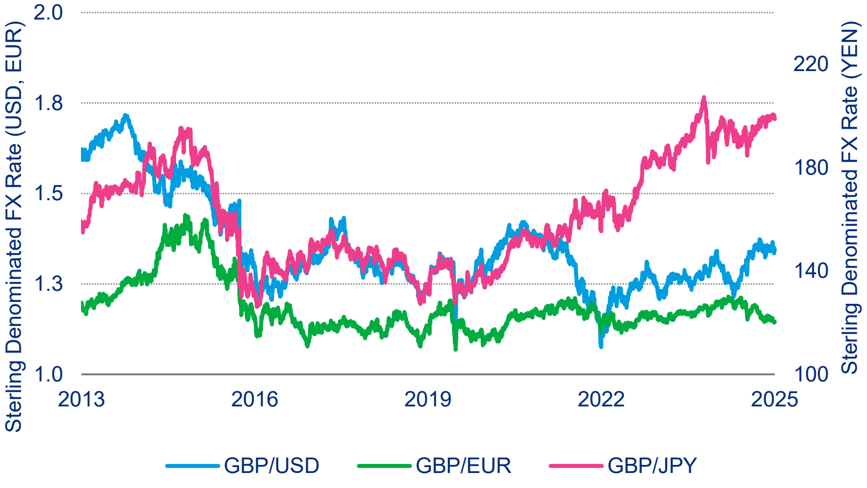
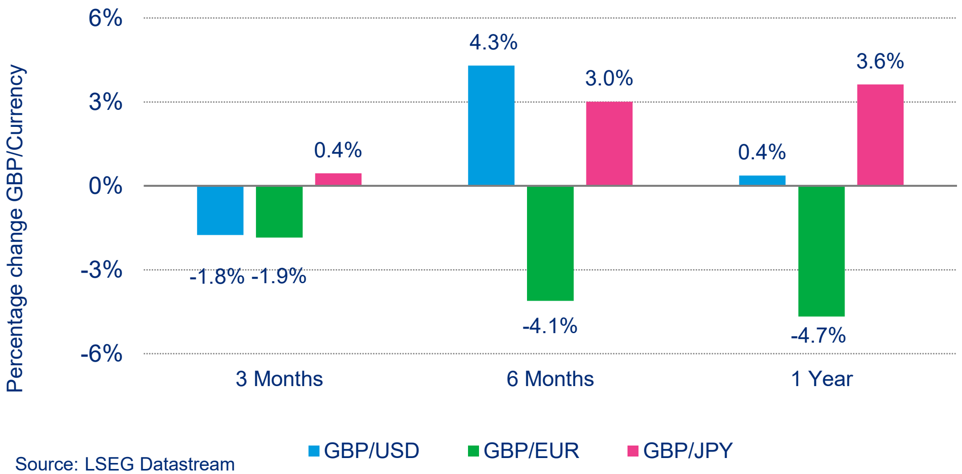
Sterling Denominated FX Rate



Source: LSEG Datastream

Change in sterling against foreign currencies



Source: LSEG Datastream

Q3 2025 Property

UK property as measured by the MSCI Index increased by 1.8% over the third quarter of 2025.

Summary of Mandates

Manager	Mandate	Benchmark/Target	Outperformance Target (p.a.)	Inception Date
BlackRock	Passive Paris-Aligned Equity (Synthetic Exposure)	MSCI World Climate PAB Index (USD - converted to GBP for performance measurement purposes)	-	May 2023
Brunel	Global High Alpha Equity	MSCI World	+2-3%	November 2019
Brunel	Global Sustainable Equity	MSCI AC World	+2%	September 2020
Brunel	Passive Paris-Aligned Equity	FTSE Developed World PAB Index	-	October 2021
Brunel	Diversified Returns Fund	SONIA +3-5% p.a.	-	July 2020
Brunel	Multi-Asset Credit	SONIA +4-5% p.a.	-	June 2021
Brunel	UK Property	MSCI/AREF UK Quarterly Property Fund Index	-	January 2021
Partners	Overseas Property	Net IRR of 10% p.a. (local currency)	-	September 2009
Brunel	Secured Income (Cycles 1-3)	CPI	+2%	January 2019
IFM	Core Infrastructure	SONIA +5% p.a.	-	April 2016
Brunel	Renewable Infrastructure (Cycles 1-3)*	CPI	+4%	January 2019
Brunel	Private Debt (Cycles 2-3)	SONIA + 4% p.a.	-	September 2021
Schroders Greencoat	Local Impact – Renewables*	SONIA + 3% p.a.	-	February 2024
Octopus	Local Impact - Affordable Housing*	SONIA + 3% p.a.	-	March 2025
Foresight	Local Impact - SME Financing*	SONIA + 3% p.a.	-	April 2025
BlackRock	Buy-and-Maintain Corporate Bonds	Return on bonds held	-	February 2016
BlackRock	Matching (Liability Driven Investing)	Return on liabilities being hedged	-	February 2016
Record	Passive Currency Hedging	N/A	-	March 2016
BlackRock	Exchange-Traded Fund (ETF)	Bespoke benchmark to reflect total Fund allocation	-	March 2019
Cash	Internally Managed	-	-	-

* The primary performance objective for Renewable Infrastructure is a net GBP IRR of 8% p.a., for Local Impact – Renewables and Local Impact - Affordable Housing it is 7% p.a., and for Local Impact – SME Financing it is 15% p.a. The inflation/cash-plus benchmarks are used by the custodian due to a greater ability to incorporate and the objective has value over the relative short-term, however, over time, comparison against the IRR objective will become more relevant.
The cash-plus objective is aligned for the Local Impact portfolio despite underlying differences to reflect the return which was strategically targeted for this portfolio.

Market Background Indices

Asset Class	Index
UK Equity	FTSE All-Share
Global Equity	FTSE All-World
Overseas Equity	FTSE World ex-UK
US Equity	FTSE USA
Europe (ex-UK) Equity	FTSE World Europe ex-UK
Japanese Equity	FTSE Japan
Asia Pacific (ex-Japan) Equity	FTSE World Asia Pacific ex-Japan
Emerging Markets Equity	FTSE Emerging
Global Small Cap Equity	MSCI World Small Cap
Sustainable Equity	MSCI World Low Carbon Target
Hedge Funds	HFRX Global Hedge Fund
High Yield Bonds	ICE BofAML Global High Yield
Emerging Market Debt	JP Morgan GBI EM Diversified Composite
Property	MSCI UK Monthly Total Return: All Property
Commodities	S&P GSCI
Over 15 Year Gilts	FTA UK Gilts 15+ year
Sterling Non Gilts	ICE BofAML Sterling Non Gilts
Over 5 Year Index-Linked Gilts	FTA UK Index Linked Gilts 5+ year
Global Bonds	ICE BofAML Global Broad Market
Global Credit	Bloomberg Capital Global Credit
Eurozone Government Bonds	ICE BofAML EMU Direct Government
Cash	SONIA

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Quarterly Engagement Report

July-September 2025

Cement • Water Stewardship • Executive Pay

Local Authority Pension Fund Forum

ENGAGEMENTS

Cover image: Fernando Reyes Unsplash

Image: Alamy

Coldstones Quarry, a member of the Heidelberg Cement Group, in Nidderdale, Pateley Bridge, North Yorkshire Dales, UK

CLIMATE

CEMENT

Cement production is a highly localised industry in which production, and therefore carbon emissions, are closely linked with consumption. Cement production can amount to up to 10% of a country's CO2 emissions.

Environmental issues include.

1. De-carbonisation of the chemical reaction in which calcium carbonate produces carbon dioxide, as well as decarbonisation of the energy sources supplying heat to the kiln.
2. Non-carbon issues around water resources, as cement supply is water intensive as well as supply of the aggregate (usually pulverised rock) which turns cement into concrete.

When it comes to decarbonising the chemical reaction the only current solution, other than production substitution, is a form of carbon capture and storage. During 2024/25 Heidelberg is the only company that has commenced using that process.

HEIDELBERG & CRH

Objective: A focus of the meetings with the cement companies has been to assess the credibility of the company's decarbonisation strategies. Key areas of discussion included the deployment of Carbon Capture and Storage (CCS), substitution of clinker (a key cement ingredient and the main source of CO_2 emissions in cement production) and the development of alternative low-carbon technologies, particularly to address the industry's reliance on fossil fuels for kiln heating.

The engagement with Heidelberg Materials emphasised the role of CCS, given Heidelberg's plans to operate one of the first full-scale CCS plants in Norway. Additional focus was placed on broader emissions-reduction measures, including energy transition, process innovation, and climate risk management.

Overall, these meetings aimed to ensure that both companies demonstrate progress towards reducing emissions in line with LAPFF's expectations. Particular attention was given to the cost implications, transparency, and scalability of CCS and other abatement options.

Achieved CRH : CRH reported progress in advancing CCS capabilities in France, with funding secured and government partnerships in place. A cautious but deliberate approach is being taken, ensuring projects provide both return on investment and a learning pathway for future deployment (e.g. Tarmac CCS).

The Forum heard where the company were in terms of clinker factor and alternative fuel use. The company had reduced its clinker factor to 75.9% in

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2024, while alternative fuels reached 47% globally (55% in the EU). CRH continues to prioritise clinker substitution and alternative fuels through EcoRec (Europe) and Sapphire (North America).

The company has a Safety, Environment & Social Responsibility (SESR) Committee which oversees climate targets. The SESR board committee meets five times annually, including a meeting to review performance against decarbonisation milestones. ESG topics receive significant board attention, with deep dives into decarbonisation, circularity, water and workforce engagement.

While in the last meeting with CRH, the company expressed concerns with the risk of European producers being undercut by imports of emissions intensive cement, this year CRH expressed confidence in the EU Carbon Border Adjustment Mechanism (CBAM) and Emission Trading System (ETS) reform, noting the trial phase has been effective and timelines are being respected.

The company confirmed 15% of long-term incentives remain linked to ESG metrics (net zero, sustainable products growth, inclusion & diversity), while 20% of short-term incentives are now ESG-linked.

In progress CRH: CRH is exploring blending of secondary materials (gypsum, fly ash, slag) and carbon upcycling to reduce demand for virgin resources. Projects remain early-stage with low technology readiness levels but are seen as critical to becoming its "own biggest supplier". While clinker substitution and alternative fuel remain central and LAPFF continues to press for greater clarity on short, medium and long-term targets, CRH confirmed that specific targets are set internally and not disclosed publicly. Plant-level roadmaps are developed bottom-up and then consolidated into global strategy, taking account of fuel supply, regulation, and market acceptance.

Demand for low-carbon, premium products (e.g. calcined clay, reclaimed fly ash, SEM variants) is growing. Pricing is passed through where customer incentives exist, but market acceptance varies. CRH remains cautious about potential undercutting from non-green imports but is optimistic CBAM will provide adequate protection. LAPFF will continue to track the competitiveness and integrity of low-carbon cement offerings.

While sustainability remains a priority, CRH acknowledged political headwinds (e.g. U.S. federal shifts) and structural challenges (e.g. lack of landfill tax, absence of co-processing systems) may slow adoption in the US American market relative to Europe.

Achieved Heidelberg: The Forum met with Heidelberg in Q3 2025 for the first time after some previous correspondence. The Forum was interested to hear how Heidelberg delivered the first full-scale CCS project in the cement sector, at its Brevik planet in Norway. The plant captures CO_2 and stores it under the North Sea. The company described the success as a "moon landing" achievement which marks a unique industry-first after more than a decade of development.

The Forum raised questions on the real-life implications and operational practicality of decarbonisation in the plant, after reading Brevik is expected to capture 400,000 tonnes of CO_2 annually from 2025, including around 50% of its own plant emissions. Heidelberg confirmed it is working with DNV (Danske Veritas) as an independent auditor to verify CCS performance, including permanent CO_2 storage and blockchain-based carbon accounting, to avoid any risk of greenwashing.

Heidelberg also remarked that it is the only cement producer with an average clinker ratio below 70% and has upgraded its target to 64% by 2030. The company acknowledged that roughly 40% of clinker volumes are already under carbon pricing. Heidelberg emphasised that achieving its KPIs provides a cost advantage versus competitors, especially under CBAM.

In progress Heidelberg: Heidelberg's decarbonisation strategy is heavily reliant on CCS projects that currently receive a substantial amount of government funding, with the company acknowledging that economic viability without subsidies remains unproven. Rising inflation and energy costs further challenge profitability, even as average cement pricing now reflects decarbonisation measures. The company note that ongoing dialogue with policymakers and peers (e.g. annual CCS workshops, EU and UK collaboration) is central to progress. Heidelberg applies global rather than regional climate targets, creating competitiveness pressures in markets exposed to high-CO_2 imports. Ongoing policy support is therefore critical, and LAPFF will continue to monitor these dynamics closely.

The company also highlighted the availability of supplementary cementitious materials remains a bottleneck. The company is scaling limestone use and tailoring recipes to local markets, but further substitution depends on regulatory standards and material supply.

The Forum pressed Heidelberg on its environmental impact on biodiversity and the actions the company is taking to mitigate its impact. The company stated it is increasing circular feedstocks and exploring water management systems, biodiversity assessments, and AI-driven plant safety tools. Progress varies by region, and plant-specific constraints remain. This is an area of interest that the Forum will return to with the company.

ASIA RESEARCH AND ENGAGEMENT

Objective: LAPFF continues to be actively involved in Asia Research and Engagement's Energy Transition Platform, which engages major financial institutions in Asia to improve their alignment with a 1.5°C pathway. Engagements focus on enhancing disclosure, strengthened transition finance frameworks, and the adoption of clearer policies on new financing for higher-emission energy sources, such as coal and oil sands.

Achieved: LAPFF met with Bank Mandiri and CIMB in the quarter.

Bank Mandiri confirmed coal remains around 4–5% of its loan book, with exposure expected to change in step with Indonesia's energy mix, which projects coal demand to peak by 2033. Mandiri is developing sectoral decarbonisation pathways, starting with energy, and reported renewable financing now accounts for 24% of its energy mix lending. The bank acknowledged

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challenges in emissions data coverage (currently 56% of its portfolio) but expects improvements as new Indonesian disclosure standards come into force by 2027. It has begun offering "transition loans" tied to measurable climate KPIs, though only one has been completed to date. Mandiri also highlighted growth in sustainable finance (+10.8% from the previous year) and is exploring how to incorporate just transition principles into its lending, noting this remains at an early stage.

CIMB outlined progress against its 2019–2024 sustainability targets, noting a stronger focus on sustainable finance in its 2030 strategy (MYR 300bn target) and an internal carbon tax rising to MYR 335/t by 2030. The bank confirmed thermal coal exposure has fallen 48% since 2021, with a full phaseout targeted by 2040, and tighter client restrictions introduced from 2025. CIMB acknowledged challenges around green finance uptake in emerging markets but highlighted growth in sustainable finance and transition advisory services.

In Progress: Finance and energy companies in Asia remain heavily influenced by government regulation and national energy policies, which can slow the pace of transition. LAPFF will therefore continue to engage banks on how they intend to align with 1.5°C scenarios despite these structural challenges, particularly where coal and other high-emission energy sources remain part of short to medium term transition plans.


Image: Alamy

The River Kelvin in GLasgow

ENVIRONMENT

WATER STEWARDSHIP

LAPFF recognises water risk as cutting across multiple industries, including mining, energy, water utilities, and food and drink, where failures can have severe social, environmental, and financial consequences. In this respect, LAPFF is engaging companies on water stewardship from two key perspectives: the risks of water resource use and scarcity, and the human rights impacts that arise when access to clean water is compromised. These issues are particularly material for water-intensive sectors such as mining and food and beverage, where poor management can heighten social, environmental, and financial risks. At the same time, LAPFF is addressing water pollution, focusing on sewage discharges in the UK utilities sector and the growing threat of persistent contaminants such as PFAS "forever chemicals," which pose long-term risks to ecosystems, public health, and corporate accountability.

For water-intensive industries and companies operating in water-stressed regions or near vulnerable communities (including Indigenous peoples) climate change is amplifying risks by intensifying scarcity and quality challenges. This creates operational, regulatory, and reputational pressures. Access to safe, sufficient, and affordable water and sanitation underpins public health and sustainable development, consistent with SDG 6 and the principles of the Valuing Water Finance Initiative (VWFI). Poor management, whether through over-use, pollution, or inadequate provision for communities, can result in human rights impacts and significant financial harm. Water stewardship is therefore a

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fundamental component of responsible business and human rights with investors increasingly expect companies to embed water stewardship and human rights due diligence into corporate strategy and risk management.

Water pollution is another pressing concern and remains a focus of LAPFF's engagement with the UK water sector. Sewage discharges from storm overflows are a particular longstanding issue, with monitoring data showing hundreds of thousands of spill events each year. Despite new requirements for companies to publish real-time information, 2024 Environment Agency data confirmed spill counts and durations remain at historically high levels. This has reinforced pressure on water utilities companies to accelerate investment in network upgrades, storage capacity, and treatment resilience, particularly to protect bathing waters, rivers, and other sensitive ecosystems.

In addition to environmental and reputational risks of overflows and sewage spills, attention is also now turning to PFAS "forever chemicals," which are highly persistent in UK Water and linked to potential health risks. A recent study, funded by the environmental charity Fidra, highlighted growing concerns about chemical pollution in UK rivers, particularly the presence of trifluoroacetic acid (TFA), a type of PFAS or "forever chemical." Traces of TFA were found in 98% of samples from 32 rivers across the UK, with the highest concentrations in the River Kelvin (Glasgow) and none detected in the River Ness (Highlands). TFA is formed through the breakdown of pesticides, refrigerants, and other synthetic chemicals, and has been detected in human blood, breast milk, food, and wine in the EU. While acute toxicity is not the main risk, German scientists have raised concerns about potential reproductive toxicity from long-term, low-level exposure, and Germany's Environment Agency has applied to classify TFA as toxic for reproduction and environmentally harmful. With no UK regulations currently in place, the Drinking Water Inspectorate has commissioned research, while Water UK has called for a ban and campaigners are pressing for a national removal plan.

LAPFF's objective is to press companies manage water responsibly by embedding stewardship and human rights due diligence into strategy and operations, reducing risks from scarcity and pollution, and safeguarding ecosystems, communities, and long-term investor value to protect the environment and restore public trust. In Q3, LAPFF engagement activities under water stewardship focused on pollution and water utilities companies and sustainable water use with the food and beverage sector.

Objective: LAPFF continues its engagement with UK water utilities in 2025 as the sector faces mounting scrutiny from the public, policymakers, regulators, and investors over environmental performance — particularly the persistent issue of storm overflow pollution. Further adding to the challenges the sector faces, in July 2025, the UK government announced that OFWAT will be abolished and replaced with a single, more powerful body combining the responsibilities of OFWAT, the Environment Agency, Natural England, and the Drinking Water Inspectorate. This arguably marks the most significant overhaul of water sector regulation since privatisation.

Despite storm overflows being permitted during extreme weather events to prevent flooding and sewage backing up into homes, the frequency and duration of discharges remain unacceptably high. Environment Agency data for 2024 recorded a total of 3.61 million hours of sewage spills (the highest on record) with only marginal improvements in spill frequency compared to prior years. Industry investment is beginning to show some effect, but progress has been slow and public confidence remains low. As such, objectives for this year's meetings with the Chairs of Pennon and Severn Trent include: assessing the company's environmental performance, particularly in relation to persistently high levels of storm overflow spills; understanding company views on the abolishment of OFWAT and the implications for future regulation of the UK water sector; and examining steps taken to address the presence of trifluoroacetic acid (TFA) and other 'forever chemicals' in Britain's rivers. LAPFF has scheduled an additional meeting with United Utilities in Q4 of 2025.

Achieved Pennon: LAPFF met with the Chair of Pennon and the outgoing CEO. The company confirmed active engagement with OFWAT and the UK Department for Environment, Food & Rural Affairs (DEFRA), emphasising the urgency of moving from policy discussion to action. LAPFF raised the findings of the Independent Water Commission, chaired by Sir Jon Cunliffe, which concluded that the current water regulation system in the UK is broken. Pennon welcomed the review's recommendations on government leadership, regional planning, and regulatory reform.

Pennon, owner of South West Water (SSW), highlighted significant improvement recognised in the Environment Agency's progress report, with South West Water named as one of the biggest improvers. The company has a £3.2bn investment programme underway, with a major focus on storm overflows and wastewater treatment. Key achievements include SWW reporting a more than 50% reduction in pollution incidents in the first half of 2025 compared to the same period in 2024, alongside longer-term improvements in sewer flooding and network performance. Operational actions include redesigning water pumping stations, expanding sewage monitoring systems (with full monitoring in place since 2022), and removing 15,000 spills from the system.

On governance, Pennon reported strengthened systems and controls over data and reporting, with greater transparency and clear escalation processes to the Board. The CEO succession process is being managed carefully to minimise disruption, with both internal and external candidates under consideration. While acknowledging the challenges facing the sector, LAPFF noted that Pennon remained positive and forward-looking.

