



XPS Investment

UK Stewardship Code
Submission 2025

April 2026

This report provides details of XPS Investment's application of the UK Stewardship Code 2026. There are two sections to this report:

The Policy and Context Disclosure Report provides details of the 4 disclosures setting out our policies and processes which help our clients with stewardship within our organisation.

The Activities and Outcomes Report provides details of how we have applied the Principles during the period 1 January 2025 to 31 December 2025.

Executive summary of key activities in the year

170	6%	6	1
Investment funds rated on ESG with feedback provided to all managers	Of AUA in funds with a sustainable objective	Thought leadership pieces on ESG matters	Net Zero strategy verified by SBTi

Policy and Context Disclosure report

A. Describe your organisation and the services it provides

Code disclosure requirements

- What our organisation does
- The types of clients we serve
- How those services support our clients' stewardship activities

Our organisation and clients

Who we are

XPS Investment sits within XPS Group, a FTSE 250 company and a leading UK consulting and administration business specialising in the pensions sector and providing wide ranging support to insurance companies in the life and bulk annuities sector.

What we do

Our business strategy is best summarised with reference to our mission, vision, and purpose:

- **Our Purpose:** At XPS, we exist to shape and support pension schemes and other institutions that provide long term financial security to people, for the benefit of society. Our purpose is central to everything we do.
- **Mission Statement:** We strive to be leaders in consulting and administration with brilliant people and leading technology enabling pension schemes, insurers and other financial institutions to deliver better outcomes for their members and policyholders.
- **Our Vision:** We will constantly challenge the industry to improve and achieve better outcomes for members and policyholders.

XPS Investment is a fast-moving, exciting business, with staff located across 8 locations exclusively focused on the UK market. We advise DB and DC pension schemes, as well as registered charities, and insurance companies on all aspects of investment, from objectives and strategy to fund selection and monitoring. We do not provide fiduciary management services as we believe it would create a conflict of interest for us to do so, but we do provide fiduciary management oversight services to clients.

As a progressive company we acknowledge our responsibility to shareholders, clients, suppliers, our employees and the wider community in which we operate. Our approach to corporate sustainability helps us manage our business more efficiently, mitigates risk and supports the communities in which we operate, for the benefit of all our stakeholders.

Our values are as follows

- **We are ambitious** – We're aiming high to achieve our purpose of benefiting people and society. We have ambitious goals for our clients, our industry and ourselves. This means leading our industry in thought, action and opinion. It means we are progressive and think differently about pensions.
- **We are agile** – We're forward-thinking, innovative and quick-moving. When we see a better or more sustainable way to do something, we make change happen. We don't just follow the way things have always been done in our industry.
- **We are helpful** – We are one firm who build and sustain great relationships with our clients and with each other. This means we're always ready and willing to help out – clients and colleagues know they can trust us. We work hard together, we support each other, we listen and we are helpful.
- **We are expert** – We know our stuff and we each bring something special to our collective knowledge. We make a point of cultivating our individual expertise and diversity of thought – and we use it, share it and support each other for the benefit of our clients and colleagues every single day.
- **We do the right thing** – We're inclusive, approachable, honest and fair; both with our clients and each other. We value everyone's unique contribution, recognising and rewarding hard work. We act with integrity and honesty, speaking up if something doesn't meet our standards.

Supporting our clients' stewardship activities

The majority of our client base delegate their investments, and therefore stewardship activities to external investment managers. We support clients with stewardship through our advice to them on investment fund and manager selection, where stewardship credentials is a factor in the selection criteria, and through ongoing monitoring of their managers' approach to stewardship, as well as supporting them directly with their engagement activities.

Clients' ESG beliefs

ESG and stewardship are an integral component of investment decision-making and therefore a core part of our advice to clients. We work with our clients to understand their specific beliefs and priorities to help develop a tailored approach using our Responsible Investing framework. This provides trustees with practical steps they can take to meet their responsible investing objectives aligned with generating long-term sustainable returns for their members. To support this, we have undertaken numerous training sessions with trustee boards on ESG and stewardship issues, helping them understand the risk management and upside opportunities that effective stewardship can offer.

We use an online questionnaire tool to collate and summarise views of individual trustees on a trustee board around ESG and sustainability. The output is an anonymised summary for each client, indicating areas of strong consensus and areas for further discussion. Given the use of technology to provide scale, we offer this service at no charge to both clients and non-clients. This has been well received by clients, helping them better understand their collective views on ESG and sustainability and providing a powerful tool for aiding productive discussion and unearthing views from the whole trustee board.

Taking advantage of our scale and the commonality of issues across the pension industry, we routinely provide clients with ongoing tailored pieces of advice on topical matters at no extra charge. Our investment team provides a breadth of research covering the key issues. We produce a series of bulletins and host seminars and conferences that capture the latest investment market developments and technical issues.

Stewardship and sustainability embedded in our Principles and Preferences which underpin client advice

Our philosophy is captured within our stated Principles and Preferences. Our six Principles underpin all our advice, and our six Preferences reflect how we steer clients in the absence of them having a strong view. In particular we have embedded integration of ESG and consideration of Sustainable outcomes as follows:

- Our investment **Principle 5** embeds the importance of robust stewardship (in addition to ESG integration) in effective risk management.
- We are clear in our belief that sustainable investment should improve long-term outcomes under our investment **Preference 6**.

Principles

- Clear objectives and strategic direction. Objectives taking into account liabilities are a vital requirement for setting the strategic asset allocation – which is the most important investment decision.
- Remove undesirable risks, diversify desirable risks. Unwanted or undesirable risks offer no benefit to a pension scheme and should be reduced as far as practically possible. Diversification can be a powerful way to manage risk within limits. Investors should understand and ensure strategies will deliver in a range of economic environments.
- Avoid short term tactical positions. They are difficult to get right consistently and the temptation to second guess markets should be resisted.
- Cost control. Costs can have a significant drag on returns and all costs should be fully understood and tightly managed.
- ESG and strong stewardship are fundamental elements of risk management. Investment managers should incorporate ESG considerations into day to day investment management to drive better practices in underlying investee companies.
- Clear accountability. Advice should be accountable and set with reference to clear objectives. It should be independent, minimising conflicts and putting the clients' interests first.

Preferences

- 1 Simple is good.** Portfolios should be pragmatic and free of unnecessary complexity. Excessive numbers of managers and funds should be avoided.
- 2 Passive management where appropriate.** It is very difficult for active managers to consistently outperform the market over the long-term after the deduction of additional charges.
- 3 Active management to access new markets.** Active should be used where passive management isn't viable or as a means of allocating between mainstream and specialist asset classes to improve governance and diversification.
- 4 Illiquidity presents opportunity.** For long-term investors it is an important source of risk reduction, diversification and return enhancement
- 5 Leverage is a powerful tool.** It can reduce risk or enhance returns but needs to be carefully managed.
- 6 Sustainable approaches should improve outcomes.** Allows for the pursuit of wider sustainability objectives and the management of risks such as climate risk, whilst not coming at the cost of lower expected returns.

In-depth manager research

We have a highly structured and disciplined approach to manager research at XPS. All members of our team have both research and client responsibilities and so are able to have informed conversations about our approach outlined below.

Our approach is deliberately designed to balance the broad and deep research our scale enables. Our process is focused on assessing investment managers against eight key factors, which we call the '7Ps and ESG', to ascertain their ability to manage market and systemic risk. These consist of:

- **Parent** – ownership of the business.
- **People** – leadership/team managing the strategy and client service.
- **Product** – key features of the investment and the role it performs in a portfolio.
- **Process** – philosophy and approach to selecting underlying investments. Operational risk management and systems.
- **Positioning** – current and historical asset allocation of the fund.
- **Performance** – past performance and track record.
- **Pricing** – full details of underlying cost structure.
- **ESG** – Extent to which ESG and stewardship is incorporated into the process of managing investments

We fully incorporate ESG criteria within our research and require that the funds we recommend to our clients demonstrate an appropriate minimum level of ESG integration and stewardship – we will not recommend funds which fail to meet our minimum requirements on our ESG scoring system. Furthermore, we encourage clients to set high expectations of fund managers in this regard.

We believe ESG is a critical and fundamental component of investment decision making and that investor engagement should not be seen as optional for investors.

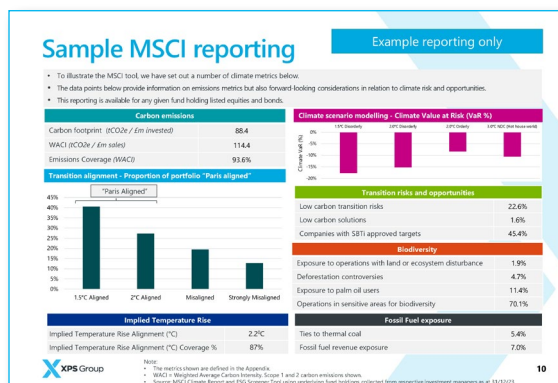
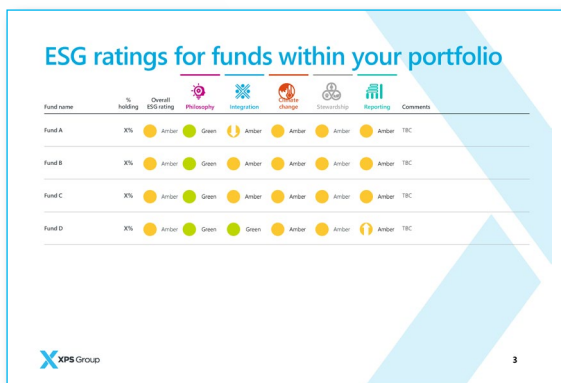
Our ESG monitoring process

In addition to our established approach to researching new funds, which has been in place since 2018, we conduct a comprehensive review of our clients existing holdings from an ESG perspective each year. Investment managers' policies and practices are evolving rapidly in this space and this annual review ensures we will continue to provide assessment of suitability along with assessment of improvement relative to prior years. We encourage all our clients to participate in this review, and our ESG ratings report provides a clear summary of the strengths and weaknesses of their managers.

