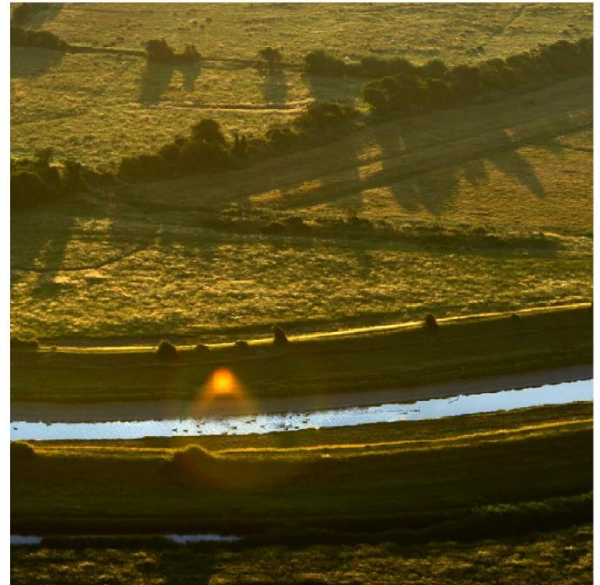




Investment Strategy Statement

Date - TBA

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Introduction

This document sets out the Investment Strategy of the East Sussex Pension Fund (the Fund).

The Fund is administered by East Sussex County Council (the Administering Authority or AA). The AA delegates its responsibility for administering the Fund to the East Sussex Pension Committee (the Committee), which is the formal decision-making body. The Fund is part of the Local Government Pension Scheme (LGPS) in England and Wales.

The purpose of the Investment Strategy Statement (ISS) is to set out how the Fund invests its assets the level of risk it takes, and how decisions are made. In accordance with the requirements contained in regulation 11 of the Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 and guidance issued under 10(2)(b)

The Pension Committee (the Committee) prepares and approves this document after receiving proper advice. Whilst it acknowledges that the regulatory framework is new and the way the Fund complies with it continues to evolve. The Committee therefore considers this Investment Strategy Statement to be drafted on a best endeavours basis using the information currently available and acknowledges that updates may be required as the position develops and further work is undertaken

The ISS is consistent with the Funding Strategy Statement (FSS) dated 2026 which was approved on 26 February 2026, following a consultation. A copy of that can be found here:

<https://eastsussexpensionfund.org/forms-and-publications/>.

The ISS is subject to regular evaluation and will be reviewed at least annually and within 18 months of each Fund valuation date, and without delay following any significant change in the Fund's funding position or investment conditions.

The implementation of the Committee's Investment Strategy is delivered by its LGPS Asset Pool Border to Coast Pensions Partnership Ltd ("the Pool"). The Pool is authorised and regulated by the Financial Conduct Authority (FRN 800511) and is owned equally by all 18 administering authorities that participate in the pool.

Governance

The Pension Committee is responsible for setting the investment strategy of the Pension Fund to achieve the long-term returns required to pay pensions when they are due, overseeing how this is implemented and the monitoring of investment management activities. The implementation of the strategy and the day-to-day management of the Fund's investments is delegated to its LGPS Asset Pool.

The Fund produces a Governance and Compliance Statement which sets out the Governance arrangements for the Fund, copy of that can be found here:

<https://eastsussexpensionfund.org/forms-and-publications/>.

Additionally, the LGPS Asset Pool has its governance charter setting out the governance arrangements for the Pool which can be found here: <https://www.bordertocoast.org.uk/about-us/>.

The roles of the Fund and the LGPS asset pool

The Pension Committee

The Pension Committee is responsible for overseeing and managing the East Sussex Pension Fund on behalf of the administering authority. Its main role is to ensure that the Fund is run properly, complies with pension regulations, and serves the interests of scheme members and employers. The Pension Committee has responsibility for:

- setting the Fund's investment strategy, including investment objectives;
- to approve the ISS ensuring the ISS complies with regulations and guidance;
- overseeing participation in investment pooling arrangements and to hold the Pool board accountable for delivery, ensuring that the Pool is properly resourced to deliver the strategy;
- commissioning actuarial valuations and asset-liability studies
- to scrutinise any advice given to the Committee, whether from the pool or any other organisation or individual;
- to scrutinise the implementation performance of the LGPS Asset Pool, including administrative performance and the Pool's implementation of investment strategy and performance;

LGPS Senior Officer

The LGPS Senior Officer has a senior responsibility across all pension functions of the authority in respect of all matters relating to the Scheme (such as administration, investment and governance), in accordance with guidance issued by the Secretary of State.