In progress Pennon: Weather variability (wet versus dry years) continues to affect pollution incident data, and Pennon will need to adapt operations further to manage climate-related extremes while maintaining focus towards environmental goals. Although improvements have been made, the South West's coastal geography presents ongoing challenges. The company has set a target to reduce average spills from 41 (2024) to 16.5 by 2030, which will

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Image: Alamy

Tittesworth Reservoir reservoir near Leek, Staffordshire

require sustained investment and strong community engagement.

As the UK's regulatory landscape shifts, Pennon noted it is closely monitoring potential reforms, although from the LAPFF perspective, uncertainty over timing and clarity of changes remains. LAPFF will also follow with interest the announcement of Pennon's new CEO. Recruitment remains sensitive given sector-wide reputational issues and constraints on executive remuneration imposed by regulators. Pennon emphasised its aim to strike the right balance between fixed and variable pay, while acknowledging that these constraints could affect the company's ability to attract top talent compared with other utility sectors.

Achieved Severn Trent: LAPFF met with Severn Trent's Chair, Christine Hodgson, and the company's investor relations lead. The company described active engagement with regulators during the transition to a new, consolidated regime following the Independent Water Commission's findings, and emphasised the need to move quickly from policy design to delivery. Severn Trent has retained a 4-star Environment Agency EPA rating for five consecutive years, noting they are the only UK water company to do so over this period, and reported the lowest average storm-overflow spills in the sector in 2024, supported by >2,000 targeted interventions and £1.5bn AMP8 spend approved for overflows.

Year-to-date (Jan–Jun) performance shows a 65% reduction in spills and 72% reduction in spill duration versus the prior year, with average spills expected to fall to ~18 per overflow by December 2025 and to 14 by 2030, ahead of government targets. The company outlined a £14.9bn AMP8 programme (an increase on its original proposal), including enhancement investment across river health, storm overflows and resilience, alongside a £575m affordability package aimed at ~693,000 households by 2030.

On emerging pollutants, Severn Trent presented PFAS monitoring (>100,000 tests since Jan 2023), a practical treatment programme (eg. Witches Oak Water Treatment Work (WTW) commissioning to treat Tier 3 PFAS levels and advance treatment solutions development work with Chemviron, CPL, IXOM and Lummus), and the highest AMP8 PFAS investment allocation to accelerate risk reduction.

In progress Severn Trent: While spill frequency is trending down, the average duration per spill rose to 7.3 hours in 2024 (from 7.0 in 2023), underlining the need to strengthen the network against 'wet-year' variability and deliver the AMP8 storage, treatment and nature-based solutions at pace. Achieving the trajectory to ~18 average spills per overflow by end-2025 and ~14 by 2030 will require sustained capex execution, supply-chain capacity and community engagement.

Regulatory uncertainty remains a sector-wide risk as Ofwat is dismantled and functions migrate into a new "super-regulator" over an expected two-year

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transition. Severn Trent must also plan for the England/Wales split in economic regulation given its Hafren Dyfrdwy operations.

Ofwat's July 2025 draft determination asked Severn Trent to revise elements of its 2025–30 plan. The company is resubmitting ahead of a final decision due in December 2025. LAPFF will track deliverability, bill impacts and the effectiveness of the £575m affordability package.

On PFAS/TFA and other emerging pollutants, Severn Trent intends to use its AMP8 allowance and the PR24 "notified item" safety net if standards tighten, but practical risk reduction (treatment plus destruction) and transparent reporting will be central to maintaining public confidence.

Finally, given ongoing public scrutiny, including past enforcement actions and the 2024 Panorama accounting allegations (which the company disputes), LAPFF will continue to monitor governance, remuneration balance, and assurance over data and dividend policy alongside environmental outcomes.

Objective Coca Cola: LAPFF engaged with The Coca-Cola Company in Q3 to understand the basis for recent changes to its 2035 Water Strategy. These changes include the removal of its 100% sustainable sourcing goal for key agricultural ingredients; the extension of its 2023 pledge to improve 60 critical watersheds by 2030 to a less ambitious 2035 deadline with a narrower location-based focus; and the omission of water quality, WASH (Water, Sanitation, and Hygiene), and ecosystem protection from its 2024 environmental goals. This engagement served as an opportunity to continue the dialogue started through the Valuing Water Finance Initiative (VWFI) investor letter sent to Coca-Cola in January 2025. The letter emphasised growing investor focus on water risk management and the urgent need to address supply chain-related water risks.

Achieved Coca Cola: In LAPFF's investor meeting, The Coca Cola Company reiterated that water remains its top priority, citing that since 2015, it has replenished more than 100% of the water it uses in finished products globally, on an aggregate level, to nature and communities. reaching 148% in 2023. However, this headline figure does not address mounting concerns about weaker ESG commitments. LAPFF pressed the point that Coca Cola appears to have rolled back several water-related goals, including the removal of time-bound targets for sustainable agriculture and dropping its commitment to certify all concentrate sites (where the company manufactures the concentrated syrup or beverage base) under the Alliance for Water Stewardship (AWS) Standard by 2025, while also extending other goals, such as watershed restoration and emissions reductions, to 2035. Although the company presented this change as a simplification and refinement of targets and commitments, focusing on areas it can directly control, LAPFF raised concerns that this represents a dilution of ambition, credibility, and accountability from an investor perspective.

The Coca-Cola Company highlighted its Foundation's $40m commitment to WASH (water, sanitation, and hygiene) projects in high-stress areas. While LAPFF recognises this as a positive step, the initiative is limited in scale when set against the company's global water footprint and the significant financial risks posed by the fact that one-third of its facilities are located in high water-stress regions.

LAPFF also raised governance concerns, including the combined Chair/CEO role and the extended tenure of several independent non-executive directors, which risk undermining board independence.

In progress Coca Cola: While Coca Cola said it would take on board LAPFF's concerns, the company's reliance on "voluntary goals" and its tendency to frame reduced commitments as "evolving" strategies continues to raise concern for the Forum.

LAPFF emphasised that water risk is a material financial issue and the need for measurable targets and stronger accountability. The company maintains it has a handle on this through reliance on local assessments, partnerships, and replenishment programmes. In response to LAPFF's question on governance, Coca Cola acknowledged LAPFF's position and committed to consider LAPFF's feedback.

The company stated willingness to engage in ongoing dialogue with LAPFF on water strategy, supply chain management, and governance.

NATURE & BIODIVERSITY

Objective: It has been two years since the Taskforce on Nature-Related Financial Disclosure's (TNFD) final recommendations were published, encouraging businesses to assess, report and act on their nature-related dependencies, impacts, risks and opportunities. For those companies with the most material negative impacts on nature, LAPFF asks companies to make public commitments to mitigate nature loss. Companies are also expected to provide detailed disclosures on

Image: Alamy

Pfizer Inc., in San Diego, California

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how these commitments inform their assessment and disclosure of material dependencies and impacts on nature. Finally, companies should outline the specific steps being taken to address these dependencies and impacts across both operations and supply chains.

Achieved: As a part of its continued engagement with Nature Action 100 (NA100), LAPFF led a meeting with Pfizer. This is the first time investors have met with the company as part of the initiative but builds on a wider set of engagements that LAPFF has been involved in with others in the pharmaceutical sector. Pfizer acknowledged the link between climate change and biodiversity and outlined the findings of its first biodiversity risk assessments, conducted in 2023, which identified manufacturing and R&D sites near sensitive ecosystems.

The group emphasised the importance of transparency around assessments of material impacts and dependencies, noting that disclosure of salient issues is a foundational step before targets and governance structures can be integrated. Pfizer recognised this and noted that nature-related issues remain under consideration alongside its current resource prioritisation on net zero and water stewardship, including longstanding work on pharmaceuticals in the environment and antimicrobial resistance.

Outside of LAPFF's collaborative engagement work through NA100, the Forum identified several major global companies that have large dependencies on natural resources based on their business model. As a result, LAPFF wrote to WH Group, Tyson Foods, Bunge, Marubeni Corp, International Paper Company, Archer-Daniels-Midland (ADM), requesting detailed information on LAPFF's objectives. Of these, Bunge responded and provided details of its current approach to nature and invited LAPFF to attend a group investor call on ESG due to be held later this year.

In Progress: LAPFF will continue to press companies on the integration of nature-related risks into their governance and disclosure frameworks, particularly in line with the TNFD recommendations. LAPFF is monitoring whether companies already engaged are beginning to translate commitment into tangible actions on biodiversity, water stewardship, and supply chain risks. It will also continue to assess company progress as further disclosures and reports are released. Where companies without sufficient approaches to mitigating negative impacts on nature and biodiversity, and do not respond to LAPFF's requests for engagement, escalation will be considered.

SOCIAL FACTORS

LUXURY GOODS

LVMH Moët Hennessy Louis Vuitton (LVMH)

Objective: LAPFF has undertaken a series of engagements with luxury goods manufacturers to encourage better practice and disclosures on how the sector manages human rights risks. LVMH has had two Maison subsidiaries in Italy placed under court administration: Dior in 2024, and more recently Loro Piana in July 2025. LAPFF focused this engagement on a deep-dive into the company's audit and remediation processes, specifically examining the Loro Piana case, having discussed Dior during a previous meeting.

Achieved: LVMH provided further details regarding how the issue at Loro Piana had been uncovered, and the ongoing work being undertaken to enhance its human rights due diligence. LVMH noted that there were parts of this process that it was unable to publicly report due to the court administration order. However, the company was able to provide reassurance to LAPFF that its audit programme was working as intended. LAPFF had previously written to LVMH suggesting inclusions for its upcoming standalone human rights policy and reiterated that LVMH should make a clear commitment to the UN Guiding Principles on Business & Human Rights, with detailed, transparent disclosures on how risks were being prevented and mitigated.

In Progress: LAPFF will monitor LMVH's ongoing human rights due diligence with respect to its Loro Piana court administration and will seek to engage on new information that comes to light in its next round of reporting.

CONFLICT AFFECTED AND HIGH-RISK AREAS (CAHRAS)

Objective: LAPFF has increased its engagement on companies exposed to CAHRAs, extending its engagement focus on the issue. LAPFF now aims to cover a wide range of sectors and geographies where CAHRAs pose serious risks to companies.

Where companies are exposed to these risks, LAPFF expects them to undertake heightened human rights due diligence (hHRDD) in in line with the UN Guiding Principles on Business and Human Rights, and the UN Development Programme's guide on hHRDD in CAHRAs. This includes companies undertaking conflict analysis, thorough human rights impact assessments, strengthening of supply chain oversight, ensuring that contracts and business relationships do not contribute to abuses, and more thorough engagement with affected stakeholders amongst other elements. Companies exposed to these risks need to demonstrate a more in-depth and thorough degree of due diligence than those operating outside of a CAHRA context.

Achieved:

Banks

The finance sector faces reputational, legal, and operational risks from exposure to CAHRAs, particularly where investments, lending, and financial services are connected to human rights abuses or conflict financing. Reputational risks arise from public scrutiny and potential loss of client and investor trust, while legal risks stem from tightening regulatory frameworks and litigation linked to complicity in abuses. Operational risks include disruptions to business relationships, defaults, and long-term value erosion when companies or projects in CAHRAs are associated with instability or rights violations.

After writing to four Australian banks

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in Q2 2025, LAPFF met with three of them in Q3 and received a written response from the other.

Despite the majority of its loan book being domestically orientated, the National Australia Bank (NAB) does provide some corporate financing to companies that are exposed to high-risk sectors like fossil fuels and mineral extraction. NAB did not disclose specific examples of where it has exerted influence over client activities but was able to provide an anonymised example in which the bank had provided corporate finance to a company that had supply chain links in ahigh risk country. NAB provided an overview of how it had approached this issue and influenced change in supply chain practices.

ANZ Bank noted that while it does not currently have a CAHRA-specific policy, customer and portfolio risks are monitored through country and sector screening, with larger clients reviewed annually. Enhanced human rights due diligence is embedded in the credit process, supported by external datasets such as Transparency International and Sustainalytics. The bank's salient human rights issues include Indigenous rights, data privacy, and the safety of its people, with its Human Rights Statement updated earlier this year. ANZ outlined examples of decision-making in higher-risk markets, including its long-standing operations in Papua New Guinea, where it engages with government, NGOs, and communities. The bank emphasised that it has declined finance in certain cases and leverages its customer relationships to influence practices linked to human rights risks.

The Commonwealth Bank of Australia's (CBA) business model is primarily domestic-focused, with operations centred in Australia and a subsidiary in New Zealand (ASB Bank). The bank provides a full range of retail and commercial banking services in these markets. Despite largely providing retail banking services and serving small-to-medium enterprises, a small portion of its business is in institutional financing. The bank was able to clearly lay out its escalation process, and how it approached both clients with higher levels of risk in relation to human rights.

Oil & Gas

During Q3 LAPFF met with Eni and TotalEnergies to discuss exposure to CAHRAs.

The meeting with TotalEnergies explored both the company's broad approach to human rights in CAHRAs as well as a deep dive into its Mozambique LNG project, which was closed in 2021 due to force majeure. TotalEnergies described its reliance on both internal intelligence teams and external experts to conduct conflict analysis and due diligence, highlighting that ex-military staff provide updated regional risk assessments. The company reiterated that misuse of force is its primary human rights lens in CAHRAs and referenced lessons from past exits, including Myanmar. In relation to Mozambique, TotalEnergies spoke about the establishment of its US$200m community foundation and broader socio-economic projects in Cabo Delgado, aimed at addressing root causes of social unrest.

Eni outlined how its risk management process, explaining that security risk was one of the company's top nine risks, encompassing how it approached CAHRAs. It detailed that its salient risks are continually assessed at board level on a six-monthly basis.The company described a structured security risk management process that combines external country risk mapping with site-specific vulnerability assessments, ensuring consistency across operations. Eni also highlighted its human rights due diligence model, covering its workforce, value chain, communities, and consumers, with findings publicly disclosed through dedicated human rights impact assessments. Eni demonstrated examples of best practice, including mandatory human rights clauses in all joint venture agreements and contracts, joint audits with partners, and proactive conflict analysis tools applied in countries such as Mozambique and Nigeria. The company also emphasised its active participation in the Voluntary Principles on Security and Human Rights, with regular workshops and training in high-risk regions.

UN Special Rapporteur Report on the Occupied Palestinian Territories

In response to a report published in July by the UN Special Rapporteur on the situation of human rights in the Palestinian Territory occupied since 1967 (A/HRC/59/23). LAPFF wrote to a number of companies listed in the report, with the aim of advancing the Forum's understanding of company approaches to human rights due diligence in conflict-affected and high-risk areas (CAHRAs). Microsoft has since responded, sharing several of its publicly available materials on the subject and informing LAPFF that further detail on its approach to CAHRAs will be included in its upcoming annual report.

Electric Vehicles

Honda

In Q1 2025, LAPFF requested engagement from several electric vehicle manufacturers considered to be laggards with regards to managing human rights risks within their mineral supply chains. LAPFF met with Honda this quarter, whose approach was largely reliant on the Responsible Mineral Initiative's audit programme, alongside EcoVadis supplier surveys to manage human rights risks. The company's disclosures on its audit programme are limited in scope and do not provide a breakdown of non-compliance or how such instances are managed. LAPFF requested that the company provide more detailed breakdowns of how it assessed risks associated with individual minerals, and to publish more transparent information on its audit programme.

In Progress: LAPFF continues to expand its work on CAHRAs, engaging with companies across sectors where exposure to conflict risks is most acute. LAPFF will continue to emphasise the importance of public reporting, escalation processes, and demonstrable examples of positive influence in high-risk contexts. LAPFF will be maintaining dialogue with both financial institutions and corporates to encourage stronger alignment with international standards such as the UNGPs and the UN Working Group's guidance on hHRDD.

GOVERNANCE

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EXECUTIVE REMUNERATION

Objective: During Q3, LAPFF intensified its engagement with listed companies across Europe and the U.S., following a wave of significant shareholder dissent on remuneration during the 2025 AGM proxy season. These conversations focused on uncovering key drivers behind investor opposition and assessing how companies are responding to mounting shareholder concerns. By probing both the rationale for dissent and the corrective actions being considered, LAPFF sought to gain a clearer picture of governance practices and the extent to which boards are aligning executive pay with long-term shareholder value.

Prysmian

Achieved: LAPFF engaged for the first time with Prysmian, an Italian multinational specialising in the design, manufacture and installation of energy and telecommunications cables and systems. The company's remuneration report was rejected by 58.9% of shareholder votes cast this year.

Concerns centred around the severance package awarded to outgoing CEO Valerio Battista, who stepped down from the executive role but remained on the board. Shareholders viewed this as a "double benefit," inconsistent with a clean departure. Prysmian explained that, as an Italian-listed company, executive contracts fall under the statutory 'Dirigente' category, which includes mandatory severance provisions, even in cases of consensual departure. The package had been agreed in 2015, fully disclosed, and later reduced. The board defended Mr Battista's continuation as a director, emphasising his central role in Prysmian's growth and the stability his presence provided.

The company also addressed shareholder concerns over its long-term incentive (LTI) design, which is currently based on three-year relative TSR performance. LAPFF encouraged the addition of safeguards such as an absolute TSR underpin or dual thresholds to ensure payouts reflect genuine value creation, particularly in volatile markets. Prysmian confirmed that while no changes can be made retroactively, shareholder feedback is being actively considered in the 2026 Long Term Incentive (LTI) design process.

On health and safety, Prysmian outlined a strong governance framework for its ESG-linked metrics. The company noted that 75% of its 108 plants are audited annually, with audits conducted by independent third parties and frequency determined by performance scores. Health and safety acts as a performance underpin for ESG metrics; in the prior year, a single fatality resulted in a zero ESG score across the company, despite other KPIs being met. Prysmian is also trialling innovations such as robotised forklifts and redesigning plants to reduce high-risk activities, while ensuring that subcontractors are held to the same safety standards as employees.

In progress: LAPFF will be watching closely to see how Prysmian responds to dissent on its remuneration report and whether the company strengthens performance safeguards, such as incorporating absolute measures alongside relative TSR to better align executive pay with long-term investor outcomes.

Another area to monitor is how effectively Prysmian communicates the role of Italian labour law in shaping severance arrangements. Clearer explanation of jurisdictional context may be important in reducing shareholder concerns about perceived inconsistencies in executive exits.

On health and safety, the consistency and transparency of safety metrics in pay – and the extent to which they drive genuine improvements rather than underreporting – will remain central to investor scrutiny.

Infineon

Achieved: LAPFF has an established history of engagement with German manufacturer Infineon, having previously met with the Chair in 2021 on climate change. More recently, investor attention has shifted towards remuneration. At its February 2025 shareholder meeting, 43.32% of shareholders voted against the company's remuneration report – a sharp increase from 12.3% in 2023 and just 1.01% in 2024. Although the proposal passed, the scale of dissent signalled growing investor concern.

In response, the supervisory board has introduced several changes to the remuneration structure. ESG targets remain at 20%, while the former 80% TSR weighting has been halved: 20% is now measured against a defined semiconductor peer group, and 20% against the DAX. The remaining 40% is tied to Infineon's Target Operating Model, setting profitability and cash flow goals to close the gap with peers, the company reported that this has been well received

Image: Alamy

Company headquarters of Infineon in Neubiberg

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by investors.

Further governance changes include removing the discretionary short term incentive (STI) modifier, extending the LTI period from four to five years with an additional holding requirement, broadening malus and clawback clauses, and phasing out change of control provisions in management contracts. On quantum, the supervisory board has proposed staged increases of 27% for the CEO and 13% for other directors, concentrated in variable pay, with base pay unchanged. Benchmarking against semiconductor peers was cited as the rationale, with the board arguing that more competitive pay is necessary to attract and retain senior talent in a highly specialised market.

In Progress: Looking forward, LAPFF will want to see how Infineon's revised remuneration structure performs in practice and whether it meaningfully strengthens the link between executive pay and long-term value creation. Particular attention will fall on the balance between relative TSR, DAX performance and the Target Operating Model, and whether these adjustments alleviate past concerns.

The proposed increases to pay levels will also be closely scrutinised, with a focus on whether they are proportionate, transparently communicated, and aligned with internal equity across the wider workforce.

Genmab

Achieved: LAPFF met with biotechnology company, Genmab, to discuss ongoing shareholder dissent around remuneration, which has seen opposition levels of 37% and 40% in recent years. The company attributes much of this to differences over peer group selection, as it benchmarks against US biopharma peers while many investors continue to view it as a European company. Genmab defended its global pay structure approach by pointing to its international footprint and the need to remain competitive in attracting senior executives, most of whom are U.S. based.

The company acknowledged the misalignment between executive payouts and shareholder returns, noting that long-term incentives are heavily weighted toward pipeline progression rather than financial results, reflecting the company's reliance on milestone achievements as it transitions away from royalty-driven revenues to a fully integrated pharma model.

Furthermore, while Genmab has expanded disclosure retrospectively and reduced short term incentive payouts in recognition of underperformance, LAPFF highlighted that the absence of forward-looking disclosure on performance thresholds makes it difficult for shareholders to assess whether executive rewards are genuinely linked to delivery.

