Stewardship Report

ACTIVITIES AND OUTCOMES

BARNETT WADDINGHAM

Part of HOWDEN

1 JANUARY - 31 DECEMBER 2025

Activities and Outcomes Report

Introductory statement

We are delighted, on behalf of our Management Board, to present Barnett Waddingham's 2025 "Activities and Outcomes Report". This report provides an overview of the main investment stewardship activities undertaken and outcomes achieved during 2025. This is one of the two reports that make up our Stewardship reporting, and covers the period 1 January to 31 December 2025.

During 2025, Barnett Waddingham (BW) were acquired by Howden (a global insurance and employee benefits intermediary group), creating one of the largest pensions and employee benefits firms in the UK. Whilst full integration is expected over time, in the interim, we continue to operate under the BW name (especially in relation to the business areas covered by this report). We have, therefore, reported as BW for the 2025 reporting cycle. However, Howden's most recent sustainability report, at time of writing, can be found here.

During 2025, our key highlights across our stewardship activities included:

- Strengthened stewardship and sustainability capabilities – through enhanced research, tools, reporting and implementation, benefitting our consultants, clients and the wider industry.
- Ongoing support to clients to help them achieve their stewardship priorities and goals – evidenced through our client case studies within this report.
- Contributing to meaningful positive impact within the industry and community – through working with industry stakeholders and our Corporate Social Investment (CSI) activities.

Building on previous years' reporting, we summarise our progress, activities and outcomes across our stewardship efforts. We also produce an annual impact report that showcases the impact BW makes across key environmental, social and governance priorities, further reaffirming our focus on responsible business practices. The most recent report, at the time of writing, can be found here.

Andrew Vaughan

Senior Partner

Helena Morrissey

Non-executive Chair

BARNETT WADDINGHAM
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Table of contents

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How BW drives sustainability and stewardship activities

Underpinning our work on sustainability and stewardship is our long-term partnership approach. As a business, we are focused on maintaining long-term relationships with clients. This is facilitated by our culture, which promotes sustainable relationships with clients by not setting individual income targets for consultants or by client, so that the focus can be on doing the right thing aligned with the interests of our clients and the business.

At the heart of BW's sustainability and stewardship efforts lies our culture, it shapes how we care for people, communities, and the planet, and has remained a guiding principle during our initial integration with Howden in 2025. Employee surveys since the acquisition have helps us understand experiences and identify improvements, supporting a culture that evolves with our people. Following the 2025 surveys, we sought to give greater clarity on how our Mindsets & Behaviours underpin our approach to sustainability, stewardship and integration. We view stewardship, the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries, as central to our purpose and demonstrate this through our commitment to the UK Stewardship Code.

The following sub-sections set out our sustainability and stewardship activities, (both at a client and systemic level) that led to sustainable benefits for the economy, the environment and society over 2025. Further detail can be found within the remainder of the report.

Economy

The activities outlined below helped us maintain clear processes throughout 2025 to support our clients and the wider industry in measuring, managing and mitigating sustainability-related, financially material economic risks while capturing relevant opportunities. These activities also helped clients meet their specific regulatory requirements and objectives.

Supporting our clients

Over 2025 we helped our clients broaden their understanding of financially material sustainability risks, moving from a specific focus on climate and stewardship to a more holistic view that includes biodiversity, human rights, diversity, equity and inclusion (DEI); and artificial intelligence (AI) related risks (see case studies 1 and 2). This helped build resilience across their asset portfolios while supporting wider economic risks. We continue to strengthen governance through training and by developing innovative ways to keep clients updated, including work on AI risks and opportunities (see case study 2), reviewing asset managers' stewardship offerings (case study 3) and engagement on weapons policies and exposures (see case study 4).

Our Sustainable Investment Team (SIT) provided regular guidance on topics such as net-zero strategies, stewardship priorities, and advanced concepts like system-wide thinking (see case studies 6–9). We also deliver external training for trustee groups on areas including AI, climate modelling, emissions calculations and impact investing (see case study 5).

Supporting our consultants

Our SIT supported consultants by providing internal resources, such as asset-class climate materials, training videos and regular email updates, to help them hold informed sustainability-related conversations with clients. Throughout 2025, the SIT delivered in-person, virtual and video-based training to all investment consulting team members on emerging topics including impact investing, net-zero governance and presenting Sustainability Monitoring Reports. Additional tailored training was also provided to new graduates and apprentices.

SIT continued to share monthly internal newsletters on sustainability developments and expanded its SIT forums by integrating them into quarterly in-person office meetings, significantly increasing attendance and strengthened engagement across the consulting teams. The SIT also broadened its training across the firm, including sessions for the Public Sector Actuarial Consulting team on the climate modelling work being delivered to Local Government Pension Scheme clients (see case study 7).

Throughout 2025, we also updated internal and external policies and delivered mandatory training to relevant employees, including updates outlined in the Conflicts of Interest section.

Supporting the wider industry and community

We continued to participate actively in key industry initiatives during 2025 as signatories or members of groups such as the United Nations-supported Principles for Responsible Investment (PRI); Investment Consultants Sustainability Working Group (ICSWG); Net Zero Investment Consultants Initiative (NZICI); Accounting for Sustainability (A4S) Sustainability Principles Charter; and Pensions for Purpose and the Impact Investing Institute. Team members represented BW across these initiatives, contributing to working groups referenced in the "Engagement and collaboration with industry" section, see page 24.

We also updated our Sustainability Monitoring Report data requests to help keep them relevant. We asked managers for enhanced transparency on their voting records for contentious shareholder resolutions, social metrics, their capabilities around DEI data collection and their signatory status to various groups. This data helped clients understand how they can effectively engage with managers on sustainability issues (see case studies 3, 4 and 8).

Sustainability criteria remained a key part to all manager research and fund recommendations. This included detailed assessments of voting and engagement practices, resources and activity levels, comparing asset managers against both peers and our own expectations. Through engagement (see case study 4), we evaluated the depth of asset managers' analysis of systemic risks and the actions they are taking to address them.

Environment

The outcome of the below activities is that we have clear environmental targets and practices in place to reduce our carbon emissions and environmental impact over time, as well as that of our clients (and of the wider industry) who have made similar environmental commitments.

Supporting our clients

Over 2025, we helped clients understand the investment implications of inter-linked environmental challenges such as climate change and biodiversity loss. This included promoting improved sustainability practices through engagement with managers (see case study 4) and supporting clients in understanding how carbon emissions linked to their balance-sheet assets are calculated (see case study 5). This deeper understanding enabled clients to better assess climate-related risks and strengthen the link between emissions data and potential financial and reputational impacts.

We also assisted clients in assessing broader environmental systemic risks, including those related to planetary boundaries. Case study 1 illustrates how we supported clients in looking beyond climate alone when considering these issues and when meeting their environmental objectives. To analyse climate risks and opportunities within client strategies, we used our proprietary climate analysis framework (see case study 7), and where climate risks that could not yet be measured robustly (such as tipping points) we consider qualitatively.

Supporting our consultants

As above, under "Economy", we supported our consultants in consideration of financially material environmental risks and opportunities for their clients. This included training and a range of practical resources, such as guidance for climate-related discussions with clients, asset class climate resources, training videos on new climate developments and industry guidance, and regular email updates. We also provided training and collaborated with employees across the wider firm in terms of updating our climate analysis framework.

We also assisted our consultants when viewing environmental issues through an impact lens through training sessions on our proprietary impact investment score (more information can be found on page15). This includes considering risk, return and impact both through a financially material lens, but also through more of an ethical lens.

Supporting the wider industry and community

We continued to be net carbon neutral for scope 1 and 2 emissions (and net zero including scope 3 emissions by 2025), which we believe is a material outcome of our sustainability strategy. We achieved this through assessing our suppliers and also through the use of high-quality, certified nature-based offsets to achieve carbon neutrality.

In 2025, we engaged with staff on Oxfam's second-hand September, encouraging our staff to be part of the circular economy and donate clothes via office drop offs. We ended up donating 265 items to 7 charities across the UK. We also highlighted 'Great Big Green Week' to our colleagues in June, encouraging them to join in swapping skills in repair shops or allotments, or swapping clothes with friends instead of buying new.

As part of our membership to various industry groups, we contributed to various climate working groups and consultations. Furthermore, we spoke at various events and contribute to industry publications to educate and raise awareness on the subject matter (see the "engagement and collaboration with industry and community" section).

Society

The outcome of the below activities is that we have positively contributed to societal issues through activities such as fostering DEI and giving back to the communities we serve. Furthermore, where relevant, we have assisted clients (and the wider industry) in meeting their own societal goals.

Supporting our clients

In 2025 we have assisted clients in considering sustainability issues wider than climate, including societal issues. Examples are that we have helped clients formulate and implement ethical (including societal) issues (see case study 6), we have assisted clients in using stewardship and engagement as a tool to reduce financial and reputation risks associated with societal issues (see case study 8), and we have collected data and engaged with asset managers on such issues (see case study 4). Given the lack of data, we continue to engage with managers, and have also encouraged clients to take a qualitative approach, such as the qualitative assessment we undertook on climate risk in case study 7 (which included societal risks), and via our new proprietary impact investment score. Finally, our work on analysing manager DEI data has not only improved data quality but now allows clients to consider the risks associated with DEI issues (see case study 4).

