



Net Zero Investment Consultant Initiative Progress Report

For the year ended
31 December 2025

October 2026

Introduction

XPS Group have been a member of the Net Zero Investment Consultant Initiative (NZICI) since 2023.

NZICI is a global group of investment consulting firms committed to supporting the goal of global net zero greenhouse gas emissions by 2050 or sooner, in line with the ambition to limit the global average temperature increase to 1.5°C above pre-industrial levels.

The initiative entails nine commitments: eight relating to our advisory service and one in relation to our Group operations.

This report details our progress across the initiative's nine action areas and the work we have done throughout the year to 31 December 2025, in integrating net zero into our investment advisory services. The report provides a summary of the activities undertaken, but further details can be found within our UK Stewardship Code and XPS Group Sustainability Report (please see links to the right).

Read more



UK Stewardship Code



XPS Sustainability Report within our 2026 Annual report



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Commitment 1:

With respect to their investment advisory services, each member has committed to integrate advice on net zero alignment into all their investment consulting services as soon as practically possible and within two years of making this commitment.

Commitment 2:

With respect to their investment advisory services, each member has committed to work with institutional asset owner clients to identify the investment risks from climate change, highlight the importance of net zero alignment and, where applicable, support clients in developing policies that align their portfolios to a net zero pathway.

Commitment 3:

With respect to their investment advisory services, each member has committed to support efforts to decarbonise the global economy by helping clients prioritise real economy emissions reductions, reflecting the target of 50% global emissions reduction by 2030 or sooner using existing decarbonisation methodologies.

Governance and resource

We have an **ESG research team**, comprised of individuals from across the team of all differing levels and location. The team is focussed on evolving our ESG research approach and supporting the development of tools to help integrate net zero strategies across our clients.

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.

Further details on the key activities undertaken over the year can be found in the UK Stewardship Code.

We provided internal team wide training on climate change trends during the year; we also encourage all consultants to attend seminars hosted by fund managers to increase their awareness and knowledge on climate change and net zero.

Integration into investment advice and developing policy

ESG and climate change considerations are central to our research and advice to investors. We recognise one size does not fit all, and we have a clear framework to help our clients understand their preferences and beliefs. In line with our commitment to NZICI we **proactively encourage clients to invest sustainably and to adopt net zero targets**, where this is consistent and compatible with their broader objectives.

We use a **free online questionnaire** tool to collate and summarise views of the individual trustees on a trustee board around ESG and sustainability, including specific questions whether managing climate risks is desirable, this was reviewed and updated over the year to ensure it remained aligned with emerging sustainability trends and requirements. Once we have understood these beliefs and priorities, we work with clients to develop a **tailored approach using our Responsible Investing framework**, which sets out what investors can do to move from “compliance” to “market leading” across a number of ESG aspects including on climate change - where adopting a net zero target is indicated as market leading.

We are committed to educating clients on net-zero and providing training on setting net-zero pathways. At an individual client level, we hosted dedicated **training sessions** for Trustee Boards on setting net zero strategy. We make clear in this training and advice that an effective net zero strategy relies on four key pillars - which are aligned to the recommendations of the **Net Zero Investor Framework**:

- Carbon reduction pathway
- Transition alignment
- Climate solutions
- Engagement

We have 7 clients with a formal net zero target (2024: 7), 8 clients with ambitions around net zero (2024: 7) and we have a number of others in discussions about how they can evolve their sustainability strategy.

Case Study: Increased oversight of climate stewardship to support a net zero ambition



Background:

A pension scheme client had been undertaking TCFD reporting for several years and received regular climate reporting on its investment managers. As part of their commitment to supporting the transition to a low carbon economy, the Trustees sought to strengthen oversight of climate related risks and opportunities within the investment strategy, while also improving alignment with the Sponsoring Employer's net zero ambitions and sustainability objectives.



Action:

To support these goals, the Trustees adopted a Responsible Investing Policy with a specific focus on climate change and the transition to net zero. Recognising the limitations associated with investing solely through pooled funds, and therefore their inability to implement direct portfolio exclusions, the Trustees agreed a practical monitoring and engagement framework. This included establishing a climate watchlist covering activities with significant transition risk, including thermal coal and broader fossil fuel exposure, alongside an expectation that managers demonstrate robust stewardship and credible approaches to managing climate related risks.