In Progress: A key area for improvement will be providing more transparent, forward-looking disclosure on performance metrics and vesting thresholds. This would help reassure investors that executive rewards are genuinely linked to outcomes rather than retrospective justification.

In addition, governance concerns remain: the chair of the remuneration committee has served for 22 years, with other members also long tenured, raising questions about board independence and refreshment. With royalty revenues expected to decline significantly by the end of the decade, investors will also be watching to see whether Genmab can successfully scale its own commercial portfolio and demonstrate profitability. Together, these factors will shape how shareholders judge the appropriateness of future pay structures.

BE Semiconductor (Besi)

Achieved: LAPFF engaged for the first time with the Dutch semiconductor designer and manufacturer, Besi, following significant shareholder dissent at the 2025 AGM on the company's remuneration policy. Investor concerns arose over the final application of the 2019 policy that was valid from January 2020 to year end December 2023. It included a discretionary element allowing awards of up to 120,000 shares for outstanding performance. In January 2024, the Board met to assess company performance in 2023 based on three assessment elements:

- Net income return
- Average return on equity
- Generation of cash from company operations

The performance of the company was deemed 'outstanding' and so the obligation of the board, according to the shareholder-approved policy, was to award the maximum package, 120,000 shares. However, when the policy was adopted in 2019, Besi's share price stood at around €25 but by 2023, it had risen above €100, substantially inflating the potential value of share-based awards.

In response, the Supervisory Board used its discretion to reduce the maximum payout by 20%, from 120,000 to 96,000 shares and then further to 70,000 after consultation with management. However, many shareholders still viewed the award as disproportionate given the wider macroeconomic tailwinds that had boosted valuations across the sector. This disconnect contributed to significant opposition despite the company meeting its 'outstanding performance' threshold.

Besi highlighted that the new remuneration policy (valid from 2024-2027) directly addresses shareholder concerns by removing all discretion and introducing a hard cap of 10 times base salary, with awards linked to share price rather than fixed share quantities.

In Progress: Shareholders remain concerned that parts of the previous incentive design allowed payouts even at or below median performance, raising questions over alignment with long-term value creation. LAPFF will continue to monitor whether Besi's revised policy, with its strict cap and rules-based design, adequately addresses these issues in practice.

Another focus will be the robustness of STI metrics. While Besi insists that most are quantitative and rigorous, some investors perceive them as overly tailored or discretionary relative to peers. The company's ability to clearly demonstrate the challenge level of targets and benchmark them transparently against competitors will be central to restoring shareholder confidence.

Finally, given Besi's long-term track record (TSR up 20 times over the past decade, with one-third of revenues distributed through dividends and buybacks), investors will expect remuneration structures to ensure that future payouts reflect sustainable performance rather than market-driven valuation gains.

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Pandora

Achieved: LAPFF engaged with Danish jeweller Pandora following shareholder dissent (47.78% opposed) at the 2025 AGM, primarily linked to a special bonus awarded to the CEO. Concerns focused on the vesting period (2 years plus one-year holding period), which was not aligned with the company's standard LTIP framework (3 years plus 2-year holding period). While Pandora subsequently amended the terms to meet the standard total lock-in in response to investor feedback, the change occurred after votes had been cast.

The company emphasised that its remuneration policy allows for the granting of special bonuses when deemed necessary by the board. Pandora described this award as a one-off, justified in the interests of the company, although details could not be disclosed for competitive reasons. The board also stressed the importance of benchmarking against European peers and C25 companies, while acknowledging the need to remain competitive in attracting international talent.

A key area of debate with LAPFF was performance target disclosure. Pandora currently discloses performance metrics and weightings but not numeric targets, citing commercial sensitivity – particularly around financial and TSR-related measures linked to product launches and strategic ambitions. The company argued that even retrospective disclosure could compromise future plans. While some peers do disclose targets, Pandora maintains that its business model makes such transparency not viable on grounds of commercial sensitivity. The company committed to considering retrospective disclosure for certain "softer" targets at a future board meeting, as well as clarifying communication to shareholders around the exceptional nature of the CEO award.

In progress: From LAPFF's perspective, concerns remain over the lack of quantitative disclosure, which makes it difficult for shareholders to assess the level of challenge embedded in Pandora's incentive plans. Repeated use of similar performance metrics across the STI, LTI, and special award risks create the perception of executives being rewarded multiple times for the same achievements.

LAPFF further stressed that in periods of unprecedented market conditions, disclosure becomes even more important. Without numeric targets, it is hard to separate rewards earned through genuine executive delivery from those inflated by external macroeconomic factors. Pandora has committed to reviewing whether retrospective disclosure could be expanded, particularly for non-financial measures, with the Board, and LAPFF will monitor this.

COLLABORATIVE ENGAGEMENTS

PRI Advance Vale

In Q3, LAPFF secured a meeting with Vale, scheduled for October 2025, which will be reported on in the Q4 QER. This meeting will request further disclosure on how employee and community feedback is collected, managed, and integrated into board-level oversight. The group remains particularly interested in findings from Vale's 2024 Community Perception Survey, as well as employee feedback mechanisms and their role in shaping Vale's broader social strategy.

Additionally, the PRI Advance group is planning to meet with Earthworks, non-profit environmental organisation based in the US, in September to discuss their April 2025 report on Vale's Brazilian operations (meeting details to be confirmed). The group also noted that Vale will also host a field trip to Brumadinho during PRI in Person Brazil later this year, and the group will await feedback from this visit.

Vale shared its ESG newsletter with investors on 18 August 2025. Updates in this newsletter included information on dam safety, sustainability, and governance and transparency, as summarised:

DAM SAFETY

Vale reported progress on dam safety, with the Forquilha III dam's emergency level reduced from 3 to 2, meaning the company no longer has any dams at the highest risk level. In addition, Vale has completed the full implementation of the Global Industry Standard on Tailings Management (GISTM) across all of its tailings dams, reinforcing its alignment with best practice in the mining sector. The company also expressed support for the newly created Global Tailings Management Institute, signalling ongoing commitment to improving industry-wide standards. Separately, the Xingu Dam at the Alegria Mine in Mariana had its emergency level downgraded from 2 to 1 following geotechnical improvements, enhanced monitoring systems, and advanced technical studies confirming its structural stability.

SUSTAINABILITY

Vale announced it has reached 50% of its Voluntary Forest Goal for 2030, conserving 200,000 hectares of forest areas. This milestone demonstrates progress towards the company's longer-term commitment to biodiversity and environmental protection.

GOVERNANCE & TRANSPARENCY

Vale achieved 100% adherence to the Brazilian Corporate Governance Code for the second consecutive year, exceeding market averages and aligning with the Novo Mercado standards. The company was also featured in a Global GRI and TNFD case study report, highlighting its efforts in managing nature-related dependencies, risks, and opportunities, and positioning itself as an example of advancing nature-positive ESG leadership. Furthermore, Vale released its first Sustainability-Related Financial Information Report, becoming the first company in Brazil to voluntarily adopt ISSB and CBPS standards ahead of regulatory requirements. The report set out the company's climate strategy, including emission reduction targets and R$7.4 billion in investments since 2020, underscoring Vale's focus on opportunities linked to the energy transition.

ENGAGEMENT

CONSULTATION RESPONSES

Department of Business consultation – Exposure draft of UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2

LAPFF submitted a response in September 2025 to a consultation on sustainability reporting. The framework for the proposed sustainability standards comes from the IFRS Foundation, and LAPFF raised concerns about the restrictive nature of a central premise within the consultation, that: "the updated framework will seek to ensure that only information that is decision-useful is required to be disclosed and that this is provided in a format that best meets the needs of investors and other users.

LAPFF views the term 'decision useful' as problematic. It is not described in UK legislation. It is described by accounting standard setters but this can lead to tensions between standards and UK law. This is evident in the fact that "Useful for users" creates potential for contradictory implications as not all users are the same. A long only shareholder as user will require comprehensive quality information. However, a short seller, as a "user" may wish to have poor quality information to give them grounds to short the stock.

Similarly, as noted by the Judge in the Royal Bank of Scotland prospectus case1, sell side analysts as users may want an edge in their research and wish for poor disclosure. By the RBS prospectus case "decision-useful" is contrary to the law concerning prospectus quality information. But "decision usefulness" has further harms to that set out above.

it is a limitation of scope as it omits the first order impact e.g. on the company of knowing there will be transparency on the behaviour of a company itself as the reporting party. A non-accounting example would be the register of MPs' interests. The reason for disclosure is a prohibitive effect in first instance, as opposed to being an after effect for third party consumption.

Directors are not "users" under the "decision useful" definition as they are viewed as having the ability to obtain information internally. However disclosure may be relevant to directors in bringing up information that otherwise would not be noticed by them. Such examples would be diversity disclosure by companies. Or deaths in a workforce.

LAPFF also had concerns about the scope of the term decision useful as it can potentially limit information to that which could impact the share price or investor decisions. This could end up restricting reporting on social and environmental risks. These could be viewed as immaterial when in fact not. It may lead to systemic risks not being reported on by individual companies as the focus will be inherently idiosyncratic risks. However, the combined impact could contribute to market-wide risks.

1 [2015] EWHC 3433 (Ch), para 47

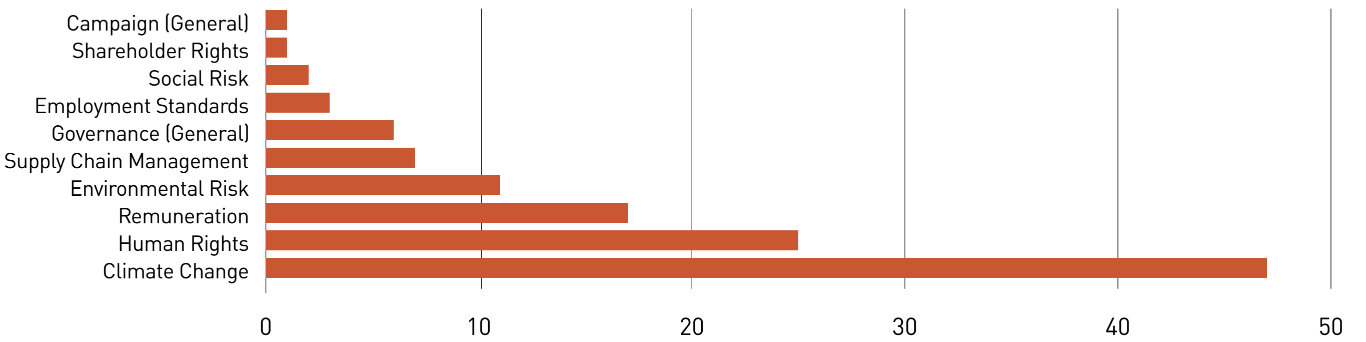
COMPANY PROGRESS REPORT

This dataset represents data taken from 'Meetings', 'AGMs' and 'Received Correspondence' only.

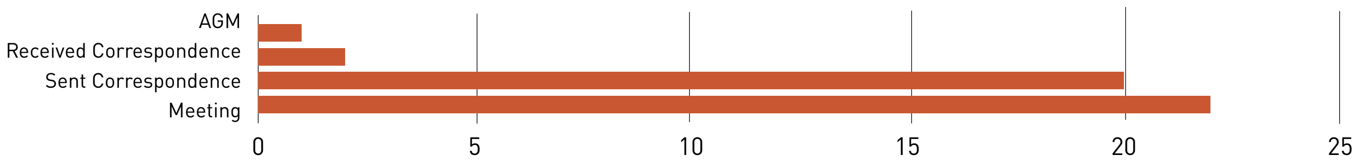
Company/Index	Activity	Topic	Outcome
ANGLO AMERICAN PLC	Meeting	Governance (General)	Change in Process
ANZ-AUSTRALIA & NEW ZEALAND BANK	Meeting	Human Rights	Satisfactory Response
BANK MANDIRI (PERSERO) TBK	Meeting	Climate Change	Small Improvement
BE SEMICONDUCTOR INDS NV	Meeting	Remuneration	No Improvement
BUNGE GLOBAL SA	Received Correspondence	Environmental Risk	Dialogue
CIMB GROUP HOLDINGS BERHAD	Meeting	Climate Change	Change in Process
COMMONWEALTH BANK OF AUSTRALIA	Meeting	Human Rights	Satisfactory Response
CRH PLC	Meeting	Environmental Risk	Dialogue
ENI SPA	Meeting	Human Rights	Satisfactory Response
GENMAB AS	Meeting	Remuneration	Dialogue
HEIDELBERG MATERIALS AG	Meeting	Environmental Risk	Dialogue
HONDA MOTOR CO LTD	Meeting	Human Rights	Dialogue
INFINEON TECHNOLOGIES AG	Meeting	Remuneration	Substantial Improvement
KINGFISHER PLC	Meeting	Employment Standards	Dialogue
LVMH (MOET HENNESSY - LOUIS VUITTON) SE	Meeting	Human Rights	Moderate Improvement
MICROSOFT CORPORATION	Received Correspondence	Human Rights	Dialogue
NATIONAL AUSTRALIA BANK LIMITED	Meeting	Human Rights	Satisfactory Response
PANDORA AS	Meeting	Remuneration	Dialogue
PENNON GROUP PLC	Meeting	Environmental Risk	Dialogue
PFIZER INC.	Meeting	Environmental Risk	Dialogue
PRYSMIAN SPA	Meeting	Remuneration	Dialogue
SEVERN TRENT PLC	Meeting	Environmental Risk	Change in Process
SSE PLC	AGM	Climate Change	Dialogue
THE COCA-COLA COMPANY	Meeting	Environmental Risk	No Improvement
TOTALENERGIES SE	Meeting	Human Rights	Dialogue

ENGAGEMENT DATA

ENGAGEMENT TOPICS



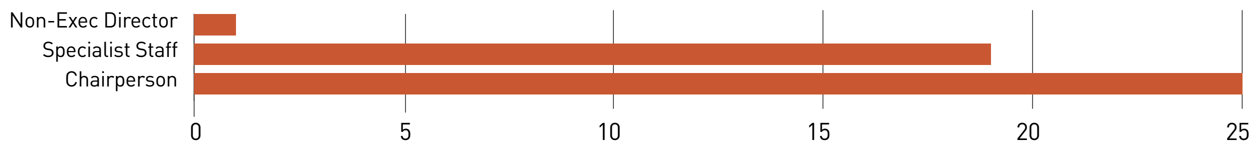
ACTIVITY



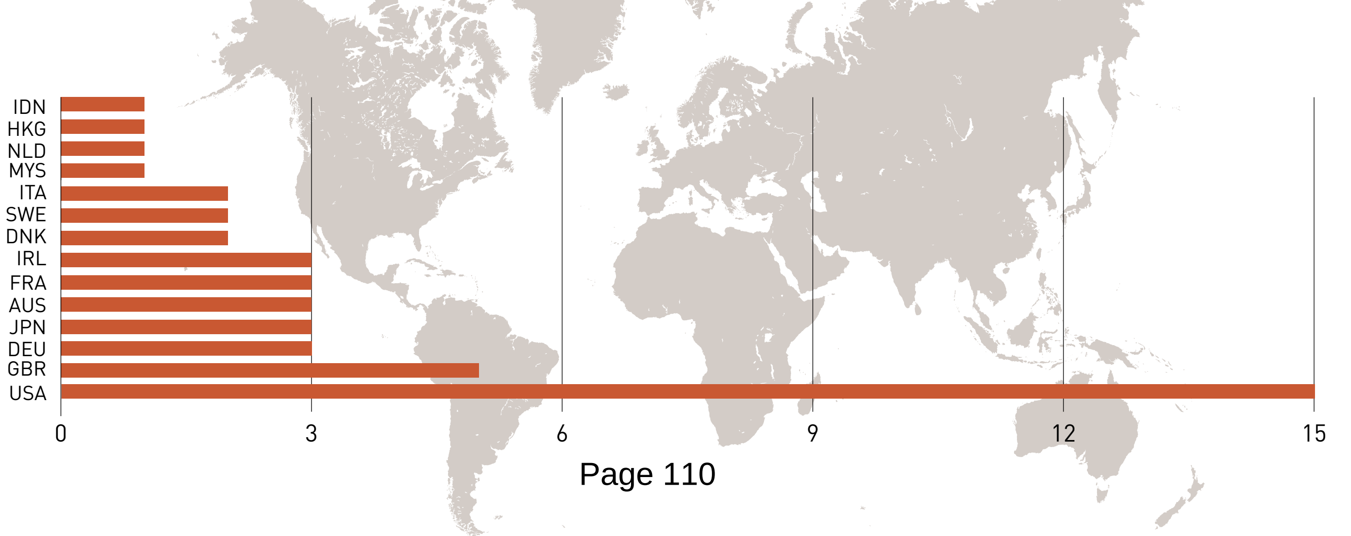
MEETING ENGAGEMENT OUTCOMES*

*Outcomes data is taken from 'Meetings', 'AGMs' and 'Received Correspondence' only

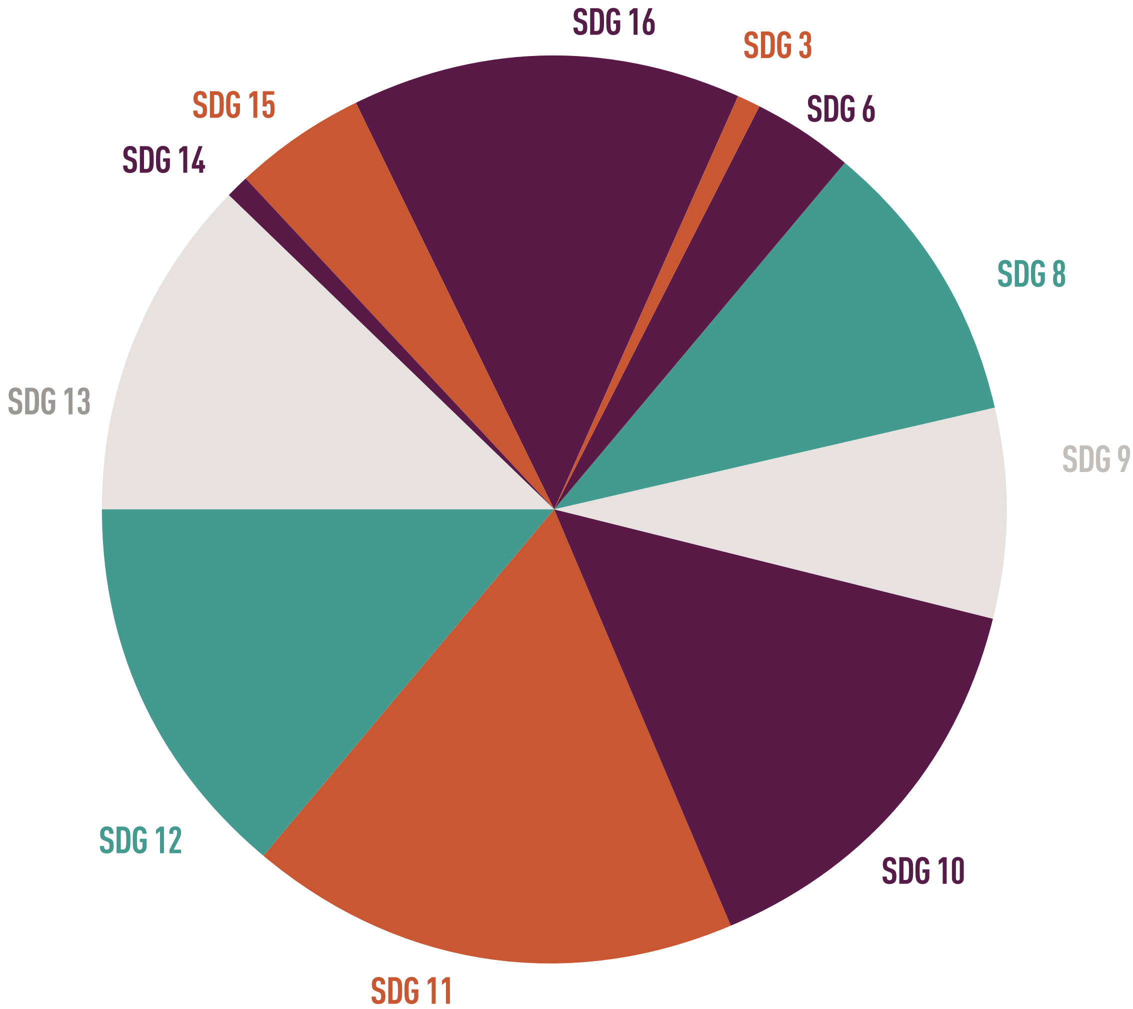
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	0
SDG 2: Zero Hunger	0
SDG 3: Good Health and Well-Being	1
SDG 4: Quality Education	0
SDG 5: Gender Equality	0
SDG 6: Clean Water and Sanitation	4
SDG 7: Affordable and Clean Energy	0
SDG 8: Decent Work and Economic Growth	11
SDG 9: Industry, Innovation, and Infrastructure	8
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	19
SDG12: Responsible Production and Consumption	15
SDG 13: Climate Action	13
SDG 14: Life Below Water	1
SDG 15: Life on Land	5
SDG 16: Peace, Justice, and Strong Institutions	15
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Brent (London Borough of)
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hillingdon Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kensington and Chelsea (Royal Borough of)
Kent Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Scottish Borders Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members
ACCESS Pool
Border to Coast Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

Bath & North East Somerset Council	
MEETING:	**Avon Pension Fund Committee Meeting**
MEETING DATE:	12th December 2025
TITLE:	**PENSION FUND ADMINISTRATION** **Performance Report**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Administration Update Appendix 2 – TPR data improvement report	

1 THE ISSUE

The purpose of this report is to present the fund administration performance for the period up to and including 31st October 2025 v's key performance indicators (KPI's).