We assess investment managers using detailed ESG questionnaires that comprises 78 targeted questions covering 5 key ESG aspects, alongside face-to-face meetings as required. The 5 key aspects are:

- **Philosophy** – Firm level philosophy relating to ESG, stewardship and broader sustainability issues.
- **Integration** – Implementation of the firm's ESG philosophy at individual fund level through robust processes.
- **Climate Change** – Explicit climate change considerations within the investment processes and stewardship.
- **Stewardship** – Approach to voting and engagement including being a UK Stewardship Code signatory.
- **Reporting** – Transparent communication of activity to stakeholders.

Our assessment in each of the areas described above hinges on outcome-based evidence in each of the key areas. We ask for detailed examples to support claims. Our due diligence results in an overall ESG rating of Green, Amber or Red as well as individual ratings for each of the 5 key aspects. We have a clear minimum threshold with regards to ESG to the extent that a fund that is rated 'Red' on ESG will not be recommended to our clients.



We annually review ESG integration and in particular stewardship across all asset classes and provide feedback to managers. This feedback on ratings is fundamental to our engagement effort with managers and helps to raise the bar across the industry on ESG and sustainability. We consider this to be key in promoting effective stewardship across asset classes.

We collect carbon data where it is available across the funds analysed and provide our carbon dashboard annually to clients. The dashboard provides a summary of exposure to climate change risk within the current investments vs peer group of funds and fund benchmarks. We have found this to be a useful tool in prompting discussion with investment managers around plans to reduce emissions or increase their investment in companies with well-defined climate transition plans.

We have continued to use a market leading climate data provider to enhance our client reporting on climate change risks, providing comprehensive reporting on carbon emissions, as well as forward looking climate transition alignment indicators such as implied temperature rise, exposure to physical risk, and green technology within a given portfolio. We have used the tool to support those clients undertaking TCFD climate reporting. A key benefit of this analysis is providing our clients a platform to engage with their managers on key sources of risk and opportunity.

XPS Sustainable and Impact Designation

In 2019 we recognised there was a lack of clear definition of sustainable funds. In response to this, XPS developed our own **Sustainable designation** that we would award to funds that met our criteria. In addition to meeting our 7Ps and ESG criteria these funds also need to:

- Involve portfolio construction tilted towards sustainable practices and/or away from unsustainable practices, which may include an explicit sustainable objective.
- High degree of ESG integration into decision making reflected in an XPS Green rating for ESG.
- Strong active ownership – including a minimum requirement to be a signatory of the UK Stewardship Code.
- UNPRI fund score of at least 4*.
- Exclude UN recognised unacceptable practices (violators of UN Global Compact Principles).

We have a central ambition to see take up of sustainable solutions increase. The key ways we look to achieve this are through ongoing training and education and by ensuring we have solutions available to deliver a client's broader objectives as well as providing positive sustainability outcomes. We are committed to taking these sustainable options to our clients when they undertake manager selection exercises.

In 2022 we went further and created an Impact label. This is a label we award to funds which meet the criteria of our Sustainable Designation above, but which go further and have explicit measurable targets non-financial metrics for each underlying investment. These metrics will often be aligned to delivering the UN Sustainability Goals. The label will help our clients who want to make a meaningful, tangible difference to real world outcomes with their investments.

We've continued to focus our research on sustainable and impact funds (see Principle 1 for more details). Funds with these labels allow our clients to express stronger beliefs and preferences around ESG and climate change. We believe the work we have done in this area now provides our clients with a comprehensive range of solutions for them to express their preference with how their money is invested.

Further detail on our firm-level commitments to our people and clients

Stewardship most obviously comes through in our client advice and the way we support them with our investments, but we recognise our policies and practices as a firm are also critical aspects of our contribution to good outcomes for the financial system.

Commitment to inclusion, equality and diversity

We are committed to a culture of 'Belonging' at XPS. One where differences are valued and respected, where all staff can be their true selves at work and where we can all contribute to, and be recognised for, creating the best possible XPS.

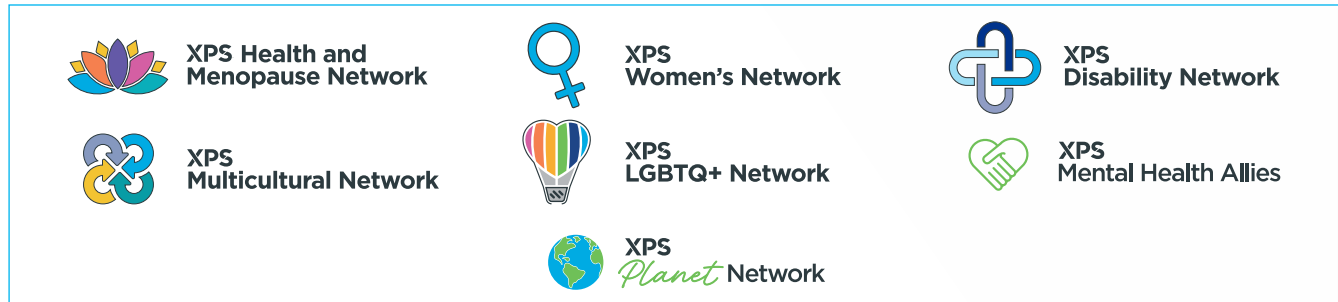
Our Board has clearly and regularly expressed its support for diversity, equality and inclusion (DEI) in the workplace. It is the responsibility of everyone to make XPS a great place to work, where colleagues feel able to share their ideas, views and concerns and are supported, trusted, valued and respected.



1. Our culture

The Inclusion and Diversity Committee, Employee Engagement Group, and our Employee Networks collaborated with inclusion specialists ('Inclusive Group') and colleagues to identify priorities for colleagues, clients, and stakeholders. We believe the focus from the top helps drive our positive culture in this area.

We have 7 DEI employee networks, which play a key role in encouraging and supporting all employees to bring their whole self to work. Networks greatly contribute to creating inclusive environments and building a sense of community.



2. Fair processes

Managers are trained to set clear expectations, lead by example, and ensure fair, unbiased decisions. They have attended mandatory inclusion workshop and received tools on terminology, micro-behaviours, and inclusive language to support and engage employees.

A key initiative for us has been to run unconscious bias training for all of our employees, and new colleagues as part of their onboarding. In addition, we provide mandatory 'Respectful Behaviours' training.

Decisions made by teams also have a HR review process as an extra layer to cement fair processes in place.

3. Attraction and retention

Attracting and retaining high-quality talent is fundamental to our ability to deliver long-term value for clients and other stakeholders. In FY26, we strengthened our employee proposition through the launch of our 'For All of You' Employee Value Proposition (EVP) – a clear, consistent statement of what colleagues can expect from XPS and what we expect in return. The EVP brings together our offer around meaningful work and purpose, career growth and development, competitive reward and recognition, an inclusive culture where everyone can belong and perform, and support for wellbeing and flexibility. It provides a common language for managers and teams, helping to align hiring, onboarding, performance and development conversations with the colleague experience we want to deliver.

We continued to invest in colleague engagement and development, including the introduction of an interactive Career Framework, a firm-wide mentoring platform and a consolidated learning catalogue, alongside a broad portfolio of learning programmes. These initiatives support retention by helping colleagues build long-term careers at XPS through clear role expectations, transparent development pathways and ongoing, values-led conversations about performance and progression.

We also strengthened internal mobility by giving employees better visibility of potential next steps and lateral moves, encouraging managers to develop talent within their teams, and enabling colleagues to access mentoring, learning and networks that support career moves across roles, teams and locations. Inclusion and wellbeing remained core enablers of performance, with continued progress across our Inclusion and Diversity agenda and initiatives to support mental health and financial wellbeing.

Our focus on colleague experience was reflected in continued strong engagement results, with 90% of employees saying XPS is a great place to work and an employee Net Promoter Score of +32.

4. Diversity & Inclusion within society

In June 2023, XPS became a signatory of the Women in Finance Charter demonstrating commitment to building a more balanced and impartial financial industry.

During 2024 we became signatories of the BITC Race at Work Charter an initiative developed by Business in the Community (BITC) to promote racial equality in the workplace. By becoming signatories of this charter, we have committed to taking practical steps to ensure that ethnic minority employees are represented and supported at all levels of the company. Our action plan covers training and recruitment and career progression. We also continue to publish our ethnicity pay gap. In support of this commitment, all staff have completed training designed to build confidence in talking about race and to reinforce inclusive behaviours at work.

In 2024 we also won the UK Company Culture award for Best Diversity, Equality and Inclusion (DEI) Initiative.

In 2025 we continued being a corporate supporter of Girls Are Investors (GAIN) who are working to address the gender diversity issue in the investment management industry and seek to ensure young women and non-binary adults have the knowledge, skills and resources to succeed in the industry. Over the summer in 2025 we ran an internship within our investment practice; and extended two post-graduate job offers.

As of 2026, XPS is supporting the 10,000 Black Interns Programme to help tackle the persistent under-representation of Black talent across the pensions and investment sector by offering high-quality, paid internship opportunities that provide meaningful experience, development, and access to networks. By participating, we are strengthening our commitment to inclusion and social mobility, widening access to our early careers pipeline and bringing diverse perspectives into our business that support better ideas, decision-making and client outcomes. The programme also reinforces our Race at Work commitments and broader action plan by pairing internships with mentoring and support, while enhancing XPS's reputation as an employer of choice that is taking visible, practical steps to drive long-term change.

To enhance our family-friendly environment, in May 2024 we built on our initiatives to support our employees during significant life changes, thereby allowing staff to continue their career growth, fostering loyalty, retaining talent and creating a competitive edge. These changes became effective 1 April 2025. In FY26, we further embedded this support by offering parental coaching (delivered with The Tall Wall) for colleagues taking family leave and for line managers supporting them. We also established a Parents' Forum to help working parents connect, share practical support and inform ongoing improvements to our family-friendly culture.

Throughout the year we run internal firm wide webinars hosted by multiple networks working together to bring about a more inclusive culture at XPS.

Health and wellbeing

We want to ensure the best welfare for our employees. As such, we have developed a wellbeing program that focuses on mental, physical and financial wellbeing. It aims to help our colleagues to stay well and to support them when they're not. We have a Mental Health Ally Network and an Employee Voice 24/7 program who are trained to listen and support colleagues when and where needed. Part of XPS's activity around mental health is a frequent XPS Wellness Hour to encourage employees to use allocated time to focus on an activity that will support their wellbeing, with a different theme each month.

