# LPPI Responsible Investment Report
## Q4 2025

### Key takeaways for the period

- In October 2025, we submitted our response to the UK Stewardship Code, in the form of the 2024-25 Responsible Investment and Stewardship Annual Report. We are happy to announce that on the 26th of January 2026, we received confirmation from the Financial Reporting Council (FRC) that our submission was successful.
- Northern LGPS, in partnership with Local Pensions Partnership Investments (LPPI), has completed the acquisition of PRS Holdco. This £1.1 billion transaction marks a significant step in delivering long-term, sustainable housing investment for pension fund members.
- In Q2 2025, we initiated the development of our RI Policy Annex on Defence Investments. The Defence Annex articulates our position on responsible investment in the defence sector, grounding our approach in human rights standards and establishing robust monitoring and escalation processes.
- In Q4 2025 LPPI voted on 100% company proposals, supporting 91% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 1.26% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 4.33% of the portfolio.

## RCBPF RI Policy ESG Priorities

| | Theme | Coverage | Location |
|---|---|---|---|
| E | Climate Change | TPI | p.3 |
| | | Green & Brown | p.5 |
| | | Climate Voting | p.8 |
| | | Manager Engagement – Fixed Income Net Zero Targets | p.9 |
| | Pollution | N/A | N/A |
| | Biodiversity | N/A | N/A |
| S | Local Investment | Local and Regional Investment | p.14 |
| | Affordable Housing | Northern LGPS and LPPI acquire 5,000-home portfolio | p.14 |
| G | Corporate Governance | Governance Insights | p.2 |
| | | Stewardship Headlines | p.6 |
| | | Votes Against Management – Director Related | p.7 |
| | | Votes Against Management – Compensation | p.8 |

**P(E,S or G)** – This symbol appears within the report where content links to RCBPF RI Policy ESG priorities.

# Portfolio Insights – Listed Equities (LPPI Global Equities Fund)

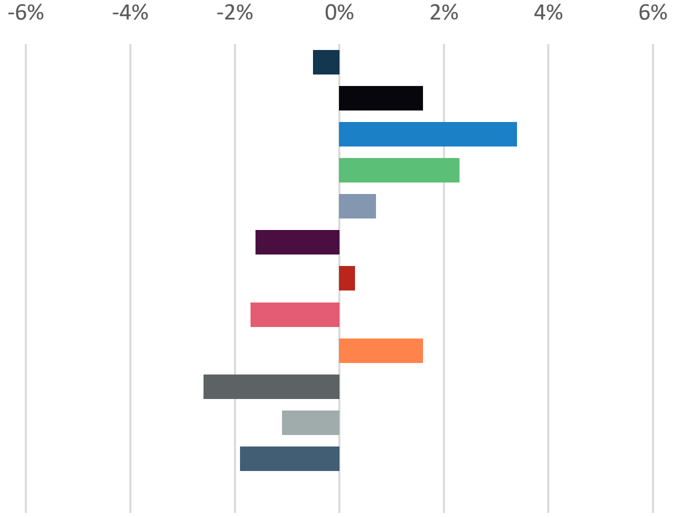
Q4 2025

[Further Information]

### Sector Breakdown (%)

| | |
|---|---|
| Information Tech. | 26.6 |
| Financials | 19.1 |
| Industrials | 14.0 |
| Consumer Discretionary | 12.5 |
| Communication Services | 9.5 |
| Health Care | 7.4 |
| Consumer Staples | 5.4 |
| Materials | 1.9 |
| Cash | 1.6 |
| Energy | 0.8 |
| Real Estate | 0.7 |
| Utilities | 0.6 |
| Others | 0.0 |

### LPPI Global Equities Fund Sector Weights vs MSCI ACWI ND




### Top 10 Positions

| | Portfolio (%) | Position Change |
|---|---|---|
| 1. Alphabet Inc | 5.7 | +1 |
| 2. Microsoft Corp | 4.7 | -1 |
| 3. Visa Inc | 3.8 | - |
| 4. Taiwan Semiconductor Manufacturing Ltd | 2.6 | New |
| 5. London Stock Exchange Group Plc | 2.5 | - |
| 6. Amazon.Com Inc | 2.2 | +1 |
| 7. Heico Corp | 2.0 | +1 |
| 8. Experian Plc | 1.9 | +2 |
| 9. Amphenol Corp | 1.9 | -3 |
| 10. Intuit Inc | 1.8 | New |

## Top 10 Positions

The top 10 companies (10 largest positions) make up **29%** of the total LPPI GEF.