Key responsibilities of the LGPS Senior Officer include, but are not limited to:

- to provide advice, guidance and assurance to the Pension Committee (“the Committee”) and Local Pension Board in relation to the Fund;
- to ensure LGPS functions are well resourced and structured;
- to draw up the Fund’s budget and agreeing it with the Committee;
- ensuring that draft strategies such as the Investment Strategy Statement, Funding Strategy Statement and Administration Strategy, are prepared in accordance with legislation and guidance.
- to hold the Pool to account for performance and monitor performance of the Pool through regular data and reports on performance from the pool, and report to the Committee;
- alongside the Section 151 Officer, to oversee the preparation and approval of the Fund’s annual accounts, ensuring they present a true and fair view of the financial position;

The LGPS Senior Officer, in discharging these responsibilities, is supported by a wider team of Officers.

Independent Person

The Independent Person is fully independent and is not employed by any company that provides other paid pensions advice to the Administering Authority.

The LGPS Senior Officer and the Independent Person are responsible for managing any conflicts of interest that may arise from other roles, if performed by the independent person.

The key responsibilities of the Independent Person are, but are not limited to:

- to support the LGPS Senior Officer and Pensions Committee;
- support and contribute to the development of the ISS, including interpreting or considering advice;
- to scrutinise the Pool’s implementation of the Fund’s Investment Strategy;
- to contribute to the Committee by providing additional independent and professional expertise and to scrutinise and challenge the advice given to them across investment strategy, governance and the role of the AA as a shareholder of the Pool; and
- monitor whether the collective pool oversight process is meeting the requirements of the AA.

The LGPS Asset Pool

The Fund participates along with a number of other administering authorities to pool its investment assets through its LGPS Asset Pool, Border to Coast Pensions Partnership (the Pool). The Fund is a shareholder of the Pool and it is the responsibility of the AA to work with the Pool's Board to ensure that the Pool is adequately resourced.

Regulation requires that the Fund's assets for which the AA is responsible are held and managed by the Pool and that the AA must not invest or manage pension fund investments outside the Pool, with the exception of the management of operational cash.

Border to Coast is authorised and regulated by the Financial Conduct Authority (FRN 800511) to manage the Fund's assets and is owned equally by all the administering authorities that participate in the Pool.

Guidance sets out that all investment management decisions that support the implementation of the investment strategy must be made by the Pool. The Pool is responsible for the following:

- Views on; selection of asset managers, individual asset managers, and how asset managers are combined within an asset class;
- Views on geographical zones of investment or exposure targets.
- Investment decisions on individual holdings;
- Style of investment management, such as active and passive management;

An overview is outlined in the table on page 7.

The roles of administering authorities and asset pool companies in managing investments

Task	Definition	AA Role	Pool Role
Strategy			
Investment Objectives	Objectives, priorities and preferences on risk and return, local investment, and responsible investment in accordance with the Investment Strategy Statement Guidance 2026.	Decide	Advise
Strategic Asset Allocation	Long-term, stable allocation based on overall investment objectives and risk tolerance, set in accordance with the Investment Strategy Statement Guidance 2026	Decide	Advise
Implementation			
Tactical Asset Allocation	Adjustments to the asset mix, such as in respect of geographic allocation, consistent with the asset allocation strategy.	Monitor	Decide
Investment Manager Selection	Appointment of external (or in-house) managers of specific investment mandates	Monitor	Decide
Stock Selection	Choosing individual investment opportunities based on detailed analysis of the opportunity	Monitor	Decide
Investment Stewardship	Engagement with the invested companies in line with Investment Objectives.	Monitor	Decide
Investment Cashflow Management	Management of the disinvestment (or investment of contributions) in collaboration with administrators and Fund Actuary	Monitor	Decide

The Pool must take all reasonable steps to implement the investment strategy set by the Fund. The Fund recognises that full alignment by the Pool may not always be possible and that attempts to ensure full alignment might run counter to the fundamental aims of pooling.