Business ethics

All XPS employees have access to our Business Code of Ethics, which is based on laws and values that we expect all our employees to adhere to in relation to areas including harassment and bullying, treating customers fairly, diversity and inclusion, financial crime and dealing with vulnerable customers.

We have a zero-tolerance approach to bribery and corruption. The Board has responsibility for oversight of the Group's anti-bribery and financial crime policies and carries out a review of their adequacy annually.

Commitment to zero carbon

In 2021, XPS Pensions Group pledged to become carbon neutral by offsetting carbon emissions across our value chain. We are devoted to the net zero objective and in December 2023 we officially submitted our letter of commitment to the Science Based Targets initiative (SBTi). The SBTi are the most respected and stringent independent body in the net zero target setting landscape. Our commitment demonstrates our long-term strategy and dedication to the objective.

In the face of accelerating environmental challenges, XPS recognises its role in contributing to a sustainable future. Our commitment to protecting our natural world and achieving net zero is not just a strategic decision; it is an ethical obligation that aligns with our core value of doing the right thing. As a leader in our industry, we understand the importance of taking decisive action to mitigate our environmental impact and associated carbon footprint, to lead by example, act responsibly and to engage our peers and value chain on the topic.

Achieving an environmentally sustainable operation is an important part of our strategy to achieve long term, profitable growth and together with our stakeholders and peers, we are committed to building a resilient and sustainable future, guided by the principles of innovation, responsibility, and stewardship.

B. Describe how your governance and resources enable delivery of those services

Code disclosure requirements

- Our governance structure and how it enables effective oversight of your services
- Our stewardship resourcing, and a description of the roles that support clients' stewardship, and their responsibilities
- The systems and technology you use to deliver your services to clients

Our governance structure, stewardship resourcing, and the roles and responsibilities that support clients' stewardship

Our approach to responsible investing is led by **Alex Quant, Head of ESG Research**, and throughout the year has been overseen by **Faye Clark, Head of Manager Research**, and **Simeon Willis, Chief Investment Officer (CIO)**.

We continuously strive to improve our capabilities and our structure allows for challenge from various different stakeholders, ensuring we are keeping up to date with the wider evolution and changing needs of the investment industry and risk landscape. This continuous challenge from everyone in the team is exactly what we want as it pushes us to continue developing and progressing, which is our desired outcome.

We feel that the structure of our research (as set out in Disclosure A), and consulting teams combined with our use of precise technology is effective to support robust stewardship for and on behalf of our clients.

The role of various teams involved in our approach to effective stewardship and wider responsible investing are described below:

Investment Growth Executive

The Growth Executive comprises the most senior members of the investment team and led by Ben Gold, Head of Investment at XPS and a Director of XPS Investment Limited. The Executive has oversight of the overall XPS Investment approach. This includes ensuring how ESG and stewardship are embedded in our advice to clients.

Our Investment Partners meet monthly to discuss key strategic decisions and research priorities, ensuring consistent application of our approach.

ESG research team and asset class research teams

The ESG research team, led by Alex Quant is comprised of individuals from across the team of all differing levels and locations. It is focused on implementing and evolving our ESG research approach and framework to assess ESG and stewardship practices of investment managers, and producing client materials. Alex is a Partner and engages closely with the Investment Growth. Alex sits on the Group Sustainability Committee, ensuring alignment of direction of the research team with the broader interests of our clients and the business. While the team size in absolute numbers is lower, our time dedicated to this area has not fallen.

We also have specialist asset class teams which incorporate the ESG framework as an explicit stage within their respective investment manager research. This is tailored to the characteristics of the specific asset classes. The ESG research team will also always be involved to input their expertise in this area too.

We are clear on the need to continue to educate our staff on ESG and the importance of stewardship, and this will permeate through our advice to clients. Outside the ESG Research team we feel that ongoing training, including for example by continuing to offer the CFA Certificate in ESG Investing to our client-facing consultants, will increase knowledge of the pertinent issues more broadly and therefore the quality of our advice, and we feel that the training we have provided has been effective.

Climate change within our Market Intelligence and Pensions Management Solutions teams

We have embedded climate change and ESG considerations into our Market Intelligence and Pensions Management Solutions teams, with dedicated resources supporting consulting teams and ensuring that climate and ESG considerations are integrated into the drafting and review of consulting materials. Subject matter experts continue to work closely across actuarial, investment and covenant disciplines to ensure an integrated approach to climate-related regulatory requirements. Principle 3 of the Activities and Outcomes report summarises the key activities under the remit of this group over the reporting year.

Sustainability Committee

We have firm-level commitment through our Sustainability Committee. The Committee was created in 2021 to support the XPS Board with driving ESG initiatives that have a material impact on business strategy, business performance and the long-term sustainability of the Company. It is chaired by one of XPS's non-executive directors. Within the sustainability committee, our pillars are: employees, clients, communities, and environment. Alex Quant, our Head of Responsible Investment, sits on the Committee covering our "clients and members" pillar, ensuring connection between the Board and the activities of the investment business to promote good outcomes for our clients. Principle 3 of the Activities and Outcomes Report summarises the key activities under the remit of the Sustainability Committee over the reporting year.

Technology we use to deliver our services to clients

Our Investment Database 'ID'

ESG information is shared across the team along with huge amounts of other information using ID (our online database which captures: all aspects of our clients' investments; quarterly performance monitoring; team responsibilities; as well as fund and manager research including a record of meetings held with managers), giving all team members ready access to all ESG information on specific funds.

We routinely utilise ID to monitor compliance and wider exercises to ensure complete accuracy and coverage across the full client base. ID permits detailed information/actions which are relevant to all clients to be centrally monitored, notably when communication has taken place and when confirmation has been received that a task has been completed. We keep a central log of our clients' adherence to key regulatory requirements.

Investment Managers have access to XPS ID and can log-in at any time to view XPS research information on their funds including overall rating and sub-ratings, ESG rating, sustainable designation and whether the fund is actively promoted to clients. This ensures we have a comprehensive and up to date set of information on funds which we are able to share with clients.

XPS ID is a powerful tool in supporting our clients with the provision of robust information on all aspects of their investments including ESG, and also supports our internal recording of engagement with managers and progression of their approach. We are constantly upgrading the database capabilities to improve the usefulness of the data stored. ID has been effective in tracking 'campaigns' which ensures robust and consistent communication with clients on a range of issues, including ESG and stewardship.

C. Describe your stewardship policies and processes and how you review them

Disclosure Requirements

- Organisational Policies and Procedures supporting our clients' stewardship
- How often we review our policies
- The process for review and approval

Responsible Investment Policy

We have a Responsible Investment Policy which details how ESG integration and stewardship are embedded throughout our processes and interactions with our clients, investment managers and at a Firm Level. Within the report, there is a specific section on Stewardship which includes the following key points:

- We fully incorporate stewardship criteria within our research and require that the funds we recommend to our clients demonstrate an appropriate minimum level of ESG integration and stewardship. We will not recommend funds which fail to meet our minimum requirements on our ESG scoring system. (As detailed in Disclosure A)
- A key aspect of our manager research is providing detailed bespoke feedback to managers on areas for improvement across the areas above, including ESG, so as to drive improvements in their processes and practices. This happens as part of new market searches but also on an ongoing basis during quarterly catchups with research teams. We are also asked to feed into discussions around development of new products, drawing on best practice we observe around the market.
- We also facilitate engagement between our clients and their investment managers in relation to ESG and stewardship. For example, where the fund manager rating is not satisfactory, we will have a discussion with our clients regarding the next steps which may include engagement/discussion with the manager, providing alternative fund recommendations or other appropriate steps which are all considered in the context of the wider scheme circumstances and objectives. (Further detail on our engagement with managers is set out in Activities and Outcomes Principle 1)
- We support our clients in meeting regulatory requirements such as preparing annual Implementation Statements that disclose voting and engagement activity over the accounting year.
- We also support clients that wish to set specific engagement priorities to enhance their approach to stewardship.
- We demonstrate our commitment through active participation in various industry initiatives.
- We are signatory of the Asset Owners Diversity Charter - this commits us to including diversity criteria in our manager selection and monitoring processes, as well as to share best practices and learn from others in the investment community. As such, we have embedded specific questions from the charter into our ESG and fund research process.

The Responsible Investment Policy is owned by Alex Quant, our Head of Responsible Investment, and is reviewed annually. You can find the full RI policy at this [link](#).

Other relevant Organisational Policies which enable good outcomes for our clients

Cyber Security and AI

Our Cyber Security team monitoring and tune systems to maintain the confidentiality, integrity and availability (CIA) of information systems and confidential data within XPS.

They provide a range of services from Incident Response, Diligence of new and changes to systems for potential security issues including Penetration Testing. They monitor our IT infrastructure 24/7 as part of our Security Operations Centre.

To ensure this is consistently applied, the team have a range of policies in place including AI usage policy, IT & IT Security Controls Policy, and Third Party Risk Management Policy.

Business Continuity Plan

We recognise that the risk of serious unplanned interruptions needs to be addressed, to ensure that we can comply with regulatory requirements and maintain the level of service that clients require. This risk has been considered as part of the overall Group risk management framework. We have a Business Continuity Plan in place that will allow us to perform critical processes including key client services where relevant to meet critical objectives.

Consumer Duty

Staff operating within the FCA regulated areas of the business are required to comply with the FCA's Consumer Duty and receive regular, ongoing training to ensure continued understanding and adherence to these requirements. We have a comprehensive framework of compliance policies in place covering FCA guidance on the promotion of financial products, alongside clear documentation outlining activities that require FCA authorisation and the application of the FCA Principles. Together, these measures ensure robust governance, effective risk management, and consistent regulatory compliance across the business.

Procedures supporting client stewardship

Disclosure A describes the processes we have in place to support stewardship. This includes our in-depth manager research process and our annual ESG monitoring, with a specific subsection reviewing managers' approaches to voting and engagement. We have a clear framework for helping our clients with their approach – rooted in establishing their own beliefs on ESG and climate change, including the importance of engagement with their managers and underlying holdings based on the reporting we provide them.