### Governance Insights (ISS DataDesk)

**Women on the Board (Average)**

Coverage of GEF

**35%**

**93%**

**Board Independence (Average)**

Coverage of GEF

**72%**

**93%**

**Support for Say-on-Pay (Average)**

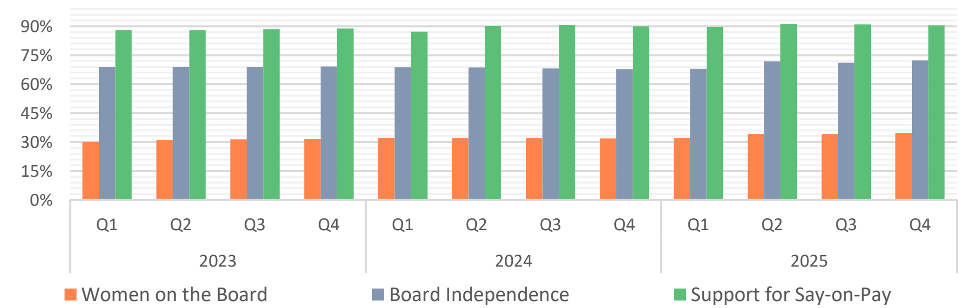
Coverage of GEF

**90%**

**88%**

P(G)

### Governance Insights (Timeseries)




P(G)

## Governance Insights

P(G)

**Women on the Board**

In Q4 2025, an average of 35% of board members were female in the GEF, which is up from Q4 2024. There was a coverage of 93% data availability (up from 86% in Q4 2024), which was a result of several companies not being in scope of the ISS database.

**Board Independence**

In Q4 2025, on average 72% of board members were independent in the GEF, which is up from 68% in Q4 2024. There was a coverage of 93% data availability (up from 86% in Q4 2024), which was a result of several companies not being in scope of the ISS database.

**Support for Say-on-pay**

In Q4 2025, an average of 90% were in support for say on pay (unchanged from Q4 2024), which indicates a high proportion of investors were supportive of the pay policies of investee companies. There was a coverage of 88% data availability (up from 76% in Q4 2024), which was a result of several companies not being in scope of the ISS database.

# Portfolio Insights – Listed Equities (LPPI Global Equities Fund)

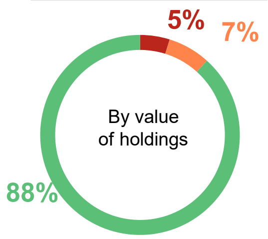
Q4 2025

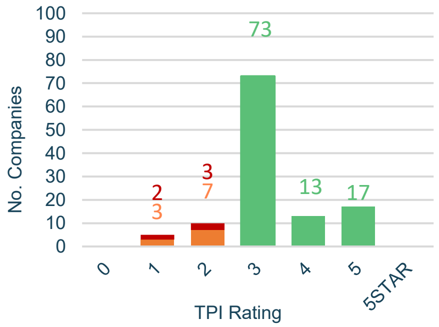
*Further Information

### Transition Pathway Initiative – Management Quality Headlines

**67.1%**

GEF covered by TPI analysis (Q4 2025)



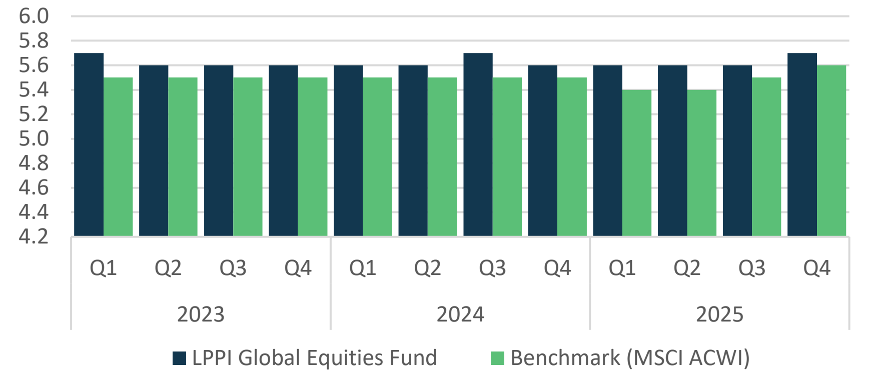

P(E)