2 RECOMMENDATIONS

The Committee is asked to;

2.1 Note the service performance to the period ending 31st October 2025.

3 THE REPORT

3.1 Service - Appendix 1 includes details of the Fund's current service levels for KPIs and current projects affecting administration. The Fund has seen a predicted peak in work levels in September which is linked to end of term school leavers for non-teaching staff. Appendix 2 reports on the Fund's latest TPR data situation, retaining a position in excess of 95%.

3.2 Recruitment - Due to staff changes and internal recruitment, the administration have a total of 4 FTE's vacant posts. Recruitment is ongoing.

3.3 Pensions Administration Strategy – Following approval by Committee in September, a consultation with employers began on 7th November ending on 31st January 2026. Initial feedback from employers has been positive.

3.4 Supplementary Pensions Increase – has been paid in the November payroll run. 1238 members will receive an additional one off payment, ranging from £0.08 to £2,201.

3.5 Pensions Dashboard - The Fund successfully connect to the Pensions Dashboard along with its two AVC providers and is compliant with current regulations. Work is now ongoing to maintain compliance with the dashboard. An update on next steps will be given to the board at the meeting.

3.6 Member Portal upgrade – The Fund has launched its upgraded member portal (‘my pension online’) on 24th November 2025 and are in the process of migrating members via a registration campaign. The benefits of the updated portal include enhanced security via SMS or email two factor authentication, a clear retirement planning tool and accessible, user-friendly design and navigation.

3.7 Access & Protections Consultation – on 13th October, the government launched a new consultation. The consultation closes on 22nd December and covers the following areas:

- Normal minimum pension age
- Pension access for councillors and mayors
- Academies in the LGPS
- New Fair Deal

3.8 Oasis direction order – on 16th October the Fund received nofification that MHCLG have approved the original application made by Oasis in 2021. The order approves the consolidation of of 53 academies and associated admitted bodies to LPFA. APF have 10 academies and 1 admitted body covering approximately 1500 member including active, deferred and pensioner members. This change will create significant additional workload and expense for the Fund for which we will seek recovery from Oasis. The Fund will be taking steps to ensure the final direction order includes our right to recovery of costs.

3.9 Statutory Annual requirements :

- Year end data returns – the Fund saw a marked improvement in the quality of data received from employers with fewer fines being issued. Please see Appendix 1 for further details.
- The annual benefit statement (ABS) exercise saw additional complications this year due to new regulatory requirements to communicate the McCloud underpin to members. A total of 94.5% of active & deferred members were issued an ABS within the regulatory deadline of 31st August. Please refer to Appendix 1 for a breakdown of cases.
- 18 members were issued a pension saving statement (PSS) before the regulatory deadline of 6th October, achieving 100% compliance.

3.10 Budget update – As at 31st October 2025, the budget for the year (y/e forecase) is predicted to be on budget as shown below. Budgets are overall inline with predictions with an overall predicted net underspend of £38k for the financial year to 31st March 2026.

	Status (Year End Forecast)	***Comment if significant under/over***
Administration		
Governance & Compliance		

Pensions Board		
Total		

Key:

	Significant underspend
	On budget (not signficantly under or over)
	Significant overspend

4.0 STATUTORY CONSIDERATIONS

4.1 Bath and North East Somerset Council, in its role as administering authority, has executive responsibility for the Avon Pension Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee which is the formal decision-making body for the Fund.

5.0 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 People resource could be affected by the Consultation and Oasis direction order.

6.0 RISK MANAGEMENT

6.1 An effective governance structure, defining clear responsibilities, and ensuring that the decision making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

7.0 EQUALITIES STATEMENT

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8.0 CLIMATE CHANGE

8.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council’s Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

9.0 OTHER OPTIONS CONSIDERED

9.1 None.

10.0 CONSULTATION

10.1 The Council's Director of Financial Services, Assurance & Pensions has had the opportunity to input to this report and has cleared it for publication.

Contact person	Claire Newbery Pensions Operations Manager 01225 394701
Background papers	none
Please contact the report author if you need to access this report in an alternative format.	

Administration Update
3 December 2025

Claire Newbery

Pensions Operations Manager

Avon Pension Fund

Your pension, your future

KPI’s

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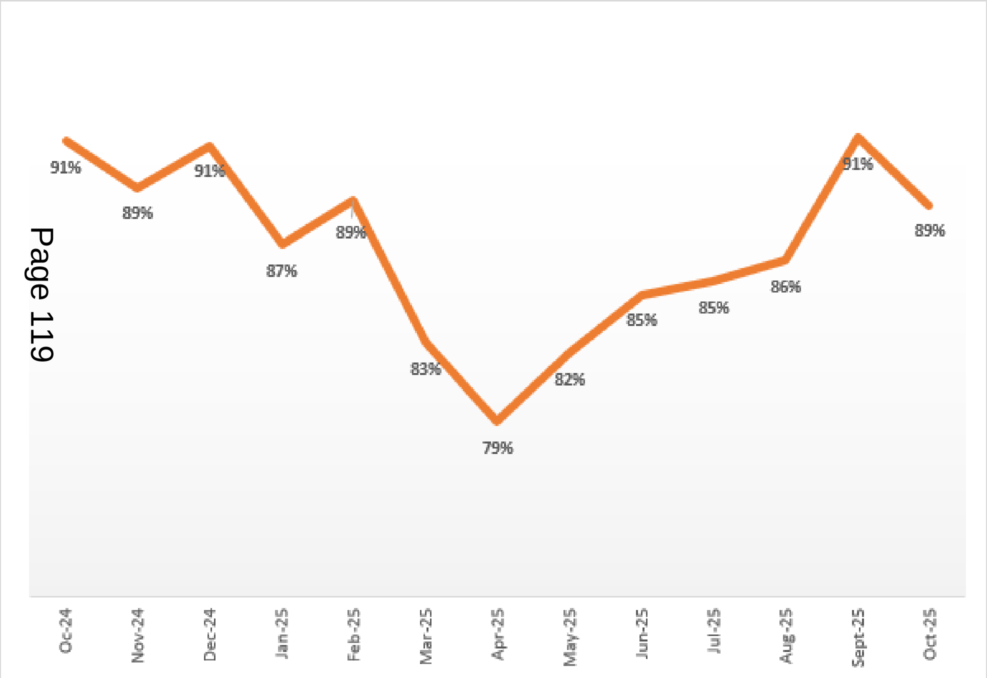
SLA monthly performance average Oct 2024 to Oct 2025

Average SLA Perfomance

**Based on weekly KPI data*



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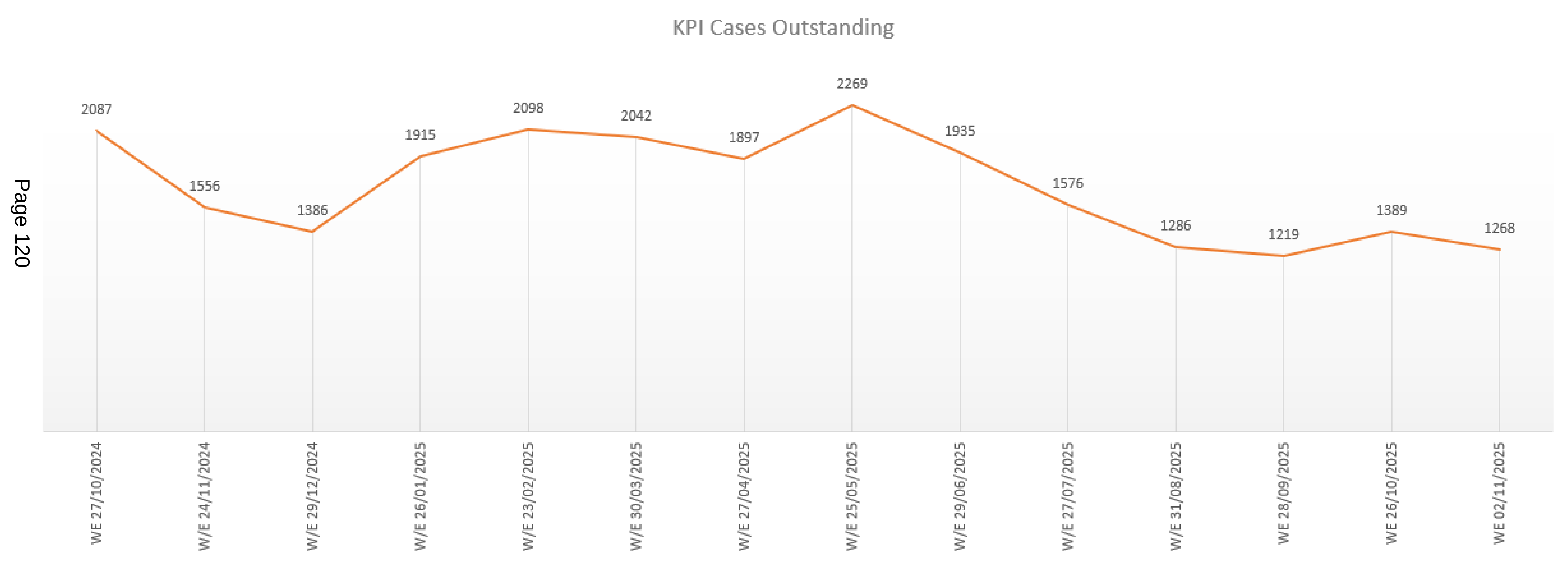
KPI Category	Oc-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sept-25	Oct-25	Cases Created Oct-23 to Oct-25
Death Notification	94.4%	94.0%	87.6%	100.0%	93.8%	63.8%	71.0%	76.7%	90.6%	97.0%	98.2%	94.8%	98.7%	1,259
Death - Act/Def/Pen - Payment	67.5%	94.4%	67.7%	81.6%	65.3%	59.9%	49.2%	60.3%	52.6%	70.4%	70.9%	51.4%	55.6%	951
Retirement (Active) - Quote	84.1%	60.0%	86.3%	45.5%	83.5%	77.7%	80.4%	69.7%	61.7%	76.8%	89.9%	85.0%	79.9%	3,112
Retirement (Active) - Actual	99.1%	96.7%	96.7%	94.4%	90.1%	83.5%	69.4%	78.5%	80.8%	97.0%	92.1%	90.6%	93.5%	2,132
Retirement (Deferred) - Quote	88.2%	98.2%	96.2%	73.8%	71.3%	57.0%	25.5%	72.3%	80.7%	68.7%	81.0%	93.5%	91.0%	4,989
Retirement (Deferred) - Actual	90.7%	98.8%	99.1%	99.0%	98.7%	77.0%	85.5%	77.4%	76.1%	88.5%	90.6%	90.9%	86.9%	3,340
Divorce - Quote	91.7%	100.0%	100.0%	100.0%	100.0%	100.0%	86.3%	95.5%	100.0%	96.4%	100.0%	96.9%	100.0%	573
Divorce - Actual	100.0%	33.3%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	18
Refund - Quotes	75.1%	87.9%	66.4%	73.4%	93.3%	72.5%	52.5%	64.1%	67.3%	52.1%	36.1%	85.5%	84.2%	5,630
Refund - Actual	95.2%	85.3%	81.7%	66.7%	68.6%	61.1%	77.7%	39.3%	70.3%	94.8%	98.6%	100.0%	94.6%	2,140
Deferred Benefits	95.7%	76.9%	95.1%	92.6%	87.8%	86.0%	83.8%	84.6%	87.9%	97.8%	90.0%	90.8%	86.7%	6,355
Transfer In (Active) - Quote	91.8%	59.4%	56.6%	97.4%	93.9%	77.1%	60.0%	42.2%	64.9%	58.9%	44.7%	33.3%	95.5%	794
Transfer In (Active) - Actual	48.0%	51.4%	79.2%	0.0%	56.4%	50.0%	100.0%	63.9%	47.7%	78.6%	72.2%	83.3%	50.0%	387
Transfer Out (Active/Deferred) - Quote	42.5%	12.1%	46.6%	35.9%	2.8%	9.8%	30.4%	34.8%	27.2%	43.5%	46.4%	52.0%	8.8%	2,352
Transfer Out (Active/Deferred) - Actual	100.0%	100.0%	100.0%	100.0%	83.3%	100.0%	33.3%	100.0%	85.4%	100.0%	62.5%	77.8%	20.8%	239
Employer Estimate - Quote	94.4%	91.7%	80.8%	94.5%	100.0%	97.5%	92.0%	76.4%	86.4%	90.2%	91.7%	100.0%	91.7%	483
Member Estimate - Quote	86.9%	98.7%	100.0%	91.9%	97.5%	94.3%	96.3%	87.1%	100.0%	90.9%	77.2%	76.7%	60.8%	1,499
Joiner	100.0%	100.0%	100.0%	99.6%	100.0%	99.6%	99.8%	99.8%	100.0%	95.4%	100.0%	100.0%	100.0%	26,003

Weighted Average	**91%**	**89%**	**91%**	**87%**	**89%**	**83%**	**79%**	**82%**	**85%**	**85%**	**86%**	**91%**	**89%**

Total KPIs outstanding – Oct 2024 to Oct 2025



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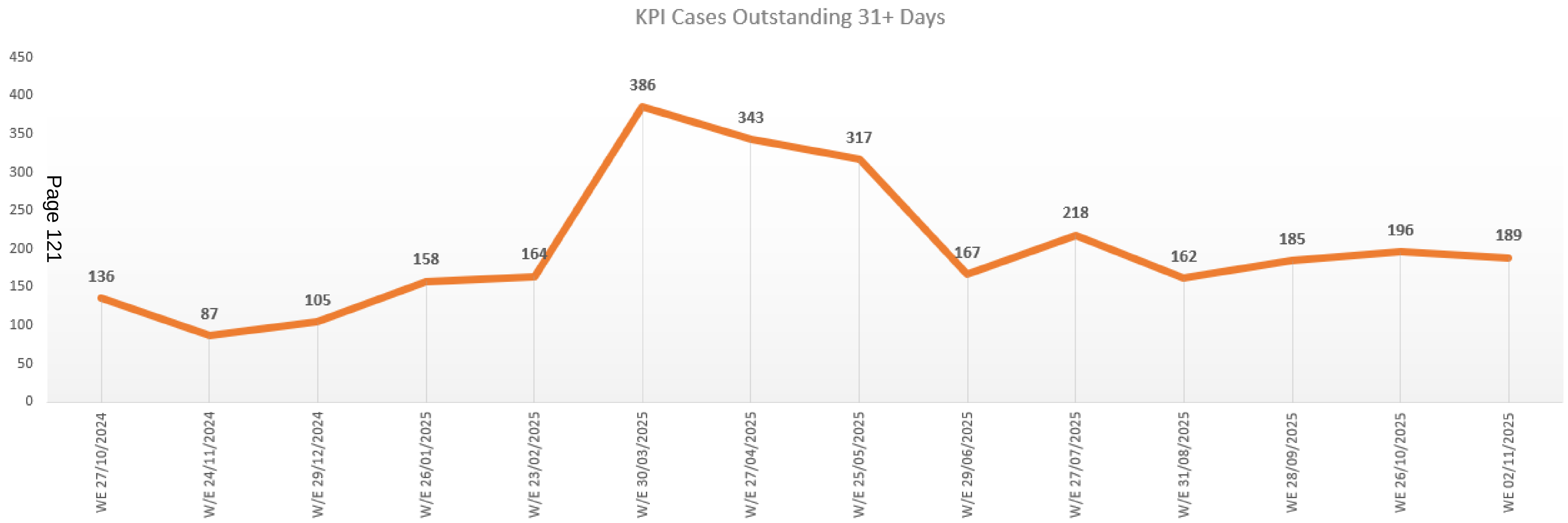
KPIs outstanding over 31 days – Oct 2024 to Oct 2025



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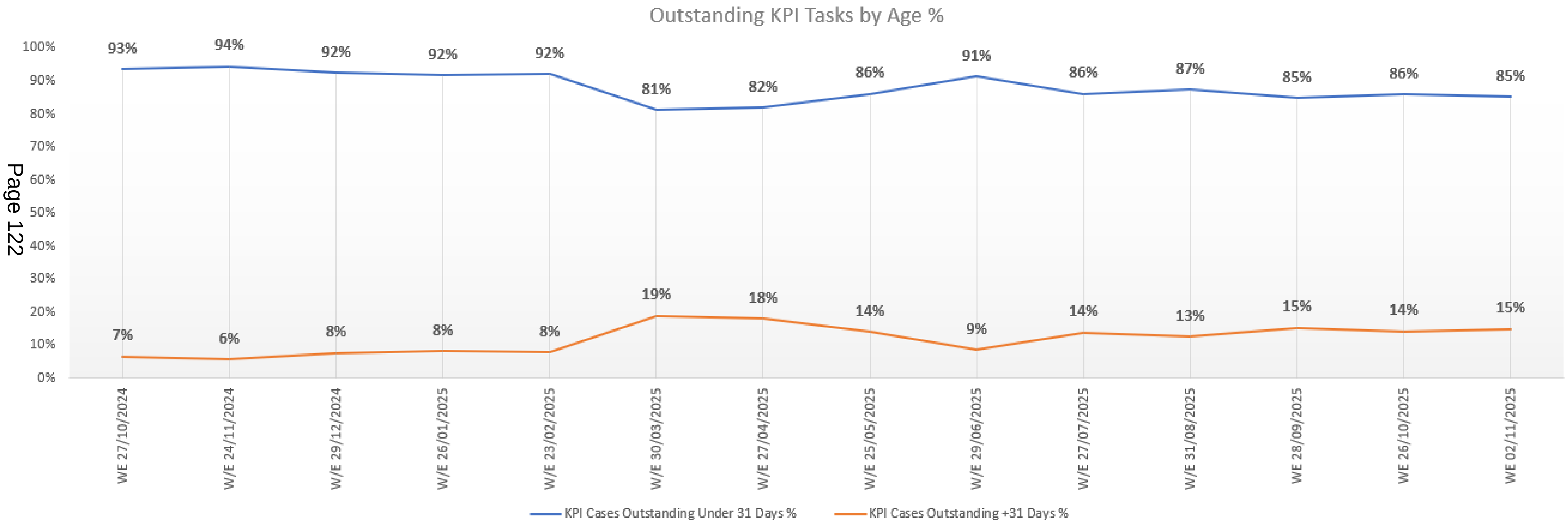
KPIs case by age % - Oct 2024 to Oct 2025



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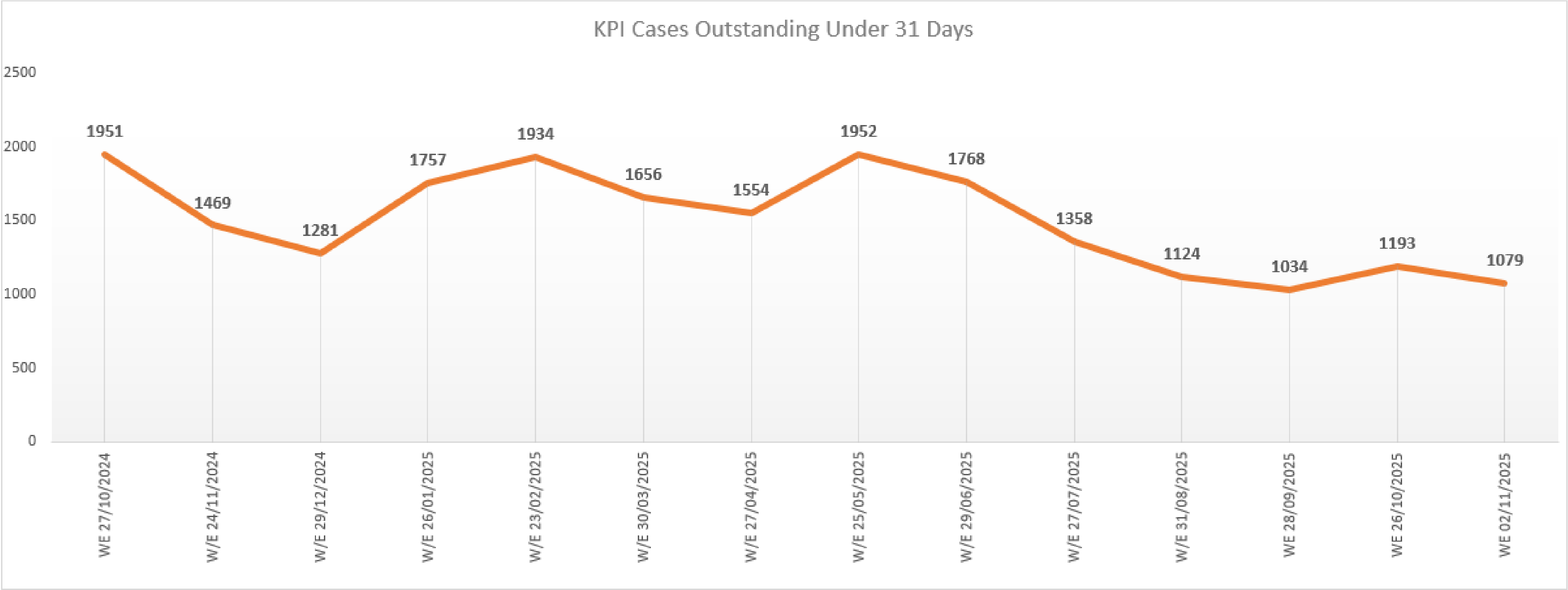
KPI cases completed period ending Oct 2025