We also considered the systemic risks that could lead to shifts and potential breakdowns in society (see case study 2).

Supporting our consultants

As above, under "Economy", we supported our consultants in the consideration of financially material societal risks and opportunities for their clients. We have provided training and resource to consultants on tools that can help them in assisting their clients with the consideration of societal issues. This includes training and resources on our impact investing score, our sustainability monitoring reports and our planetary boundaries framework.

We also assisted our consultants when viewing societal issues through an impact lens through training sessions on our proprietary impact investment score. This included considering risk, return and impact both through a financially material lens, but also through more of an ethical lens.

Supporting the wider industry and community

As part of our membership to various industry groups, we contributed to various working groups and consultations that cover societal issues. Furthermore, we spoke at various events and contributed to industry publications to educate and raise awareness on the subject matter (see the "engagement and collaboration with industry and community" section).

At BW we aim to drive positive impact towards sustainability, inclusivity, and community impact. Through collaborative efforts, innovative practices, and purposeful investments, we are committed to generating impactful outcomes, fulfilling objectives to enhance quality of life, and contributing to the advancement of our people, the planet, and society as a whole. We have delivered these outcomes through volunteering, raising awareness, and championing charitable and environmental campaigns, and donated to support charitable achievements, outlining our dedication in social value investments.

Details on our impactful societal initiatives can be found within our annual impact report.

How our services have supported clients

Helping clients to identify and manage systemic risks

During 2025 and looking ahead to 2026, numerous market risks were identified that, under certain circumstances, were at risk of becoming systemic. These included AI, geopolitical tensions, global elections and subsequent changes in governments. Policy uncertainty, delays or reversals in net zero commitments by businesses and governments, persistent inflation, and continued movement towards, and also beyond, our planet's planetary boundaries were also highlighted.

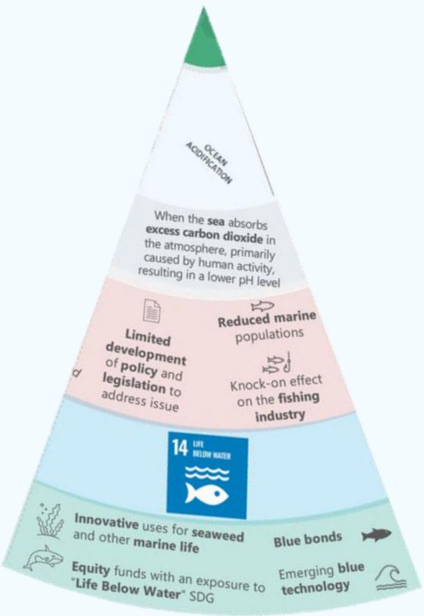
The below case studies provide examples of how we are helping our clients consider systemic risks:

Case study 1 – Managing systemic risk through a systems-led approach

What was the issue: *Previously, we recognised that a number of clients were continuing to focus solely on climate risk as a systemic risk, without yet fully integrating the interdependencies between climate change and wider environmental and social issues (see case study 2, from our 2024 sustainability report for further details). The 2025 update to the Stockholm Resilience Centre's Planetary Boundaries framework, showing seven of nine boundaries now breached, further highlighted the need for a broader, systems-led approach (an approach which recognises that social and environmental challenges are deeply interconnected, and that managing sustainability risks and opportunities requires addressing them together rather than in isolation).*

What did we do*: We used our Planetary Boundaries framework (see graphics below), with a focus on the recently breached ocean acidification boundary, to demonstrate how environmental pressures interact with social and economic risks. By applying our system-wide thinking framework and linking these issues to the United Nations backed Sustainable Development Goals (SDGs), we showed how stewardship can mitigate risks, unlock opportunities and support real-world outcomes. We also used a high-profile shareholder resolution on toxic pollution to illustrate how voting and engagement can influence corporate behaviour.*

Ocean Acidifcation



Ocean acidification is caused when the sea absorbs **excess carbon dioxide** in the **atmosphere**, primarily caused by human activity, resulting in a lower pH level.	What is it?
There has been limited development of policy and legislation specifically dedicated to addressing ocean acidification. However, the policies and actions being put in place to reduce emissions will also lead to reducing ocean acidification, but may come as a cost to businesses. Increasing ocean acidification leads to reduced marine populations, which in turn has a knock-on effect on the fishing industry.	Mitigating risks
Impacts are directly linked to the targets of one of the seventeen SDGs. They cover **environmental** impacts (biodiversity loss and climate change) and **social** impacts (availability of food and employment).	Creating impact
Opportunities will come from innovative used for seaweed and other marine life, emerging blue technology, equity funds with an exposure to the "Life Below Water" goal, blue bonds that fund sustainable ocean economy projects and private market assets that provide the infrastructure services.	Capturing opportunities

Sources: Stockholm Resilience Centre, Barnett Waddingham. The upper part of the graphic on the left-hand side represents the research from the Stockholm Resilience Centre.

Ensure availability and sustainable management of water and sanitation for all.

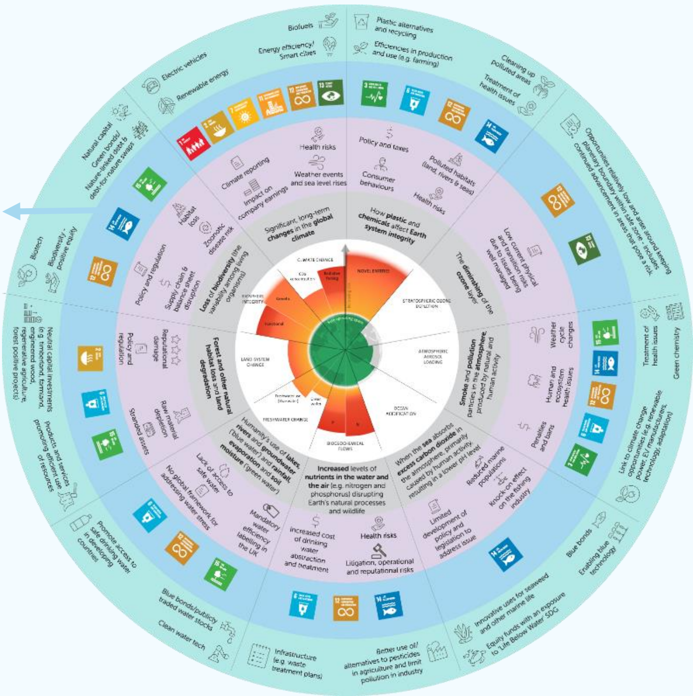
6 CLEAN WATER AND SANITATION

Conserving and sustainably using the oceans, seas and marine resources.

14 LIFE BELOW WATER

A healthy ocean and seas are essential to human existence and life on Earth.

Source: United Nations



Key:

Sources: Stockholm Resilience Centre, PRI, Barnett Waddingham.
The centre of the graphic on the right-hand side represents the research from the Stockholm Resilience Centre.

How did we help: *Our visual approach helped to demonstrate to clients the interconnected nature of sustainability-related risks and that a focus should not be placed on climate change (or any other one planetary boundary) alone. We delivered this through events and roundtables with charities and independent trustee firms, exploring how system-wide thinking can guide mission-aligned investment decisions and practical implication across asset classes. Feedback highlighted the value of our framework, with one attendee describing it as the "best they have seen for delivering real-world outcomes". We will continue this work in 2026 through joint research on system-wide thinking in the blue economy.*

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Case study 2 – systemic risks from AI

The field of AI has made rapid advancements in recent years. It is influencing all parts of life and has powered much of the growth in equity markets since the beginning of 2023. It has been a research area of focus for us over recent years, including being a key feature of our Megatrend research, as well as the subject matter of a blog in 2024.

Whilst AI provides significant opportunity for investors, its integration into all parts of society also presents significant risks, that could be systemic to investors. Over the period, we have been working with investors, asset managers, and other industry stakeholders to help understand and mitigate such risks. We have used two client case studies below to illustrate some of the work we have been undertaking.

Client 1 example

What was the issue: *We assisted a charity in understanding its exposure to AI and whether there were any practical ways in which we could mitigate their concerns. Specifically, given their cause, they had concerns around the impact of AI on the publishing industry, including issues around copyright and its social implications. Adopting an exclusionary policy would be difficult for a charity of this size, and would conflict heavily with the agreed aims around simplifying the investment strategy, whilst not actually helping to contribute to mitigating the real-world issues.*

What did we do: *We assisted the charity in understanding its exposure and ways in which it could mitigate such risks. As an investor in pooled vehicles, specific exclusions were not necessarily practical and could lead to increased costs. Instead, the client decided to adopt an engagement approach.*

How did we help: *We have worked with the charity to help them challenge their asset manager around their stewardship on such issues. In particular, we held a meeting with their asset manager to discuss their recent voting record on such issues and the asset manager's justification for voting the way they did. The outcome was the client was very pleased with: (i) the rigorous approach to their asset manager's stewardship concerning AI issues; and (ii) how the manager considers and seeks to mitigate such risks. Following the engagement with the asset manager, the client agreed to continue working with them and BW to monitor the stewardship approach.*

Client 2 example

What was the issue*: A pension scheme client was keen to consider the risks (both systemic and idiosyncratic) and opportunities associated with AI, both indirectly and directly, on its investment portfolio and wider funding objectives.*

What did we do: *We provided a training session to the Trustee Board on AI. In particular, we covered the following areas:*

1. *AI overview: what is AI and what are the key debates around the use of AI.*
2. *Framing long term investment thinking: how AI impacts the risks and opportunities within a long-term investment portfolio.*
3. *Real world implications: Considerations included: AI as a megatrend, the impact on the planetary boundaries (including climate change and water usage), and societal and economic impacts.*
4. *Investment implications: Consideration of the upstream, midstream and downstream stages of the AI investable universe, and how an asset owner could both mitigate associated risks, but also capture opportunities.*

How did we help: *The client benefited from us highlighting risks that were relevant to what they are trying to achieve (from their funding objectives, through to their sustainability objectives), allowing the client to consider AI as a systemic risk that could be factored into future decision making.*

We also researched potential systemic risks within private markets and concluded that, while the asset class is becoming more systemically important, current risks remain siloed and individually identifiable. Our research helped clarify where genuine systemic concerns may arise and where risks are better understood as endemic to specific segments. We will continue to monitor developments and update our view as needed.

