

Investment Policy Statement **DRAFT**

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1 Introduction

- 1.1** Gloucestershire County Council is the Administering Authority (“the AA”) responsible for maintaining and managing Gloucestershire Pension Fund (“the Fund”). The Fund is part of the Local Government Pension Scheme (“the Scheme”) in England & Wales.
- 1.2** The Fund participates with a number of other AAs to pool its investment assets through LGPS Central (“the Pool”). The Pool is authorised by the Financial Conduct Authority and exists to implement the investment strategies of their partner funds. The Fund was previously a member and owner of the Brunel Pensions Partnership but transitioned over to LGPS Central effective from 1 April 2026.
- 1.3** The Fund’s Investment Strategy Statement (“ISS”) is the principal document to which the Fund expects the Pool to refer when a) advising on investment strategy and b) implementing the Investment Strategy. The ISS, in line with regulations and guidance, sets out:
 - The Fund’s high-level financial objectives and beliefs
 - the Fund’s approach to risk, including the ways in which risks are to be assessed and managed
 - the Fund’s approach to cashflow management
 - the Fund’s priorities and preferences regarding responsible investment, including how social, environmental and corporate governance considerations are to be taken into account in the selection, non-selection, retention and realisation of investments
 - the authority’s policy on the exercise of the rights (including voting rights) attaching to investments
 - a high-level objective on local investments including a target range for those investments as a proportion of the total value of the pension fund, and
 - a high-level strategic asset allocation
- 1.4** This Investment Policy Statement (“IPS”) supports the Fund’s Investment Strategy Statement. It provides additional information on the Fund’s investment objectives, implementation preferences, responsible-investment priorities and local-investment preferences.
- 1.5** The Investment Strategy Statement remains the Fund’s principal statutory investment document. If there is any inconsistency between the two documents, the Investment Strategy Statement will take precedence.
- 1.6** The preferences set out in this Statement inform LGPS Central’s advice and implementation. They do not alter the allocation of responsibilities between the Administering Authority and LGPS Central established by legislation, statutory guidance, the Investment Strategy Statement and the Pool’s governance arrangements.
- 1.7** The Fund previously maintained a separate Responsible Investment Policy. Its Fund-specific objectives, priorities and preferences are now incorporated within this Investment Policy Statement.

- 1.8** All documents have been prepared by the Fund in accordance with The Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 and the supporting 2026 Guidance. The contents have been consulted on and agreed with the Pool and are consistent with how the Pool and Partner Funds have agreed to operate.

2 Roles and Responsibilities

- 2.1** The respective roles and responsibilities of the Administering Authority, Pension Committee, LGPS Senior Officer, LGPS Central and other parties are set out in the Investment Strategy Statement, the Council's Constitution, the Fund's Scheme of Delegation and Governance Strategy.
- 2.2** The Administering Authority retains responsibility for setting the Fund's high-level investment objectives and strategic asset allocation, having obtained principal investment-strategy advice from LGPS Central.
- 2.3** LGPS Central is responsible for investment implementation within its delegated remit, including tactical asset allocation, manager selection, stock selection, investment management style, stewardship and the exercise of voting rights. LGPS Central must take all reasonable steps to implement the Fund's approved investment strategy.
- 2.4** The additional implementation and responsible-investment preferences in this Statement are intended to inform LGPS Central's advice and implementation. Their delivery is subject to fiduciary considerations, the availability of suitable investment opportunities, the requirements of pooling, cost, risk, diversification and LGPS Central's applicable pool-wide policies.
- 2.5** Where LGPS Central cannot fully implement an objective or preference, the Fund and LGPS Central will seek to resolve the matter through dialogue and the agreed client, shareholder and collective oversight arrangements.