Outcome:

Under this framework, XPS collates and reviews data on the Scheme's exposure to these activities and sectors. Where exposures exceed agreed thresholds, XPS engages with the relevant investment managers to understand the rationale for the holdings, assess whether they are consistent with a credible net zero transition pathway, and evaluate the extent of active stewardship being undertaken. Alongside this, the Trustees implemented an Expression of Wish setting out their climate priorities and expectations for managers in areas such as climate change, renewable energy and natural resources (biodiversity, water, etc.). This approach has enabled the Trustees to strengthen oversight of climate related risks, monitor progress towards their net zero objectives, and drive greater accountability from managers despite investing through pooled fund structures.

Wider training and thought leadership

During the year, we have produced **6 thought leadership pieces on climate change and net zero issues**, 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)

Investment manager research

Under commitment 4, we set out how we embed net zero into our investment manager research and recommendations.

Reporting and monitoring

We make it easy for clients to understand their exposure to climate risk and alignment to the climate transition. As part of our annual ESG ratings exercise, we collect carbon data from all the funds analysed (where available from the managers) and provide our **carbon dashboard**. In 2025 we did this for **170 individual funds across 41 managers**.

The key metrics illustrated are carbon footprint, carbon intensity and Implied Temperature Rise (ITR), to give a client a sense of their current position, including forward looking alignment to Paris Agreement.

We have appointed a market leading **climate data provider** to enhance our client reporting on climate change risks. We provide comprehensive reporting (beyond what is available directly from managers) on carbon emissions, as well as forward looking climate transition alignment indicators such as implied temperature rise, exposure to physical risk, and green technology. We can stress test portfolios to understand resilience to future climate scenarios (including net zero scenarios). We are encouraging all our clients to undertake this sophisticated climate analysis. We have used the tool to support those clients undertaking TCFD climate reporting, and to support engagement with managers.

We regularly review the data provider to ensure that the data we are receiving is market leading.

Commitment 4:

With respect to their investment advisory services, each member has committed to assess and monitor asset managers on the integration of climate risks and opportunities in their investment decisions and stewardship and reflect this evaluation in client recommendations.

Our proprietary ESG research framework has been developed using the UN PRI principles as a foundation and aims to assess the genuine commitment of managers to ESG, climate change and stewardship.

We assess investment managers using detailed ESG questionnaires that comprises **70+ 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.

Within the assessment we ask specific questions to managers about their firm-level net zero targets, and whether the given fund has a net zero target. Furthermore, we ask what steps they take within a given strategy to support the firm-level target (even if the fund itself does not have a net zero target).

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**.

For seven years we have operated a Sustainable designation that we award to funds that met our criteria, further details of this list can be found in the UK Stewardship Code. Within our **42 Sustainable designation funds, 19 of them have specific net zero targets** within the fund. We aim to include at least one of these sustainable options in all manager selection exercises, with the goal of increasing the number of clients investing in funds with net zero targets.

Three years ago, we introduced the **Impact designation**; this is a label we award to funds which meet the criteria of our Sustainable Designation, but which go further and have explicit measurable targets and **non-financial KPIs for each underlying investment**. We have **3 funds** with this label.

Commitment 5:

With respect to fully discretionary services, where relevant, members have committed to align with the Net Zero Asset Managers initiative as soon as practically possible and within two years of making this commitment.

N/A as we don't provide any discretionary services.

Commitment 6:

With respect to own business operations, members have committed to set emissions reduction targets across all operational emissions in line with 1.5°C scenarios.

Commitment 7:

Within the wider financial community, members have committed to, where suitable net zero methodologies do not exist, work collaboratively for the benefit of clients to address these challenges, seeking harmonised methodologies.

XPS Group is committed to achieving net zero by 2050. 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.

In FY2026, as a company we continued to achieve reductions within its key carbon intensity metrics from the prior year – carbon revenue intensity ratio and carbon full-time employee (FTE) intensity ratio. We achieved a 28% reduction in revenue intensity and 24% reduction in FTE intensity (inclusive of its entire disclosed Scope 1, 2 and 3 emissions). This continued the trend established over the past five years, indicating that our carbon reduction plan is operating effectively and successfully decoupling carbon emissions from business growth.