TPI Management Quality Ranking

0 - Unaware
1 - Aware
2 - Building capacity
3 - Integrated into operational decisions
4 - Strategic assessment
5 - Transition planning and implementation
5* - Perfect Management Quality score

TPI 0-2 (High Impact) – TPI 0-2 (Low Impact) – TPI 3-5* (Low & High Impact)

### Portfolio ESG Score (MSCI ESG Metrics)




## Transition Pathway Initiative (TPI)

By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment has slightly increased from 65.6% to 67.1%, and by number has decreased from 124 to 118 between Q3 and Q4 2025. This decrease is as a result of 10 companies dropping out of scope as they are no longer in the portfolio, and 4 companies in the TPI universe that have entered the GEF portfolio.

Of the 118 companies in TPI scope:

- 88% (by value) are rated TPI 3 and above – demonstrably integrating climate change into their operational planning (TPI 3), their strategic planning (TPI 4) and into their transition planning and implementation (TPI 5). This is up from 87% in Q3 2025, which is a general reflection of the churn in coverage of the GEF under the TPI universe.

- 15 companies are scored below TPI 3 and are under monitoring*. This is down from 18 in Q3 2025, which reflects churn in the GEF portfolio.

## Portfolio ESG Score

The GEF's Portfolio ESG score has increased from 5.6 to 5.7 between Q3 and Q4. In the same period the equivalent score for the benchmark had increased from 5.5 to 5.6.

# Portfolio Insights – Other Asset Classes

Q4 2025

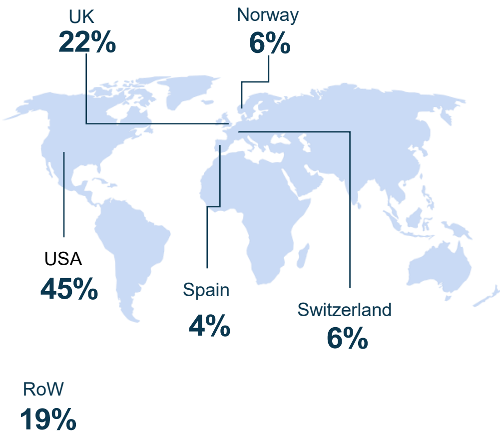
[Further Information]

## Private Equity

**Industry Breakdown (%)**

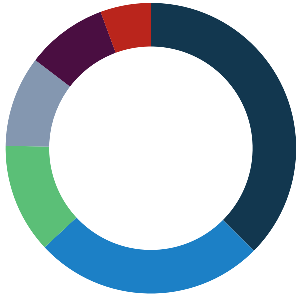
| | | | |
|---|---|---|---|
| Information Technology | 33 | Financials | 8 |
| Health Care | 20 | Consumer Discretionary | 7 |
| Other | 14 | Communication Services | 4 |
| Industrials | 12 | Remaining Industries | 4 |

**Region Breakdown (%)**




## Real Estate (LPPI Real Estate Fund)

**Sector Breakdown (%)**



| | | | |
|---|---|---|---|
| Living | 37 | Alternative | 10 |
| Industrial | 26 | Office | 9 |
| Retail | 12 | Agriculture | 6 |

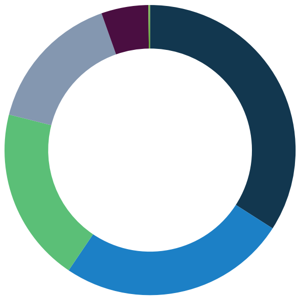
**Geographical Exposure (NAV %)**

UK
80%

Non UK
20%

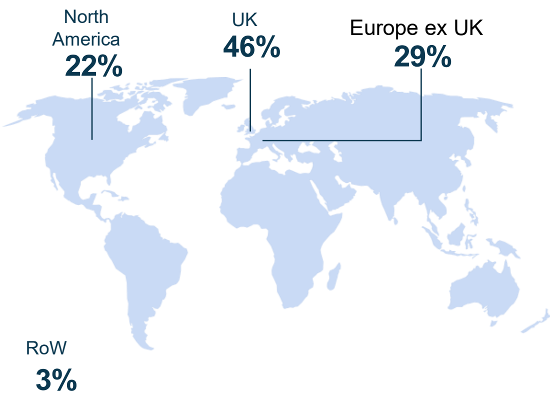
## Infrastructure (LPPI Global Infrastructure Fund)