3 High-Level Investment Objectives

- 3.1** The ISS lays out the Fund’s high-level objectives. The IPS restates those high-level objectives and supplements them with additional metrics that should be considered when strategy advice and implementation is considered.
- 3.2** These objectives were set having regard to the Fund’s position when the investment-strategy review was undertaken and the assumptions adopted for the actuarial valuation as at 31 March 2025. The objectives and associated modelling will be reviewed as actuarial assumptions, market conditions and the Fund’s circumstances change.
- 3.3** The following information underpins these objectives:

Actuarial Valuation	
Date of Information	31/03/2025
Discount Rate	6.2% p.a. for past and future service
Funding Level	152%

The Fund’s discount rate is not static and will change based on the market conditions. The expectation is that the Pool will use the latest available discount rate and latest market conditions when advising on the Fund’s investment strategy.

3.4 High-Level Investment Return Objectives

High Level Investment Return Objective
To have a modelled expected long-term return that exceeds the actuarial discount rate of 6.2% over 20 years with greater than 75% probability.

3.5 Risk Objectives

High Level Risk Objective
To have a modelled 3-year 95% value-at-risk (VaR) that is limited to less than 30% of the asset value.

3.6 Contribution Stability Objectives

The Fund considers both the affordability and the stability of contributions when considering its investment strategy.

Additional Contribution Stability Objectives

The Fund will work with LGPS Central and the Fund Actuary to develop proportionate measures for assessing the potential effect of investment strategy on the affordability and stability of employer contributions. Once agreed, the measures will be incorporated into future strategy monitoring and reviews.

3.7 Cash Flow

High Level Investment Cash Flow Objective

To maintain sufficient operational liquidity, informed by short- and medium-term cash-flow forecasts, to meet benefit payments, investment commitments and other foreseeable requirements efficiently and without becoming a forced seller of assets.

Additional Cash Flow Objectives

Maximum strategic target allocation to illiquid assets at the point of implementation	30%
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3.8 Local Investment

High Level Local Investment Objective

To target 5% of the Fund's total invested assets in local investments. For the purposes of this allocation, the definition of 'local' will reflect the combined local authority areas of LGPS Central's administering authorities. However, it is expected that the allocation will have quantifiable benefits to Gloucestershire and the economic development of the region.

Further information on Local Investment can be found in Section 6.

3.9 Investment Preferences

In addition to the Fund’s investment objectives, the Committee has identified the following investment preferences.

The Committee recognises that these investment preferences may not be capable of full implementation where this would conflict with fiduciary considerations, the requirements of pooling or the benefits of scale. Where LGPS Central does not operate in accordance with a stated preference, the Committee expects LGPS Central to explain its approach and the reasons for any divergence.

Investment Preferences	
1. Currency hedging	The Committee’s preference is for 50% of the developed-market foreign-currency exposure arising from the Fund’s listed-equity allocation to be hedged to sterling.

4 Strategic Asset Allocation

- 4.1** The Fund's high-level SAA included in the ISS is set out below.
- 4.2** The Portfolio Implementation Benchmark provides a more granular expression of the Committee's current implementation preferences for the Fund. It does not constitute a separate strategic asset allocation or override LGPS Central's delegated responsibility for implementation. LGPS Central may recommend or implement variations where necessary to meet the Fund's objectives efficiently, subject to remaining within the approved high-level strategic allocation and tolerance ranges.

Asset Class	SAA (%)	Portfolio Implementation Benchmark (%)	Tolerance Range
Listed Equity	50.0	50.0	45% to 60%
UK Equity	-	10.0	-
Emerging Market Equity	-	5.0	-
Global Equity	-	35.0	-
Private Equity	5.0	5.0	±2%
Private Credit	5.0	5.0	±2%
Property/Real Estate	13.0	13.0	±5%
UK Property	-	5.5	-
International Property	-	2.5	-
Social/Affordable Housing	-	5.0	-
Infrastructure	7.0	7.0	±2%
Credit	20.0	20.0	±5%
Multi Asset Credit	-	7.0	-
Sterling Corporate Bonds	-	13.0	-
UK Government Bonds	0.0	0.0	n/a
Other Alternatives	0.0	0.0	n/a
Investment Cash	0.0	0.0	n/a
Total	100.0	100.0	-

- 4.3** Natural capital opportunities are currently expected to be accessed principally through the Property/Real Estate allocation, although the appropriate classification will depend on the nature of the underlying investment and LGPS Central's implementation arrangements. An explicit allocation to this opportunity set may be considered in future.
- 4.4** The Pool has been consulted in advance on these more granular preferences.
- 4.5 Implementation Beliefs**

The Committee has adopted the following implementation beliefs to inform LGPS Central's advice and implementation of the Fund's investment strategy.