LDI Protocol: Another specific area where our processes are important to ensure effective outcomes for our clients and members is in relation to LDI, where effective management of hedging risk is critical. We have robust systems and controls in place to support effective risk management, particularly in relation to high risk activities such as LDI advice including price-lock advice for insurance transactions. All liability hedging and price lock advice is governed by a formal LDI protocol, which must be adhered to in every case and is appropriately adjusted to reflect the size, complexity, and accuracy of the hedging arrangements in place.

Review and assurance of our policies and activities

We believe it's critical to constantly challenge ourselves and evaluate our approach to improve our processes and ultimately deliver better advice and outcomes for our clients.

Our research function is overseen by our CIO, our Head of Manager Research and Growth Executive, which comprises the most senior members of our investment practice. The ESG research team has monthly meetings to discuss ongoing tasks and market developments and it is these meetings which prompt production of new materials such as thought leadership or ideas around new funds to research. We feel the combination of these review processes is appropriate and enables our policies and processes to develop at the pace required.

In terms of assuring wider credibility of our people providing these and other services to clients, XPS Investment certifies staff to carry out FCA regulated work across Investment, Group Risk, and Risk Transfer work we have staff carrying out FCA regulated work. As part of that certification XPS Investment carries out annual, comprehensive checks on staff fitness and propriety, staff competency, and provides training on the Senior Management and Certification Regime (SMCR), including Conduct Rules and non-financial misconduct.

This training is in addition to the mandatory training for all XPS Group employees that covers subjects such as data protection, bribery and gifts, fraud and other topics. Completion of this annual cycle of training is monitored closely. As part of their professional qualifications all qualified staff are required to complete Continued Professional Development (CPD), which ensures ongoing education to support their client service.

In terms of our advice and services, our Risk & Compliance teams do spot checks from time to time of certain advice. Furthermore, various aspects of our Group policies and procedures are audited annually to ensure they're robust and represent best practice.

This stewardship submission was drafted by Rebecca Helme (Deputy Head of ESG research), reviewed by Alex Quant (Head of Responsible Investment) and peer reviewed by Simeon Willis (Chief Investment Officer) to ensure it represents a fair and balanced reflection of our approach.

D. Describe how you manage conflicts of interest to put the best interests of clients first

Our focus is on doing a brilliant job for our clients. We know that we will maximise our success if we build long-term relationships with clients on mutual trust rather than trying to maximise short-term profits by abusing our position of influence. We have built a great company with a highly regarded brand doing just this, and we are proud and very protective of that. So, it is in our DNA to avoid or carefully manage any perceived conflict of interest. We've seen examples in our industry of clear conflicts of interest that have damaged firms' reputations and the industry as a whole.

How we identify and manage conflicts of interest

We have a Conflicts of Interest policy which outlines how we manage confidentiality and conflicts of interest. This outlines that XPS will always act in the best interests of our clients and treat them fairly in line with one of our values 'We Do the Right Thing'.

We have included our Conflicts of Interest Policy in full in Appendix A.

In our capacity as a service provider, XPS neither owns its own funds nor does it take the role of a fiduciary manager. A conflict does not automatically mean that XPS will cease to act. We always disclose actual conflicts to conflicted clients in writing, together with details of the risks and the actions taken to manage the conflict.

Our staff undergo regular training on managing conflicts of interest and our bribery and gifts policy, which is particularly relevant for our relationship with managers. We have a clear policy in relation to receiving gifts from managers to ensure our advice and recommendations to clients remain fully independent.

We have a policy on being fair to all clients. This is particularly relevant when communicating a rating downgrade to Red for a fund as it leads to sale of assets and potential for first mover advantage. We address this by coordinating in such a way that all clients are notified of the news at the same time, so no single client is advantaged or disadvantaged.

Assessment of our approach to managing conflicts

Our approach to managing conflicts means that clients of XPS can be confident they are receiving the high-quality independent advice they should expect from a professional financial services organisation.

Through the decisions we've taken as to what we will and won't do, i.e. no Fiduciary Management, and no fund management, potential conflicts are quite limited. Where we have identified conflicts, we believe these have been managed in a clear and robust way.

Examples of managing conflicts

Example 1: We helped facilitate a secondary market transaction for three separate clients to acquire three different-sized interests in a c.£40m private debt fund. By participating together, each scheme was able to gain access to an attractive investment that it would not have been able to purchase on a standalone basis. The transaction structure gave rise to a potential conflict of interest, as completion was dependent on all participating schemes proceeding and the withdrawal of any one scheme would have caused the transaction to collapse. We were careful to present the opportunity to each client on a standalone basis, setting out the benefits and risks clearly and emphasising that participation should only proceed if appropriate for their individual circumstances. To mitigate this conflict, each scheme received separate advice and made independent decisions, with clear decision points and no pressure to proceed for the benefit of other involved parties. Consistent with our value of "we do the right thing", we would not have supported the transaction proceeding unless it was in the best interests of each individual client.

Example 2: XPS began a project in summer 2024 to assess the potential sale of the client's illiquid asset holdings on the secondary market but recommended not proceeding at that time due to pricing conditions and the client's funding position. By summer 2025, secondary market pricing had improved significantly by around 5-10% and the client's funding level had also strengthened, and we therefore revisited the analysis and recommended that a sale proceed. The transaction was executed via a direct sale arranged through XPS, rather than using a secondary market broker. While this approach supported certainty of execution and an improved outcome for the client, it also resulted in a higher fee being paid to XPS. XPS were careful to fully disclose the fee implications and alternative options, ensuring the client's decision was informed and independent. Consistent with our values of "we are helpful" and "we do the right thing", we would only support proceeding where we believed the transaction was clearly in the client's best interests.

Activities and Outcomes report

Introduction

The Activities and Outcomes report details our activities during the reporting year to 31 December 2025.

There are 4 Principles under the Activities and Outcomes Section for Service Providers. We have opted to report against the following Principles, in line with the guidance for Investment Consultants.

- **Principle 1:** In this section we have provided details of how we have engaged with clients over the year to understand and deliver services to meet their needs.
- **Principle 3:** In this section, we have set out the risks that we believe to be the most material, and provided details on how those risks have been incorporated into advice in relation to stewardship activities.
- **Principle 4:** This was positioned for engagement service providers, not investment consultants, but we felt that some aspects of the principle was relevant to us as an investment consultant and therefore have included details on how we have supported clients with their engagement, including engagement undertaken on their behalf in the course of our investment consulting services.

We can confirm that there have been no updates to our Policy and Context Report during the year.

We have set out below key disclosures which evolve each year, to support the overview given in our Policy and Context Report

Overview of XPS Group and XPS Investment

XPS Investment sits within XPS Group, a FTSE 250 company and a leading UK consulting and administration business specialising in the pensions sector and providing wide ranging support to insurance companies in the life and bulk annuities sector.

We advise DB and DC pension schemes, as well as registered charities, and insurance companies on all aspects of investment, from objectives and strategy to fund selection and monitoring. We do not provide fiduciary management services as we believe it would create a conflict of interest for us to do so, but we do provide fiduciary management oversight services to clients.

XPS Group combines expertise, insight and technology to address the needs of over 1,300 pension schemes and their sponsoring employers on an ongoing and project basis. As at 31 December 2025, we undertake pensions administration for over 1.2 million members and provide advisory services to schemes and corporate sponsors in respect of schemes of all sizes, including 83 with assets over £1bn.

Nature of our client base

The **XPS Investment** client base totals approximately **£90bn of Assets Under Advice** as at 31 December 2025. All clients are institutional and are UK based.

Service	# clients
UK DB Trustee	239
UK DB Corporate	16
UK DC	25
UK FM Oversight	35
Charities / Endowment	4
Insurance	1

Principle 1: Signatories communicate with clients to understand their objectives and deliver services to support their stewardship

The full detail on the processes and activities around how we support clients is detailed within Policy Disclosure A, In this section we set out how we have supported our clients in practice over the year.

Clients' ESG beliefs

The table below sets out a summary of the results of the beliefs survey across the last 5 years. The number of respondents has naturally fallen as the majority of our client base had undertaken the review in 2021. However, the results continue to indicate that the vast majority believe ESG and climate change represent material financial risks, but that their current policies do not reflect this. By establishing ESG beliefs in this way clients are able to develop bespoke ESG and stewardship policies, covering their approach towards ESG integration, managing climate change risk, and stewardship.

	2021	2022	2023	2024	2025
Number of survey responses	299	43	39	49	33
Agree ESG and climate change represented material financial risks	84%	72%	90%	88%	70%
Agree current approach reflects beliefs	43%	30%	46%	45%	67%

Following the increases in regulations and continuous changes in the market environment, we have updated the questions within the online questionnaire. The updated questions reflect the different types of sustainable investing available to schemes, and allows Trustees to identify how they can adopt their current policies to reflect their preferences. The results of the survey help to inform discussions around changes to strategy and enhancement of approach to stewardship.