Should this situation occur, the following mediation routes are available, noting that Pools and their partner funds should always seek to resolve issues through dialogue:

- the Pool should explain the elements of the investment strategy (including the Responsible Investment Policy) it is not able to implement and the reasons for this.
- the Pool should support the Fund to understand how the investment strategy could be adjusted to make it deliverable, while maintaining fiduciary duty to members and employers.
- the Fund will also consider engaging with the Pool and other Partner Funds with the aim of increasing the scalability of a chosen Investment Strategy;

It is for the Pool, as the entity undertaking investment activity, to implement appropriate risk management frameworks, controls, and reporting processes.

The Pool is the primary source of investment strategy advice to the Fund. As per guidance, the Fund does not routinely test the Pool's advice against that of other advisors but where exceptional circumstances apply, the Fund may also take secondary investment strategy advice.

It is the responsibility of the Fund(s) to hold the Pool accountable for delivery. To assess this, the Fund:

- meets regularly with the Pool. The Senior Officer, Head of Investment and Accounting and other Officers regularly meet with the Pool to discuss the Pool's investment approach and performance
- The Fund has member representation of the Joint Committee of the Pool with the key aim of assessing the investment performance of the Pool. Joint Committee representative report back to Pension Committee with regard to Pool performance
- Participates with other members Funds in oversight of the Pool via the appropriate working groups.

Fund Actuary

The Fund has an appointed Barnett Waddingham as the Scheme Actuary (the Actuary) who is responsible for formulating the Funding Strategy Statement ("FSS"). The purpose of the FSS is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency"; and

- to have regard to the desirability of maintaining a stable and predictable primary contribution rate.

The Fund's high-level financial objectives must be consistent with the Funding Strategy Statement as set out in the FSS.

The aims and objectives of the FSS are to:

- Enable our Fund Actuary to undertake appropriate funding calculations for the Fund, whether as part of a triennial actuarial valuation exercise or otherwise, which also meet the requirements of the LGPS Regulations and guidance and their professional obligations;
- Establish a clear and transparent fund-specific strategy that will identify how our employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set employer contributions to ensure the solvency and long-term cost efficiency of the Fund are met in the context of fiduciary duty;
- Explain how we seek to balance the interests of different employers; and
- Explain how we deal with conflicts of interest and references other policies/strategies.

They have been set in the context of fiduciary duty and requirement to pay pension benefits according to the LGPS and wider regulations.

Our aims in relation to long-term funding are to:

- Achieve solvency by managing employers' liabilities effectively and ensuring that sufficient resources are available to meet all benefit payments as they arise;
- Achieve long-term cost efficiency by ensuring that employer contribution rates are not set at a level that gives rise to additional costs;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to not taking undue risks) at reasonable cost to our employers; and
- Seek returns on investment within reasonable risk parameters.

Investment Objectives

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.

The Pension Committee aims to manage the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions are agreed by the Fund's employers to meet the cost of future benefits accruing. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases in line with the relevant LGPS scheme rules.

In addition, the Pension Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Environmental Social and Governance factors

Investment Beliefs

1. The purpose of the Fund is to pay pensions in full when they fall due, and to do so by targeting a level of risk and long-term real return that finds the correct balance of contribution affordability and stability for employers.
2. Cash flow is an important consideration in the Fund's investment strategy and the Fund requires a clear and efficient process in place to manage this. Alongside this, the Fund believes that rebalancing is important and can add value over the long term, and can be used to efficiently meet cashflow needs.
3. That Fund's money must be invested in a wide variety of investments utilising a mixture of investment and management types in order to achieve ample diversification. This includes using active and index-tracking approaches, and public and private markets.
4. The focus needs to be on value for money and net-of-fees returns over outright cost minimisation.
5. Responsible Investment practices, including those considering climate change, can add value through higher returns and improved risk management over the long term. These should be implemented where they are expected to achieve financial benefits, viewing environmental, social and governance considerations as financial risks and opportunities.

6. Proper stewardship of the Fund's assets is important, and the Fund expects its pool to actively engage with investee companies and investment managers to achieve positive outcomes, escalating appropriately where progress is insufficient.