The Committee will monitor LGPS Central’s implementation of the strategy against these beliefs. Where LGPS Central’s approach does not align with a stated belief, the Committee expects LGPS Central to explain the reasons for its approach, including any relevant investment, fiduciary, operational or pooling considerations.

Implementation Beliefs	
1. Active management	The Committee believes that active management can add value over the long term, although the extent to which financial markets are efficient varies significantly by asset class and region. For example, the evidence supporting active management may be stronger in corporate fixed-income markets than in large-cap developed-market equities. The Committee expects LGPS Central to use active management where it considers this likely to enhance risk-adjusted returns net of fees or provide an effective means of meeting the Fund’s investment objectives.
2. Exposure to the UK	The Committee supports the UK government’s objective for pension schemes to support investment in the UK. All else being equal, the Committee is comfortable with the Fund having a higher weighting to the UK both overall and within relevant asset classes than is implied by the global investment opportunity set. The Committee expects LGPS Central to consider the risk and return characteristics of UK assets before allocating to them in preference to other opportunities.
3. Diversification	The Committee believes that diversification is an important means of managing risk and protecting the long-term resilience of the Fund’s portfolio. The Committee expects LGPS Central to seek appropriate diversification across asset classes, geographies, sectors, investment styles and return drivers, but not diversification for its own sake. Concentrated exposures should be intentional, properly understood and consistent with the Fund’s investment objectives.

4. Sustainable and low carbon investment	The Committee believes that suitable impact, sustainable and low carbon investments can contribute to the Fund's investment objectives. The Committee expects LGPS Central to give appropriate consideration to investment solutions providing meaningful exposure to these opportunities where they offer suitable risk-adjusted returns and do not materially undermine diversification, liquidity or implementation efficiency.
5. Climate change and nature	The Committee believes that climate change and nature loss pose systemic financial risks that may affect all asset classes and geographies. It recognises the interdependence between climate change, biodiversity, ecosystem services, land use, water and natural capital. The Committee expects LGPS Central to consider material physical, transition and systemic risks and opportunities relating to climate and nature when advising on and implementing the Fund's investment strategy.

The Committee recognises that these beliefs do not constitute directions on individual implementation decisions and that LGPS Central retains responsibility for determining how the Fund's strategy is implemented within its delegated remit.

5 Responsible Investment

- 5.1** The Fund considers financially material environmental, social and governance factors that may affect investment risk and return. It also seeks to understand and report the real-world outcomes associated with its investments, where relevant and practicable, while maintaining proper regard to its fiduciary responsibilities and primary purpose of paying benefits.
- 5.2** The Committee has established the Fund's Responsible Investment approach following engagement with LGPS Central, other participating Partner Funds and the Fund's stakeholders. The Committee recognises the Fund's role as a long-term institutional investor and seeks to work collaboratively to promote effective stewardship and responsible investment practice.

5.3 Interaction with the Pool

The Committee expects financially material Responsible Investment considerations to be appropriately integrated into investment advice, implementation and risk management. It will monitor LGPS Central's approach and expects LGPS Central to explain any material divergence from the Fund's Responsible Investment objectives, priorities, preferences and beliefs.

In establishing the Fund's Responsible Investment objectives, priorities and preferences, the Committee has considered the views of other Partner Funds and the Fund's wider stakeholders, recognising the importance of achieving alignment and scale where appropriate.