(cases numbers v target – cumulative % processed)

		Tasks Current Quarter									
		Actual Days to Process									
		0 to 5	6 to 10	11 to 15	16 to 20	21 to 25	26 to 30	31 to 40	41 to 45	46 to 59	60+
Death Notification	5 Days	98%	100%								
Death - Act/Def/Pen - Payment	10 Days	25%	56%	69%	72%	78%	83%	83%	83%	89%	100%
Retirement (Active) - Quote	15 Days	38%	54%	79%	89%	92%	94%	98%	98%	100%	
Retirement (Active) - Actual	15 Days	72%	83%	94%	96%	96%	96%	96%	97%	99%	100%
Retirement (Deferred) - Quote	30 Days	12%	30%	49%	68%	81%	87%	93%	93%	95%	100%
Retirement (Deferred) - Actual	15 Days	55%	82%	87%	95%	96%	97%	98%	99%	99%	100%
Divorce - Quote	45 Days	36%	67%	74%	79%	90%	95%	97%	100%		
Divorce - Actual	15 Days										
Refund - Quotes	10 Days	66%	78%	82%	86%	89%	91%	96%	98%	100%	
Refund - Actual	10 Days	88%	96%	98%	99%	99%					
Deferred Benefits	30 Days	24%	54%	67%	76%	81%	86%	91%	96%	99%	100%
Transfer In (Active) - Quote	10 Days	73%	91%	100%							
Transfer In (Active) - Actual	10 Days	33%	67%	100%							
Transfer Out (Active/Deferred) - Quote	10 Days	3%	12%	43%	71%	83%	84%	97%	97%	100%	
Transfer Out (Active/Deferred) - Actual	10 Days	25%	25%	38%	63%	75%	88%	100%			
Employer Estimate - Quote	15 Days	68%	76%	92%	100%						
Member Estimate - Quote	15 Days	45%	56%	61%	85%	88%	95%	98%	98%	100%	
Joiner	40 Days	39%	91%	100%							

KPI cases outstanding under 31 days – Oct 2024 to Oct 2025



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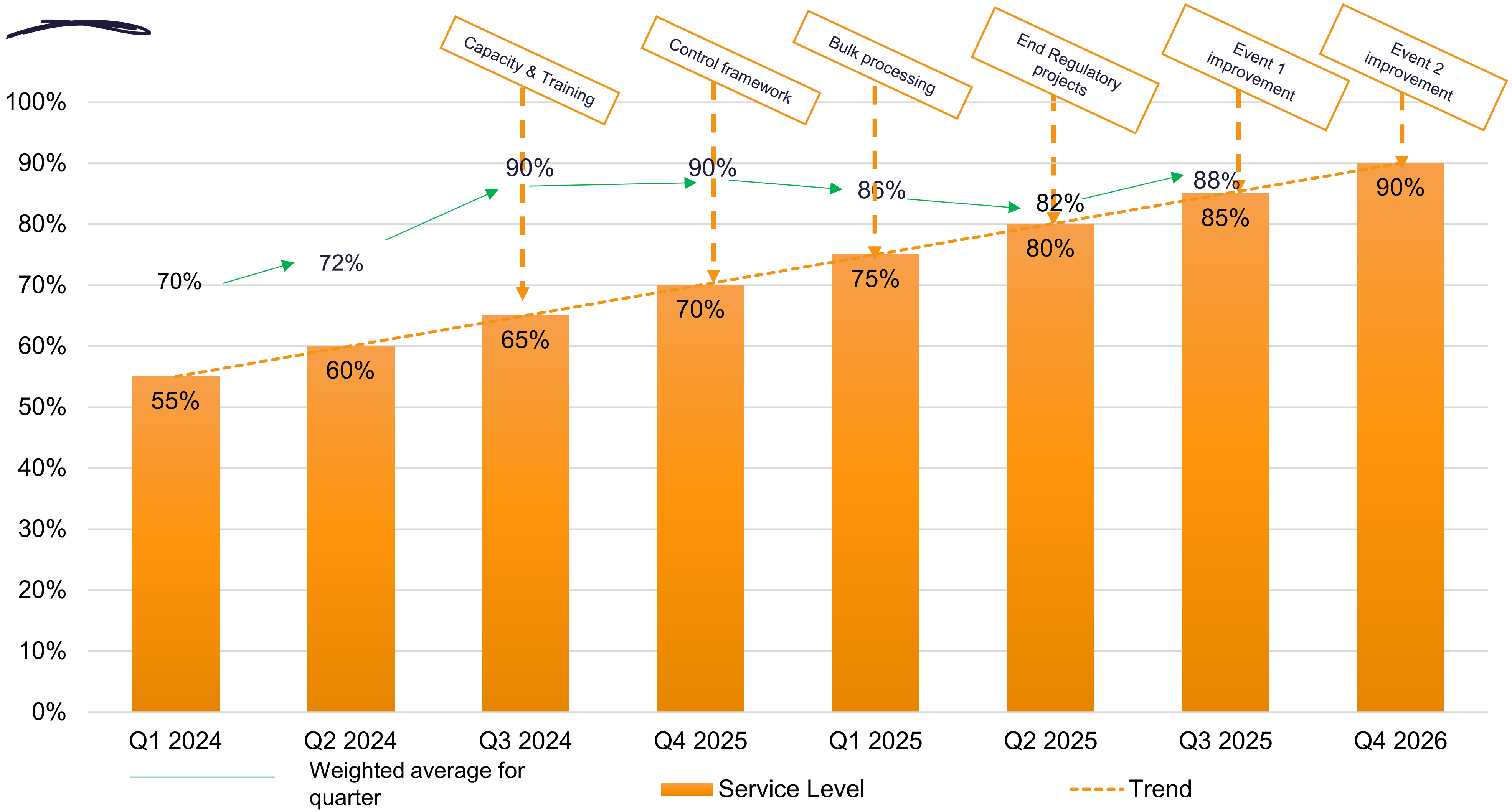
Service performance – plan v's actual – Oct 2025



Statutory Annual requirements

Year End 2024/25 Overview

Data Return outcomes

- **504 employers** submitted year-end data returns, covering 41,709 members.
- **2 employers** (0.4%) were fined for late returns.
- **3 employers** (0.6%) were fined for excessive data queries (less than 2% query rate overall).
- **8 employers** (1.6%) received a data improvement plan (reduced from 21 in 2024).
- **Employer participation** increased by 4% compared to the previous year.

Process Improvements supporting improved outcomes

- **New APP[1] Data Spreadsheet**: Introduced a structured spreadsheet for employers to submit APP data. Feedback was overwhelmingly positive, with many noting improved clarity and efficiency.
- **Online Declaration**: Launched an online declaration tool, which was well-received by employers.
- **Enhanced Data Checks**: Data Control Team's proactive checks throughout the year led to a smoother year-end, reducing queries and enabling completion by the Fund two weeks earlier than in 2023/24.

[1] Assumed Pensionable Pay

Annual Benefit Statements 2025

ABS issued – breakdown by McCloud group & despatch method

Member type	Active members			Deferred members		
McCloud group	Postal	Email	Total	Postal	Email	Total
Group 1 – McCloud protected with underpin	274	328	602	223	120	343
Group 2 - McCloud protected with £0.0 underpin	3294	4061	7355	3524	2511	6035
Group 3 – McCloud protected but cannot quote underpin value	13	33	46	8	13	21
Group 4 – No protection, non qualifying	19595	10982	30577	23579	11292	34871
Total ABS issued	23176	15404	**38580**	27334	13936	**41270**

ABS issued vs. Population

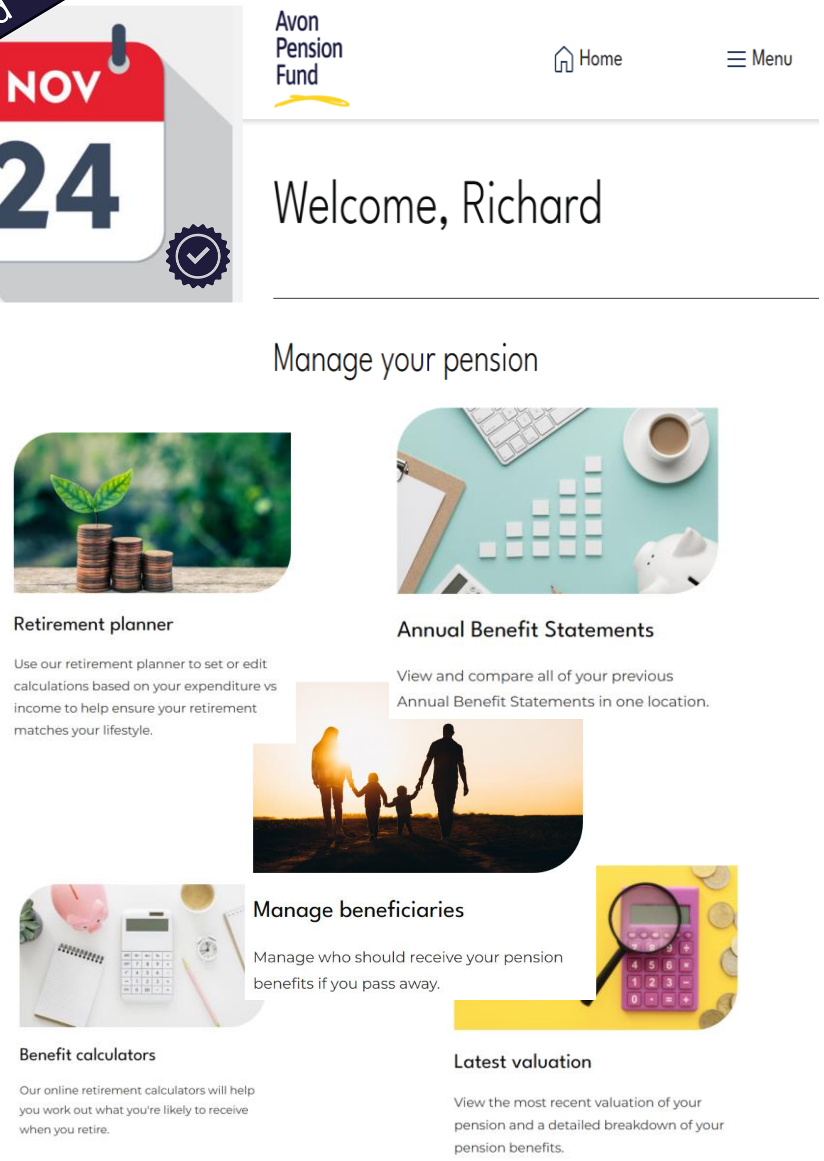
Member type	Active	Deferred
Population	39087	45392
Errors	14	62
Gone Aways	43	3827
£0.0 pension	440	171
Other queries	10	62
Total ABS issued	**38580**	**41270**

Percentage of population issued	**98.7%**	**90.9%**
October sweep-up run – number issued	**35**	**66**

Project Updates

My Pension Online

	Overview
What it is ?	• Provides secure, 24/7 access to pension information • Enable lifestyle-based retirement planning • Getting to members pension details quicker • Support digital-first member engagement
Benefits	• SMS two-factor authentication for enhanced security • Accessible, user-friendly design • Clear retirement planning tools • Fast, easy access to pension details
What and how the project delivered	• DPIA for governance and compliance • Platform build and workflow setup • User testing across Fund teams • Registration campaign and stakeholder engagement • Staff training and rollout support
Future Developments	• Boost member registrations – developing communication opportunities • Online P60s and payslips • Digitised workflows and processing



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Pensions Dashboard Update

AUGUST

- Phase 2 ISP Testing & Configuration
- L&G/Aviva AVC data cleanse & Service Agreement completion

SEPTEMBER

- ISP Implementation completed
- TPR Dashboard Registration accepted

OCTOBER

31/10/25 Connection to Dashboard ecosystem

- Initial Matching Criteria sign-off & config
- DPIA completion
- Initial Dashboard workflow config

NOVEMBER/ DECEMBER

- Connection Readiness Statements completed
- Initial new process discussions & responsibility handover
- Heywood Data Cleansing Service implementation
- Review further Governance documentation

During 2026

- Finalise and implement new BAU & Annual processes (inc. AVCs)
- Continue Status 2 reduction
- Embed ongoing compliance monitoring & review frequency
- Assess workload & resourcing in advance of going live

LATE 2026?

Public Access (6 month's notice given)

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TPR Improvement Plan Data As of 30 September 2025

Annex 1 – TPR Errors by Member Numbers

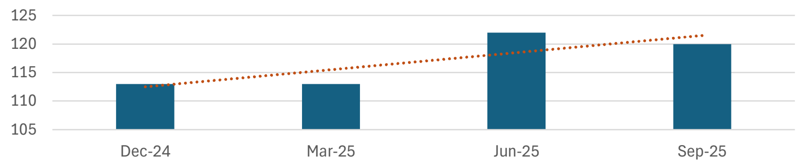
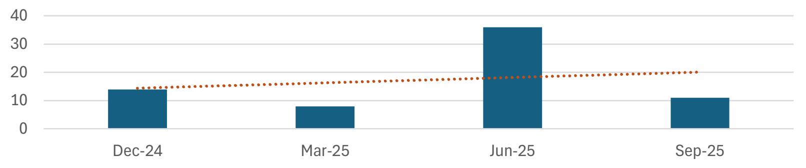
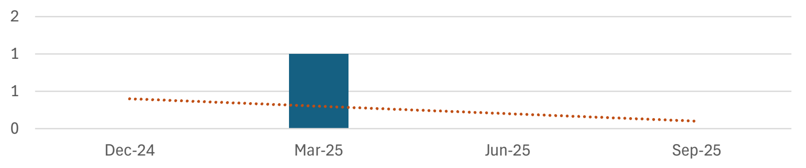
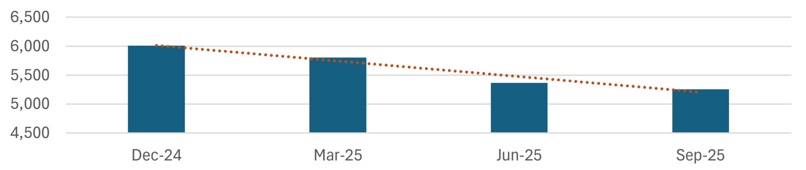
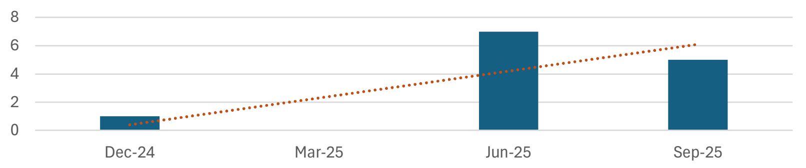
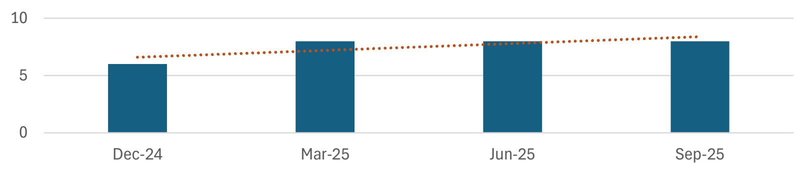
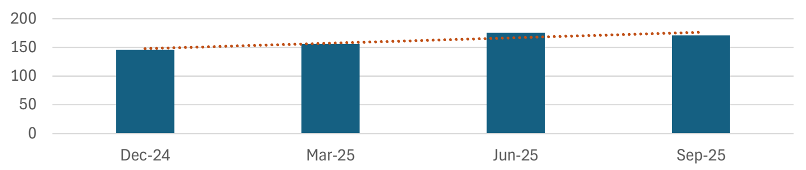
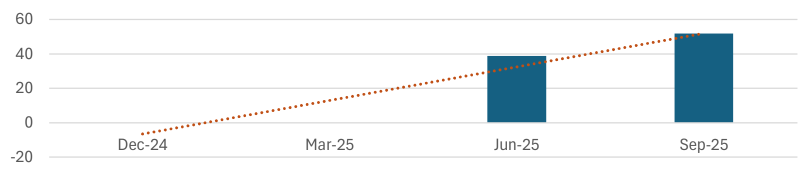
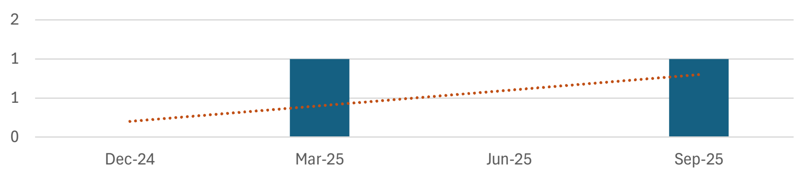
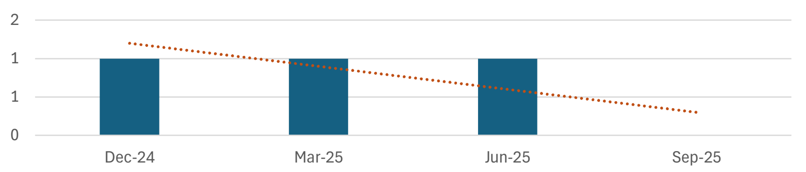
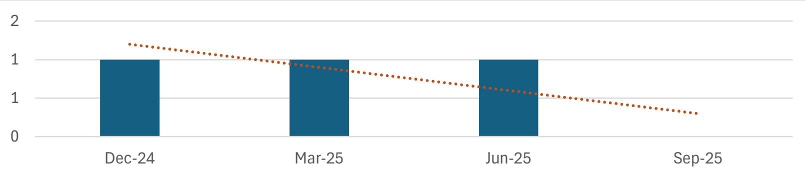
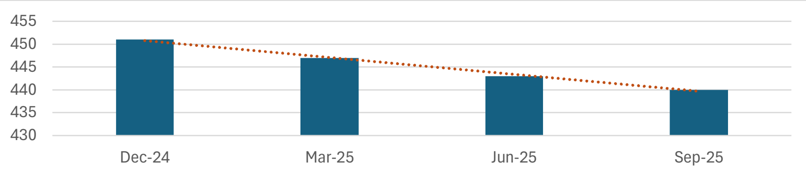
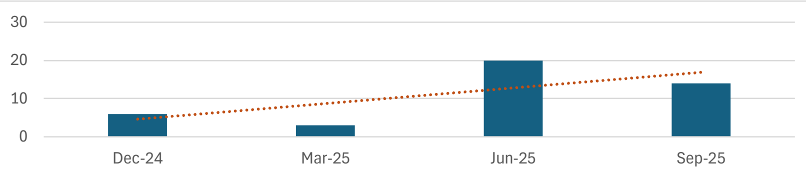
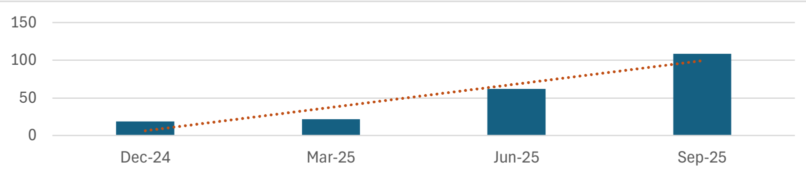
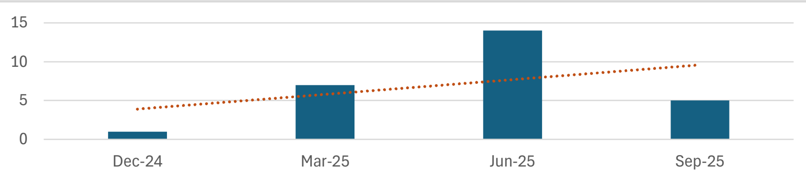
	Jun-25				Sep-25				*Trend
	Member Records	TPR Errors	% Errors	Data Score	Member Records	TPR Errors	% Errors	Data Score	
ACTIVE	41,196	87	0.21%	99.79	40,056	81	0.20%	99.80	▼ 6
UNDECIDED	4,549	65	1.43%	98.57	4,080	44	1.08%	98.92	▼ 21
DEFERRED	45,666	3,617	7.92%	92.08	45,667	3,595	7.87%	92.13	▼ 22
PENSIONERS	37,782	381	1.01%	98.99	38,260	355	0.93%	99.07	▼ 26
DEPENDANTS	5,190	165	3.18%	96.82	5,250	164	3.12%	96.88	▼ 1
FROZEN	8,895	1,935	21.75%	78.25	8,994	1,917	21.31%	78.69	▼ 18
TOTALS	**143,278**	**6,250**	**4.36%**	**95.64**	**142,307**	**6,156**	**4.33%**	**95.67**	▼ 94

Annex 2 – Outstanding Queries by Type (there may be multiple queries per member)

	Jun-25		Sep-25		*Trend
	TPR Errors	%	TPR Errors	%	
Age 75 Exceeded Lgps Eligibility Issue	122	1.94%	120	1.94%	▼ 2
CARE pay for 2014-2015 required	0	0.00%	0	0.00%	▲ 0
CARE pay for 2023-2024 required	2	0.03%	0	0.00%	▼ 2
CARE Pay Req (add dates in task comment)	34	0.54%	11	0.18%	▼ 23
Casual Hours Data Required	0	0.00%	0	0.00%	▲ 0
Correct Address Required	5,366	85.24%	5,259	84.89%	▼ 107
Correct Forenames Required	8	0.13%	8	0.13%	▲ 0
Next of kin address Required?	62	0.98%	109	1.76%	▲ 47
Correct date of birth required	7	0.11%	5	0.08%	▼ 2
Correct Nino Required	176	2.80%	171	2.76%	▼ 5
Correct Title Required Ie Miss Or Mr	0	0.00%	1	0.02%	▲ 1
Data Required From A Previous Employer	1	0.02%	0	0.00%	▼ 1
Date Joined Fund Required	1	0.02%	0	0.00%	▼ 1
Historic Refund Case	443	7.04%	440	7.10%	▼ 3
Leaver Form Required	20	0.32%	14	0.23%	▼ 6
Pay Ref Required	14	0.22%	5	0.08%	▼ 9
Correct Surname Required	39	0.62%	52	0.84%	▲ 13
Grand total	**6,295**	**100%**	**6,195**	**100%**	

***Trend is influenced by number of errors**

Outstanding TPR Cases by Error Type

TPR Error	Trend
Age 75 Exceeded LGPS Eligibility Issue	
Missing CARE (All Periods)	
Casual Hours Data Required	
Correct Address Required	
Correct Date Of Birth Required	
Correct Forenames Required	
Correct NINO Required	
Correct Surname Required	
Correct Title Required ie Miss Or Mr	
Data Required From A Previous Employer	
Date Joined Fund Required	
Historic Refund Case	
Leaver Form Required	
Next of kin address required?	
Pay Ref Required	

Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	**12/12/2025**
TITLE:	**Update on Legislation**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: **Appendix 1 – Latest position of regulatory changes**	

1 THE ISSUE

1.1 The purpose of this report is to update the Pension Board on the latest position concerning the Local Government Pension Scheme [LGPS] and any proposed regulatory matters that could affect scheme administration.