High Level Investment Objectives

The Fund's overall investment objective is to ensure that the Fund has appropriate assets so that all benefit payments are paid in full when they are due. That the assets are managed in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions are agreed by the Fund employers to meet the cost of future benefits accruing. To achieve the overall objective, the Fund has set the following objectives:

Area	Objective
Investment Return	7.8%* p.a. The return represents the best estimate annualised return over 20 years, based on the Strategic Asset Allocation.
Risk	9.3%*. This figure represents the 1 year expected dispersion around the investment return number.
Cash Flow	To manage the cashflow position of the Fund in the most efficient manner taking into account the size and timing of cash inflow and outflow. The Fund will work with the Pool to manage the operational delivery and investment of cashflow in a timely manner. The Fund is estimated to be in a cashflow negative position of between £50-70m p.a. which takes into account the contribution income, expected benefit outflow, expenses and other expected cashflows excluding manager fees. The Pool will manage in an efficient manner investment cashflow requirements from investment income, distributions and drawdowns within the asset portfolio, distributing this to the Fund to cover the operating cashflow deficit.
Liquidity	Seek to limit investment in illiquid assets to 30% of total assets. Where illiquid assets are defined as those that can't be ordinarily liquidated within six months.
Local	To target investment of 0-5% of the Fund's portfolio in local Investments. More detail on the Fund's local investment objective and preferences is set out in within the Local Investment section of the ISS.

*The risk and return objectives represent the expected average annualised portfolio return over a 20 year period, and 1-year expected dispersion of returns around that average, respectively, based on the Fund's Strategic Asset Allocation and Hymans Robertsons expected returns, risk, covariance and skew, as at 31 July 2026

Link to Funding Requirements and Overall Approach to Risk

The high-level investment objectives have regard to the funding strategy as set out in the Funding Strategy Statement.

The primary risk to the Fund is that its assets are insufficient to meet its liabilities, as determined by the Funding Strategy Statement. The main risk to the employers is the volatility of the contribution rates and affordability. Given the long-term nature of the Fund's liabilities, the Committee recognises the need to take investment risk in a controlled manner in order to achieve the Fund's funding objectives and maintain contribution rates at sustainable levels.

The Committee acknowledges that there is a balance to be struck between generating sufficient investment returns and limiting funding level volatility. While taking investment risk is necessary to support long-term funding outcomes, excessive risk could lead to significant fluctuations in asset values and contribution requirements. Conversely, taking insufficient risk may result in investment returns failing to keep pace with the growth in liabilities, which could also place upward pressure on employer contributions.

The Committee therefore seeks to maintain an investment strategy that is aligned with the Fund's long-term funding objectives, taking only those risks that are considered necessary and appropriately rewarded, while managing the potential impact on employer contribution rates and funding level volatility.

Funding risks

When setting its Funding Strategy Statement the Fund considers its risks in the below terms:

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Fund measures and manages financial mismatch in two ways. As indicated above, the Pension Committee has set a strategic asset allocation benchmark for the Fund, which is reviewed on at least an annual basis. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk.

The results from the 2025 valuation highlighted that the Fund is fully funded and has a good chance of retaining this fully funded position in future without adopting an over prudent approach towards its investment strategy. The Pension Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns quarterly. The Pension Committee also assesses risk relative to liabilities by monitoring the funding position regularly.

The Pension Committee reviews the demographic assumptions of the Fund every three years as part of its triennial valuation, to mitigate the risk that changes to longevity and other factors would have on the Fund. In addition, Fund officers meet regularly with the Fund Actuary to ensure any major swings in longevity assumptions due to environmental or medical changes can be identified early.

The Pension Committee seeks to mitigate systemic risk through a diversified portfolio and considers correlation of risk and return across different asset classes in construction of the investment strategy. It is not possible to make specific provision for all possible eventualities that may arise under this heading.

Evaluation of risks

Evaluation of risks that may impact the investment strategy and expected future returns is crucial in determining the appropriate measures to mitigate those risks. The key investment risks affecting the Fund that influence our Investment Objectives and we ask the Pool to consider when providing Investment Strategy advice are:

- **Concentration** - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- **Inflation** - The Fund's liabilities are impacted by inflation both explicitly and implicitly. The Fund will seek to invest in a range of assets that target returns in excess of inflation and in some cases provide an inflation-linked income, subject to a tolerable level of volatility.
- **Illiquidity** - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- **Currency risk** – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).