5.4 Objectives, Priorities and Preferences

The Fund has adopted the following Responsible Investment objectives. The Committee has identified the accompanying priorities and preferences to inform the implementation of those objectives.

The Committee developed these objectives, priorities and preferences following engagement with the Fund's stakeholders, including a survey of Fund members undertaken in 2026. Progress against the Fund's Responsible Investment objectives, priorities and metrics will be monitored annually. The overall approach will be formally reviewed alongside each valuation and investment-strategy review, or sooner where there is a material change in circumstances.

The Committee believes that transparency and ongoing engagement with Fund members and employers are important components of effective Responsible Investment governance. The Fund will communicate its Responsible Investment approach and progress and will seek and consider stakeholder views when undertaking material reviews of its Responsible Investment objectives, priorities and preferences.

The Committee believes that promoting effective Responsible Investment practice, transparency and collaboration can help raise standards across the investment industry. The Fund will seek to demonstrate good practice through the clarity of its objectives, the

monitoring and reporting of outcomes, collaboration with other investors and constructive engagement with LGPS Central.

Committee knowledge and understanding of Responsible Investment matters will be maintained through the Fund's approved training arrangements. Training will reflect the evolving nature of relevant investment risks, opportunities, data, methodologies, regulation and market practice, including climate change, nature and stewardship.

RI Objectives	
Net Zero Objective	<p>Achieve 'Net zero' financed emissions by 2045 (currently on a Scope 1 + 2 basis).</p> <p>The Committee has adopted a decarbonisation plan for the Fund, supported by targets at total Fund and asset class level. These targets are set out under Responsible Investment Priorities below.</p>
Sustainable and Low Carbon Allocation Objective	Maintain at least 30% of Fund assets in sustainable and low-carbon mandates through to 2030 and thereafter subject to future review.

RI Priorities	
Net Zero Implementation	<p>The Fund will pursue a Net Zero-aligned investment strategy, targeting material reductions in portfolio greenhouse gas emissions intensity by 2030 across listed equities and corporate bonds, and progressively increasing low carbon transition alignment in high-impact sectors through active ownership and stewardship.</p> <p>More granular targets and implementation metrics are as follows:</p> <ul style="list-style-type: none"> ➤ Reduce ongoing Greenhouse Gas emissions intensity (measured on a Carbon Footprint Scope 1 and 2 basis) by 50% by 2030 (vs. 2020 baseline) at total Fund level. ➤ Listed equities decarbonisation target of 60% reduction by 2030 (carbon footprint scope 1 and 2 basis) versus 2020 baseline ➤ Corporate bonds decarbonisation target of 50% reduction by 2030 (carbon footprint scope 1 and 2 basis) versus 2021 baseline. ➤ 100% AUM in material (high impact) sectors in developed listed equities that are i) achieving net zero or

	<p>ii) meeting a criterion considered to be aligned or iii) aligning by 2030, extending to developed and emerging markets by 2040.</p> <p>➤ Ensure 90% of financed emissions in material sectors are either aligned, aligning or subject to direct or collective engagement and stewardship actions for all listed assets by June 2027.</p> <p>The strategy will evolve to incorporate scope 3 emissions and private market climate metrics and targets as data quality improves. Future climate solution considerations are expected to increasingly encompass adaptation, resilience, and nature, in addition to the current exposure to mitigation opportunities.</p>
Climate risk assessment and scenario analysis	<p>The Committee recognises that emissions and alignment metrics are not the only means of assessing climate-related investment risk. The Fund will use climate scenario analysis, alongside emissions, alignment, exposure and stewardship measures, to assess the resilience of its investment and funding strategies under a range of potential climate outcomes.</p> <p>Climate scenario analysis will be refreshed alongside the triennial actuarial valuation and investment-strategy review, or sooner where there is a material change in the Fund's investment strategy or other relevant circumstances. The findings will inform the Committee's consideration of the strategic asset allocation, risk and the continued appropriateness of the Fund's climate objectives.</p>
Carbon offsetting	<p>The Committee does not consider portfolio decarbonisation targets to be met by offsetting emissions in one part of the portfolio against avoided emissions or climate-solution investments elsewhere. Portfolio decarbonisation and investment in climate solutions will therefore be measured and reported separately.</p> <p>This does not prevent the Fund from investing in suitable climate solutions or from considering the role of high-quality removals in the context of residual emissions as approaches and recognised frameworks evolve.</p>
SDG Lens	<p>The Committee has identified the following Sustainable Development Goals ("SDGs") as priorities from a risk, return and impact perspective:</p>