We communicate risks to clients through various channels. Examples over 2025 were through:

(I) Public briefings, blogs and videos that are received by clients who have opted in to such communications and also posted on social media networks and our website. For example, we communicated our thoughts on US exceptionalism through a briefing and a video (links can be found by clicking on the icons below);

(II) Sharing our thoughts through speaking at events and external media sources (such as industry publications and media agencies). Examples include our thoughts on the 2025 UK budget (links can be found by clicking on the icons below); and

(III) Our consultants, supported by our research and client delivery teams, provided clients with relevant insights through the materials referenced above and through presentations developed to support effective distribution, such as a presentation produced on risks in private markets, mentioned previously.

Supporting clients integrate sustainability

BW forms a key link between our asset owner clients and the asset managers undertaking stewardship on their behalf. Stewardship (in the form of asset allocating, voting and engagement) is generally undertaken by fund managers selected by our clients based on the advice we provide.

In 2025, we continued to rate asset managers, further rolling out the rating enhancements that we discussed within previous sustainability reports. We have made several enhancements to the way we rate, report on and engage with asset managers over 2025, including:

- Placing a greater emphasis on the stewardship credentials, actions and outcomes for passive asset managers. This included a refresh on all of our stewardship ratings for passive managers over the year (in conjunction with a refresh of our passive asset manager performance ratings by our Manager Research Team). Our SIT worked closely with our Manager Research Team to support a joined-up approach. The below case study considers an example of a review we have conducted of asset managers' stewardship offerings.

Case study 3 – Reviewing stewardship offerings

What was the issue: *A large asset manager introduced a new stewardship offering, and our clients wanted to assess whether it represented a meaningful improvement and aligned with their goal of adopting a comprehensive, market-leading approach. Additionally, one client sought specific guidance on how to challenge their manager's stewardship practices effectively. Our clients wanted clarity on how their manager compared to peers and how to engage constructively.*

What did we do: *We met with the asset manager to review the differences between their new and existing offerings. While the updated approach was closer to the clients' preferences, we identified key gaps between the proposed practices and the clients' expectations. One of the concerns highlighted related to inconsistency of messaging from the same asset manager to company leadership, due to multiple stewardship approaches within one organisation. For the client seeking specific guidance, we shared details from our research rating process for stewardship, including qualitative questions that distinguish market-leading approaches.*

How did we help: *By benchmarking the new offering against stewardship practices we consider best-in-class, we enabled our clients to understand the key differences and highlight areas of potential misalignment. This enabled our clients to decide whether the revised approach met their requirements. For the client seeking specific guidance, understanding our research process empowered them to scrutinise their manager's practices and engage in more informed discussions to drive alignment.*

- Continuing to engage directly with a number of asset managers on their sustainability and stewardship credentials in key areas. Key areas of engagement over 2025 included: data quality and transparency particularly in relation to DEI data, senior-led engagement with managers to improve client outcomes, evolving weapons policies as well as scrutiny of participation in industry initiatives. The below case study provides various examples of our engagement with asset managers over 2025.

  Our research team conducted meetings with managers during 2025. These meetings covered both specific aspects of the management of their funds, but also market-wide issues, so we can identify themes that continue to be raised, or novel ideas which may grow into more significant issues (including systemic risks).

Case study 4 – Engaging with asset managers

The below case study provides a number of different examples of where we have engaged with asset managers on specific issues over the period, and the subsequent outcomes.

Business to business framework

Over 2025, we further formalised our process of engaging with asset managers through our "business to business" framework. The framework assigned a dedicated Partner or Principal (the two most senior roles within our investment consulting team) contact at BW to key asset managers that our clients have exposure to.

An internal feedback loop has also been established, allowing members of the Investment Consulting team to feed into meeting agendas and raise any issues directly with the relevant Partner/Principal, that can subsequently be raised formally with the asset manager, through a single channel.

The role of the Partner or Principal is to provide a feedback loop to the asset manager, and to influence better practice on behalf of our clients through periodic engagements and meetings with the asset managers. Assigning senior positions to this role provides a holistic approach (across business areas) to ownership and places a high level of importance on these interactions. The business-to-business activity is also directly linked to the Partner/Principal's own performance objectives.

Over 2025, we have seen positive impacts from these asset manager engagements. In one specific case, we have experienced material improvements in turnaround times in terms of the manager's Liability Driven Investment (LDI) solutions modelling process, which allows for better client service (including in time of crisis).

In 2026, we will broaden our framework to include more asset managers, while continuing to strengthen best practices among our existing relationships through ongoing engagement. As part of this expansion, we will introduce additional Partners and Principals to the framework, ensuring that senior leadership remains focused on specific asset managers and key issues.

Weapons

Geopolitical events over recent years have led to investors reconsidering their view on the weapons industry, with some examples of a more relaxed stance on weapon industry restrictions (such as exclusions). Whilst reasons vary, common justifications for a more relaxed approach are that investment in the weapons industry: (i) supports the ability of nations to defend themselves against aggressors; and (ii) with a commitment to increased defence spending in Europe, exclusion of the industry may be financially detrimental. Conversely, there are many clients who are unwilling to tolerate certain weapons exposures, citing ethical, reputational and financial materiality justifications.

Due to changing views from asset owners, asset managers have also been re-considering their weapons policies. This has provided us with an opportunity to engage with managers to represent our clients' views. Two recent examples are highlighted below.

An asset manager was gathering asset owners' views on a potential change to their exclusion policy to allow exposure to certain types of weapons within their fund. Specifically, the fund would begin to allow exposure to conventional weapons, but would continue to exclude other types, such as controversial weapons.
Whilst the change to the exclusion policy was not expected to have a material impact on the fund's holdings (and stocks entering the fund would only be permitted if they derived a minority of their total revenue from conventional weapons), the suggested change was one that did not align with one of our client's own Investment Policy. On behalf of our client, we held a call and responded to the manager explaining that such a change would conflict with our client's objectives and would likely result in their divestment from the fund. Having considered all of the different feedback, the outcome was that the asset manager decided not to change the fund's investment policy, but would instead launch a second version of the fund to accommodate investors that upheld a strong view towards the screening being reduced.

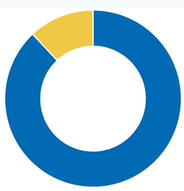
Another asset manager recently informed us of a planned change to their Weapons Policy. The change would remove existing restrictions on conventional weapons, including those supplying defensive ammunition to organisations such as the UK Ministry of Defence (MOD) and allied nations. On behalf of our client, we engaged further to understand how the manager would keep any exposure limited to defensive supply chains. The discussion revealed that the policy change would not apply selectively, but it would be a blanket removal of restrictions on conventional weapons. As a result, there would be no specific criteria to distinguish defensive suppliers, unless captured by other existing screens (for example, human rights policies). This provided our clients with clarity regarding an area that often lacks transparency and consistency.

Diversity, Equity and Inclusion (DEI)

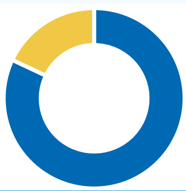
As part of our annual data collection exercise, we continue to request up to date DEI information (both quantitative data and qualitative information) from asset managers. We have previously assisted clients with projects to better understand their asset managers' DEI credentials. In general, we have found that some asset managers have previously had difficulty in providing information and talking about their own DEI credentials. Not having good access to DEI information does not allow investors to fully understand the characteristics of investment decision making teams and may exposure clients to greater risks.

Building on the work during 2024 (please see case study 4 in our 2024 report), over 2025, we continued to engage with managers with an aim of further increasing the data quality and transparency in this area. We engaged with the asset managers that were not able to provide this information, requesting an explanation as to why they could not provide this and also a timeline for being able to provide the information. We found that many of the barriers were around the provision of quantitative data. In such instances, we encouraged managers to base their response on qualitative information instead. The results of these requests are included, as standard, within our sustainability monitoring reports, allowing clients to see which of their managers were not able to provide this information.

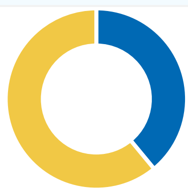
In 2025, we created a tool to allow for comparisons across managers' information. Some key high-level highlights of our findings are illustrated below.