- Environmental, social and governance (“ESG”) – The risk that ESG related factors reduce the Fund’s ability to generate the long-term returns. The Fund believes that climate change poses material risks to the Fund but that it also presents positive investment opportunities.
- Climate Risk – The risk to asset values and liabilities in response to climate change from physical or transition risk including regulatory changes.
- Implementation underperformance - The failure by the LGPS investment pool to achieve the rate of investment return assumed in the strategy from the implementation decisions it makes.
- Pooling risk – The risk that the LGPS investment pool is unable to offer suitable investment advice, implementation activities, liquidity and investment opportunities.
- Custodian risk – The risk of financial loss or operational failure arising from weaknesses in the custody of pension fund assets, including the safeguarding of assets, settlement of transactions, maintenance of ownership records, and collection of investment income.

The operational responsibility for managing the above risks is delegated to the Pool.

Strategic Asset Allocation

The Committee may invest in a range of investments, including listed equity, UK government bonds and credit, private equity and private debt, infrastructure and property. The actual type and balance of investments (the asset allocation) is developed following each actuarial valuation and is designed to deliver the appropriate long-term returns required, at an acceptable level of risk.

The Committee has also considered credible, relevant, and distinctive scenarios for how different investment outcomes could affect the Pension Fund’s assets. Taking this analysis into account - alongside the Fund’s return requirements, risk considerations, and cashflow objectives - the Committee has agreed a long-term strategic asset mix.

The Committee characterise the Pension Fund’s investments as “growth”, “income” and “protection”:

- “Growth” assets expected to generate higher returns over the long term and are a key driver to help keep contributions affordable. Short-to-medium term returns may be more volatile and hinder the setting of stable contribution rates.
- “Income” assets expected generate a reliable income stream providing cash flows to pay for benefits without having to divest from assets.
- “Protection” assets that are expected to change value in line with the funds liabilities and protect against inflation expectations, which is a key risk when setting the funding strategy.

In setting the strategic asset allocation, the Committee has also considered the advantages of being a long-term investor, including the ability to capture risk premiums available from non-government debt, publicly traded equities, property, and other private market assets.

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The Strategic Asset Allocation set out below has been determined by the Fund, with certain elements, where delegated, derived by the Pool in accordance with the Fund's agreed objectives and governance arrangements.

Table 1: Fund allocation

Role within the strategy	Asset Class	Asset Allocation %	Tolerance Range +/-
Growth	Listed equity	40.0	7.0
	Private equity	5.5	3.0
	Total Growth	45.5	10.0
Income	Private credit	5.0	2.0
	Property / Real estate	7.0	2.0
	Infrastructure	11.0	3.0
	Other alternatives ¹	14.0	5.0
	Credit ²	10.5	3.0
	Total Income	47.5	10.0
Protection	UK Government bonds	7.0	5.0
	Cash ³	0.0	2.0
	Total Protection	7.0	7.0
	Total	100.0	

¹ Other alternatives are investments which do not fit into the other asset classes.

² Including credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds.

³Refers to cash held by the pool as part of the SAA. AAs would still be expected to hold cash for the purpose of paying benefits outside the pool.

Tolerance Ranges

To enable to the Pool to implement the investment strategy and move flexibly in response to risk and opportunities, the Fund has a tolerance range of acceptable positions in each asset class and strategic area. By monitoring the actual allocation on a regular basis the Fund can ensure that the Pool's implementation does not deviate significantly from the target allocation.

Connected Entities

In line with the Regulations, the Authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with the Authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

Responsible Investment

Responsible Investment (RI) is an approach that incorporates environmental, social and governance (ESG) factors into investment decision-making and ownership practices, including stewardship and voting activities.

The Fund believe that RI supports the purpose of the Local Government Pension Scheme (LGPS) by helping to secure the long-term returns required to provide retirement benefits for scheme members. That appropriate consideration of RI can reduce the risk associated with the invested assets that the Fund owns, allowing it to pay pensions when they are due. RI is therefore a significant factor driving returns alongside other investment considerations.