	<ul style="list-style-type: none"> ➤ Affordable and Clean Energy and Climate Action: The Committee supports ambitious but credible commitments aligned with the objectives of the Paris Agreement. ➤ Sustainable Cities and Communities and Industry, Innovation and Infrastructure: The Committee supports suitable investments that benefit communities and the infrastructure serving well-functioning societies. The Fund has investment exposure to social and affordable housing, including housing addressing homelessness, and sustainable infrastructure. ➤ Life on Land: The Committee recognises the financial importance of protecting and restoring terrestrial ecosystems, managing forests sustainably, combating land degradation and halting biodiversity loss. Material risks arising from corporate operations, conduct and supply chains that adversely affect these outcomes should be addressed through investment analysis, engagement and, where appropriate, proportionate escalation.
Nature and biodiversity	<p>The Fund will seek to understand and manage financially material nature-related dependencies, impacts, risks and opportunities within its investments. The Committee expects LGPS Central and its appointed managers, where relevant and proportionate, to:</p> <ul style="list-style-type: none"> ➤ integrate material nature and biodiversity considerations into investment analysis and risk management; ➤ identify material exposure to corporate operations, conduct or supply chains associated with deforestation, ecosystem degradation, biodiversity loss, land degradation, water stress and pollution; ➤ engage with investee entities on appropriate governance, risk management, targets and disclosure; ➤ assess progress and consider proportionate escalation where engagement does not produce sufficient improvement; and ➤ improve reporting as data, methodologies and recognised frameworks develop.

	The Fund will work with LGPS Central to develop proportionate nature-related indicators and reporting as data, methodologies and recognised frameworks develop, initially focusing on areas of greatest financial materiality.
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5.5 The following Responsible Investment preferences represent the Committee's expectations and preferred approach to the management of responsible-investment matters. LGPS Central should have regard to these preferences when advising on and implementing the Fund's investment strategy, recognising that delivery must remain consistent with fiduciary duties, applicable regulation, the requirements of pooling and LGPS Central's own governance arrangements.

RI Preferences	
Exclusions & Divestment	<p>➤ The Committee considers engagement and active ownership to be the preferred starting point for addressing financially material responsible-investment risks. Material engagements should be supported by clear objectives and an appropriate assessment of progress. Where an investee entity does not demonstrate sufficient progress within a reasonable period, the Committee expects LGPS Central and its appointed managers to consider proportionate escalation. Depending on the circumstances, escalation may include intensified engagement, collaboration with other investors, voting action, supporting or filing shareholder resolutions, public-policy engagement, restrictions on further investment or, where supported by the investment case and consistent with fiduciary responsibilities, partial or full divestment.</p> <p>➤ The Committee supports the use of proportionate activity-based exclusions where these provide an effective means of managing material investment risks and are consistent with fiduciary responsibilities and pooling arrangements. The Committee expects LGPS Central to explain its approach to material exposure associated with controversial weapons, thermal coal, oil sands and tobacco, including any exclusions, thresholds, stewardship measures or other risk controls applied.</p>