Over 85% of asset managers were able to provide some level of information on their DEI credentials in a standardised format



of which, 82% have a DEI policy / strategy



39% of asset managers have diversity targets, of which 86% are publicly available

In 2025 we provided internal sessions to our whole sustainable investment team, Research team, and DEI consulting team on the research that has been undertaken. This allows more of our consultants, and therefore clients, to consider and understand asset managers' DEI credentials, and make comparisons across more of their clients' asset managers, allowing them to consider the risks and opportunities associated with a manager's DEI credentials.

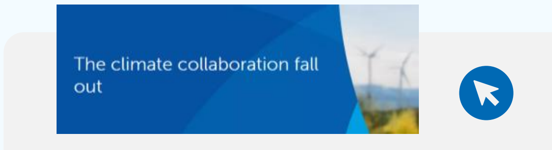
In 2026, our focus will be on the continued analysis of the DEI information, including the quality of the asset managers' DEI processes, procedures and data, with an emphasis on challenging laggards and considering what is standard practice, and also what may be seen as good practice. Nevertheless, we will continue to engage with managers with regards to data availability to help the industry improve as a whole. This is crucial at a time where transparency and disclosure on DEI is being challenged.

Promoting best practice through memberships

Over 2025, we continued to ask asset managers about their membership status to various initiatives, collaborations groups and Codes (such as being signatories to the UK Stewardship Code), including asking them to explain non-compliance. In our asset manager ratings process, we saw that the managers we rate less favourably on sustainability were generally less likely to be signatories to such groups.

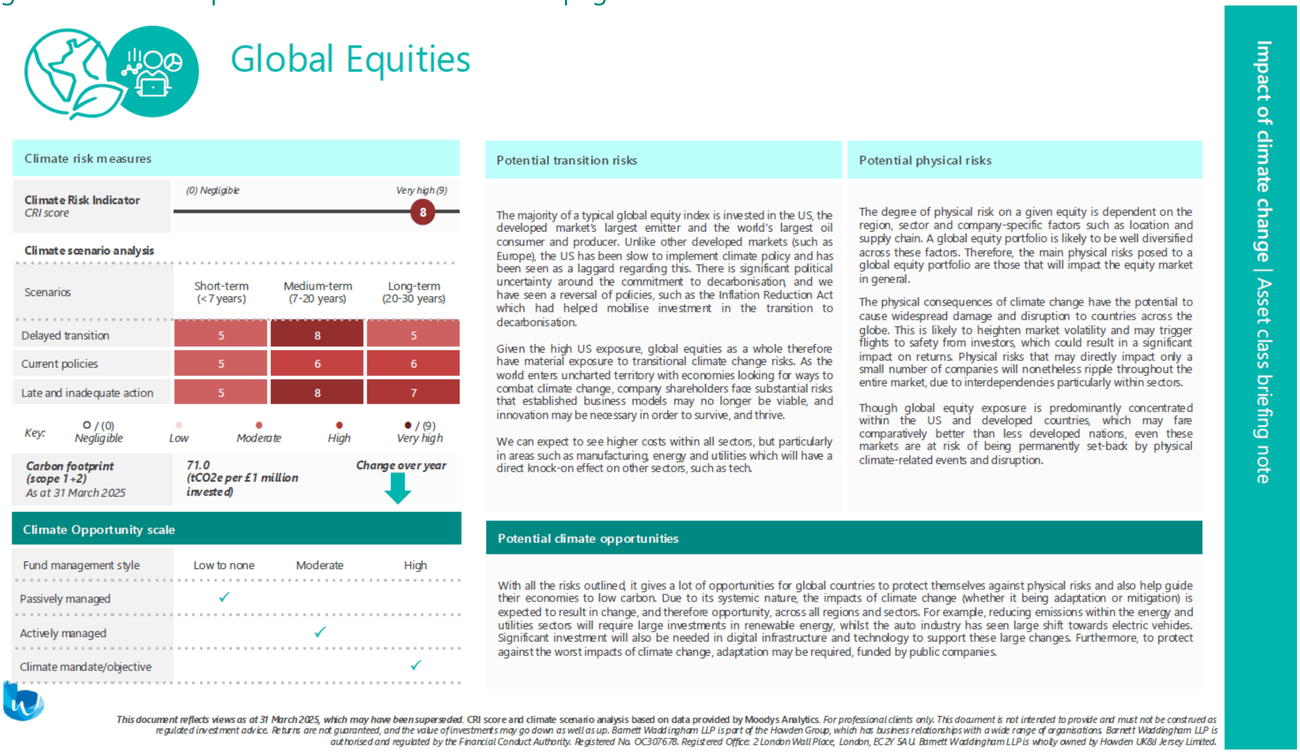
We were pleased to see that during 2025, a manager that we have engaged with regarding their signatory status became a signatory to the UK Stewardship Code. However, as with 2024, there were also a number of high-profile exits from certain initiatives over the year (such as from Climate Action 100+ and the Net Zero Asset Management initiative). In such cases, we have engaged with managers to understand the reasoning for their exits and consider what impact, if any, this may have on their strategies, in particular stewardship actions and net zero ambitions.

During 2025, we released a blog on what we referred to as the "climate collaboration fall out", and our Head of Sustainable Investment Research presented to asset manager representatives at an Association of Investment Management Sales Executives (AIMSE) conference. The presentation focused on what we were seeing from the industry in terms of changes to membership statuses, as well as asset owner expectations around memberships and actions. The key messages were that transparency and continued client alignment remains key, and that signatory status does not always lead to better outcomes, and the devil remains in the detail.



- Updating our sustainability monitoring reports and climate one-pagers to give clients the most up to date metrics that support our thinking in this area, as well as a focus on key aspects. This included adding a data point on the availability of DEI data from the asset managers within our monitoring reports (and subsequent engagement with asset managers on this metric, as above), as well as updating our climate risk analysis (including data provider and qualitative analysis) to better reflect climate risk (in particular physical risks) within asset classes. The below figure 2 illustrates our updated climate one-pager research over 2025, using global equity as an example. We have produced this research for all major asset classes that our clients are exposed to.

Figure 2 – Global equities climate asset class one-pager



Global Equities

Impact of climate change | Asset class briefing note

Climate risk measures

Climate Risk Indicator *CRI score* — *(0) Negligible* … *Very high (9)*: 8

Climate scenario analysis

Scenarios	Short-term (<7 years)	Medium-term (7-20 years)	Long-term (20-30 years)
Delayed transition	5	8	5
Current policies	5	6	6
Late and inadequate action	5	8	7

Key: ○ / (0) *Negligible*; *Low*; *Moderate*; *High*; ● / (9) *Very high*

Carbon footprint (scope 1+2) *As at 31 March 2025*	***71.0 (tCO2e per £1 million invested)***	***Change over year*** ↓

Climate Opportunity scale

Fund management style	Low to none	Moderate	High
Passively managed	✓		
Actively managed		✓	
Climate mandate/objective			✓

Potential transition risks

The majority of a typical global equity index is invested in the US, the developed market's largest emitter and the world's largest oil consumer and producer. Unlike other developed markets (such as Europe), the US has been slow to implement climate policy and has been seen as a laggard regarding this. There is significant political uncertainty around the commitment to decarbonisation, and we have seen a reversal of policies, such as the Inflation Reduction Act which had helped mobilise investment in the transition to decarbonisation.

Given the high US exposure, global equities as a whole therefore have material exposure to transitional climate change risks. As the world enters uncharted territory with economies looking for ways to combat climate change, company shareholders face substantial risks that established business models may no longer be viable, and innovation may be necessary in order to survive, and thrive.

We can expect to see higher costs within all sectors, but particularly in areas such as manufacturing, energy and utilities which will have a direct knock-on effect on other sectors, such as tech.

Potential physical risks

The degree of physical risk on a given equity is dependent on the region, sector and company-specific factors such as location and supply chain. A global equity portfolio is likely to be well diversified across these factors. Therefore, the main physical risks posed to a global equity portfolio are those that will impact the equity market in general.

The physical consequences of climate change have the potential to cause widespread damage and disruption to countries across the globe. This is likely to heighten market volatility and may trigger flights to safety from investors, which could result in a significant impact on returns. Physical risks that may directly impact only a small number of companies will nonetheless ripple throughout the entire market, due to interdependencies particularly within sectors.

Though global equity exposure is predominantly concentrated within the US and developed countries, which may fare comparatively better than less developed nations, even these markets are at risk of being permanently set-back by physical climate-related events and disruption.

Potential climate opportunities

With all the risks outlined, it gives a lot of opportunities for global countries to protect themselves against physical risks and also help guide their economies to low carbon. Due to its systemic nature, the impacts of climate change (whether it being adaptation or mitigation) is expected to result in change, and therefore opportunity, across all regions and sectors. For example, reducing emissions within the energy and utilities sectors will require large investments in renewable energy, whilst the auto industry has seen large shift towards electric vehicles. Significant investment will also be needed in digital infrastructure and technology to support these large changes. Furthermore, to protect against the worst impacts of climate change, adaptation may be required, funded by public companies.

- Updating our implementation statement template to better reflect developments within the industry, the ability to achieve better outcomes from the reports, and expectations from the regulator. Over 2025, an executive summary was added at the beginning to clearly highlight alignment with Statement of Investment Principles (SIP) policies from the outset. This has enabled the regulator, trustees, members and stakeholders to better understand the key takeaways and potential actions to consider from the report.