The Fund has set out its Statement of Responsible Investment Principles (SRIP) available here <https://eastsussexpensionfund.org/media/4ggk5x5j/statement-of-responsible-investment-principles.pdf> which complements the Fund's Investment Strategy Statement (ISS). The SRIP explains the Funds approach to the oversight and monitoring of the Fund's investment activities from an RI and Stewardship perspective. The SRIP clearly defines the approach adopted by the Fund in relation to these issues. Within this statement it is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns.

The Fund's RI Principles are:

- apply **long-term thinking** to deliver **long-term sustainable returns**.
- seek **sustainable returns** from **well-governed assets**.
- use an **evidence-based** long term investment appraisal to inform **decision-making** in the implementation of RI principles and consider the costs of RI decisions consistent with our fiduciary duties.
- evaluate and manage **carbon exposure in order to mitigate risks to the Fund from climate change**. be **active stewards** of our assets to ensure **value to our beneficiaries**

- achieve ESG improvements through **collaborative engagement**
- be **transparent** in our RI reporting

The Fund expects those managing money on its behalf to reflect these beliefs throughout their investment process and, where specific risks or concerns are identified, to engage with companies and asset managers in order to ensure that these characteristics are met.

The Fund believes in active stewardship to support the Fund's primary investment objective. Active stewardship will:

- Have clear and specific objectives.
- Be time limited.
- Where unsuccessful, link to clear consequences reflecting the degree to which the investment thesis for the asset has been undermined by non-compliance.

The Fund expects the Pool to facilitate and deliver these principles of active stewardship.

The exercise of rights (including voting rights) attaching to investments

Voting rights

The Fund is responsible for setting high-level expectations for how voting rights should be exercised. The implementation of voting activity held within pooled arrangements is delegated to the Pool.

The Pool and managers exercise voting rights on behalf of Partner Funds in line with its Corporate Governance & Voting Guidelines, which set out the principles applied when assessing governance arrangements, board effectiveness, transparency, remuneration practices, shareholder rights and other material issues.

The Fund expects voting activity undertaken on its behalf to:

- be consistent with the Pool's published policies and guidelines;
- support high standards of governance and accountability;
- align with the stewardship priorities agreed across Partner Funds; and
- be reported to the Fund on a regular basis.

Where the Fund wishes to diverge from the Pool's voting guidelines, the Pool has an established mechanism for considering Fund-specific voting instructions.

The Fund's Pool are also expected to file or co-file shareholder resolutions on important issues at the investee companies in the interests of agitating for better governance.

Stewardship

The Fund understands that stewardship aims to promote the long term success of companies through monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure and corporate governance, including culture and remuneration and alignment with the law, climate and nature. In such a way that the ultimate providers of capital also prosper.

The Committee consider stewardship to be the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. Stewardship and management of ESG risks form an important part of the Fund's approach to Responsible Investment.

As the Fund's Pool will be undertaking stewardship activities on behalf of its Partner Funds, including engagement, voting and monitoring in relation to investee companies and assets. The Fund will engage with the Pool around its Responsible Investment policy, Corporate Governance & Voting Guidelines and priority engagement setting. As well as overseeing the Pools activity to ensure it aligns with this, and how it is being undertaken. The Pool's approach is set out in its Responsible Investment Policy and Corporate Governance & Voting Guidelines, developed in consultation with Partner Funds, and available on its website.

The Fund expects stewardship activities are undertaken on its behalf and to be aligned with the Pool's policies.

This includes:

- engaging with companies on financially material issues in line with the Pool's stewardship and engagement framework;
- seeking constructive dialogue with companies to promote long-term, sustainable business practices;
- escalating engagement where progress is insufficient or where material risks remain unmanaged; and
- publishing regular and transparent reporting on stewardship activity and outcomes.

The Fund has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council, and was approved as a signatory under 2020 Stewardship code requirements in February 2023. The Stewardship Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. A copy of the Funds Stewardship Report can be found on the Funds website

<https://www.eastsussexpensionfund.org/forms-and-publications/> The Fund seeks to retain status every year.

In addition to its own commitment to the Stewardship code the Fund expects its Pool and their appointed investment managers to also be signatories or comply with the Stewardship Code.