	<p>➤ The Committee expects LGPS Central to provide appropriate reporting on material engagement objectives, progress, escalation undertaken and outcomes through the Fund’s client, shareholder and collective-oversight arrangements. Where sufficient progress has not been achieved but escalation has not been pursued, LGPS Central should explain its rationale.</p>
Controversial Weapons	<p>➤ The Committee expects fund managers not to invest in controversial weapons. Controversial weapons are defined as being those which have a disproportionate and indiscriminate impact on civilian populations. These may include:</p> <ul style="list-style-type: none"> ○ Anti-Personnel Mines ○ Chemical and Biological Weapons ○ Cluster Weapons ○ Nuclear Weapons
Human Rights	<p>➤ The Committee expects all fund managers to invest in line with the United Nations Global Compact, in particular the following principles relating to human rights:</p> <p>➤ Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights</p> <p>➤ Principle 2 - Businesses should make sure that they are not complicit in human rights abuses.</p>
Diversity & Inclusion (“D&I”)	<p>➤ The Committee seeks to promote fair, diverse and inclusive business environments and practices across the companies in which it invests as well as the operations of the Fund.</p> <p>➤ The Committee recognises the importance of having a proactive approach to D&I in creating an effective organisation. The Fund fully adopts the County Council’s policies and frameworks as the Administering Authority, and also recognises the importance given to this by the Pensions Regulator. We are continually seeking to improve the way the Fund is run and to deliver better outcomes for staff, employers and members.</p>

5.6 Climate change is a priority risk for the Fund. The Fund is committed to reporting annually in line with the Task Force on Climate-related Financial Disclosures framework, including monitoring progress against the targets set out above.

5.7 Administering Authority Policies

Gloucestershire County Council is the designated statutory body (Administering Authority) for the Fund. Following the Council's declaration of a climate emergency in May 2019, the Council produced its climate change strategy. It outlines the action needed as a County to reach that target and improve the County for now and the future.

The Council's vision is that *'by 2045 we will create a carbon neutral county that provides quality of life now and for future generations, having improved the quality of our natural environment. By 2030 we will have reduced our carbon emissions by 80%.'*

The Fund's approach to climate risk is set out earlier in this section. This is aligned with but differs from the policy set out above for a range of reasons; for example, given the Fund is a globally diversified investor, aiming to reduce emissions by 80% by 2030 may not be practical given the nature of investment options managed by the Pool. However, the Committee are cognisant of the views of the Administering Authority when setting investment strategy and will consult on any material decisions.

5.8 Fund Affiliations and Initiatives

The Fund is supportive of a number of RI affiliations and initiatives and has exposure to a range of these, either directly or via the Pool. We have highlighted a number of these below.

Name	Description	Current Affiliation
Climate 100+	Climate Action 100+ is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The companies include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition.	The Fund are supporters of the Climate Action 100+ initiative.

Institutional Investor Group on Climate Change (IIGCC)	A forum for collaboration by institutional investors on the investor implications of climate change. It facilitated the creation of the Net Zero Investment Framework, amongst other guides and resources.	The Fund is a member of the IIGCC.
Local Authority Pension Fund Forum (LAPFF)	The UK's largest collaborative forum for collective engagement, covering £200bn in collective assets under management.	The Fund is an active member of LAPFF.
Investors for Purpose	Collaborative initiative of impact managers, pension funds, social enterprises and others involved or interested in impact investment.	The Fund supports the Investors for Purpose initiative.
The Transition Pathway Initiative (TPI)	Co-founded in 2016 by the Environment Agency Pension Fund and the Church of England National Investing Bodies. The initiative assesses how companies are preparing for the transition to a low-carbon economy and will form the basis for engagement with companies.	The Fund currently supports TPI.

TCFD (The Task Force on Climate related Financial Disclosures)	Voluntary climate-related financial risk disclosure framework for use by companies in providing information to investors, lenders, insurers, and other stakeholders.	The Fund is committed to reporting in line with the TCFD framework and published its first report in 2024. The Fund now intends to report annually.
TNFD (The Taskforce on Nature related Financial Disclosures)	Voluntary nature-related financial risk disclosure framework for use by companies in providing information to investors, lenders, insurers, and other stakeholders.	The Fund supports this initiative and will work with LGPS Central to adopt the framework as quickly as possible.