- Helping clients better understand the information they were receiving from asset managers. Whilst this is generally achieved on an ongoing basis through our sustainability monitoring report and consulting, there were instances over 2025 whereby we helped clients take a deeper dive into some areas of reporting including DEI data, social metrics and emissions data. The below case study highlights an example of where we provided training to a client to allow them to better understand the nuances of emissions reporting.

Case study 5 – Carbon emissions training

Over the year we provided training on calculating emissions associated with investments for a corporate investment committee.

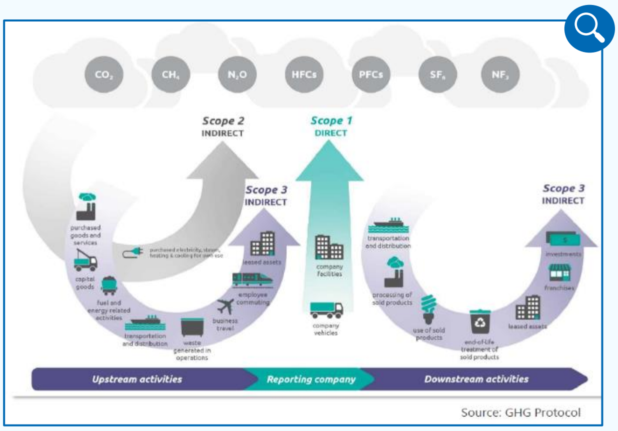
What was the issue: *The client wanted to understand how carbon emissions, associated with their corporate balance sheet assets, are calculated. The finance committee were familiar with emissions reporting for their business activities, and the client is at the leading edge in supporting climate risk measurement and management across multiple industries. However, they felt that our independent support would also be valuable for its own approach.*

What did we do: *For several years, we have provided the client with an annual sustainability monitoring report, which includes emissions data for their investments, across multiple scopes. These reports have helped the client track the emissions exposure of their investments. In 2025, the client requested additional clarity on the methodology behind these calculations and how emissions are attributed to investors.*

To address this, we organised a dedicated training session for a sub-committee of the Investment Board, which covered:

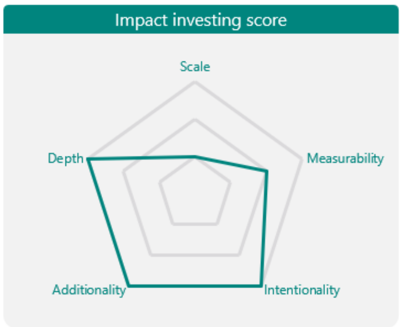
1) *The fundamentals of emissions measurement, including the different scopes of emissions (Scopes 1, 2 and 3);*
2) *How emissions from company activities are proportionally allocated to investors;*
3) *The different metrics for measuring carbon exposure for investments; and*
4) *Asset class specific nuances relating to emissions and how this translates to their portfolio.*

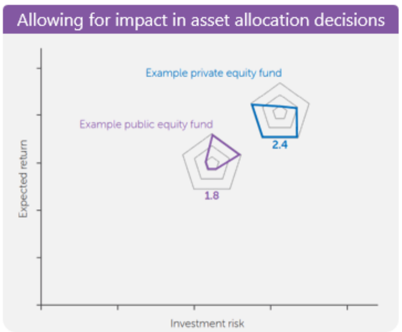
How did we help: *Our training session enabled the board to interpret their emissions reporting more accurately. This understanding also helped them to further scrutinise the potential climate risks within the portfolio and to have more confidence connecting emissions data with potential financial and reputational risks. Understanding the methodology, including the differences and nuances between business and investment activity, also allowed for better comparability across the corporate entity and their investment strategy.*

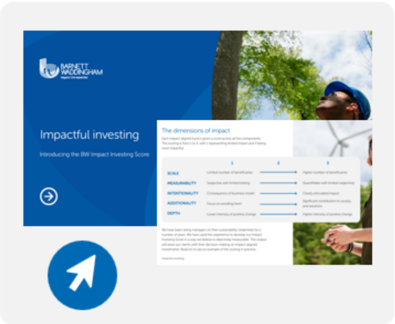


- The creation of an impact investing score in 2025 (see our blog here), to help clients measure the level of impact that their investments are creating. Our proprietary score simplifies complex quantitative data and qualitative information into easy-to-understand metrics. It enables investors to compare funds across diverse asset classes, from niche private equity solutions to global public equity opportunities, while balancing traditional financial metrics with meaningful social and environmental impacts. The score is split into five sub-components, to allow clients to consider which element is most relevant for them.

  The score goes beyond considering impact in isolation, and allows investors to consider impact alongside their more traditional objectives (such as risk and return). The below graphics detail the score components and consider how plotting the impact score along with the expected return and risk allows for a more holistic approach to asset allocation decisions.







We have assessed a number of impact funds against our impact investment score and have had discussions with various investors on how this can aid them in measuring the impact being created within their investment portfolios. Our score has been developed to cater for all types of clients with various impact objectives. For example, whilst we believe that there are opportunities to deliver impact while also generating at or above market rates of return, we have had discussions with investors who are willing to accept below market rates of return to deliver the specific impact desired.

The following sub-sections provide some examples of how we have supported a range of different clients with varying objectives and requirements including ethical investing, net zero and climate, stewardship (through voting and engagement) and impact over 2025. We do not have house views when recommending solutions to clients. Instead, our approach is to recommend the approach most suited to their needs. As such, each consultant takes a holistic view when considering the incorporation of sustainability considerations with their clients.

Ethical investing

The continuation of geo-political events and the ESG backlash has resulted in a number of clients re-considering their ethical objectives over 2025. A key topic has been the exposure to weapons within an investment portfolio (see case study 4 for an example of how we have been engaging with managers and clients on this issue).

More generally, over 2025 we continued to encourage clients to regularly review their ethical policy, helping them keep it aligned to their objectives, relevant (given the fast-changing landscape), and realistic in terms of being able to integrate them into their investment strategy. The below case study considers a recent example of aligning a charity's mission with its investment objectives.

Case study 6 – Implementing an ethical investment strategy

During 2025, we supported a client with implementing an ethical investment strategy.

What was the issue: *A charity client was reviewing its investment arrangements, which included strict ethical exclusions to align with its mission. These restrictions were non-negotiable, requiring a tailored solution that could meet both financial objectives and adhere to the ethical criteria*

What did we do: *Throughout 2024 and 2025, we worked closely with the Trustees to understand their financial goals and the implications of their ethical investment policy. In 2024, we developed a shortlist of suitable managers and facilitated discussions on their approaches to implementing the strategy. As part of the shortlist, we also considered the managers' approaches to stewardship to help align with the Trustees' views. Our recommendation focused on asset managers and strategies that not only complied with the exclusions but also embraced a stewardship philosophy aligned with the charity's aim of improving corporate governance and considering societal impact.*

How did we help: *In 2025, we implemented the agreed strategy across multiple managers, incorporating both equity and credit elements, all strictly adhering to the ethical policy and aiming to meet the strategy's financial objectives. We note that the contents of the Ethical Investment Policy are under continuous review and so to allow flexibility for future updates, we proposed a segregated account structure, enabling adjustments as the charity's ethical criteria evolve.*

Net zero and climate investing

2025 was a pivotal year for climate change, with rising temperatures coupled with divided political opinions. These events have put both physical and transition climate risk in the spotlight, with the severity of a number of natural disasters over the year being attributed to rising temperatures, whilst the US, the world's largest economy and one of the world's largest fossil fuel emitters, changed a number of their climate commitments.

As per the case study overleaf, we also assisted clients with their net zero and climate objectives, as well as their regulatory requirements. We aimed to avoid these requirements becoming a tick box exercise by adapting our climate analysis framework to provide decision-useful outputs.

Case study 7 – Assessing climate risk within clients' investment strategies

What was the issue: *We have experienced a growing number of Local Government Pension Scheme (LGPS) fund clients set net zero targets and ambitions against their investment strategy. Key drivers have included:*

- *The risks and opportunities associated with the transition to net zero;*
- *The risks, including systemic risks, associated with increased temperature rises; and*
- *The alignment with the LGPS fund's administering authority (which is usually a local authority) in terms of declaring climate emergencies and / or setting net zero ambitions.*

This has also coincided with recommendations from the Ministry of Housing, Communities and Local Government for the Scheme Advisory Board to continue refining the climate-risk analysis principles document ahead of the LGPS funds' 2025 actuarial valuations in England and Wales. As a result, four actuarial firms (including BW) agreed a set of key principles with the Government Actuary's Department for how LGPS funds would undertake climate change scenario analysis as part of the 2025 valuation process.

What did we do: *Using the established key principles, we used our in-house climate analysis framework to help LGPS fund clients meet the recommendations, whilst also considering their wider climate objectives by providing a comprehensive climate scenario analysis report.*

Our in-house climate analysis framework has been set up to not over rely on climate data, which we continue to view as not being robust and is non-exhaustive in terms of risks, and instead uses a mixture of quantitative and qualitative information to assess the climate risks and opportunities associated with an LGPS fund's investment and funding strategy.