2 RECOMMENDATIONS

The Committee is asked to;

2.1 Note the current position regarding the developments that could affect the administration of the fund.

3 THE REPORT

3.1. The table attached provides a summary of the main regulatory updates since the last meeting, including brief comment on what the implications are for the Fund and what the next steps will be.

4 STATUTORY CONSIDERATIONS

4.1 Bath and North East Somerset Council, in its role as administering authority, has executive responsibility for the Avon Pension Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee which is the formal decision-making body for the Fund.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 Any changes to regulations will likely impact both procedure and calculation. Calculation changes must be developed by software providers, and the Fund will need to redesign procedure, all resulting in increased resourcing, testing and cost.

6 RISK MANAGEMENT

6.1 An effective governance structure, defining clear responsibilities, and ensuring that the decision-making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

7 EQUALITIES STATEMENT

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 CLIMATE CHANGE

8.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

9 OTHER OPTIONS CONSIDERED

9.1 None.

10 CONSULTATION

10.1 The Council's Director of Financial Services, Assurance & Pensions has had the opportunity to input to this report and has cleared it for publication.

Contact person	Nicky Russell – Technical and Compliance Manager; Tel 01225 395389
Background papers	LGA Bulletins SAB Meeting Minutes National Technical Group Meeting Minutes
Please contact the report author if you need to access this report in an alternative format.	

APPENDIX 1 – REGULATORY UPDATE

Item	Latest Position	Relevant Links	Action by Fund / Next Steps
Ministerial Appointments	**Steve Reed MP –** new Secretary of State for the Ministry of Housing Communities and Local Government. **Alison McGovern MP –** taken over responsibility for the LGPS in England and Wales **Pat McFadden MP –** new Secretary of State for the Department of Work and Pensions		
Pensions Review / General Governance	**LPPI** The Fund has announced its move to Local Pension Partnership Investments (LPPI) from Brunel. **Pool Governance** SAB have published advice from Burges Salmon **in August** around how funds can manage conflicts of interest with the pools as the Fit for the Future consultation proposals are implemented. A roundtable on Pool Governance is to take place on 27 November. **Reform** **In September**, SAB issued a statement in response to claims made by Reform UK on how the LGPS is managed. **TPR Enforcement Strategy Consultation** **In September**, TPR released a consultation on its enforcement strategy with the aim of modernising how they approach enforcement in a changing landscape. The consultation introduces a more focused, agile and outcomes driven model. Both SAB and LGA have submitted responses to the consultation and whilst supportive, have requested that the new enforcement strategy must reflect the unique characteristics of the LGPS.	https://lgpsboard.org/images/LegalAdviceandSummaries/20250815_DGillions_Burges_Salmon_Pooling_Advice.pdf https://lgpsboard.org/images/Other/20250901_Board_Summary_of_the_LGPS_statement.pdf https://www.thepensionsregulator.gov.uk/en/document-library/consultations/enforcement-strategy-consultation https://lgpsboard.org/images/Consultations/TPR%20enforcement%20strategy%20consultation%20November%202025.pdf https://lgpslibrary.org/assets/cons/nonscheme/20251111%20TPR%20enforcement%20strategy.pdf	The latest position around the transition to LPPI and other updates on pooling will be considered further by the investment team alongside advisors and reported separately. The final recommendations emerging from the consultation relating to governance are being considered further by the governance team alongside ongoing work associated with ensuring compliance with the TPR General Code. For all changes emerging from the consultation and the pooling process, the pace of change and the central support and guidance will be crucial. Any changes around TPR enforcement to emerge from the consultation will need to be considered further once known and any processes updated alongside where necessary.
Pension Schemes Bill	The Pension Schemes Bill 2025 continues to make its way through parliament and is now at the Report Stage in the House of Commons. A number of amendments have already been made to the Bill that will impact the LGPS and the Fund in particular with regard to: • Changes in relation to how the responsible authority (e.g. the Secretary of State) can give directions to the asset pool companies or scheme managers in relation to compliance and potential changes in the asset pool company. • Removal of powers for the Government to intervene on specific management decisions. • Remedy the problems caused by the Virgin Media judgment. • Amend the Pensions Act 2008 to give Secretary of State regulatory making powers about provision of information by employers about jobholders who are active members.	https://bills.parliament.uk/bills/3982	The Bill will have implications for how the outcomes of the Fit for the Future consultation are implemented and so will impact the investment and governance teams, in particular. Developments will be monitored and the impact considered further should any changes be made and/or further details are released. Aside from the Fit for the Future implications, the Fund will monitor how the approach to remedying the problems caused by the Virgin Media judgment will be implemented.

Access and Protection Consultation	On **13 October 2025**, MHCLG published a new consultation titled **"Scheme improvement (access and protections)".** The main areas covered in the consultation (for which 37 questions have been asked with a further two questions in relation to public sector equality duty) are summarised as follows. **Normal Minimum Pension Age (3 questions)** - 4 Different categories of members are proposed, with different protections in place. **Access for councillors and mayors (4 questions)** - Proposals to grant access to the main scheme (not a modified version) albeit will be some changes to Scheme rules in some benefit areas. **Academies (10 questions)** - Proposals to introduce conditions that will remove the requirement for employers to apply to the Secretary of State for a Direction to substitute a different administering authority and transfer Funds (see Oasis comment below). **New Fair Deal (20 questions)** - A number of proposals that build on those from the 2019 consultation that will impact compulsory staff transfers from the public sector to service providers with a focus **on Access, Post-outsourcing staff, Protections of accrued rights and Continued responsibility**. **The Consultation closes on 22 December 2025.** Linked to the above proposals on Academies, in October, the Fund received a letter from MHCLG confirming that the Secretary of State has now reflected on the evidence provided on application by Oasis Community Learning to substitute LPFA as the administering authority for the Oasis Community Learning academies and decided to proceed with the application. Discussions will now take place with the parties involved to agree details of how the transfers will work so a final Direction can be published.	https://www.gov.uk/government/consultations/local-government-pension-scheme-in-england-and-wales-scheme-improvements-access-and-protections/local-government-pension-scheme-in-england-and-wales-scheme-improvements-access-and-protections	The proposals in the consultation will have implications for the Fund in a number of areas given the impact on members, employers, administration and governance. As with the Access and Fairness proposals (see below), as changes emerge in 2026 it will be important to factor these into business planning and budget considerations for the year ahead. A response to the consultation is currently being considered alongside input from advisors and peer groups in the sector. For the decision to approve the transfer of Oasis academies to LPFA, this will have a number of implications for the administration team that will need to be considered and fed back as part of the wider discussions.
Access and Fairness Consultation	A response to the Access and Fairness Consultation that closed on **7 August 2025** is still awaited. To recap, the consultation covers the following areas: • Survivor benefits and death grants • Gender pensions gap benefits • Gender pensions gap reporting • Opt-outs • Forfeiture • McCloud remedy • Abolition of LTA changes • Other miscellaneous changes	https://www.gov.uk/government/consultations/local-government-pension-scheme-in-england-and-wales-access-and-fairness	Once a response to the consultation is received from Government, the final outcomes will need to be considered further by the administration team, in particular around rectification of survivor benefits. The timescales for implementation and the availability of central support and guidance will be critical. With regard to gender pension gap reporting, through the valuation results process, some employers will be made aware of their current gender pay/pension statistics to begin to promote awareness of the subject.
Pensions Dashboard	**31 October 2025** marked the scheduled connect by date for Pension Dashboards for public service pension schemes.	https://statics.teams.cdn.office.net/evergreen-assets/safelinks/2/atp-safelinks.html https://lgpslibrary.org/assets/gas/ew/Dashboards%20AVCs%20MOU%20-	The Fund joined the Pensions Dashboard ecosystem by 31 October 2025, with contracts having been signed by all parties including our AVC providers

	Various publications/updates relating to Pension Dashboards including updated support for LGPS Funds to comply with the necessary requirements have been released and are summarised below. **LGA** - A template Memorandum of Understanding with AVC Providers together with confirmation sought from TPR around compliance/breaches. - An update on the need to align Illustration Dates and what the implications are where this isn't possible. **TPR** - Launch of a new campaign focusing on Data, Teamwork, Connection and getting dashboard ready, alongside a content toolkit. **PDP** - Blogs and videos around testing, progress to date, final connection setup and marking one year to go. - Updated guidance around Public Key Infrastructure and Data Management. **PASA** - Publication of a new dashboards toolkit to help schemes prepare for connection and compliance.	%20Explanatory%20Notes%207%20November%202025.pdf https://regulator.sharepoint.com/sites/media/AE%20Partnership%20Assets/Forms/All%20DocumentsTiles.aspx?id=%2Fsites%2Fmedia%2FAE%20Partnership%20Assets%2FPensions%20Dashboards%2FContent%20toolkit%20%236%20%2D%20August%20to%20November%202025&p=true&ga=1 https://www.pensionsdashboardsprogramme.org.uk/publications https://www.pasa-uk.com/press-release-pasa-publishes-new-dashboards-toolkit-on-warnings-and-unavailable-code/	Work continues on developing internal procedures and to improve the quality of the Funds data.
Pension Taxation	The Chancellors autumn budget on 26 November 2025 included changes that will affect all pension schemes. The key points to note for the LGPS are: **Salary sacrifice** changes: From 6 April 2029, the Government will limit the value of pension contributions made through salary sacrifice that can receive employee and employer national insurance contributions relief to £2,000 per year. (*see impact to fund comments) **Stamp duty land tax (**SDLT) relief: The Government will amend Stamp Duty Land Tax rules to provide for a time-limited SDLT exemption for transfers of real estate assets from LGPS member funds into qualifying pools. The aim is to facilitate compliance with the Government's pooling requirements. This will be legislated for in the Finance Bill 2026-27. We understand the relief will be available for 5 years from the date of implementation. **Inheritance tax**: The Budget document reaffirms the Government's intention to proceed with previously announced proposals to include certain unused pension funds and death benefits within the estate for inheritance tax (IHT) purposes for deaths after 5 April 2027. On the same day as the Budget, the Government also published a policy paper on the proposals. This sets out that the Government will introduce a mechanism for personal representatives (PRs) to direct pension scheme administrators to withhold 50 per cent of taxable benefits for up to 15 months from the date of death, where the PRs expect IHT to be due.		* In terms of the changes to the limit of pension contributions that can be paid by **salary sacrifice**, for LGPS members this only impacts the amount members can pay into additional contributions. i.e. AVC's. Under regulation main scheme contributions cannot be paid through salary sacrifice. At the present time only a few of the Funds scheme employers allow salary sacrifice and so the numbers of members impacted are not high.

Annual Report and Accounts	In **October,** SAB published its response to the CIPFA consultation on the 2026/27 Code of Practice on Local Authority Financial Reporting in the UK, which impacts accounting periods from 1 April 2026 onwards. The comments in SAB's response focus on the proposals in the consultation linked to the separation of pension fund accounts from those of the host administering authority in England, something the Board is fully supportive of and has lobbied for. In **October**, MHCLG published the 2024/25 LGPS statistics for England and Wales which set out commentary on levels of income and expenditure, employer and employee contributions, asset values and membership changes, including relative changes to 2023/24.	https://lgpsboard.org/images/Responses/10102025_Audit_Consultation_SAB_response.pdf https://www.cipfa.org/policy-and-guidance/consultations/consultation-on-202627-code-of-practice-on-local-authority-financial-reporting-uk https://www.gov.uk/government/statistics/local-government-pension-scheme-funds-for-england-and-wales-2024-to-2025	The Fund will monitor the outcomes of the CIPFA consultation given the potential for the Fund's accounts to be separated in order that processes can be established in advance of the 2026/27 financial year.

Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	**12 December 2025**
TITLE:	**Risk Management Review**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Risk Register Appendix 2 – Risk framework	

1 THE ISSUE

1.1 The purpose of this report is to update the Committee with the quarterly review of the risk register.

2 RECOMMENDATION

The Committee is asked to;

2.1 Note the report

3 THE REPORT

3.1 The Fund has in place a documented risk management policy setting out the Fund's approach to risk, process for review and update of the risk register. It also sets out the roles and responsibilities of all those involved in the management of risk within the Fund including the role of the Pension Board and Pension Committee.

3.2 The risk framework introduced to assist risk owners to assess the risk and score is attached as appendix 2.

3.3 The complete risk register is attached as appendix 1.

- The risk register identifies risks which could have material impact on the APF in terms of service, value, reputation, or compliance. It also sets out mitigating actions.
- The risk register is reviewed quarterly by APF management and reported to the Pension Committee and Pension Board every quarter.
- All risks are also reviewed quarterly or when there has been a material change to the risk.

3.4 Risks fall into the following categories, owned by the relevant member of the APF management team:

Category of Risk	Risk Owner
Administration	Pensions Manager
Regulatory	Technical & Compliance Advisor
Governance	Governance & Risk Advisor
Employers (Funding)	Funding & Valuation Manager
Employers (Data)	Employer Services Manager
Investments	Investments Manager
Finance	Finance & Systems Manager

4 QUARTERLY REVIEW OF RISK REGISTER

4.1 The quarterly review of the risk register has taken place and one change has been made to scores for this quarter. Some amendments have also been made to current impacting factors.

4.2 NR04 – Governance and internal controls – the likelihood has been increased from possible to likely to reflect the fact that the Fund has not received full audit scrutiny. Internal Audit are behind with the audit plan for 2025/26 due to resource issues within the department.

4.3 NR06 – Loss of IT including cyber attack – the Fund has successfully connected to the Pensions Dashboard. While the Fund has carried out a Data Protection Impact Assessment (DPIA) and the Pensions Dashboard Programme has designed and implemented a robust security framework, the launch of Pensions Dashboard could present a fresh opportunity for scammers to target pension scheme members. Additional communications to members planned.

4.4 NR02 – Regulatory Changes – Access and Protections Consultation currently ongoing until December 2025. If implemented the changes could have significant implications to resources.

4.5 NR19 – Move to new asset pool – the already challenging timelines have been made harder by the fact partner funds have agreed to work with 3 different pooling providers which are at different stages of readiness. LPPI as our chosen pool have set out credible transition options for the group to consider. Lawyers have been appointed to help with the orderly wind up of Brunel and draft a new shareholder agreement with LPPI. The partner funds have also reached consensus on the target corporate structure, granting shareholder status to all partner funds. A Memorandum of Understanding has been signed by all parties.

4.6 NR12 – Failure to meet decarbonisation targets – tougher policy backdrop (eg. UK Govt consulting on change of renewable subsidies for operators, which will make the UK a far less attractive investment destination for renewable infrastructure). The support from policymakers for Net Zero seems to be waning. Combined with the fact the Fund has taken decarbonisation as far as possible through asset allocation means there is a risk that medium term targets could be missed.

4.7 Our top 4 risks are:

4.8 NR06 – the loss of IT including cyber attack and loss of power.

4.9 NR01 – Poor service levels below agreed standards.

4.10 NR02 – Regulatory Changes

4.11 NR19 – Move to new asset pool

5 STATUTORY CONSIDERATIONS

5.1 Bath and North East Somerset Council, in its role as administering authority, has executive responsibility for the Avon Pension Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee which is the formal decision-making body for the Fund.

6 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

6.1 There are no direct implications related to the Committee in connection with this report.

7 RISK MANAGEMENT

7.1 An effective governance structure, defining clear responsibilities, and ensuring that the decision making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

8 EQUALITIES STATEMENT

8.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

9 CLIMATE CHANGE

9.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

10 OTHER OPTIONS CONSIDERED

10.1 None.

11 CONSULTATION

11.1 The Council's Director of Financial Services, Assurance & Pensions has had the opportunity to input to this report and has cleared it for publication.

Contact person	Carolyn Morgan, Governance & Risk Advisor 01225 395240
Background papers	None
Please contact the report author if you need to access this report in an alternative format.	