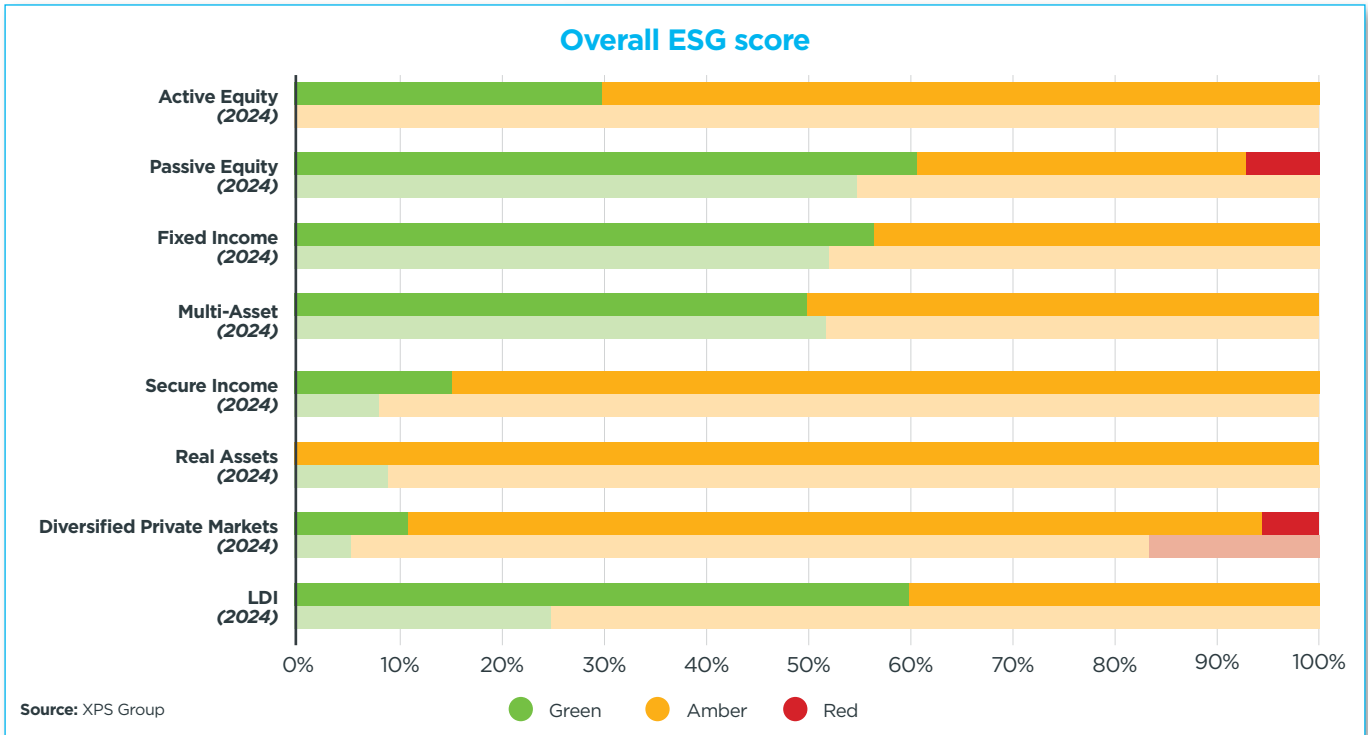
Our ESG and stewardship monitoring process

In 2025 we assessed 170 individual funds across 41 different investment managers that our clients were invested with. Our analysis indicates an improvement in the ability of investment managers to incorporate ESG, climate change and stewardship as part of their processes compared to prior years' (**43% of funds achieved an Overall Green rating** vs 40% and 36% in 2024 and 2023, respectively). It remains the case that the majority of funds receive an Amber, which indicates acceptable integration of ESG but where more could be done across the sub-areas – we're clear that Green ratings should be reserved for only the most comprehensive and robust managers in this space.

We continue to see examples for specific managers of improvement in overall rating or sub-rating – we are encouraged by this and believe that our ongoing efforts to assess managers and engage with feedback will drive further improvements across the board.

There was a small increase in the number of green rated funds compared to the previous year. Whilst this is an increase in the right direction, this suggests relative stagnation from asset managers on average around ESG, and indeed the picture is mixed when looking at the underlying asset classes.

Across all funds within the Integration section, 26% of funds could still not provide any examples of integrating any ESG factor into an investment decision (26% in 2024). This continues to be a source of concern and suggests a material portion of managers are not fully capturing the full spectrum of investment risks in their day-to-day management of portfolios.

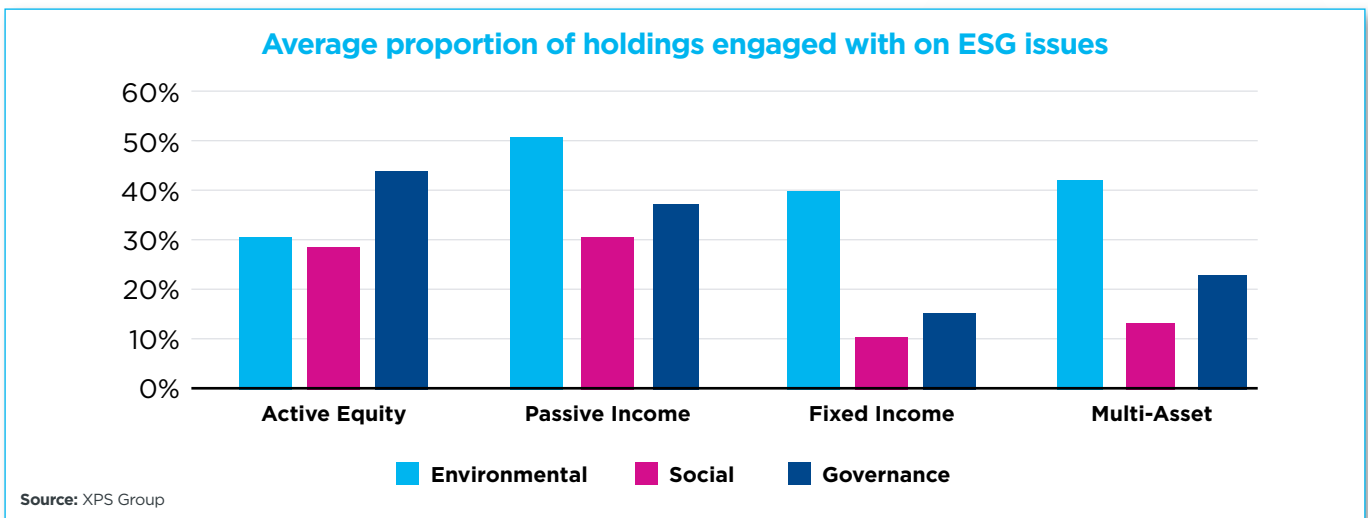


In addition, as noted above, **one of the five aspects of our review is stewardship** and this sub-rating captures the quality of a fund’s engagement and voting activity. Overall, the proportion of funds rated Green on stewardship continued to increase to 45% (2024: 33%). This was driven by improvements across listed equity and fixed income. However, we saw a decline in Diversified Private Markets (47% Red vs 33% in 2024), reflecting a lack of evidence of effective stewardship. This is an ongoing pattern and highlights the difference between public and private markets.

In previous years, we have found Governance to be the key area for engagement. This year we saw the proportion of holdings engaged on Environmental issues (climate change plus impact on nature, water use) increase. Passive equity reported the largest increase in % holdings engaged with on any ESG issue (61% vs 41% in 2024).

Despite the encouraging momentum in engagement on environmental issues, the data suggests that social issues continue to receive less attention

Full details of our analysis of climate risk reporting capability of fund managers can be found in our ESG Fund Rating Review 2025.

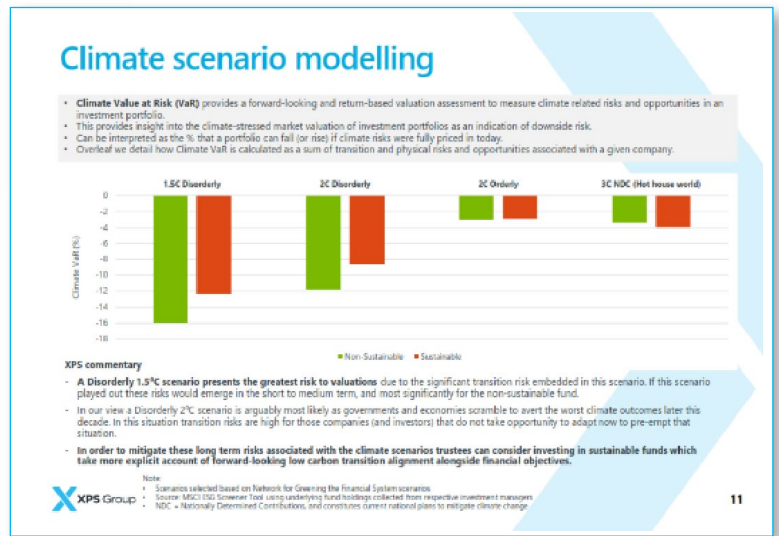


Climate modelling

This is an area where we continue to have a dialogue with the fund managers to seek improvement driven by TCFD recommendations.

To ensure we continue to utilise the best in class capabilities, we undertook a review of the data provider over the year and will continue to do so on an annual basis. We will provide a further update on the outcome of this review in next year’s report.

Linked to the growing work we are doing helping clients understand their climate risk exposure, we are helping a number of clients set climate policies, including carbon reduction targets aligned with Net Zero by 2050. In 2025 our work has been focused on helping those clients monitor progress against those targets, and raising ideas around how to enhance their approach to Net Zero for example to include forward-looking metrics on transition alignment.



XPS Sustainable and Impact Designation

As set out in Policy Disclosure A, we have a subset of funds which have achieved our XPS Sustainable and Impact designation to allow our clients to express stronger beliefs and preferences around ESG and climate change. The table below indicates shows that we have increased the % of sustainable funds we have taken to our clients in manager selection exercises, and that a higher proportion were ultimately selected by the trustee.

	2021	2022	2023	2024	2025
% manager selection exercises where a sustainable fund was included (Excluding LDI and ABS manager selections)	8%	25%	10%	67%	80%
% manager selection exercises where a sustainable fund was selected (Excluding LDI and ABS manager selections)	8%	21%	10%	43%	50%

Evolution of investment strategy to incorporate sustainability

Our minimum ESG criteria within our fund ratings continues to ensure ESG integration and stewardship are embedded in all of our advice. We are clear with managers that we want to see evidence of engagement taking place within the mandate specifically (rather than at firm level), and hence had scored some managers poorly.

We believe the constant evolution we’ve shown in terms of enhancing our carbon dashboard over time, and the appointment of a specialist climate data provider demonstrates commitment to ensuring our clients have a good understanding of their investments from ESG and sustainability perspective, and the stewardship which takes place on their behalf within their investments.

We have continued to see sustainable funds included as part of manager selection exercises, and also see exercises which are solely focused on selecting a sustainable fund (as opposed to including such a fund against a line-up of ‘non- sustainable’ options). We continue to believe our focus going forward should be on educating and supporting our clients to bring solutions to them which enhance long term outcomes for their members.

The table below summarises the take-up of sustainable funds across our overall client holdings:

	31 Dec 2022	31 Dec 2023	31 Dec 2024	31 Dec 2025
% Assets under Advice in sustainable funds (DB and DC Trustee only)	6%	9%	11%	6%
Number of clients in sustainable funds	23	36	43	48
Average weighting of sustainable funds in portfolios (weighted by assets)	34%	25%	31%	24%



Case Study: Increased oversight of stewardship by pooled managers

Background:

One of our clients has undertaken TCFD reporting for several years and receives annual ESG Ratings reports to review the ESG and Stewardship credentials of their investment managers. The Trustees are now looking to increase their stewardship and oversight of ESG risks within the investment strategy and to ensure closer alignment with their Sponsoring Employer's sustainability policy.