**Industry Breakdown (%)**



| | | | |
|---|---|---|---|
| Traditional Energy, Renewable Energy, Waste | 34 | Digital | 19 |
| | | Social (incl PFI) | 16 |
| Transport and Distribution | 25 | Regulated Assets | 5 |

**Region Breakdown (%)**



# Portfolio Insights – Other Asset Classes

Q4 2025

[Further Information]

## Green & Brown Exposure

**Total % of the portfolio that is in scope of Green and Brown** P(E)

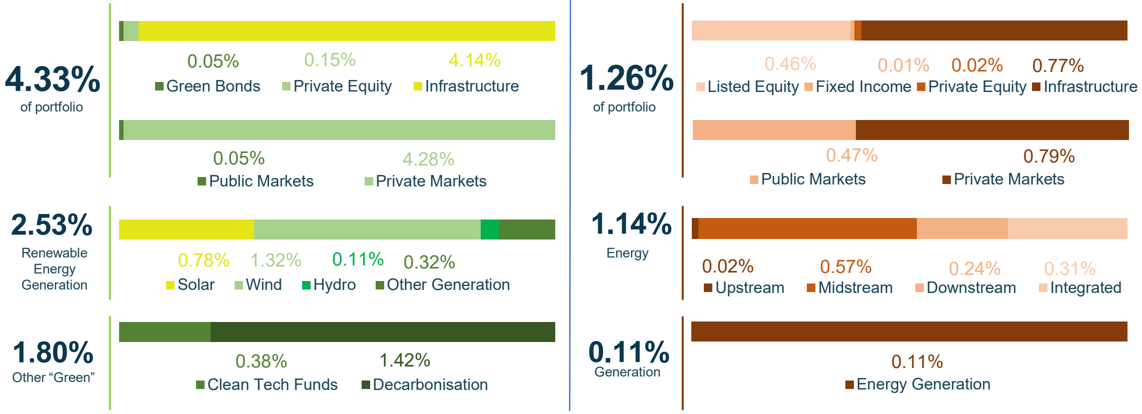
**71.5%**

**Green**

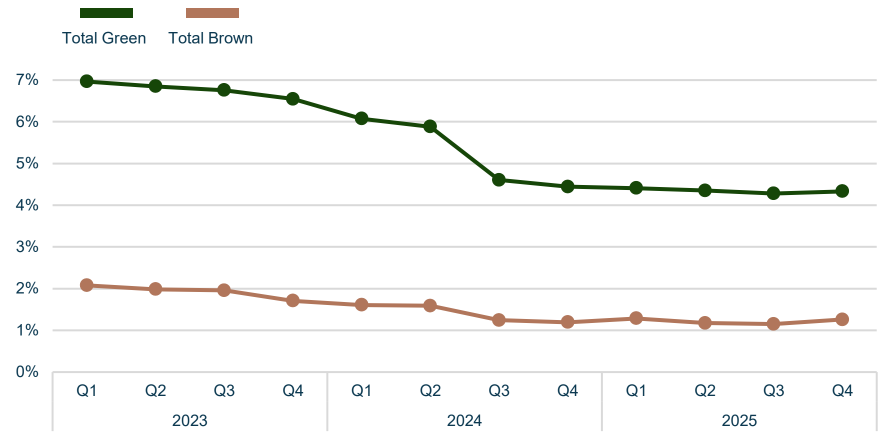
Investments in businesses directly contributing to the global transition to a lower carbon economy, expressed as a % of the total value of the pension fund.

**Brown**

Investments in traditional energy (based on fossil fuels) expressed as a % of the total value of the pension fund.




## Green & Brown Trend




The above Green and Brown metrics apply to parts of the portfolio which have exposure to a specific set of activities as per our definition of Green and Brown, and which are quantifiable at the time of publication (please see appendix). LPPI's Responsible Investment team endeavours to provide partner funds with the most expansive picture of exposure possible.

## Green and Brown

P(E)

Calculation of the Fund's exposure to Green and Brown activities focusses specifically on equity assets (Listed Equity, Private Equity, and Infrastructure) plus corporate bonds within Fixed Income. As a result, in **Q4 2025, 71.5%** of the total portfolio was in scope of Green and Brown. Figures give an indication, rather than a precise measure, as an assistance to reviewing the overall position.