The Fund acknowledges that the Pool must apply stewardship approaches consistently across Partner Funds and may not always be able to act on individual preferences where these are not practical. The Fund will ensure its views around this topic are expressed to the Pool and will engage with the Pool through its governance arrangements to ensure that all options to deliver the Funds expectations are considered robustly. This could be advocating for multiple approaches on RI being taken forward where practicable.

Where there is a divergence between authorities within the Pool, this will be resolved through discussion in the first instance. Where a divergence of views would result in a Pool having to represent contradictory opinions which cannot be reconciled, it will ultimately be the Pool's responsibility to decide the stewardship priorities based on fiduciary responsibility and the law.

In addition to the Fund's views on the Stewardship Code, the Fund believes in collective engagement to collectively exercise a voice across a number of ESG principles including climate change benefiting from the scale of investment compared to engaging alone. The Fund believes that Collaboration with other asset owners and Investment Managers is an effective way to help improve the effectiveness when exercising their rights and responsibilities on engagement with the invested companies.

The Fund encourages its Pool and its appointed Investment Managers to be active in collaborations with other LGPS Asset Pools and institutional investors and to demonstrate effective stewardship.

Local Investment

Regulations made under the Pension Schemes Act 2026 require the Fund to determine a target for local investment, to be delivered by Border to Coast.

Having considered the potential range of opportunities available the Committee has agreed an allocation in the range of 0-5%. Local investment is not an allocation in itself and will represent a portion of main asset class allocations such as Real Estate and Private Equity.

For this purpose local is defined as the boundary of the Sussex and Brighton Strategic Authority (SBSA) or the area covered by the Border to Coast Pension Partnership, recognising that some types of investment mandate are best delivered on a wider geographic basis.

The aim of the Fund in investing locally is to create a diversified pool of investments that will assist in meeting the Fund's liabilities and cashflow requirements while also having a positive local benefit.

Further work is required to implement this allocation over the life of this Investment Strategy Statement (and longer). In particular the Committee and the Fund's officers will work with the SBSA and other Funds within the SBSA boundary to identify the types of investment likely to both generate the returns required by the Fund together with impacts which will positively assist the delivery of local growth plans.

This means that the Committee has yet to consider a range of questions which it will be required to answer before implementation of a local investment allocation can begin. These include:

- The return target to be achieved and whether a slightly lower level of return might be traded for forms of impact.
- The local priorities which are suitable for investment by a pension fund.
- The impacts which will be measured.
- The tolerance for and arrangements for managing the specific types of risk which arise in investments of this type.

The Committee and Fund Officers will be working with the Pool and the SBSA and other Fund's within the boundary of the SBSA with a view to answering these questions and implementing a local investment allocation over the life of this Investment Strategy Statement.

The responsibility for implementing Local Investment lies with the Pool. In implementing the Fund's high-level objective specified in regulation 11(1)(f), the relevant asset pool company must give proper consideration to local investment opportunities [and projects], including those identified and developed in accordance with regulation 17(1).

It is for the Pool to make the decision on whether to invest in particular projects in order to best implement the target range in line with the Fund's objectives for Local Investment and overall investment strategy.

The ability of the Pool to fully implement our Local Investment Target and Preferences is subject to the Pool being able to accommodate these without running counter to the fundamental aims of pooling and will be dependent on the investment opportunities available. If there are insufficient opportunities to deliver our Local Investment objectives this may mean the target cannot be achieved. Guidance states the Pool should never invest in unsuitable assets purely to meet our target.

Approval and Review

In formulating this Investment Strategy Statement, we have consulted:

- those Scheme employers, or members of the Scheme, in respect of which the authority is the appropriate administering authority under Part 2 of Schedule 3 to the 2013 Regulations(a),
- the relevant strategic authority
- any person specified in guidance issued by the Secretary of State from time to time
- and any person that the authority considers that it ought to consult as to the proposed contents of its investment strategy

The views of the local pension board, and other parties who it considers may have an interest, have been taken into account when drafting the ISS.

This DRAFT Investment Strategy Statement was approved for consultation on 1 October 2026 by the Pension Fund Committee.

The ISS will be reviewed at least annually and within 18 months of each valuation date. When the Fund carries out a review of its investment strategy and, if necessary, revises the strategy it will undertake a consultation and publish its statement of the strategy as revised.