5.9 Stewardship and Voting

The Committee believes that effective stewardship is an important means of protecting and enhancing the long-term value of the Fund's investments and addressing financially material risks and opportunities. The Fund expects stewardship decisions to be undertaken with the objective of protecting and enhancing long-term shareholder value and supporting sustainable long-term business success.

LGPS Central is responsible for undertaking stewardship and exercising investment rights, including voting rights, within its delegated remit and in accordance with its Responsible Investment and Stewardship Framework, Voting Principles and other applicable pool-wide policies. This includes stewardship undertaken directly by LGPS Central, through external investment managers and through appointed stewardship and voting service providers.

LGPS Central's stewardship approach includes engagement with investee entities, collaborative engagement, voting, public policy advocacy and escalation where this is considered appropriate. The form and sequence of escalation will depend on the circumstances of each engagement and may include enhanced engagement, voting action, collaboration, public statements, filing or supporting shareholder resolutions and, where appropriate, consideration of investment consequences.

The Fund expects LGPS Central to:

- integrate financially material environmental, social and governance considerations into investment and stewardship processes;

- exercise voting rights in accordance with its published Voting Principles and applicable market requirements;
- maintain appropriate oversight of external managers and service providers;
- report transparently on stewardship priorities, activity, voting and outcomes, including significant voting decisions and, where appropriate, the rationale for votes against management recommendations;
- operate in a manner consistent with the applicable UK Stewardship Code and demonstrate through its reporting how its stewardship activities and outcomes support the Code's principles and the Fund's Responsible Investment objectives;
- engage with the Fund and other Partner Funds when developing and reviewing relevant pool-wide policies; and
- explain any material divergence between the Fund's approved responsible-investment approach and LGPS Central's implementation.

For material engagement priorities, the Committee expects reporting to explain:

- the engagement objective and relevant milestones;
- progress achieved;
- any escalation undertaken;
- the outcome of the engagement; and
- where progress has been insufficient but escalation has not been pursued, the reasons for that approach.

The Committee recognises that escalation will not necessarily be linear and that the appropriate measures and timescale will depend on the circumstances of each investment.

The Pension Committee will monitor LGPS Central's stewardship and voting activity through regular reports and the Fund's client, shareholder and collective-oversight arrangements.

The Committee may communicate its views and preferences through those arrangements but will not direct individual voting, engagement or security-selection decisions.

The Fund is a signatory to the UK Stewardship Code and is committed to applying its principles through its governance, oversight and reporting arrangements. The Committee will monitor how stewardship is undertaken on the Fund's behalf by LGPS Central and its appointed managers, including the quality of stewardship activity, escalation, voting and reported outcomes.

The Committee expects LGPS Central and its appointed managers to maintain appropriate stewardship standards and, where relevant, to be signatories to or operate consistently with the applicable UK Stewardship Code. The Fund will use LGPS Central's stewardship reporting and its client, shareholder and collective-oversight arrangements to assess alignment with the Fund's objectives and Stewardship Code commitments.

The Fund will publish or contribute to the disclosures required to maintain its signatory status and will continue to develop its approach in response to changes to the UK Stewardship Code and relevant reporting expectations.

The Fund will also participate, where appropriate, in collaborative investor initiatives that support its investment objectives and Responsible Investment priorities.