Appendix 1 - Risk Register

				Pre Mitigants					Post Mitigants				
Number	**Function**	**Risk**	**Impact**	**Impact**	**Likelihood**	**Score**	**Mitigating Actions / Control Framework**	**Current Impacting Factors**	**Impact**	**Likelihood**	**Score**	**Previous score**	**Trend**
NR06	Governance	Loss of IT, including cyber attack & loss of power	Fund is unable to operate Members do not receive pension payment on time	Critical	Almost Certain	25	- Business continuity plan reviewed and tested - B&NES cyber security policy and system defence - Implementation of internal cyber audit findings - Heywood Business Continuity plan in place - Pensions Dashboards security framework in place	Hosted server arrangement with Heywood Implementation of General Code of Practice Requirements Emerging risk that pension dashboard will increase potential scamming activity	Critical	Likely	20	20	→
NR01	Admin	Poor service levels below agreed standards	Service standards not met Poor member outcomes Breach of regulations	Critical	Almost Certain	25	- KPIs and complaints monitored and acted on - Plan to digitise will improve self-serve and operations efficiency - Actions to improve staff recruitment and retention - Process improvements being identified and implemented - Review of Top 10 Process Controls - Plan to minimise effects of key people/resources - Business Continuity and Crisis Communications Plan in place	Digital transformation project Recruitment, skills and experience of staff McCloud Remedy Implementation of internal controls following review Pensions Dashboard Resource implications due to upcoming regulatory change or direction orders	High	Likely	16	16	→
NR02	Regs	Regulatory changes	Breach of regulations Poor member outcomes Increased workloads for officers	High	Likely	16	- Regulatory changes monitored via LGA and professional advisors - Officers attend SWAPOG/Tech Group/working groups - Regulatory projects included in service plans - Officers respond to consultations - Software providers are more responsive to regulatory change	McCloud Remedy Pensions Dashboard Resource implications of access and fairness regulations Active Access and Protections Consultation ending in December	Medium	Almost certain	15	15	→
NR19	Investments	Move to new asset pool	Challenging timelines Significant increase in workload Risk to staff retention in pool Potential impact to investment strategy Government driven change removes control for the Fund Increased costs due to transition of assets plus possible wind down of Brunel Ltd	High	Almost Certain	20	- LPPI chosen pool - Legal advice sought for Brunel wind-up and new shareholder agreement - All partner funds granted shareholder status - Memorandum of Understanding in place and signed by all parties	Project team set up in Brunel Working with LPPI and partner funds on transition options Have strategic advisor and will get legal advice regarding implications of dismantling Brunel pool	Medium	Almost certain	15	15	→
NR05	Governance	Failure to manage personal data per regulations	Personal data corrupted or illegally shared Member detriment Fines and reputational damage	Critical	Almost Certain	25	- One West is Data Protection Officer for Fund and advises on data protection matters - Record of processing and privacy notice set out how data is managed - Processes reviewed and updated following minor breaches - Regular officer training - Data sharing/transfer agreements and DPIAs implemented for all relevant projects	Skills and experience of staff Electronically submitted data Introduce bulk processes Potential updates to telephone system	High	Possible	12	12	→
NR12	Investments	Failure to achieve decarbonisation targets	Government climate policies not moving fast enough or sufficiently enforced Significant reputational and financial risks to value of investments	Critical	Almost Certain	25	- Climate exposure assessed annually - climate risk analysis embedded into strategic decisions - Net Zero target of 2045 - by 2030 will divest from high emission companies that are not aligning to NZ - targets to reduce emissions by 2025 and 2030 - programme to enage with companies and policymakers - Brunel's comprehensive climate change policy and approach to investing underpins each portfolio	Tougher policy backdrop Waning support from policy makers Unable to do more with asset allocation therefore decarbonisation targets could be missed	Medium	Likely	12	12	→
NR10	Investments	Failure to earn investment returns as per Funding Strategy	Employer contributions need to rise	Critical	Likely	20	- Diversified asset allocation - Professional and independent investment advice - Risk management strategy supports funding strategy - FRMG & Investment Panel monitor performance and risk - Periodic strategic investment review	Heightened geo political risk Lower global growth and higher inflation/interest rates	High	Possible	12	12	→
NR11	Investments	Brunel fails to deliver client objectives regarding service delivery	Affects Fund's ability to achieve investment objectives	Critical	Possible	15	- Brunel governance framework for strategic and operational decision making - Robust performance reporting - Avon-Brunel working group (internal)	Future of pooling is strategic challenge for pool, focus needs to be on BAU	High	Possible	12	12	→
NR04	Governance	Governance of Fund not in accordance with APF policies Controls not adequate	Member detriment Additional costs for Fund Fines for non-compliance Disciplinary issues and reputational risk	High	Almost Certain	20	- Internal Audit plan in place - Fund policies regularly reviewed - Media enquiries dealt with per B&NES policy - Contracts in place with legal advisors and PR professionals - Media monitoring undertaken - Action plan in place for TPR GCOP - Partial implementation of SAB Good Governance requirements	SAB Good Governance Review TPR General Code of Practice Review of internal controls Internal audit plan behind due to availability of resources within internal audit team	Medium	Likely	12	9	↓
NR07	Employers Data	Employers do not comply with regulatory responsibilites, LGPS regulations or the Funding Strategy Statement	Poor member data Fines and greather scrutiny by TPR Employer liabilities incorrect if data is incorrect Non-compliance with the FSS and funding policies Reputational risk of litigation	Critical	Likely	20	- Management of employers set out in admin strategy/MOU - Employer KPIs recorded and monitored vs TPR standards - Employer training - Reconciliation of Iconnect and Accounts in regards to contributions and data provided - Specialist legal and actuarial advice needed to resolve employer issues - Clear policies in FSS set out process and employer obligations	TPR General Code of Practice Administration Strategy currently out for consultation	Medium	Possible	9	9	→
NR08	Employers Funding	Employers unable to meet financial obligations to Fund	Financial cost to other employers in the Fund	High	Likely	16	- Policies on employer financial stability set out in FSS and ISS - Strong covenant management and information gathering processes - Quarterly review and mitigating action	Challenging public sector funding environment Valuation in progress	Medium	Possible	9	9	→

NR09	Investments	Operational risks of investment managers, custodian and other investment suppliers	Loss of assets Inability to trade is assets inaccessible	High	Possible	12	- Due diligence and audits of service providers, managers - Controls embedded in investment management agreements - Diversification across different asset managers - Quarterly service & risk review with Brunel and suppliers	Data management and cyber risk	Medium	Possible	9	9	→
NR16	Finance	Cashflow profile is maturing	Not enough cash in bank to meet pension payments	Critical	Almost Certain	25	- Monthly monitoring & forecast of cashflow - Increased the cash buffer from £20m to £25m to meet increasing monthly outflows - Tradeable assets can be swiftly sold - Strict limits on illiquid assets - Post-triennial valuation, contributions expected to fall from April 2026, increasing cash needs	Increased the cash balance that can be held in money market funds	High	Unlikely	8	8	→
NR14	Investments	An increase in leverage materially reduces capital value leading to an unplanned and significant deviation in strategic asset allocation	LDI strategy may have to be unwound if insufficient collateral Inability to raise hedge ratio	High	Likely	16	- Maintain collateral at prudent level with materia buffer vs risks - Set hedge ratio at level that can be adeqautely collateralised - Auto pause when LDI hedge ratio hits 40% - Offsetting nature of synthetic equity and equity protection strategies dampens leverage requirements - Simplification of LDI programme post 2025 ISR makes monitoring leverage and collateral easier	UK gilt market environment Currently have high collateral buffer	High	Unlikely	8	8	→
NR03	Governance	Pension Committee and Pension Board cannot operate effectively	Delays in decision making by the Pension Committee Limited oversight from the Pension Board Failure to meet MIFID & TPR regulations	Medium	Almost Certain	15	- Representation set out in Fund's representation policy - Knowledge requirements in Training policy - Compliance vs regulations defined in Compliance Statement - Decisions responsibilities set out in decision matrix - Terms of Reference set out governance framework	Recruitment for Pension Board	Medium	Unlikely	6	6	→
NR13	Investments	Treasury investments	Loss of capital or income on cash Delayed return of principle or investment income	Medium	Possible	9	- Adopt B&NES Treasury management policy - Due diligence on banks - Diversification across multiple suppliers - Consultation with treasury management advisors	Increased number of money market funds to invest in	Medium	Unlikely	6	6	→
NR17	Finance	Late / incorrect contributions from employers	Cashflow shortfalls Employer funding Deficits / Default TPR breach	Medium	Possible	9	- Monthly reconciliations of contributions - Management reviews and action - Mercer funding monitor tool - Larger employers pre pay contributions - More employers in surplus heightens the risk of incorrect contributions	Employer budgets stretched by insufficent funding Increased reconciliations and additional checks Issue updated guidance to employers on surplus deductions	Low	Possible	6	6	→

Appendix 2 - Risk Framework

Assessment of Likelihood

1	Rare	0 – 5% probability
2	Unlikely	6 – 20% probability
3	Possible	21 – 50%
4	Likely	51 – 80% probalility
5	Almost Certain	81 – 100% probability

Assessment of Impact

		Service/Operational	Assets	Legal Obligations	Project	Duty of Care – Clients & Staff
1	**Negligible**	Minimal disruption not impacting on an important service which can be resolved	Capital loss potential up to 1% of assets	Litigation, claims or fines Services up to £10k Corporate £25k	Minimal impact on APF delay < 1 month	Minimal or no impact on Services Duty of Care requirements.
2	**Low**	Brief disruption of important service /service area	Capital loss potential up to 5% of assets	Litigation, claims or fines Services up to £25k Corporate £50k	Some impact on APF delay < 3 months	Consideration required re. Duty of Care unlikely to have adverse impact meeting overall requirements.
3	**Medium**	Major effect to an important service area	Capital loss potential up to 15% of assets	Litigation, claims or finesx Services up to £50k Corporate £100k	Adverse impact on APF significant slippage > 3 months	Duty of Care issues may have impact meeting requirements.
4	**High**	Complete loss of an important service area	Capital loss potential up to 25% of assets	Litigation, claims or fines Services up to £125k Corporate £250k	Significant impact on APF major delay of 6+ months	Significant impact on meeting Duty of Care responsibilities.
5	**Critical**	Major loss of whole service	Capital loss potential > 25% of assets	Litigation, claims or fines Services up to £250k Corporate £500k	Complete failure of project extreme delay > 12 months	Not meeting legal responsibilities placing individuals at risk.

Overall Score

		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
5	Critical	5	10	15	20	25
4	High	4	8	12	16	20
3	Medium	3	6	9	12	15
2	Low	2	4	6	8	10
1	Negligible	1	2	3	4	5

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Bath & North East Somerset Council	
MEETING:	**AVON PENSION FUND COMMITTEE**
MEETING DATE:	**12 December 2025**
TITLE:	**Governance Update**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Committee Workplan Appendix 2 – Training Programme Appendix 3 – Service Plan Monitoring Appendix 4 – TPR GCOP Action Plan Appendix 5 – Summary of Breaches Log Appendix 6 – Draft Breaches Policy	

1. THE ISSUE

1.1. Attached to this report is:

1.2. The workplan for the Committee is attached as Appendix 1 and the provisional training programme for 2024 is included as Appendix 2.

1.3. The quarterly monitoring report for the Fund's service plan is attached as Appendix 3.

1.4. The Fund's action plan to meet compliance with The Pension Regulator's (TPR) General Code of Practice is attached as appendix 4.

1.5. A summary of the regulatory and data breaches for the period 2024/25 is attached as appendix 5 and the Fund's Breaches Policy is attached as appendix 6.

2. RECOMMENDATIONS

The Committee is asked to;

2.1. Approve the breaches policy

2.2. Note the Committee workplan & training programme

2.3. Note the service plan monitoring

2.4. Note the TPR's General Code of Practice action plan

2.5. Note the breaches log

3. THE REPORT

3.1. **Committee Workplan**

3.1.1. The workplan for the Committee for the year ahead is attached as Appendix 1. The purpose of the workplan is to provide members with an indication of their future workload and the associated timetable. The plan is subject to change to reflect either a change in priorities or opportunities / issues arising from the markets/regulations.

3.2. **Training Programme**

3.2.1. The provisional training programme for 2025 is also included as Appendix 2, so that members are aware of intended training sessions and workshops. The plan will be updated quarterly.

3.3. **Hymans LGPS Online Learning Academy (LOLA)**

3.3.1. In order to meet the additional knowledge and skills requirements of SAB's Good Governance Review the Fund has introduced Hymans LGPS Online Learning Academy (LOLA).

3.3.2. Committee members have agreed to complete all training modules within twelve months of becoming a Committee member and repeat the completion of the modules every three years.

3.3.3. The training is split into a number of modules covering the CIPFA Knowledge & Skills Framework.

3.4. The modules are set out below:

- Committee Role & Pensions Legislation
- Pensions Governance
- Pensions Administration
- Pensions Accounting and Audit Standards
- Procurement & relationship Management
- Investment Performance & Risk Management
- Financial Markets & Products
- Actuarial Methods, Standards & Practices
- Current Issues

The schedule for completion of the modules is contained within the training programme (Appendix 2)

3.5. **Service Plan Monitoring**

3.5.1. Appendix 3 sets out progress against the Fund's service plan including the administration change programme.

3.6. **TPR General Code of Practice (GCOP)**

3.6.1. In March 2024 The Pensions Regulator (TPR) combined various codes of practice into a single General Code of Practice which is applicable to most public and private occupational pension schemes, including the LGPS.

3.6.2. The Fund has assessed its position against the code and progress against the action plan is set out in appendix 4, detailing owners and timescales with the aim of reaching compliance over the next year.

3.6.3. The full GCOP can be found by visiting TPR website https://www.thepensionsregulator.gov.uk/en/document-library/code-of-practice

3.6.4. Progress against the action plan will be shared with Committee and Pension Board on a quarterly basis.

3.7. **Annual Breaches Report**

3.7.1. A summary of regulatory and data breaches recorded for the period October 2024 to October 2025 can be found in Appendix 5. There were no material breaches reported during the period.

3.7.2. The breaches policy (appendix 6) has been updated to reflect TPR's General Code of Practice (GCOP) and is for approval by the committee. TPR's expectations have not changed but the policy has now been written more inline with the code of practice and inparticular sets out more detail about the legal duty to report and assessing material breaches.

4. FUTURE MEETING DATES

4.1. Pension Committee meetings as currently scheduled:

2025	2026
28 March	27 March
27 June	26 June
26 September	25 September
12 December	11 December

4.2. The provisional dates for the Investment panel meetings are:

2025	2026
26 February	25 Feb 2026
04 June	03 Jun 2026
03 September	02 Sept 2026
26 November	25 Nov 2026

5. STATUTORY CONSIDERATIONS

5.1. Bath and North East Somerset Council, in its role as administering authority, has executive responsibility for the Avon Pension Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee which is the formal decision-making body for the Fund.

6. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

6.1. There are no direct implications related to the Committee in connection with this report

7. RISK MANAGEMENT

7.1. An effective governance structure, defining clear responsibilities, and ensuring that the decision making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

8. EQUALITIES STATEMENT

8.1. A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

9. CLIMATE CHANGE

9.1. The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

10. OTHER OPTIONS CONSIDERED

10.1. None.

11. CONSULTATION

11.1. The Council's Director of Financial Services, Assurance & Pensions has had the opportunity to input to this report and has cleared it for publication.

Contact person	Carolyn Morgan, Governance & Risk Advisor 01225 395240
Background papers	None
Please contact the report author if you need to access this report in an alternative format.	

Appendix 1

Committee Workplan	**Mar-25**	**Jun-25**	**Sep-25**	**Dec-25**
Governance				
Pension Board minutes				
Governance Update (workplans)				
Review of Risk Register				
Annual review of risk register				
Roles & Responsibilities of the Committee, Governance Compliance Statement				
Internal Audit Plan & Reports				
Approval of Committee's Annual Report to council & PB Annual Report for noting				
Update on Legislation				
Annual audit review				
Review of General Code of Practice Compliance				
Administration & Budget				
Administration – performance indicators				
Budget & Cash flow Monitoring (as needed)				
Budget and Service Plan				
Treasury management Policy				
Review of Admin Strategy				
Investments & Funding				
Strategic Investment review				
Approve Investment Strategy Statement				
Review of Investment Strategy & Performance				
Annual Responsible Investing Report inc progress on climate targets, Stewardship Activities presentation by Brunel				
Fit 4 Future - Pooling update (as required)				
Annual Review of Risk Management Strategies				
Draft and approve Funding Strategy Statement		draft	approve final	
Annual Employer and Covenant update				
Brunel Corporate update by CEO				

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Type of Training	Date	Content
Workshop	03-Jun-25	Valuation & Funding Strategy
Workshop	TBC	Cyber Security
Workshop	TBC	Future of LGPS/Good Governance Review

Hymans Learning Academy	Title of Module	Date to be completed	Time Commitment
Introduction	• An Introduction to LGPS Online Learning Academy	Sep-25	2 minutes
Module 1 – Committee Role and Pensions Legislation	• An Introduction to Pensions Legislation	Sep-25	27 minutes
	• An introduction to Pensions Legislation - The Role of a Councillor		
Module 2 – Pensions Governance	• LGPS Oversight Bodies – DLUHC & GAD	Dec-25	50 minutes
	• LGPS Oversight Bodies – TPR		
	• Business Planning		
	• LGPS Governance		
Module 3 – Pensions Administration	• Introduction to Administration	Nov-25	51 minutes
	• Additional Voluntary Contributions		
	• Policies and Procedures		
Module 4 – Pensions Accounting and Audit Standards	• Pensions Accounting and Audit Standards	Nov-25	11 minutes
Module 5 – Procurement and Relationship Management	• Public Procurement	Jan-26	11 minutes
Module 6 – Investment Performance and Risk Management	• Introduction to Investment Strategy	Feb-26	48 minutes
	• LGPS Investment Pooling		
	• Performance Monitoring		
	• Responsible Investment		
Module 7 – Financial Markets and Product Knowledge	• Introduction to Financial Markets and Product Knowledge	Mar-26	33 minutes
	• Investment – MiFiD II		
Module 8 – Actuarial Methods, Standards and Practices	• Introduction to Funding Strategy	Oct-25	53 minutes
	• LGPS Actuarial Valuations – Process		
	• LGPS Valuation – Technical		
	• Employers		
Current Issues	• Understanding McCloud	Ongoing	
	• Pensions Dashboards		
	• Understanding Goodwin		
	• Introduction to Cyber Risk		
	• GAD Section 13		
	• Climate Change and TCFD		
	• McCloud Consultation		
	• SAB and HM Treasury Cost Cap Mechanisms		
	• Next Steps on Investment (England & Wales) Consultation Overview		
	• Next Steps on Investment (England & Wales) Consultation Response		
	• A Brief Introduction to Taskforce on Nature-related Financial Disclosures		

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Appendix 3

Change Programme			
Project Activity	**Current Phase of Project / High Level Status**	**Completion Date of Overall Project**	**Status**
Annual Projects			
Year End	Website Content - Delivery	Nov-25	In Progress
Year End	Year End Complete	30/06/25	Complete
Annual Benefit Statement	ABS issued	31/08/25	Complete
Pension Savings Statement / Annual Allowance	Member review in progress	06/10/25	Complete
Payroll YE	P60s issued	30/04/25	Complete
HMRC Event Reporting	Annual Event reporting	31/01/26	In Progress
National Fraud Initiative	Data submitted	31/12/25	Complete
Regulatory/Foundation/Dashboard			
McCloud	McCloud remedy - full completion	31/08/26	In Progress
McCloud Remedy (LGPS)	Remedy for pre October 2023 cases	31/08/25	In Progress
McCloud Record Keeping	Calculation and record errors being reviewed and fixed	31/08/25	In Progress
McCloud Age - 65 Plus	Process design underway to capture information	31/08/25	In Progress
McCloud Teachers Excess	Initial Data capture coming through from Employers	31/08/25	In Progress
McCloud ABS	Design Regulatory compliant document for McCloud	31/07/25	In Planning
McCloud Other Service	Emails and Letters issue in progress	01/04/25	In Progress
GMP – remedy	Data cleansing and calculations	30/06/26	In Progress
Pensions Dashboard	ISP connection complete. Connection confirmed by PDP	31/10/25	Complete
Admin Strategy refresh	Employer Consultation underway	31/01/26	In Progress
Data Improvement Plan	Review by Pension Board	31/12/25	In Progress
Process control framework	Wider change plan now includes key deliverables	31/12/26	In Progress
Member tracing	Tool live, processes being confirmed	28/02/26	In Progress
Telephony upgrade - Phase 1	Phase 1 delivered	30/06/25	Complete
Telephony upgrade - Phase 2	Phase 2 - Call recording and transcription implementation	31/01/26	In Progress
Procurement			

Pension Admin System Procurement (inc Hosting)	Contract signed	30/09/25	Complete
Website hosting procurement	Moved to 2026 for joint procurement with BANES IT	30/09/26	Not Yet Started
Transformation			
Engage (My Pension Online – upgrade)	Implementation planned for 24/11/2025	31/12/25	In Progress
Bulk processing, e.g. refunds	Process review - impact and scoping assessment	30/09/26	In Planning
New member onboarding	Improvement recommendations made - to be prioritised	31/03/26	In Planning
Hosting migration	Migration to software provider solution complete	30/09/25	Complete
Digital Transformation			
Enhanced Admin to Pay	Decision on implementation timing	31/07/26	In Planning
Pre Joining Enhancements	Engagement with Key Stakeholders	31/03/26	In Progress
Go Digital enhancements	Capture member emails from I-Connect submissions	31/12/25	Progress Delayed
iConnect Multi-factor authentication	Phase 2 roll out to employers	31/03/26	Progress Delayed
iConnect document integration	One-stop portal for employer document submissions	31/12/25	In Progress
Digital mail solution	Utilisation of council's digital mail solution	31/12/25	Complete
Governance			
Good Governance Review	Review any new requirements from Good Governance review once published eg - Workforce Plan	Dec-25	Not Yet Started
TPR GCOP requirements	Gap analysis & action plan for new requirements	Mar-25	Complete
	Implementation	Mar-26	In Progress
Annual Report	Produce and publish Fund's annual report	Dec-25	Complete
	Committee's annual report to Council	Nov-25	Complete
	Pension Board's annual report	Nov-25	Complete
Business Continuity Plan	Review and implementation of new plan in progress	Mar-25	Complete
	Cyber Security training officers/PC/PB	Dec-25	In Progress
Pension Committee Governance arrangements	annual review of terms of reference & policies	Jun-25	Complete
Pension Board governance review	Annual review all items on governance checklist	Sep-25	Complete
Training Plan for Committee & Board members	Plan annual training programme for members	Mar-25	Complete

Recruitment for Committee & Pension Board	Recruitment & Induction Training - new PC/PB members	Jun-25	In Progress
Contract Retenders	Legal Contract	Dec-25	Complete
Finance			
Final Accounts	Prepare accounts to meet B&NES internal deadline; update regulatory requirements	Sep-25	Complete
Treasury Management Policy	Draft revised policy annually	Mar-25	Complete
Investments			
Local Impact Portfolio	Assess opportunities as they arise, invest/implement	Dec-25	Complete
Natural Capital Investing	Invest via Brunel portfolio. Work with Brunel and pool.	Dec-25	Progress Delayed
Strategic Investment Review	Review risk and return objectives and asset allocation ahead of Valuation. Review climate targets. Revise ISS	Sep-25	In Progress
Impact Reporting	procure a supplier to provide Impact reporting across our portfolios	Dec-25	In Progress
Pooling: Fit 4 Future	work with Brunel and CG to agree how to merge or join another pool now that government has concluded Brunel pool cannot continue. Assessing options of acting as a pool and as individual funds. Specific to APF: how manage RMF, RI focus, local impact	Mar-26	In Progress
Funding Strategy			
2025 Valuation	Planning, data provision to Actuary, fund & employer meetings and outcomes.	Mar-26	In Progress
2025 Funding Strategy Statement	prepare and publish prior to valuation	Mar-26	In Progress

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Appendix 4 - APF Action Plan

Avon Pension Fund

The following gives an overview of the current compliance position against the General Code of Practice, and a note of the immediate actions.