Compared with Q3 2025, **Brown** exposure has increased from 1.15% to **1.26%**. The biggest contribution to the increased exposure comes from the GEF asset class. This increased exposure is a result of a rise in mark-to-market valuations for some existing Brown assets held in the GEF portfolio. This has increased GEF's share of Brown exposure from 0.37% in Q3 to 0.46% of the portfolio in Q4 2025.

Compared with Q3 2025, **Green** activities have increased from 4.28% to **4.33%** of the portfolio. The biggest contribution to the increased exposure comes from the Infrastructure asset class. This increased exposure is a result of a rise in mark-to-market valuations for some existing Green assets held in the Infrastructure portfolio. This has increased Infrastructure's share of Green exposure from 4.08% in Q3 to 4.14% of the portfolio in Q4 2025.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 58% of total Green exposure, and 96% of Green exposure is via Infrastructure assets.

# Stewardship Headlines

Q4 2025 - Shareholder Voting - LPPI Global Equities Fund (GEF)

*Further Information*

## Shareholder Voting Statistics (LPPI Global Equities Fund)

### Headlines

P(G)

| Meetings Voted | Proposals Voted | Company Proposals | Shareholders Proposals | Meetings with a vote against Management |
|---|---|---|---|---|
| 24 | 259 | 251 (Supported 91%) | 8 (Supported 50%) | 50% |

**Votes Against Management (By theme)**

| | |
|---|---|
| Election of Directors (and related) | 10 |
| Audit-related | 4 |
| Compensation | 4 |
| Shareholder Resolutions | 3 |
| Capitalisation | 2 |
| Routine Business | 2 |
| Anti-takeover (and related proposals) | 0 |

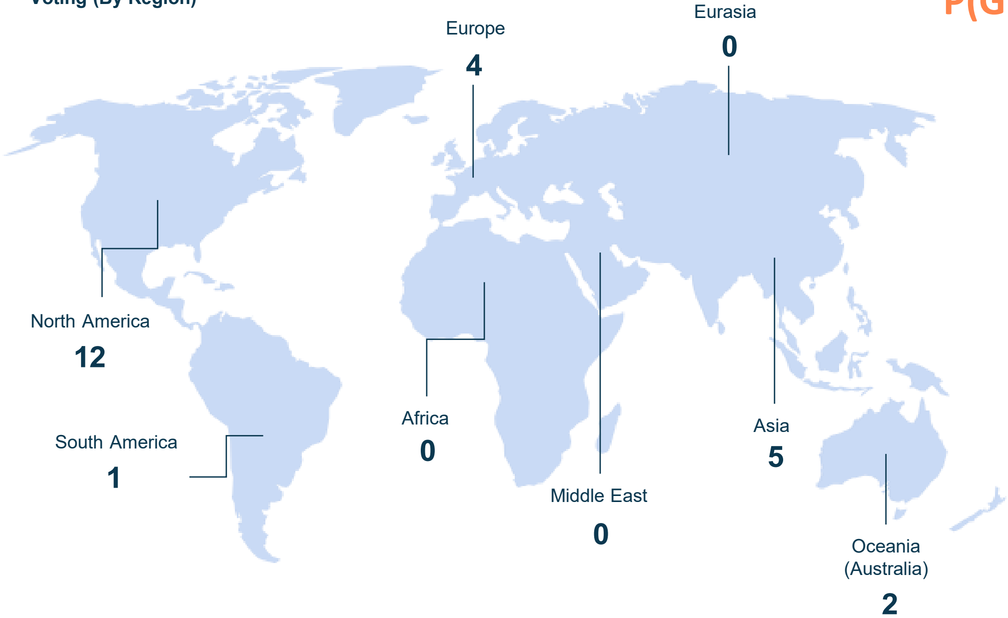
### Voting (By Theme)

| Theme | Against | For |
|---|---|---|
| Election of Directors (and related proposals) | 10 | 160 |
| Compensation | 4 | 20 |
| Anti-takeover (and related proposals) | 0 | 2 |
| Audit-related | 4 | 10 |
| Capitalisation | 2 | 18 |
| Routine Business | 2 | 19 |
| Shareholder Proposals | 4 | 4 |

P(G)

### Voting (By Region)*

P(G)




*Total votable meetings

# Stewardship Headlines

Q4 2025 - Shareholder Voting - LPPI Global Equities Fund (GEF)

THE ROYAL COUNTY OF BERKSHIRE PENSION FUND

LPP Local Pensions Partnership Investments

## Headlines

The period 1st October – 31st December 2025 encompassed 24 meetings. LPPI voted at 24 (100%) meetings where GEF shares entitled participation, totalling 259 proposals voted.