As at 31 March 2026, all XPS facilities are supplied by zero carbon electricity (from both certified and uncertified sources). 81% of XPS facilities (12 out of 16) are supplied with certified renewable energy, covering 70% of the Group's square footage and 75% of all kWh consumed during the financial year. XPS submitted its first ESOS action plan update to the Environment Agency in relation to its target to install 100% LED or low-energy lighting by December 2026. Progress continues and XPS estimates that around 88% of all installations are now conformant with its objective.

Further details regarding the emissions data and targets can be found in the XPS Sustainability Report within our 2025 Annual report.

We are signatories to the following initiatives which exist to promote higher standards of sustainability across investment markets:

- Investment Consultants Sustainability Working Group
- Net Zero Investment Consultant Initiative
- UK Stewardship Code
- UN Principles for Responsible Investment
- Impact Investing Institute

Further details on our contribution to each of these initiatives, and the work that has been done over the year can be found within our UK Stewardship Code submission.

Commitment 8:

Within the wider financial community, members have committed to engage, independently or as a group, with regulators and policymakers, to facilitate the transition to net zero carbon emissions, addressing any barriers to clients adopting and achieving their net zero targets.

We actively participate in consultations in the interest of supporting our clients and wider stakeholders. During 2025, XPS actively participated in 6 consultations in relation to sustainability, demonstrating our commitment to supporting well-functioning markets, including the following focussing on the net zero transition:

- **Mansion House - UK green taxonomy** - February 2025
- **ICSWG - response to transition plan consultation** - September 2025
- **DWP - TCFD post-implementation review survey** - December 2025

Further details on other consultations that we have participated in and contributed towards can be found in the UK Stewardship Code.

We also participate in numerous external events (roundtables, seminars, conferences), including the following in 2025:

- Presentation on learnings and trends in TCFD reporting at the ACA conference (November 2025)
- Roundtable on emissions reporting for sovereign bonds (November 2025)

Commitment 9:

To ensure accountability, members have committed to report progress against the commitments made here at least annually in the public domain.

This report has been prepared to meet this commitment, and we will continue to publish these reports on an annual basis.

Appendix: KPI disclosures

Commitment	KPI	XPS response
1-4	Meaningful education	<p>Estimate 91 clients received ESG ratings reports during 2025, providing education on their climate alignment.</p> <p>All clients receive ESG thought pieces which are available online.</p>
	Baseline carbon emissions data	100% of clients (Total AUM = c.£90bn) have access to this through our ESG rating reporting.
	NZ ambition	8 clients (Total AUM = c.£2.5bn)
	NZ target / intention to be Paris aligned	7 clients (Total AUM = c.£59.1bn)
	Climate solutions	<p>0 clients have a formal goal to increase exposure to climate solutions.</p> <p>We have 3 funds which we've awarded our Impact designation which we would deem to constitute indirect investment in climate solutions. 1 client (Total AUM = c.£7.4m) invested as at 31 December 2025.</p>
5	Discretionary clients - net zero ambition	N/A
	Discretionary clients - net zero targets	N/A
6	Level of emissions	<p>Emission data provided to 31 March 2026 (tCO₂e)</p> <ul style="list-style-type: none"> • Scope 1: 96 • Scope 2: 46 (imported energy market based) • Scope 2: 297 (imported energy location based) • Scope 3: 7,049 <p>Full details can be found in our annual report.</p>

Find out more

For more information, please get in touch with Alex Quant. Alternatively, please speak to your usual XPS contact.



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About us

XPS Group is a leading UK consulting and administration business specialising in the pensions and insurance sectors.

A FTSE 250 company, XPS combines expertise and insight with advanced technology and analytics to address the needs of over 1,300 pension schemes and their sponsoring employers on an ongoing and project basis. We undertake pensions administration for c. 1.2 million members and provide advisory services to schemes and corporate sponsors in respect of schemes of all sizes, including 81 with assets over £1bn. We also provide wider ranging support to insurance companies in the life and bulk annuities sector.

Award winning

Pensions advisory



Investment consulting



Administration



Corporate



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.