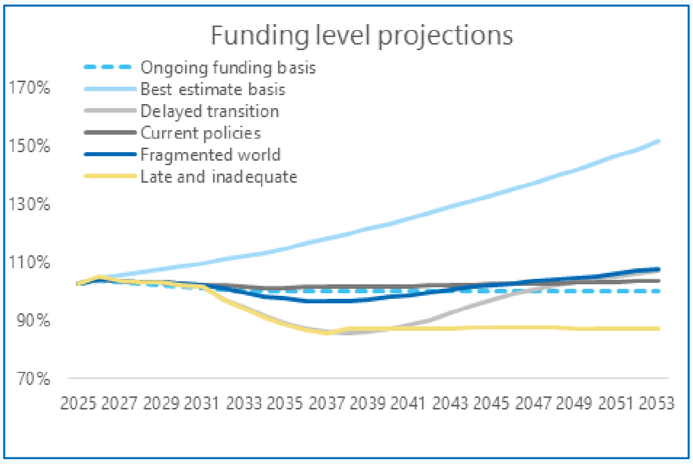
As part of the standard analysis that we did for all of our LGPS fund clients, covering over £80 billion in assets under management, we considered both quantitative climate risk analysis on the LGPS funds' assets and liabilities (covering both transition and physical risks), as well as qualitative analysis for risks that were either: (i) not yet covered; and / or (ii) were seen to be only part reflected, by the climate modelling. We also offered additional climate analysis on the LGPS funds' assets, to allow for deeper analysis of the LGPS funds' investment strategies.

Quantitative analysis

The quantitative analysis focused mainly on physical and transition risks, which we believe are only partly reflected in the modelling, so we addressed the missing elements through our qualitative assessment and our in-house "late and inadequate action" climate scenario, which incorporates greater downside risk by assuming a mixture of delayed and insufficient climate action.

Using climate data across different asset classes, we projected the LGPS funds' assets and liabilities over a 30-year period under two funding basis assumptions and four climate scenarios.

Whilst the analysis provided projections of the LGPS funds' experiences across various scenarios, we were not trying to predict the future, and experience may be significantly different. Therefore, we stressed the point that these projections should be used as a narrative or illustration to demonstrate the risks that the LGPS funds could be exposed to, and should be accompanied with qualitative analysis (and further asset analysis, if required by the client).



Qualitative analysis

Within the analysis we considered the key risks that we believed were not fully reflected in the quantitative analysis, covering areas such as employer covenant, investment, inflation, mortality, legislative, litigation, climate tipping points, geopolitical, and planetary boundary risks. We highlighted the most material and relevant ones for our LGPS clients, recognising that these risks continue to evolve over time.

Additional analysis:

For LGPS fund clients that requested additional analysis on their investment strategy, we used our in-house Climate Risk Indicator (CRI) scoring framework to provide insights on the climate risks within their specific investment strategy.

Our CRI score considers an investment's climate risk impact on expected return (that is, the difference between an optimistic climate scenario and our "late and inadequate action" climate scenario, the latter includes the existence of both physical and transitional risks). The CRI score is scored on a scale from 0 (negligible impact) to 9 (severe impact), as per the scale below, and goes beyond considering risk at an asset class level by incorporating both an investment fund's underlying asset class(es) as well as its own unique characteristics (with the recognition that no two investments within an asset class are the same). The score is derived using a combination of qualitative and quantitative analysis.

CRI score scale | Expected potential "climate risk impact" over a long-term horizon, under a pessimistic scenario

0	1	2	3	4	5	6	7	8	9

Negligible to low ⇔ Medium ⇔ High to severe

We demonstrated to the client how the CRI scores can be used for decision-making (the table overleaf represents the LGPS fund client's equity portfolio for illustrative purposes, but the actual analysis was done across all assets).

	0 - 5	6	7	8	9
Fund A - Global Equity Fund	None of the client's equity funds scored lower than '6' on the CRI scale	6	7	8	9
Fund B - ESG Global Equity Fund		6	7	8	9
Fund C - Global Equity Fund		6	7	8	9
Fund D - Global Equity Fund		6	7	8	9
Fund E - Global Equity Fund		6	7	8	9
Fund F - Emerging Market Equity Fund			7	8	9
Fund G - Emerging Market Equity Fund			7	8	9

The coloured squares represented where an equity fund sits on the CRI scale, whilst the numbered range represents the potential range of scores for a specific asset class and the blue squares represent where an 'average' equity fund in that asset class would sit, based on our assessment. For example, an average global equity fund would have a CRI score of 8 (hence the box around the 8 on the global equity rows). The global equity funds with the best CRI would score 6, and the worst would score 9.

A key finding was that, due to their specific characteristics and despite not being 'ESG' or climate' strategies, some had lower scores to their peers (owing to a mixture of strong climate risk management and the type of assets they were mandated to invest in), whereas others had higher scores (owing not to them being 'bad climate actors', but rather the types of assets that the strategy is mandated to invest in).

This allowed our LGPS fund clients to look beyond the asset class level analysis and focus on the specific and unique characteristics of their strategies. The follow-up action was to engage with the relevant asset manager and asset Pool on the results.

***How did we help**:*

Combining the above analysis, we were able to help our clients to assess the level of climate risk within their investment strategy. This allowed for a number of outcomes, such as:

1. *Consideration of the proposed mitigating actions that we suggested against each qualitative risk.*
2. *Understanding and becoming comfortable with the level of risk, or seeking further mitigation methods through, for example, engagement with asset manager / Pools.*
3. *An allowance of climate risk within the level of prudence within their funding basis, as assumed by the LGPS fund's actuary.*
4. *Consideration when setting contribution rates for the participating employers in the LGPS fund where our analysis suggested volatility and deterioration of investment returns in the medium term.*

This analysis formed part of the LGPS fund clients' 2025 actuarial valuation and will be incorporated into the areas above relevant for each LGPS fund client. The analysis provides a more holistic approach to monitoring climate risks (that is, not treating net zero as simply a carbon accounting exercise) and can assist LGPS fund clients when setting and meeting their net-zero or wider objectives.

Stewardship – through voting and engagement

Over the past few years, we have seen a material reduction in support for environmental and social shareholder resolutions. 2025 was no different, with some now referring to this as a “stewardship recession”. There are numerous factors which have led to the decline in support for shareholder resolutions, including the volume of resolutions proposed, the quality/clarity of these resolutions and outside pressures. Whilst our data backs up a material fall in support (especially for US asset managers) and provides a potential cause for concern, we do see positive signs in terms of: (i) support for governance resolutions; and (ii) engagements. It is important to exercise caution when assessing the significance of these engagement conversations, as it is difficult to determine their depth without direct participation. But we are nonetheless cautiously optimistic that managers are continuing to engage on topics that are financially material to asset owners.

As per case study 3, we have helped a number of clients to review the stewardship credentials of their managers over the year. The following case study highlights how we helped a charity client navigate concerns around corporate practices through a tailored stewardship strategy.

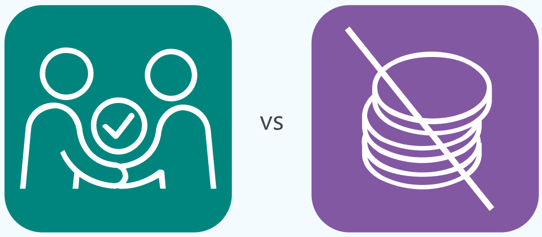
Case study 8 – Engagement vs divestment

During 2025, we supported a client with reviewing their stewardship approach.

What was the issue: *A charity client expressed concerns that some business practices of large-cap companies in their equity portfolio conflicted with their core values and could negatively affect their members. While focused on achieving strong investment returns, the Trustees also sought to avoid any indirect support for practices they opposed. Their challenge was to address these concerns without compromising their investment objectives.*

What did we do: *We began by outlining two principal options available to the charity: divestment or active engagement. We explained the financial and practical implications of each approach, highlighting that divestment could reduce exposure but might also limit diversification and potential returns. Conversely, engagement strategies, such as exercising voting rights and initiating dialogue, offered a way to influence corporate behaviour while remaining invested. This helped the client understand that advocating for change as a shareholder was a viable and often effective path for real world change.*

How did we help: *As the charity wasn’t large enough to engage directly with company leadership, we arranged a meeting between the client and their asset manager to review the manager’s stewardship approach. This discussion enabled the Trustees to evaluate whether the engagement strategy aligned with their principles. Following the meeting, the Trustees were reassured that the manager was in active dialogue with the companies, regarding the practices they opposed. With this alignment confirmed, the charity felt confident continuing its investment while advocating for change.*



Impact investing

There has been an increasing number of clients that are interested in allowing for impact in their investment strategy. As a result, we developed an impact score in 2025 (more information can be found in previous sections of the report) and have continued to assist clients in evolving and implementing their impact strategies.

The case study overleaf details the multi-year process that has been undertaken to support a client in creating and implementing their impact objectives across various asset classes.

Barnett Waddingham
Part of Howden

Case study 9 – Developing an impact strategy

In 2025 we continued to work with a university pension scheme as they consider the impact their investments can have through their investment portfolio. This has been a multi-year project that involved working with the client to integrate sustainability and impact within the Scheme's investment strategy (as per case study 9 in last year's BW sustainability report).