All requirements on this scorecard are currently rated as 'Partially met'.

Requirements	Current Status	Actions	Responsibility	Timescale	Comments
The Governing Body: Board Structure and Activities					
Members of governing bodies to display the characteristics shown in **Appendix 1**.	In Progress	Mandatory training required for several members.	Governance and Risk Advisor	Dec-25	
The Governing Body: Knowledge and Understanding					
The governing body should regularly carry out an audit of its members' skills and experience to identify gaps and imbalances.	In Progress	Mandatory training required for several members.	Governance and Risk Advisor	Dec-25	
Members of the pension board can work towards completing TPR public service toolkit or equivalent learning programmes.					
To enable the pension board to ensure their knowledge and understanding is established and maintained, members of a governing body should comply with the points laid out in **Appendix 6**.					
The Governing Body: Advisers and Service Providers					
Follow the processes set out for appointing advisers and service providers. (see **Appendix 8** for more detail)	In Progress	Check SLAs agreed for all new contracts.	Fund officers	Mar-26	
Follow the processes set out for managing advisers and service providers. (see **Appendix 9** for more detail)	In Progress	Review process for monitoring performance of service providers and engaging advisors and service providers, embedded Q2 2026 onwards.			
Follow the processes set out for replacing advisers and service providers. (see **Appendix 10** for more detail)	In Progress	Internal procurement process to be reviewed to ensure contracts in place for all services via a compliant procurement route.			
The Governing Body: Risk Management					
The scheme manager should have in place internal controls, including; - The arrangements and procedures to be followed in the administration and management of the scheme - The systems and arrangements for monitoring that administration and management, and - Arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.	In Progress	Embed 12 process improvements agreed with Simplify. Check other key processes and embed new controls if required	Head of Pensions	Mar-26	
When designing internal controls governing bodies should consider TPR expectations. (see **Appendix 12** for more detail)	Complete	New projects and associated documents to be reviewed to include all TPR expectations. Go/No-Go checklist updated to cover internal controls.	Business Change Manager	Mar-26	
To maintain internal controls governing bodies should consider TPR expectations. (see **Appendix 13** for more detail)	In Progress	Assurance reports required from Heywood.	Head of Pensions	Mar-26	Heywood assurance reports in place
The governing body should read and understand assurance reports provided by service providers to establish if the controls used by the organisations that they outsource various functions to are adequate. This will also include assurance reports produced by the scheme's investment manager and custodian. They should consider the scope of such reports and the degree to which these are applicable. For example, whether the reports cover the specific team or office providing services to the scheme.					
Governing bodies should consider having a continuity plan that meets the requirements of **Appendix 14**.	Complete	New Business Continuity Plan to be completed and tested.	Governance and Risk Advisor	Apr-25	

Governing bodies should consider seeking independent legal advice, to help decide whether an actual or potential conflict of interest can be eliminated (and if so, the best way of achieving it).	Complete	Add requirement to conflicts of interest policy, applied only if a relevant case arises	Governance and Risk Advisor	Jun-25	
Administration: Scheme Administration					
Every scheme must operate internal controls which should include administration.	In Progress	Embed 12 process improvements agreed with Simplify. Check other key processes and embed new controls if required	Pensions Operations Manager	Mar-26	
To maintain proper administration, governing bodies should comply with the requirements set out in **Appendix 22**.	In Progress	Complete new Business Continuity Plan and carry out test. Complete consistency review of procedure notes for all processes.	Pensions Operations Manager	Mar-26	Live test for BCP needed and review of BCP since going hosted in July 25. Target date moved to April 2026.
Administration: Information Handling					
The scheme manager is required to establish and operate internal controls, which are adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules, and with the requirements of the law. Governing bodies should make sure financial transactions are managed as part of their internal controls.	In Progress	Finish review of Payroll audit actions including Altair admin-payroll reconciliation and Altair admin to Agresso. And embed improvements into live process	Pensions Operations Manager	Mar-26	Move target date to April/May 26 due to new audit.
Governing bodies should meet the record keeping requirements set out in **Appendix 26**.	In Progress	Review data improvement plan and record of Processing Activities. And embed required improvements.	Pensions Operations Manager	Mar-26	Moved target date to March 2026 to complete DIP and ROPA
Governing bodies may consider the record keeping requirements set out in **Appendix 27** as best practice. [can we link to an appendix listing page 106 para 7]					
Governing bodies should retain records for as long as they are needed.	In Progress	Data Retention Policy to be reviewed. Deletion of Altair records to be reviewed. Employer data retention template to be rolled out again to employers.	Governance and Risk Advisor	Mar-26	Review in progress
Governing bodies should have appropriate processes in place for monitoring scheme data. (see **Appendix 29** for full details)	Complete	Reporting capabilities are improving and we will therefore review the reporting of scheme specific data.	Pensions Operations Manager	Oct-25	Incorporated in new DIP. Tracing project for 2025 done and Data cleanse tool now live in Altair.
Governing bodies should have appropriate processes in place for reviewing scheme data. (see **Appendix 30** for full details)					
Administration: IT & Cyber Security					
Governing bodies should take steps to make sure their service providers can prove they meet our expectations for maintaining IT systems as listed in **Appendix 32**.	Complete	Finish the review of the business continuity plan and carry out a test. Finalise the reprocurement of the software contract.	Governance and Risk Advisor	Apr-25	
When assessing cyber risk governing bodies should follow the procedures set out in **Appendix 33**.					
When managing cyber risk governing bodies should follow the procedures set out in **Appendix 34**.					
Administration: Contributions					

Governing bodies should develop and maintain records for monitoring contribution payments to the scheme. This should include: contribution rates, date contributions are due, interest on late payments. (see **Appendix 35** for full details)	In Progress	Review process for charging and recording interest for late payers.	Group Manager, Funding, Investment & Risk	Mar-26	Contribution rates are monitored and dates due + late payments are recorded on breaches spreadsheet. Admin Strategy has been updated to separately identify interest due on late payments and repeated late or inaccurate submission of contributions data. Hourly rate calculation spreadsheet has been devised for Accounts team use. Late payment interest policy still needs updating and to be formalised.
The governing body should review current processes to detect situations where fraud may be more likely to occur and where additional checks may be needed.	In Progress	Review process of new reconciliation data with iconnect team.	Group Manager, Funding, Investment & Risk	Mar-26	Employee contribution rates are checked for reasonableness compared to pensionable pay. Employer contribution rates paid are reconciled to the rates and adjustments certificate. Late payment of contributions are followed up with employers. Where the iConnect reconciliation doesn't match the payment, this is followed up promptly with the employer who is required to provide a separate reconciliation form. The sucess of this has been limited so we are investigating other routes for securing this information.
Communications and Disclosure: Information to Members					
The scheme manager should comply with the requirements of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.	In Planning	Review the Disclosure of Information Regs to check compliance in all areas.	Technical and Compliance Advisor	Dec-25	
The governing body should follow the principles set out in the section entitled "General Principles for Member Communications". TPR expectations are listed in **Appendix 37**	In Progress	Individual letters to members will be reviewed as part of process reviews, starting with the new member letter.	Pensions Operations Manager	Mar-26	Date moved to March 2026 as letter review is delayed
Scheme managers should follow the principles set out in the section entitles "General Principles for Member Communications" when drafting benefit information statements. (see **Appendix 38** for more detail)	Complete	Review of statements required to include McCloud data for 2025, plus Business Change Team to look at alternative ways to support members' understanding.	Technical and Compliance Advisor	Dec-25	
The term "reasonable period" in the phrase above should be construed as 3 months from leaving. Governing bodies should advise members where it is likely to take more than 3 months to provide the information.	In Progress	Double check KPIs to ensure all cases actioned within the three month period.	Pensions Operations Manager	Mar-26	Moved target date to March 2026 as S2's project ongoing
The governing body should give members 3 months to confirm if they wish to transfer their cash transfer sum and can extend this deadline at their discretion. If the member does not respond, the governing body may arrange to pay a contribution refund after a further month.	Complete	Check timescales and automatic refund.	Pensions Operations Manager	Dec-25	
Where a member elects for a cash transfer sum the governing body should pay it within 3 months but can extend in exceptional circumstances.	Complete	Tighter controls to be implemented for the process/potential review of process.	Pensions Operations Manager	Dec-25	
Communications and Disclosure: Public Information					
Scheme managers may consider how best to publish information, making use of the principles outlined in General principles for member communications.(See **appendix 37)**	Complete	TPR General Principles reviewed and incorporated into APF's updated Comms Policy.	Business Change Manager	Dec-25	

Scheme managers may also publish: - the employment and job title (where relevant) and any other relevant position each board members holds - details of the pension board recruitment process - who each pension board member represents - the full terms of reference for the pension board, including details of how it will operate - any specific roles and responsibilities of individual pension board members	Complete	As part of governance review check all correct	Governance and Risk Advisor	Jun-25	
Scheme managers should: - Have policies and processes to monitor all published data on an ongoing basis to ensure it is accurate and complete - Ensure any out-of-date or incorrect information identified is updated as soon as possible and in any event, within one month	In Progress	APF Comms Policy reviewed and updated. Process development to monitor all published data in progress.	Business Change Manager	Mar-26	
There are further considerations the governing body should make in relation to the dispute resolution process. (see **Appendix 40** for further details).	Complete	Review internal procedures & set out requirements in greater detail. Eg when a review is carried out and when advice is taken.	Technical and Compliance Advisor	Dec-25	
Reporting to TPR: Reporting Breaches					
Breaches of the law must be reported as soon as reasonably practicable.	Complete	Review breaches policy and process and add additional requirements	Governance and Risk Advisor	Dec-25	
There are other requirements placed on those running pension schemes to report to other bodies. Where the duty to report to another body coincides with the duty to report to TPR, the report to us should include details of the other bodies the matter has been reported to.					
If a scheme or an individual is at risk, for example where there has been dishonesty, the reporter should not take any actions that may alert those implicated that a report has been made. Similarly, reporters should not delay their report to TPR, to check whether any proposed solutions will be effective.					
Reports of late contribution payments should be made to us within 14 days of the trustees having reasonable cause to believe that a material payment failure exists. Members should be notified within 30 days of the report to TPR. When reporting to members, governing bodies should provide payment information that will enable them to understand what has been paid to the scheme and by whom.	In Planning			Mar-26	

Regulatory Requirement
TPR Requirement
Best Practice

Appendix 5
Breaches Log - 2024/2025

Type of Breach	Number of Incidents	Summary of Breach	Detail	Outcomes and Improvements
Regulatory Breaches October 2024 to October 2025				
Employer Late Payers **(October 2024 - September 2025)**	14	Late or non payment of contributions	No employers have missed consecutive months and the majority of late payments have been made. Two payments remain outstanding - one company in liquidation and one new employer with onboarding issues.	Support/training for employers
Employer Year End Data	6	Late or incorrect data submitted	All employers issued fines for late/missing data submissions in October 2025.	
Employer Breaches	4	Leaver process issues	Unauthorised and incorrect refunds issued.	
5 Year Refund Breaches	399	Unable to pay refund within 5 year deadline	Due to no response from members or the inability to trace members.	Member tracing continues
Regulatory KPIs		In some cases regulatory KPIs have not been met in respect of administration processes	See administration report for more details.	See administration report for more details
Material Regulatory Breach	0			
Data Breaches October 2024 to October 2025				
Reported to Information Governance	7	1 x incorrect link sharing 3 x postal breach (wrong address) 2 x postal breach (enveloping) 1 x email breach	An incorrect link to a Secure Share folder containing more than one member's data was shared Documents intended for one member sent to the wrong address Two sets of documents for different members contained in one member's envelope Spreadsheet sent to wrong employer contact	Training and support to team members provided, including refresher training and bespoke training sessions. Internal process reviews being carried out to ensure compliance and necessity. Procedure notes are being reviewed to ensure all consistency across teams. Regular data protection reminders issued to staff.
Reported to ICO	0	No breach met the threshold for reporting to the ICO		

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Avon Pension Fund – Breaches Policy

Procedure for the review and reporting of regulatory breaches

Since the introduction of the Pensions Act 2013, The Pensions Regulator (TPR) has overseen public sector schemes. TPR's General Code of Practice, which came into force on 27th March 2025, sets out the requirements for identifying and reporting regulatory breaches. The General Code of Practice replaces the previous Code of Practice 14.

This document deals with the Fund's process of identifying, recording, and determining if breaches of the pension regulations should be reported to TPR.

Who must report

Designated individuals with a legal duty to report (reporters) are required to notify TPR of breaches of the law when they have a reasonable cause to believe that:

- A legal duty relevant to the administration of a scheme, has not been, or is not being, complied with; or
- The failure to comply is likely to be of material significance to TPR in exercising any of its functions;

The people with a legal duty to report are:

- The scheme manager or manager of the scheme
- Pension Board members
- Any other person involved in the administration of the scheme (including Committee members)
- Employers
- Professional advisers including auditors, actuaries, legal advisers, investment managers and custodians of scheme assets
- Any other person involved in advising the scheme manager in relation to the scheme

The Fund should be satisfied that those responsible for reporting breaches are aware of the legal requirements and those set out in TPR's General Code of Practice, with training provided where required.

A person's responsibility to report breaches is not limited to those that relate to their specific role. Material breaches should be reported as they are identified.

Whistleblowing protection and confidentiality

The Pensions Act 2004 makes it clear that the duty to report overrides certain other duties a reporter may have (such as confidentiality), and that any such duty is not breached by making a report.

The duty to report does not override legal privilege. Communications (oral and written) between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed.

In all cases, reporters should act conscientiously and honestly, and to take account of expert or professional advice where appropriate.

What is a breach of the law?

A breach of the law is *"an act of breaking or failing to observe a law, agreement, or code of conduct."* In the context of the Local Government Pension Scheme (LGPS) this can encompass many aspects of the management and administration of the LGPS, including failures such as:

- Not fulfilling requirements set out in the LGPS Regulations.
- Failing to comply with overriding legislation, applicable statutory guidance, or codes of practice.
- Inadequate maintenance of accurate records.
- Not acting upon identified fraudulent acts or omissions.
- Breaching internal policies and procedures (e.g. the Fund's statement of investment principles, funding strategy or discretionary policies).
- Employers failing to pay member and employer contributions on time.
- Inaccurate or delayed payment of member benefits.
- Late issuance of annual benefit statements or non-compliance with the Code.

Decision to report

There are two key judgements required when deciding to report a breach of the law:

1. **Reasonable Cause**
   Is there reasonable cause to believe that there has been a breach of the law?

2. **Material Significance**
   Is the breach likely to be of material significance to TPR?

‘Reasonable cause to believe’

Having a reasonable cause to believe that a breach has occurred means more than merely having a suspicion that cannot be proved.

Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to check with others who are able to confirm what happened. However, it would not be appropriate to alert those implicated in potential serious offences involving dishonesty, such as theft or fraud. In such cases, due to the immediate risk to scheme assets, reporters should bypass the usual checks, making only those they deem necessary and not cause undue delay in reporting to TPR.

Likely to be of ‘material significance’

By law, any breaches must be reported to TPR if they are likely to be of ‘material significance’. Whether a breach is of ‘material significance’ depends on several factors.

The cause of the breach

A breach is likely to be considered materially significant when it arises from any of the following:

- Dishonesty, negligence, or reckless behaviour
- Poor governance, ineffective controls resulting in deficient administration, or slow or inappropriate decision-making practices
- Incomplete or inaccurate advice
- A deliberate act or failure to act

The effect of the breach

TPR considers a breach to be materially significant in the following instances:

- A significant proportion of members, or a significant proportion of members of a particular category of membership, are affected by the breach.
- The breach has a significant effect on the benefits being paid, to be paid, or being notified to members.
- The breach, or series of unrelated breaches, have a pattern of recurrence in relation to participating employers, certain members, or groups of members.

- Committee and Pension Board members do not have the appropriate degree of knowledge and understanding, preventing them from fulfilling their roles and resulting in the scheme not being properly governed and administered and/or breaching other legal requirements.
- Unmanaged conflicts of interest within the committee and pension board, making it prejudiced in the way it carries out the role, ineffective governance and scheme administration, and/or breaches of legal requirements.
- Systems of governance and/or internal controls are not established or operated, meaning the scheme is not run in line with their governing documents and other legal requirements.
- Risks are not properly identified and managed and/or the right money is not being paid to or by the scheme at the right time.
- Accurate information about benefits and scheme administration is not being provided to scheme members and others meaning members are unable to effectively plan or make decisions about their retirement.
- Records are not being maintained, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Committee and Pension Board members or anyone associated with the scheme misappropriate scheme assets or are likely to do so.

Reaction to the breach

TPR will not normally consider a breach to be materially significant if prompt and effective action is taken to investigate and correct the breach and its underlying causes; and where appropriate, all affected scheme members have been notified.

A breach is likely to be of concern and material significance to TPR if it:

- Does not receive prompt and effective action to remedy, identify and tackle its cause to minimise risk of recurrence
- Is not being given the right priority
- Has not been communicated to affected scheme members where it would have been appropriate to do so
- Forms part of a series of breaches indicating poor governance
- It was caused by dishonesty, even when action has been taken to resolve the matter quickly and effectively

The wider implications of the breach

The broader context of a breach should be considered. A breach may be considered materially significant in situations such as:

- The occurrence of the breach suggests a higher likelihood of further breaches emerging in the future.
- Reporters are aware of other related breaches – whether reported or unreported – that may indicate a pattern or systemic issue.

TPR will not usually regard a breach arising from an isolated incident as materially significant. Examples include:

- Teething problems associated with the implementation of a new system
- Breaches resulting from an unpredictable combination of circumstances.

However, even in such circumstances, reporters should consider other aspects of the breach, such as the severity of the effect it has had that may make it materially significant.

Recording of breaches

The Governance & Risk Advisor is responsible for maintaining a record of all breaches including those which are not reported to TPR.

Given the scope of potential breaches and the complexity of LGPS administration for employers and the Fund, it is necessary to take a pragmatic approach to remediation of non-material breaches based on support, training and guidance, together with remedies available to the Fund through its Administration Strategy.

Resolution of non-material employer breaches

Many non-material breaches may be resolvable through a variety of mechanisms and where necessary, the Fund will support employers to ensure they are fully aware of their responsibilities and have appropriate arrangements in place to comply with them. This may be achieved through training, the issue of guidance notes and or process review to ensure that best practice is implemented. All such arrangements will be implemented according to an agreed plan and timescale. The agreed support will be recorded against the breach and will be formally notified to the employer.

If the employer then fails to improve, a formal notification will be issued with a fine for a persistent breach and if that fails then consideration will be given to formally reporting the failing to TPR.

Material breaches by employers

Where it is considered that there is a material breach by an employer, the Pensions Operations Manager will produce a report for the Head of Pensions, who will consider the breach in line with the Code of Practice, investigate as necessary and obtain legal advice where required in determining the necessity to report. The Chairs of the Committee and the Pension Board will be provided with a copy of the report and notified of the action taken by the Head of Pensions within 10 days of receipt of the report.

Serious breaches identified, such as fraud and misappropriation, will be reported to TPR as soon as practicable and appropriate notification given to auditors and/or the Police for investigation. Arrangements will be made with TPR to support the determination of any action once the investigations have concluded.

Non-material breaches by the Fund

Such breaches will be recorded by the Governance and Risk Advisor and improvement actions agreed with the Pensions Operations Manager and Head of Pensions for inclusion in ongoing Improvement plans, service plans or Administration Strategy as appropriate.

Material breaches by the Fund

These breaches or suspected breaches will be reported to the Director of Financial Services, Assurance and One West for formal investigation and the S151 officer will be notified. The investigation will be carried out by internal audit section or referred to the Police as required, and TPR notified as soon as practicable.

Reporting of breaches

In addition to the requirement to report Material breaches to TPR, the **Governance and Risk Advisor** will formally report all breaches to the Committee and Pension Board on an annual basis, notifying the chairs of both of any significant issues as appropriate.

If at any time the Committee or Board disagree with the actions taken by the Head of Pensions, then escalation will be to the **Director of Financial Services, Assurance and One West** and/or the S151 officer.

Full details of the legal responsibilities and duties in respect of breaches of the law can be found in the General Code of Practice.