Action:

To allow this closer alignment and increased stewardship, the Trustees agreed to implement a Responsible Investing Policy. As they invest solely in pooled funds, the Trustees recognised their limited ability to implement direct exclusion policies, and therefore sought a pragmatic approach that would still enable them to monitor and manage alignment with their beliefs and the Sponsoring Employer's objectives, and instead have implemented a watch-list of activities including coal, and fossil fuels.

Outcome:

Under this approach, XPS will collate data on the Scheme's exposure to specific harmful activities identified as priorities for monitoring. Where exposures rise above an agreed threshold, XPS will engage with the relevant managers to understand the underlying exposure, assess the materiality, and review whether the holding remains appropriate for the Scheme. Alongside this, the Trustees agreed to put in place an expression of wish to guide managers towards alignment with the Sponsoring Employer's policies.

Thought leadership and webinars

During 2025, we provided 3 pieces of advice, including analysis of the ESG requirements relating to stewardship and climate change. This work incorporated a gap analysis and sought to provide greater clarity on these two sections of the ESG, which we had identified as areas of material uncertainty for client teams and trustees. The purpose of this analysis was to focus specifically on these requirements and to set out clear, practical guidance on the actions schemes can take to demonstrate compliance.

We issued 12 investment briefing notes and reports to help pension scheme trustees and sponsors. Within this, we produced 6 thought leadership papers specifically on ESG matters including:

- TCFD in review - year 3: How pension schemes have developed their net zero strategies (March 2025)
- Sustainable equity investing: is passive sustainable a win-win (June 2025)
- Trump, NZAMI and what it all means for investors thinking about climate change (June 2025)
- Investment Fund ESG ratings review 2025 (November 2025)
- COP 30 concludes with no mention of fossil fuel phase out in final deal (November 2025)
- Fiduciary Manager ESG Integration Survey (December 2025)

This was alongside our **12 monthly investment market updates** with corresponding videos. We issued many others on wider topics, all aimed at supporting our clients understand various issues affecting the security of their schemes.

We hosted **20 webinars and training events** during the year on a range of topics, with over 7,066 registrations (an increase of over 18% on the previous year). Feedback was consistently very high.

Our online insights and briefings were viewed by 13,000 website users, an increase of 30% on 2024. Our PDFs were downloaded 9,945 times, an increase of 27% on the previous year.

Principle 3: Investment consultants identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Identifying market wide and systemic risks

We set out below the key systemic risks we have identified as most relevant to our client base, and how we support our clients in responding to those risks.

1. Climate change

Identifying the risk:

We recognise climate change to be a systemic risk that needs to be assessed, managed and mitigated. Unlike idiosyncratic risks that can be diversified away, climate-related risks are pervasive across asset classes, sectors and geographies, meaning they have the potential to impact the overall functioning of financial markets.

Physical risks arising from more frequent and severe weather events can disrupt economic activity, damage infrastructure and reduce asset values across equity, credit and real asset markets. At the same time, transition risks associated with the shift towards a lower-carbon economy, including policy changes, technological disruption and changing consumer behaviour, may lead to repricing of assets, stranded assets and increased volatility.

These risks can manifest over different time horizons, but even where impacts are longer-dated, they remain financially material for our clients given the duration of liabilities and reliance on stable long-term returns.

This is reflected in how we engage with our clients and investment managers on climate change and ESG issues.

Incorporating into our advice:

As described in Policy Disclosure A, our investment advice, is underpinned by our Fund Ratings which includes our ESG Rating. We have a specific sub section under our overall ESG rating on climate change, and we assess each investment managers' explicit climate change considerations within the investment process, and their stewardship activities.

We include climate risk reporting as standard in our annual ESG Ratings report for clients, and also are able to provide additional more comprehensive climate analysis using our climate data provider.

We have an internal Market Intelligence and Pensions Management Solutions Team covering all aspects of our pension scheme advisory services, and this team contains dedicated climate specialists. The team is focused on helping clients meet climate related regulatory requirements both from an investment, actuarial and covenant review perspective.

2. Diversity and Inclusion

Identifying the risk:

We recognise Diversity and Inclusion as a market wide and systemic risk for our clients with the potential to affect long-term investment performance. Diversity of thought and experience adds value to an organisation, and avoiding group-think is a helpful element of good risk management.

This is an important aspect at the investment manager level, when making investment management decisions on behalf of our clients, and also within the underlying companies owned.

Incorporating into our advice:

Since 2023 we have been signed up to the Asset Owners Diversity Charter – this commits us to including diversity criteria in our manager selection and monitoring processes, as well as to share best practices and learn from others in the investment community. The specific questions from the charter are now included within our questionnaire populated as part of the annual ESG and fund research process, in addition to the managers sharing a more detailed questionnaire with us set by the Asset Owner Diversity Charter.

In our capacity as a service provider, our role is to deliver clear, independent advice to pension scheme trustees to enable them to make appropriate investment decisions for their scheme's assets. This includes supporting clients in understanding how D&I factors can influence long-term risk and return, integrating these considerations into manager research and monitoring, and linking them to broader stewardship priorities and expectations.

3. Geopolitical risk

Identifying the risk:

As many of our clients hold a diversified portfolio across global equities, credit, government bonds and real assets, we recognise geopolitical risk to be a market-wide systemic issue with the potential to affect global economic conditions, financial market stability and long-term investment outcomes, that needs to be managed and mitigated.

Incorporating into our advice:

We have incorporated these considerations into our advice to support clients in managing and mitigating these risks through the following activities:

- **Scenario analysis embedded within journey planning and strategic advice.** On a quarterly basis, we model a range of forward-looking economic and political scenarios to assess the potential impact on funding levels, deficits and overall scheme resilience over the next 6-12 months.
- **Annual market outlook and resilience assessment.** We produce an annual briefing note that reviews developments across global investment markets over the preceding year and provides an outlook for the year ahead. This includes commentary on key risks and considerations to help ensure client portfolios remain resilient across a range of potential future scenarios.
- **Timely updates following significant market events.** We keep clients informed throughout the year, often issuing email updates or briefing notes within 24 hours of major market or geopolitical events, to provide reassurance, context and guidance where appropriate. For example, we did this after “Liberation day” in April 2025 and produced a special briefing note which we issued to clients and the market.
- **Targeted client engagement during periods of heightened uncertainty.** Since reporting year end, in March 2026, following a period of elevated geopolitical volatility, we hosted a client webinar focused on ‘what if?’ scenarios and tail risks that could materially affect pension scheme investments. This session explored key questions, including: what actions can be taken now to improve preparedness? What could go wrong, and which extreme risks could materially derail long-term plans? How have scheme risk priorities evolved as funding positions and risk profiles have changed?

Our approach goes beyond identifying risks in isolation. We focus on understanding how different risks may interact, evolve over time, and differ in relevance depending on a client’s investment strategy, funding position and time horizon. For example, geopolitical risks are considered not only in terms of short-term market disruption, but also their potential implications for supply chains, inflation and regional growth trends.

Contribution to promoting well-functioning markets

Market-wide risk management

Our second Principle within our Principles and Preferences is to ‘Remove undesirable risks and diversify desirable risks’. We help clients understand their exposure to interest rate, inflation and currency risks, and in the main encourage them to hedge these risks as far as is practical whilst still achieving their return target. We also encourage clients to diversify by geographic region, investor base, underlying entity and sector, whilst also ensuring portfolios have enough liquidity to meet short, medium and long-term liabilities and cash requirements.

Risk modelling

We use proprietary software to design solutions that can be used to mitigate interest rate, inflation and longevity risk.

This is done alongside asset/liability modelling software with forward-looking views of investment returns, risk parameters and correlations to help our clients implement an investment strategy to help meet their target investment return and risk objectives. We also use scenario analysis and stress testing routinely as part of our modelling to ensure, as far as is possible, that the investment strategy is resilient against future market shocks.

We have an embedded version of our user-friendly scenario modelling tool to our website, available to all clients and prospects free of charge together with our latest scenarios to help promote the importance of this analysis.

Our approach to advice is tailored and does not employ house views. This reduces the scope for central decisions and policies to have a systematic effect across all of our clients. We trust our consultants to apply the principles of our approach to each client's specific circumstances.

In addition, we have a dedicated risk modelling team who are responsible for development and upkeep of our internal modelling tools used within our Investment business. This team has oversight from our Chief Investment Officer.

Raising industry standards - feedback to investment managers

A key aspect of our manager research is providing detailed bespoke feedback to managers on areas for improvement across the areas above, including ESG, so as to drive improvements in their processes and practices. This happens as part of new market searches but also on an ongoing basis during quarterly catchups with research teams. We are also asked to feed into discussions around development of new products, drawing on best practice we observe around the market. Our transparency and openness is often pinpointed as a differentiator to our peers by investment managers.

In 2025 we provided bespoke feedback to all 41 managers involved in the ESG ratings review in relation to every fund reviewed. We held face-to-face meetings with the managers who either received a red rating or requested further detail in relation to this project. The meetings help them understand our position and expectations with regards to the rating and provide a platform for future engagement to track progress.

In 2025, we published the results of our sixth annual ESG fund rating review. This transparency to the market is important for helping investment managers understand where their ratings sit relative to others as well as highlighting the broader market areas for improvement that they can act upon. Further detail on the results and comparison against 2022 is set out under Principle 1. A link to the full report can be found [here](#).

We seek annual feedback from investment managers on their assessment of our research approach and suggestions on how we can work with them more successfully. This reflects XPS's commitment to working in partnership with the fund management industry for the benefit of our mutual clients.

We show a summary of the feedback in relation to our overall research and ESG below:

- 8.1/10 from 55 managers for our overall quality of research
- 8.2/10 from 24 managers on ESG

All feedback was reviewed by our CIO and Head of Manager Research.