## Votes Against Management – Director Related

P(G)

- Director elections or resolutions relating to directors: 44% of all votes against management (addressing issues including lack of independent challenge - i.e., concentration of power, inadequate levels of independence both overall and on key committees, and board composition issues such as insufficient levels of diversity).
- LPPI voted against management on 10 director elections or director-related resolutions at four companies in Q4 2025. This was 5% of all director-related votes.

| **Independence** |
|---|
| LPPI voted against three resolutions at one company due to issues pertaining to lack of independent challenge either on the Board overall, or on key committees. |
| **PDD Holdings Inc.** (Cayman Islands: Consumer Discretionary) |
| We voted against the re-election of three non-independent directors at PDD Holdings' AGM. This was because we assessed the Board to be just 50% independent. |
| **Result:** The directors received between 9-14% dissent |

| **Shareholder Rights** |
|---|
| LPPI voted against four resolutions at one company due to governance arrangements which we believed may inhibit shareholder rights. These include, but are not limited to, multi-class share structures. |
| **Atlassian Corporation** (USA: Information Technology) |
| We voted against the re-election of two governance committee members due to the company maintaining a multi-class share structure which is not subject to a reasonable time-based sunset provision. We also voted against two directors who benefit from the ownership of super voting shares which grants them 10 votes per share and provides them collectively with >85% voting rights. |
| **Result:** The directors received between ~3-6% dissent. |

## Votes Against Management – Compensation

P(G)

- Compensation: 16% of votes against (addressing issues including inadequate disclosure of underlying performance criteria, use of discretion, misalignment of pay and performance, and the quantum of proposed rewards).
- LPPI voted against management on four compensation resolutions at three companies. This was approximately 17% of management-filed compensation related votes.

| **WiseTech Global Limited** (Australia: Information Technology) |
|---|
| We voted against the advisory vote to ratify named executive officers' compensation. This was due to the fact that despite the company not meeting the EBITDA and revenue growth targets outlined as metrics upon which its incentive plan is predicated, the portion of the total opportunity for the award which was not achieved will be carried over as an opportunity for the next year, which we did not deem appropriate. |
| **Result:** The proposal received 49.47% dissent. |

## Shareholder Proposals

- There were 8 shareholder proposals at three companies during Q4.

| **Microsoft Corporation** (USA: Information Technology) |
|---|
| We voted in favour of, and therefore against the recommendations of management, on a shareholder-filed proposal seeking Microsoft report on risks of operating in countries with significant human rights concerns. We rationalised that Microsoft is embarking on a large buildout of its data centre operations globally and notes that demand is increasing for cloud computing services. The proponents raise legitimate concerns over potential complicity with human rights violations in high-risk countries, which could increase reputational, legal, and workforce risks to the company. As the company builds more data centres, additional disclosure on the company's human rights due diligence process for siting its data centres would help shareholders better evaluate the company's management of related risks. |
| **Result:** The proposal received 27.48% support. |

## Climate Voting

P(E)

In Q4, AGMs of two companies in LPPI's climate voting watchlist occurred. We did not choose to exercise our voting rights with regards to climate in these occasions.

## Climate Action 100+

There were no AGMs held for companies in the portfolio which appear on the CA100+ focus list.

## LAPFF Voting Alerts

LAPFF issued a voting alert for one company held in the Global Equities Fund in Q4 2025. In this instance, our voting aligned with their recommendations.

## Manager Engagement – Fixed Income Net Zero Targets

P(E)

LPPI conducted an update of the Fixed Income Fund's (FIF) Net Zero strategy in 2025, engaging actively with its external managers. These discussions focused on applying alignment across corporate and sovereign issuers, align definitions of data categorisation and understanding each manager's risk methodology. Both managers provided insight into developing sovereign assessment frameworks, highlighted data gaps and limitations, and supported LPPI's intention to adopt a more structured and transparent approach to Net Zero monitoring. Managers also provided feedback to help maintain an appropriate balance between ambition and practical implementation which have been incorporated in our approach. These conversations also informed improvements to reporting processes and reinforced the need for robust methodologies that are coherent across LPPI and our external managers.