2021	*Our work with the client on Impact investing began in 2021, where we provided training on what Impact investing entails and how it can be implemented. Following this, the client updated their Responsible Investment (RI) Policy to include Impact and earmarked part of their portfolio for an impact investment.* *Although not dedicated impact portfolios, the client also allocated assets to an ESG and climate tilted passive equity fund in 2021.*
2022	*In 2022 we discussed different approaches to implementing an impact allocation with the client (via both public and private markets), and agreed to make this allocation through listed equities.* *During 2022, our manager research team and SIT met and rated a number of asset managers for this mandate, and produced an initial longlist. We discussed the features of the fund on the long list with the client and reduced this to a shortlist of funds for the client to meet with.*
2023	*The client met the shortlisted managers during 2023. We worked closely with the managers ahead of this meeting. During the year, we also assisted the client when setting stewardship priorities around environment and climate. These priorities were a key consideration when reviewing the impact of asset managers and their alignment to the Scheme's objectives.* *We identified that there were varying approaches to integrating impact investing for each of the funds on the shortlist. Therefore, we worked closely with the managers ahead of the meeting to check that the following were clearly explained during the presentation to the client:* *1) Investment process for each fund;* *2) How Impact is integrated;* *3) How stewardship is used to enhance impact; and* *4) How the fund's Impact is measured.* *We guided the client through a discussion to identify which fund would be the best fit for their scheme, and this involved balancing the objectives (including sustainability and stewardship objectives, and priorities) and track record for each fund in terms of return and impact. The client ultimately decided on one of the funds for the mandate, and an investment was made during 2023.*
2024	*The client looked to enhance their understanding of the latest climate-related risks and opportunities by holding a specific climate training day, which we attended. Leveraging internal university resources, the ultimate aim of this was to consider future strategic investment design aligned with climate related risks and opportunities.* *We also helped the client to hold a separate training day focusing on 'mega trends', which include climate-related opportunities. This included consideration of impact investment aligned with the transition to a low carbon economy, for example sustainable forestry.* *The client had existing commitments to private market investments, which will reach maturity and ultimately pay out over the next few years. The client used their enhanced knowledge of climate risks and opportunities to consider investing in climate impact as their existing private market allocations roll off.*

2025	*During 2025 the client further developed their understanding of investments that could be used to replace their existing private market investments, which are due to mature in the coming years. Similarly to 2024, we took part in a training day with the client, which involved considering opportunities to make an impact through their investment strategy. The options considered here were for the client's non-equity growth assets.* *As part of the session, we discussed different approaches to making an impact alongside financial returns, which will be important when deciding how to make these investments. We discussed whether the client would prefer to make a broad impact across a number of areas, or a targeted impact aligned with their priorities.* *Examples of some of the options discussed include impact infrastructure, impact private equity, and natural capital. The client also discussed the potential for focusing the impact objective on the local region.* *Overall, the sessions held during 2024 and 2025 have laid the groundwork for the client to consider investment opportunities arising that meet their investment objectives whilst also producing a positive impact.*

Taking account of clients' views and feedback in provision of services

We receive feedback from clients both through formal partner reviews and also via our ongoing work and discussions with our clients. These insights are invaluable in helping us understand what matters most to our clients and where we can improve.

To complement this, we also commission Investor in Customers to conduct a client satisfaction survey on our behalf every two years. In 2025, we achieved the highest level 'Gold Award' for a fifth successive time for our consultancy and pension administration services. We consistently scored highly across the four guiding principles: understand client needs; meet client needs; delight clients; and engender loyalty.

However, feedback from clients is only meaningful when it leads to action. Where clients have raised concerns or suggested improvements, we have responded proactively. Below are some examples of how we adapted our services in 2025 based on insights from the satisfaction survey and other ad-hoc feedback.

- We integrated our SIT forums into our quarterly team meetings where a SIT member now leads discussions on emerging sustainable investment themes (more information on page 4).
- Historically, there has been a view that impact investing is philanthropic, with some impact motivated investors willing to accept below market rates of return to deliver the impact desired. More recently however, the market has recognised that there are opportunities to deliver impact while also generating at or above market rates of return. The biggest challenge for investors has been how to assess impact. For this reason, driven by client demand, we created an Impact Investing Score, an approach which uses a mixture of quantitative and qualitative analysis, which helps investors assess impact opportunities (see above).
- The continued criticism of quantitative climate scenario analysis within the industry was an opportunity for us to continue to promote and develop our in-house climate scenario framework (that uses a mixture of quantitative and qualitative analysis). As a result, the framework now uses updated data, expanding our asset class coverage and enhancing our assessment of climate risks (in particular physical risks) for asset owners. When choosing a new data provider, we undertook due diligence across over 90 climate data provider solutions to create a shortlist of five providers that we felt best met our clients' needs. We met with and received a demo from the five shortlisted providers, and undertook enhanced due diligence to choose a single provider that we felt was most aligned to our framework and clients' needs.

Compared to the previous data, our scenarios can now illustrate more severe climate impact risks, which aligns with the latest scientific research on this topic. There is greater recognition of long-term physical risks within the new model. However, crucially, our approach to climate modelling remains to focus on decision-useful outputs for clients and not on the numerical outputs from evolving modelling and assumptions.

Client and industry feedback on issues that are not uniquely sustainability-related also influenced our development plans. Some of these are:

- During 2025 we released our new investment monitoring platform, Lighthouse. The platform was created following client feedback, particularly around the lead-time between the reporting date and the report being released, which is an industry-wide issue. Key features to the platform are:
    - Regular oversight – daily tracking of performance, funding, risk, liquidity, hedging and more, reducing the lead time between the analysis date and clients receiving the information.
    - Actionable alerts – notifications go to consultants when thresholds are approached or breached, allowing for action to be taken quickly.
    - Consultant-led – our people remain central, interpreting data and advising on next steps, helping clients avoid knee-jerk reaction and drawing on our consultants' expertise for support.
    - Anytime reporting – on-demand reports available when needed, reducing barriers to information.
    - Scalable – works across portfolios and supports self-service for quick access to information, allowing for comparability and reducing barriers to information.

  Lighthouse has empowered clients with timely, accessible insights to support faster and more informed decision-making, thereby allowing them to better mitigate risks and access opportunities.

- Following queries from clients around their private market exposure, we explored whether risks within the private market space were systemic (more information can be found on page 10). To accompany this research, we produced a presentation deck for our consultants to deliver to clients. Whilst this provided clients with some reassurance, the slides also highlighted the risks that clients should be considering within this space, as well as what could change our conclusion in future. This allowed our clients to better assess their risk exposures within the private markets space.
- Over 2025, we produced several follow ups throughout the year to our 2024 guidance on narrow credit spreads, to allow for current market conditions and provide further guidance on key considerations for clients. We also investigated the extent to which narrow spread levels had weakened the link between spreads and insurer pricing and fed back our findings to the wider investment team, alongside implications for clients holding credit ahead of a buyout.

Adding value through the provision of services

In 2025, and as per case study 7, LGPS fund clients were required to undertake climate change scenario analysis as part of the 2025 valuation process. We adapted our climate analysis framework to meet these clients' specific needs. Designed to be dynamic, the framework was updated in collaboration with a cross-firm task group to help keep it robust, decision-useful, and suitable for different client circumstances. These updates aligned with the renewal of the underlying climate data, and the task group was closely involved in selecting a new, flexible data provider capable of supporting a wide range of client requirements.

Engagement and collaboration with industry and community

Engagement and collaboration with industry

Memberships and engagement with industry stakeholders

Through our memberships to the industry groups mentioned in our Policy and Context Disclosures report, we have been involved in a number of industry wide projects and workstreams over 2025. These included:

- Our Head of Sustainable Investment Research represented BW on the Steering Committee of the ICSWG. Furthermore, they were also part of the "raise the bar" workstream of the group that formulates guidance on best practice for the industry. Over the year, we have engaged with and provided comments and input into various pieces of work produced by the ICSWG, including consultations and industry guidance such as industry templates and an Engagement Reporting Guide. Through this group, we have also met with industry stakeholders, such as the Trustees' Sustainability Working Group, regulators and other industry groups, to represent our clients and share knowledge and experiences.

- A member of our SIT represents BW on NZICI. Over the year, we have engaged with and provided comments and input into various pieces of work produced by NZICI, including industry guidance (such as NZICI's "Manager Assessment Working Group Assessment Guide").

- We have attended events held by industry groups which we are members of and shared experiences. Examples over 2025 were the PRI's Climate Adaptation & Resilience workshop and PRI's Index Investing session. Both sessions allowed for constructive challenge and sharing of best practice with peers to help raise the bar within the industry.

Our involvement in these groups allows us to use scale to represent our clients within the industry.

Our partners and employees have continued to contribute meaningfully by serving as Trustees on Boards and taking on leaderships roles to support charities in areas such as finance, governance, and operational management. We are also proud to maintain our commitment to the Institute and Faculty of Actuaries (IFoA) Foundation, where we support mentorship for students and remain a dedicated Silver Partner.

We have also engaged with regulators and responded to numerous industry consultations, both through our membership to ICSWG, and also as an individual firm. In 2025, this included responses to the Department for Energy Security and Net Zero (DESNZ) consultation on transition-plan requirements, the Department for Work and Pensions' (DWP's) review of climate-governance regulations, an ICSWG letter to the Financial Conduct Authority (FCA) on proposed ESG rating provider regulations, and the Net Zero Asset Management initiative's (NZAM's) consultation to updates to its Commitment Statement.

Our response to these consultations allows us to represent our clients (who may not otherwise be represented), challenge proposals on behalf of our clients and also contribute to raising the bar across the industry as a whole.