Fund managers continue to have access to our database XPS ID, where they can log-in at any time to view XPS research information on their funds including overall rating and sub-ratings, ESG rating, sustainable designation and whether the fund is actively promoted to clients. Access is given to around 500 fund manager contacts across all managers that are on our database.

Working with wider stakeholders and industry collaboration

We actively participate in the wider industry efforts to advance effective stewardship. This is demonstrated through the following channels:

Investment Consultants Sustainability Working Group

In our role as a member of the Investment Consultants Sustainability Working Group (ICSWG), our Head of ESG research attends the Steering Committee and is a member of the Asset Owners workstream. In 2022 we completed a self-assessment against the ICSWG climate change competency framework, which confirmed that we have the tools and capability to meet the criteria therein. We have communicated our credentials against the criteria to a number of clients as part of their governance framework to ensure climate change is appropriately considered by all their advisers. In February 2026, the ICSWG introduced the Asset Owner Investment Stewardship Tool to help asset owners better assess how well their managers stewardship activities align with their own responsible investment beliefs. A new climate investment framework designed to help investors shift from simple portfolio decarbonisation toward achieving real-world climate outcomes was also introduced. There were also further updates to the list of ESG metrics that asset managers are expected to report on and further climate related guidance. We recognise the benefit of collective action in making progress in this rapidly evolving space and are committed to contributing more to this group.

Alex Quant sits on a working group within the ICSWG supporting the development of new guidance on Fiduciary duty.

Net Zero Investment Consultant Initiative

In 2023 we were confirmed as a member of the Net Zero Investment Consultant Initiative. This entails 9 Principles; 8 relating to our advisory service and 1 in relation to our Group operations. In 2025, we submitted our second progress report detailing our progress across the 9 Principles, and the work we have done in integrating net zero into our investment advisory services. A link to the full report can be found [here](#), but in summary:

- We proactively encourage clients to invest sustainably and to adopt net zero targets, where this is consistent and compatible with their broader objectives.
- We are committed to educating clients on net-zero and providing training on setting net-zero pathways.
- XPS Group as a firm is committed to achieving net zero by 2050 and our targets have been verified by the Science Based Targets initiative.

UN PRI

We are a signatory to the **UN PRI**, and our responsible investment policy and ESG research framework reflect the 6 principles.

Investors for Purpose

Investors for Purpose exists as a bridge between asset managers, pension funds, insurance companies and their professional advisers, to encourage the flow of capital towards impact investment.

We attend sessions and contribute to thought leadership and the debate on how investors can align their portfolio to successful delivery of the Paris Agreement and incorporate real world impact alongside financial returns. The learnings from these sessions feed into our research and client advice.

Impact Investing Institute

The Impact Investing Institute has developed principles to accelerate the growth of and improve the effectiveness of the impact investing market. In summary, our latest self-assessment against the latest available framework covered the following:

- We have a clear framework for helping our clients with their approach – rooted in establishing their own beliefs on ESG and climate change, including the importance of engagement with their managers and underlying holdings.
- Our ESG beliefs questionnaire asks clients about the extent to which they want to pursue positive Impact within their investment portfolios alongside financial returns. We consolidate results into a summary report to aid productive discussion on key priorities. This provides trustees with practical steps they can take to meet their responsible investing objectives aligned with generating long term sustainable returns for their members.
- We educate clients on Impact investing, for example providing training on setting net-zero pathways and considering biodiversity / nature-related impacts within their investments.
- We fully incorporate ESG criteria within our research and require that the funds we recommend to our clients demonstrate an appropriate minimum level of ESG integration and stewardship.

Promoting awareness of the UK Stewardship Code

Each year following updates to the list of signatories to the Code we notify our clients to inform them whether their investment managers have successfully become signatories or not. We seek to do this as soon as possible after release of the updated signatory list to ensure our clients are as well informed as possible. As part of our Responsible Investment framework issued to all clients, we also raised the potential for clients to sign up to the Code themselves.

We have a threshold that those managers who are not signatories to the Code cannot be given our Sustainable Designation.

Consultations

We actively participate in consultations in the interest of supporting our clients and wider stakeholders. During the reporting period XPS actively participated in **6 consultations** in total, with several members of our team actively contributing to the pieces, demonstrating our commitment to supporting well-functioning markets. Each of these had a **focus on ESG and stewardship**:

- Mansion House - UK green taxonomy - February 2025
- FCA - Stewardship Code consultation - February 2025
- FCA - consultation on ESG ratings survey - May 2025
- IIGCC - consultation on externally managed funds - September 2025
- ICSWG - response to transition plan consultation - September 2025
- DWP - TCFD post-implementation review survey - December 2025.

Roundtables and webinars

To promote good practice across the industry and share information, in 2025 we participated in numerous external events, including the following:

- Presentation on learnings and trends in TCFD reporting at the ACA conference (November 2025)
- Presentation on opportunities in Private Markets (February 2025)
- Discussion on Private Credit secondaries (May 2025)
- Roundtable discussion on LTAFs (October 2025)

Ensuring quality and accuracy of our services

We recognise that clients can only act on the information and advice received. Therefore, the overarching way we promote effective stewardship is by providing detailed and tailored reporting on our clients' investments. For the majority this is in the form of quarterly investment reports covering valuations, performance, risk analysis and other key matters which may include ESG issues. We also provide specific annual reporting on ESG integration and climate change risk within our clients' portfolios as well as supporting with implementation statement reporting. This reporting enables clients to really understand the approach and outcomes of their managers and whether these are in line with their intentions and policies. Clients can therefore react accordingly, for example by engaging with their managers on issues identified, which we actively encourage.

We ensure that our teams have the appropriate level of expertise to provide this reporting and advice in the following ways:

- Across XPS Investment we encourage everyone to take professional exams to help build their knowledge. We currently have 14 qualified actuaries and 17 CFA charter holders. Additionally, we currently have 39 people actively studying for one of these qualifications. Alex Quant holds the CFA Certificate in ESG Investing.
- Consultants providing client advice are certified under SMCR and fulfil all necessary steps for certification as required. For those not yet certified, on an annual basis we undertake a gap analysis for each individual to identify areas of additional training need to ensure they are given the opportunity to build their consulting skills.
- All aspects of ESG form an integral part of our graduate training program. During the year we held a team-wide ESG training session on ESG and climate change trends. We also encourage all consultants to attend seminars hosted by fund managers to raise awareness of the different approaches taken across the industry alongside achieving relevant professional qualifications.

Our consultants are incentivised through their individual performance ratings and remuneration to provide high quality tailored advice to our clients and conduct themselves in a manner that is in keeping with our values. This relates to the full range of aspects of their advice to clients, including the importance of ESG matters. All consultants are expected to understand ESG matters and advise clients appropriately. Through our annual performance development process, each consultants' end of year rating, which informs their bonus, is linked to performance against each of our values and based on doing a great job for clients, which is everyone's number one objective. Line managers hold their people to account in terms of proactively bringing ESG and climate change advice to their clients

Key activities under the remit of the Sustainability Committee:

- Mansion House - UK green taxonomy - February 2025
- Overseeing progress against governance ambitions around Board diversity - 37% of senior management (target 37% by 2028) are female.
- We take pride in the fundraising achievements of colleagues across the UK, supported by activities ranging from bake sales to endurance challenges. Employees can apply for matched funding for money raised for UK-registered charities. During the year, colleagues raised £84,169 (FY25: £79k), including corporate matched funding, supporting 77 local and national organisations.
- Colleagues demonstrated creativity and commitment in their fundraising. Examples included climbing the Kelpies to raise funds for the baby loss charity 'Held in Our Hearts', Bake Off competitions to support Macmillan Coffee Morning and static bike ride challenges for Children in Need.
- To support our purpose of shaping a better future, our Community Giving Policy enables each XPS location to allocate funding to UK-registered charities selected by local colleagues. This approach helps ensure our giving reflects local needs and provides appropriate oversight of our community investment. The policy complements our Matched Funding Policy and reinforces our commitment to social responsibility and positive change.
- Our Scams Protection Service has now helped protect over 21,500 members, covering over £3.0bn of transfers.

In 2025 XPS surpassed a significant milestone in our sustainability journey with the validation of the Group's net-zero objectives by the Science Based Targets initiative (SBTi). This validation confirms that our ambitious targets—to reduce emissions across our operations and value chain—are aligned with the latest climate science and the 1.5°C pathway. Having our net-zero targets verified by this globally recognised authority provides confidence to our stakeholders in our long-term decarbonisation strategy. We are now fully focused on the continued implementation our roadmap to meet these targets, ensuring our business transformation aligns with the urgency of the climate crisis. We expect to achieve a continued reduction in our key carbon intensity metrics for the 2025-2026 financial year, supported by our transition to renewable electricity in our offices. We anticipate that around 90% of our annual facility electricity consumption in the 2025-2026 financial year will have come from renewable or zero carbon energy sources.

Market Intelligence and Pensions Management Solutions Team activities over the year:

Over the year XPS has continued to embed climate change and ESG considerations into our Market Intelligence and Pensions Management Solutions teams, with dedicated resources supporting consulting teams and ensuring that climate and ESG considerations are integrated into the drafting and review of consulting materials. Subject matter experts continue to work closely across actuarial, investment and covenant disciplines to ensure an integrated approach to climate-related regulatory requirements.

During the year we further built our expertise in the non-linearity of climate risks and the potential for more sudden and volatile climate-related shocks. We also identified the increasing breadth of research across related areas, including interest rates, inflation and biodiversity, and recognise the importance of continuing to bring these strands together to support holistic risk assessment.

The key activities undertaken in the year were:

- Participated in the **Institute and Faculty of Actuaries working party** on the impact of climate change on long-term interest rates, contributing to industry thinking and using insights to inform our modelling approach.
- Monitored emerging research and market developments, which informed our evolving approach to **climate scenario modelling**, including decisions on which scenarios to include and a greater focus on qualitative narrative analysis alongside quantitative modelling.
- Further developed our approach to **climate scenario analysis** for large pension schemes, including consideration of the relative role of narrative versus quantitative modelling in supporting trustee decision-making.
- Continued to provide technical updates to consultants on climate, ESG and sustainability developments as required.
- Reviewed scheme funding consulting materials to ensure that climate risk considerations remained appropriate, including in light of updated **Funding and Investment Strategy regulations**.
- Contributed to client briefing notes, insights and thought leadership on climate-related risks and regulatory developments, in particular for our growing Insurance Consulting business.
- Continued development of **longevity modelling capabilities** in relation to climate risks, including consideration of scenarios that capture more severe impacts over shorter time horizons based on emerging evidence.
- Maintained and enhanced internal knowledge through training sessions, technical bulletins and ongoing support for consultant and client queries.