6 Local Investment

- 6.1** As per the ISS, the Fund has set a strategic target of investing 5% of its total invested assets in local investments, with “local” defined as investments within the region encompassing all the AAs within LGPS Central, including but not limited to the region in which the Fund is located. To support implementation of this objective, the Fund has established a target range of 1% to 5%, recognising that the allocation will be developed progressively over time. The Fund has considered advice from LGPS Central in setting both the target and the target range.
- 6.2** The 5% strategic target remains the Fund’s intended long-term objective. A position within the 1% to 5% target range should not, by itself, be treated as achievement of that objective. The pace of progress will depend on the availability of suitable investment opportunities and LGPS Central’s implementation arrangements.
- 6.3** The Fund considers the target and target range compatible with its primary duty to pay benefits when they fall due. Existing qualifying local investments will be taken into account when monitoring and reporting progress against both the 5% strategic target and the 1% to 5% target range.
- 6.4** The Fund will work with LGPS Central and other participating Partner Funds to establish areas of alignment and suitable investment opportunities. This will include considering the local priorities of relevant strategic authorities and applicable Local Growth Plans.
- 6.5** LGPS Central’s ability to implement the Fund’s local investment target and preferences will depend on the availability of suitable investment opportunities and its ability to accommodate them consistently with the fundamental aims of pooling. If sufficient suitable opportunities are unavailable, the target may not be achieved. LGPS Central must not invest in unsuitable assets solely to achieve the target or remain within the target range.

High-Level Local Investment Objective (as per section 3)

To target 5% of the Fund’s total invested assets in local investments. For the purposes of this allocation, the definition of ‘local’ will reflect the combined local authority areas of LGPS Central’s administering authorities. However, it is expected that the allocation will have quantifiable benefits to Gloucestershire and the economic development of the region.

Additional Local Investment Preferences

Target Area	 The Committee’s preferred target area is the combined geographic area of LGPS Central’s administering authorities. Investments may be made outside
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	<p>Gloucestershire where this supports diversification and effective implementation, but the Committee expects a portion of the allocation to deliver direct and identifiable benefits to Gloucestershire.</p>
Return	<p>➤ The Committee expects local investments to be assessed against risk and return requirements appropriate to their relevant asset class and to contribute to the Fund’s overall investment objectives.</p>
Risk	<p>➤ The Committee recognises that local-investment opportunities may have different risk characteristics from the Fund’s wider investments. The Committee expects those risks to be clearly identified, appropriately rewarded and consistent with the Fund’s overall investment objectives, risk appetite, liquidity requirements and fiduciary responsibilities. The Fund will not accept an unsuitable investment solely to achieve local impact or meet the target range.</p>
Target Asset Classes	<p>➤ The Committee has identified Property/Real Estate, Infrastructure, Private Equity and Private Credit as the preferred asset classes through which local-investment opportunities may be accessed.</p>
Target Impact	<p>➤ The Committee’s preferred outcomes include housing provision, regeneration, infrastructure improvement, clean energy, natural capital enhancement, employment, skills, business growth, community wellbeing and reduced pollution.</p>
Implementation and monitoring	<p>➤ The Committee expects LGPS Central to develop and maintain an implementation pathway towards the 5% target. Reporting should distinguish between invested capital, committed capital and prospective opportunities, and should identify the anticipated contribution of the pipeline towards the target. Where progress is materially behind the implementation pathway, LGPS Central should explain the reasons, the opportunities considered and the actions being taken to support delivery.</p>

6.6 Impact reporting is expected to play an important role in demonstrating the benefits of local investment to members and employers through:

- Understanding how much has been invested, what has been invested in (asset classes and sectors), and where the investments have been made (geography).
- Providing insight into the extent that investments are delivering towards chosen areas of impact e.g. housing, regeneration, infrastructure, clean energy, natural capital, jobs and business growth.

7 Approval and Review

- 7.1 This Investment Policy Statement was approved by the Pension Committee on [date] and supports the Investment Strategy Statement approved on [date].
- 7.2 Officers will monitor its continued alignment with the Investment Strategy Statement, Funding Strategy Statement, LGPS Central's relevant policies and the Fund's governance arrangements. Progress against material investment and responsible investment objectives will be reported to the Committee regularly.
- 7.3 The Statement will be reviewed alongside each formal review of the Investment Strategy Statement and without delay where there is a material change to the investment strategy, responsible investment objectives, regulatory framework, pooling arrangements or other relevant circumstances.
- 7.4 Non-material updates, including changes to references, policy names, affiliations and factual descriptions, may be made in accordance with the Fund's approved delegations.



For more information, please call us on **01452 328888**
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