Industry releases and events

Over the year, we also released various thought pieces and blogs, hosted various industry events, spoke at numerous roundtables and seminars, and contributed to industry publications and output. Some examples over 2025 are provided below:

1. In the face of heightened geo-political risk, we undertook research and wrote a briefing on US Exceptionalism during 2025 (more information can be found on page 10).
2. At our 2025 charities breakfast, the Head of our SIT discussed the planetary boundaries framework and how, as universal owners, the framework could help charities to take a system-wide approach to sustainable investing. Historically, there has been a focus on exclusionary investing in the charity space (see case study 1 for more information).

3. Our Head of Sustainable Research discussed the interconnected links between climate change and nature at a MallowStreet conference. In line with encouraging our clients to take a systems wide approach, they challenged those in the audience to look beyond climate change risk management as an emissions carbon accounting exercise and consider other risks and opportunities.

DE&I within the industry

With regards to our internal DE&I initiatives, there were several key achievements in 2025, including:

- A successful International Women's Day, featuring stories and support from colleagues across the firm.
- Enhanced family-friendly policies.
- A dedicated DEI workshop day with network leads and the People & Culture team to share ideas and plan for the year ahead.
- A more inclusive Early Careers recruitment process, introducing adjustments, standardised interviews, improved guidance, and removing CVs.
- Launch of the mental health first aider framework.

Over 2025, we also worked across the industry on DEI matters, including:

- Recruiting two interns through the 10,000 Interns Foundation, and integrating them into our wider intake.
- As part of our partnership with GAIN, we hosted an annual insight event in London exclusively for Girls are Investors (GAIN) participants. We also closely track applications from GAIN participants applying to our summer internship programme and have seen a notable increase in candidates progressing through our recruitment process.
- We also partnered with Future Asset for various volunteering roles, including becoming a Competition Coach for their annual Growing Future Assets competition. This involved supporting young girls to develop and present an investment case on a chosen company.
- Additionally, BW became signatories to the Women in Finance Charter in 2024 and pledged to address gender inequality in senior roles. The five-year target is for 35% of Partners to be female by 2029. In 2025, BW's level is 28% (more information is available on our website).
- We worked with UpReach to support students from less advantaged backgrounds. For our 2026 summer internship intake, during 2025, we received 62 applications from UpReach, which was a 50% increase on the previous year.

Engagement and collaboration with community

Details on our impactful initiatives can be found within our annual impact report. Below we have detailed some of the key outcomes of our impact within the community.

Volunteering, in-house fundraising and matched funding

Our volunteering initiatives supported a range of causes including community care, personal development initiatives, and professional skills offerings across a variety of charitable initiatives in the UK. Over 2025, a total of 1,474 hours were dedicated to volunteering efforts. These hours were contributed by 247 individual volunteers, reflecting a strong culture of community engagement and social responsibility across the organisation.

As part of our approach to empowering employee-led philanthropy, we matched charitable contributions made by our employees, resulting in an additional £16,700 raised for causes close to their hearts.

Our employees actively and generously engage in our in-house fundraising efforts and contribute personal gifts and clothing and food supplies to support various charitable activities.

Fundraising and donation support overview

Charitable donations during 2025 amounted to over £94,000 reflecting our partnerships with several organisations.

Our partnership with the Trussell Trust underscores our ongoing focus on alleviating food insecurity and making a meaningful difference on the lives of those experiencing crisis. We donated around £10,000 to the Trussell Trust over 2025.

We also have a partnership with The Charlie Waller Trust, an organisation dedicated to raising awareness about mental health and providing vital resources for mental health education and support. This year, we contributed £58,000 to the charity trust, supporting its mission to provide young people, parents, and professionals with the skills and resources they need to understand and manage mental health challenges.

Reviewing policies and activities

During 2025, the SIT met at least monthly to review our workflow, policies and activities to help support clients' sustainable investment and stewardship goals. Information was then shared with the wider Investment Consulting team (through weekly catch ups and a weekly research email) and the firm's wider sustainability groups (specifically to either the Sustainability Working Group or the Sustainability Steering Group, with SIT representation on both). Please see the 'Governance' section of the Policy and Context Disclosure report for more information on these groups.

Some areas in which the SIT undertook specific reviews in 2025 are listed below.

- Over the year, we conducted a detailed review of the sustainability practices of leading bulk annuity insurers, giving each a sustainability rating relative to peers, either 'ahead', 'on par' or 'behind'. This process draws on direct responses to the Bulk Annuity Sustainability Survey (BASS), public disclosures and our own engagement with providers. The insights we gather cover a range of factors, including:
    - Integration of sustainability into investment beliefs and governance;
    - Clarity and ambition of climate- and nature-related targets;
    - Quality and transparency of reporting;
    - Depth of stewardship and engagement activities; and
    - Alignment with industry initiatives and best practices.

  By systemically collecting and analysing this information, we can identify strengths and areas for improvement for each bulk annuity provider, helping clients make informed decisions when selecting an insurer and meeting regulatory requirements.

- We undertook a review of sustainability in LDI managers to better understand how ESG risks are being addressed across the market. As part of this, we issued a data request to all LDI managers that we rate Acceptable or High Conviction, focusing on how sustainability is embedded within their LDI and money market fund processes. This review shed light on how ESG risks are integrated into each LDI manager's framework and to highlight ongoing challenges, particularly around transparency and data consistency.

- We continued to develop systems and processes with help of our IT team and the wider Investment Consulting team. These developments aimed to support data collection, checking, and reporting of sustainability and stewardship information for clients.

- General updates to our internal and external materials, examples are detailed throughout this report.

We will continue to periodically review our processes, policies and activities over 2026. A key focus in 2026 will be integrating into Howden and sharing our resources, expertise and experiences to share best practise and better deliver to both sets of client books through synergies and opportunities. Early discussions have been around how our climate analysis framework could benefit their clients in decision making, and how their assurances services could help our clients better communicate their sustainability credentials to stakeholders.

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Managing Conflicts of Interest

We continued to identify, monitor and manage actual and potential conflicts of interest that arose between our clients and us in 2025. Our transparent and well-defined approach to managing conflicts of interest has helped support the efficient and integrity-led conduct of client business across the organisation. More details on our Conflicts of Interest Policy (as at 2025) can be found in the Policy and Context Disclosures Report. At the time of writing, our Conflicts of Interest Policy was last reviewed in May 2025, and will be reviewed annually.

As our business continues to grow and diversify, managing potential conflicts of interest has become increasingly important, particularly when serving clients across multiple service lines. The case study found below highlights how BW has proactively addressed these challenges within our insurance and investment consulting services during 2025.

Case study 10 – Managing conflicts of interest

What was the issue: *BW operates across multiple business areas, serving a range of clients within the industry, including insurers and their service providers. As part of our insurance and longevity consulting services, we offer audit support, where we are appointed by auditors to review their audit work of individual insurance companies. In addition, through our investment consulting services, we provide investment monitoring for insurers, reviewing their investment portfolios and asset managers. There are some insurance companies where we both:*

- *Provide investment monitoring services to them; and*
- *Review the work of their auditors.*

This monitoring must also align with the standards set by the insurers' auditors, posing a potential conflict.

What did we do: *To uphold our conflicts of interest policy, we maintain strict segregation of duties. Specifically, no individual is permitted to work on both audit support and investment monitoring for the same client. We also enforce robust controls, including restricted access to folders, files, and communications between teams. Importantly, our investment monitoring focuses solely on historical data and service levels, without granting any authority over the entities involved.*

Over the period, we actively sought third-party assurance by engaging with audit firms to confirm their comfort with our mitigation measures. In seeking comfort, the auditors consulted their internal ethics teams, who have endorsed our approach as appropriate and effective in mitigating conflict.

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Aims for 2026: Effectiveness and future improvements

Our sustainability governance, workforce, resources and incentives have enabled us to further develop our approach to supporting our clients' stewardship and sustainability over 2025. Our own operational approach to sustainability has been strengthened thanks to reviews of our various sustainability sub-groups and DEI networks. We have regular reviews in place across our teams, via our Sustainability Steering Group and Sustainability Services Working Group, to oversee, coordinate and challenge our approach to sustainability across our relevant business areas and our organisation as a whole.

In 2026, we will continue to evolve our approach to sustainability, both operationally and across our client services, to maintain best-practice, forward-thinking delivery that help clients achieve their sustainability and stewardship goals. Specific plans include continuing to:

- Refine our assessment frameworks (such as our asset manager ratings, climate and impact scoring, DEI assessments, monitoring, data collection, etc) and deepen our engagement with asset managers and insurers to help clients make informed, future-proof decisions.
- Endorse a systems-wide approach to sustainable investing, supporting holistic consideration of new and emerging risks, including systemic risks.
- Contribute to industry improvements and developments, including regulator consultations, to help raise the bar across the industry for stewardship.
- Assist clients with their specific objectives, such as exploring location and theme-specific impact investing opportunities with relevant clients to promote mission alignment.
- Work with Howden to share best practice and experiences and integrate our offerings, helping us deliver more than the sum of our parts to our clients.

Reviewing, approving and signing our report

This report was produced by members of our sustainability teams across BW; namely our SIT, wider Investment Consultancy team and other colleagues across BW, with peer review undertaken by partners in our Investment Consulting area, our SSG and on Management Board.

Signed (on behalf of Management Board):

Andrew Vaughan

Senior Partner

Helena Morrissey

Non-executive Chair

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