We have continued to utilise our climate change risk dashboard, which provides our clients with a clear insight into their climate change risk exposure. We continue to utilise a market leading climate change data provider, to enhance the climate change risk analysis and reporting we are able to provide. We continue to review this appointment to ensure the service provided remains the best fit.

Principle 4: Engagement Service Providers engage on behalf of their clients to maintain or enhance the value of assets.

We are not an engagement service provider but think that aspects of this Principle are relevant to us.

We facilitate engagement between our clients and their investment managers in relation to ESG and stewardship, the process for how this is done is set out in Policy Disclosure A, and in this section, we provide examples of this in practice over the year.

Our business model is moulded around a culture of personal relationships and making ourselves available to clients, either face-to-face or via video or conference calls. We also provide in-depth reporting and written advice on various different aspects. Our reports are flexible and will be tailored to client's specific needs.

We engage with clients on ESG and stewardship issues through the following channels:

Quarterly investment meetings:

Our consultants meet with the majority of our trustee boards on a quarterly basis. Increasingly ESG is a standing agenda item, which may be to discuss the ESG ratings report, an ESG training session, deeper discussion on the development of a bespoke RI policy or implementation of a sustainable fund. We do recognise that clients have varying degrees of interest in these issues, and therefore the same approach cannot be taken for all schemes.

ESG ratings reports and carbon dashboard:

Provided to trustee meetings usually on an annual basis in line with the annual review of fund ESG ratings. Ratings are then discussed through the year and of course any changes during the year will be flagged. We believe that communicating formal ratings on an annual basis is appropriate to reflect the pace of change in policies and practices.

For example, where the fund manager rating is not satisfactory, we will have a discussion with our clients regarding the next steps which may include: engagement/discussion with the manager, providing alternative fund recommendations or other appropriate steps which are all considered in the context of the wider scheme circumstances and objectives. Where an incumbent fund manager was assessed to be unsatisfactory in ESG terms, but good quality in other respects, we typically provided advice that engagement with the investment manager be the initial action, with a clear time period over which improvement be evidenced, typically 2 years. For those clients invested in funds rated Red on ESG we have been clear that this engagement with the manager is happening and will report back on progress observed through the 2025 ESG ratings exercise. We set a clear time period to re-assess the situation with our clients in the above circumstances..



Case Study: Engagement and monitoring of a manager's exposure to harmful activities

Background:

A client in the social housing sector receives an annual ESG Ratings report as part of their ongoing monitoring. In the most recent report, it was identified that there was a small exposure to 'gambling' within the Scheme's investment strategy. Given the nature of the organisation and their strong alignment with community focused values, the Trustees wanted to understand the source of this exposure and assess whether it was consistent with their beliefs.

Action:

The Trustees sought further detail on the underlying allocations contributing to the gambling exposure and XPS engaged with the manager directly to undertake a detailed look through analysis of the portfolio. This analysis identified that the exposure was not due to direct investment in solely gambling related companies, but rather came from very small portions of revenue generated mainly by world banks and airlines.

Outcome:

Following the review and increased engagement with the manager, the Trustees became comfortable that the exposure was minimal, rather than reflective of a strategic allocation to gambling activities. To ensure this doesn't rise further to levels the Trustees would not be comfortable with, they are now implementing a policy requiring this manager to flag any increase in gambling exposure above an agreed threshold. This increased ongoing stewardship will ensure ongoing alignment between their investment strategy and organisational values.

Ad hoc meetings with investment managers:

As a matter of good stewardship we actively encourage trustees to speak to managers about ESG and other investment issues. These meetings are very effective and bring ESG and climate change issues to life for trustee groups – particularly as an opportunity to challenge managers on examples to substantiate the approaches they describe. For the most part this happens on an ad hoc basis at the moment, but we believe engagement will become more frequent and regular.

XPS Arena:

An online portal launched in 2021 for any trustee to use anytime which provides access to training and other market updates. We have a standalone ESG section on the platform which is an effective way of driving engagement in ESG and climate change issues outside of the above approaches. There were over 2,800 registered registrants to XPS Arena by the end of 2025.

XPS research teams regular meetings with investment managers:

Our research teams regularly meet with investment managers. We speak to all our Green rated managers quarterly, and ESG and stewardship are frequent topics of conversations.

We have summarised where ESG and sustainability were part of the conversations:

	2021	2022	2023	2024	2025
Total number of meetings held with asset managers	288	334	434	478	289
Meetings which directly noted a focus on ESG or sustainability	60 (21%)	62 (19%)	120 (28%)	105 (22%)	47 (16%)

Responding to feedback from clients

We review feedback on a case by case basis but also look at trends across the client base. This includes our advice, and the feedback also drives development of our tools, policies and activities in pursuit of supporting clients' effective stewardship that we think they will find valuable.

- Based on direct feedback from the most recent Client Satisfaction Survey in 2024, and also our view of the continued interest in from our clients on areas of focus relating to ESG issues:
- Proactively advanced ESG best practice with clients by introducing relevant agenda items, including a July 2025 paper on updates to the UK Stewardship Code and the resulting implications for investment managers. The paper supported trustees in strengthening their understanding of ESG obligations, with a particular focus on stewardship and climate-related considerations.
- Continuing to bring agenda items around best practice within ESG to our clients. - Reviewing the existing funds available for credible climate transition funds and creating a framework to encourage clients to put in place a climate transition strategy across their whole portfolio.
- Increased functionality within our internal database XPS ID to allow us to undertake more of our ESG research on the platform, increasing our efficiency. This ensures clients can be provided with our research in a more timely manner and benefit from economies of scale.
- In 2025 XPS reviewed the market for external data providers to ensure we can deliver market leading reporting for our clients on climate change and wider ESG issues.

Throughout 2025 we have continued to support our clients in ensuring their approach to climate change and stewardship is sufficient under the new Effective System of Governance requirements.

Appendix 1

Conflicts of Interest Policy

Conflicts of Interest

1. Background

1.1 This document summarises the XPS Group plc (XPS) policy to handling conflicts of interest. It is for external use with clients and supports Compliance policy 08 which provides detailed actions for conflict management.

2. Why is this important?

2.1 There are several reasons why we have a conflicts policy, including professional body requirements and regulatory expectations.

2.2 A conflict could impair our objectivity when providing services and also create an unfair competitive advantage. A client may also have a perception of a conflict that we need to recognise.

3. What's our policy on conflicts?

3.1 We will always act in the best interests of our clients and treat them fairly. Our values incorporate how we should act: **we do the right thing**.

3.2 That means we'll take all reasonable steps to prevent conflicts occurring or mitigate/manage any conflicts we identify.

3.3 All staff must follow our detailed conflicts policy and, if they become aware of situations which may give rise to a conflict, must report it to their line manager or the Lead Consultant who will then consider what action to take.

4. What's a conflict of interest?

4.1 Whilst it's not possible to list all types of conflict, they can be generally defined as where our responsibility to a client conflicts, or could be seen to conflict, with the interests of a staff member (**personal conflict**), XPS (**employer conflict**) or another XPS client's interests (**client conflict**).

4.2 There are many different types of conflict that can arise, and our policy is regularly reviewed and updated for current types of conflicts and issues. These include where we are asked to work on projects for an existing client, working for a listed client, providing a range of services that could in themselves lead to a conflict and personal conflicts (for example when acting as an appointed Scheme Actuary).

4.3 Where conflicts cannot be managed in a proportionate manner even after discussion with our client we will consider ceasing to provide services. In this instance, support and guidance can be obtained from the Compliance team.

5. Conflict checks

5.1 Conflict checks are carried out either when a new business lead is received or as part of our client take on process.

5.2 We also carry out a fresh conflict check if something significant changes such as a material change in the services we provide, M&A activity or changes in corporate structures.

5.3 The process for carrying out a conflict check is detailed in our Compliance policy.

6. Actuarial conflicts

6.1 Our conflicts policy also details the professional requirements for members of the Institute & Faculty of Actuaries (IFoA) and includes guidance on implementing a "Conflicts Management Plan" (in line with the term used in the Actuarial Profession Standard (APS) P1. Guidance is also provided by our Professionalism Committee and our Compliance team.

Conflicts of Interest (continued)

7. Conflicts management

- 7.1 A conflict does not automatically mean we must cease to act. Our conflicts policy details examples of the actions that could be taken although these will depend on the nature and extent of the conflict.
- 7.2 We always disclose actual conflicts to conflicted clients in writing, together with details of the risks and the actions taken to manage the conflict. Our explanation is always in enough detail to allow clients to make an informed decision. Clients must consent in writing to our controls.
- 7.3 Any XPS staff working on conflicted clients should be made aware of the agreed measures in writing and should confirm they will comply with those measures.

8. Other instances where conflicts can arise

- 8.1 These are covered by other policies and hence not covered here but they are available to all staff on the XPS intranet (Nexus).

These include:

- Insider trading
- Financial crime
- Bribery and gifts
- Signing authorities

9. Records

- 9.1 We must keep records for at least five years from the event in question.

Find out more

For further information, please get in touch with **Simeon Willis**, **Ben Gold** or **Alex Quant** or speak to your usual XPS Group contact.

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About us

XPS Investment sits within XPS Group, a FTSE 250 company and a leading UK consulting and administration business specialising in the pensions sector and providing wider ranging support to insurance companies in the life and bulk annuities sector.

XPS combines expertise, insight and technology to address the needs of over 1,400 pension schemes and their sponsoring employers on an ongoing and project basis. We undertake pensions administration for over one million members and provide advisory services to schemes and corporate sponsors in respect of schemes of all sizes, including 83 with assets over £1bn.

Award winning

Pensions advisory

						
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Investment consulting

						
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Culture and Sustainability

							
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This communication is based on our understanding of the position as at the date shown. It should not be relied upon for detailed advice or taken as an authoritative statement of the law.