LPPI is working with our external managers to update IMA and side letter language to ensure that Net Zero expectations and reporting commitments are clearly embedded. The outcome of these engagements with the FIF managers, along with the updates to our Net Zero target pathways, provides a strong basis for the Fund to achieve its 2030 and 2050 climate goals.

## Manager Engagement – Moncler: Supply Chain Risk Management

Within the GEF, an external manager engaged with Moncler as a result of increased scrutiny of labour practices in the Italian luxury sector. The engagement aimed to increase knowledge on how Moncler manages its human rights risks in the supply chain and how this is accounted for. It also provided insight into the audits of its supply chain practices. This engagement was prompted by Italian authorities finding sweatshop like conditions in the supply chains of several luxury brands. The company increased the number their number of audits in Italy in response to these sector wide risks. To address these heightened risks within their supply chain, the company has since implemented:

- Vendor rating assessments that include environmental and social risks
- Purchasing team incentives linked to supply chain audit outcomes
- Capacity building initiatives for suppliers which includes free access to health and safety experts, training on international standards, and support for machinery investments

Moncler adopted a bottom-up approach which supports suppliers to meet standards, rather than imposing top-down requirements and have been transparent about the challenges that may arise from having a fragmented supply chain. They have also been working to improve oversight and standards by adopting a more robust risk management system that combines regular audits with incentives and capacity building. The engagement served as a knowledge sharing session to provide assurance around Moncler's ability to uphold best practice in managing human rights risks associated with supply chains of companies operating in the luxury sector.

# Collaborative Engagement

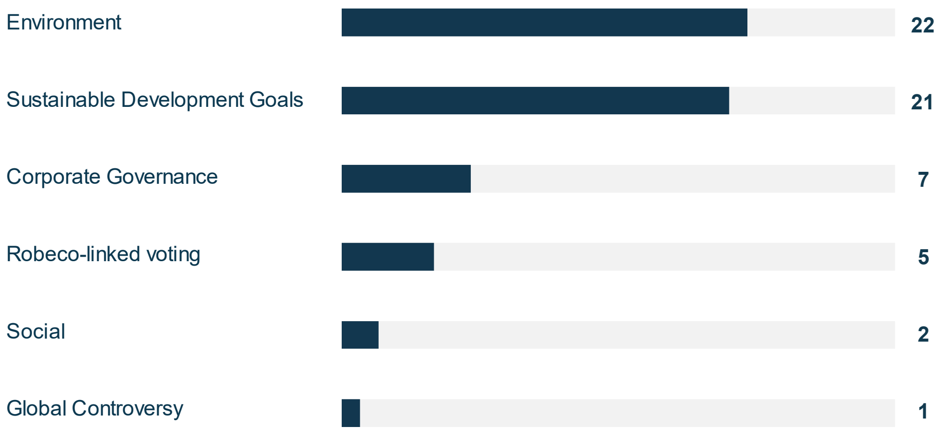
## Q4 2025 – Engagement (Public Markets): Robeco

Further Information

This section of the dashboard outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution). **Robeco currently engages with 38 companies in the LPPI Global Equities Fund (GEF) and 15 companies in the LPPI Fixed Income Fund (FIF), accounting for 29.56% and 3.70% of the total portfolios respectively.**

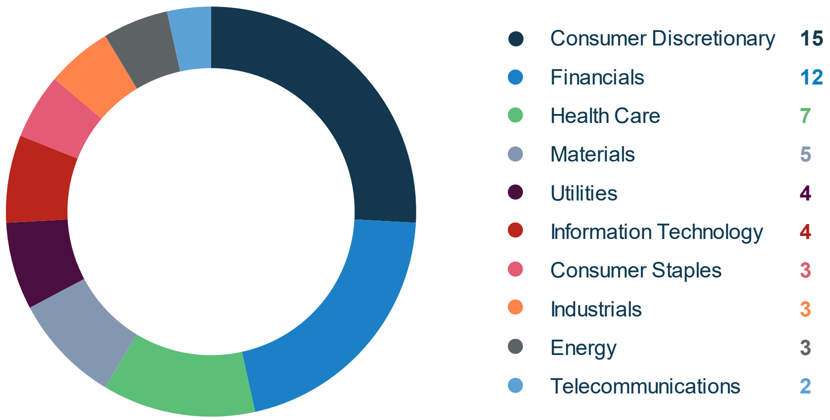
*The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.*

**Activity (By Topic)**

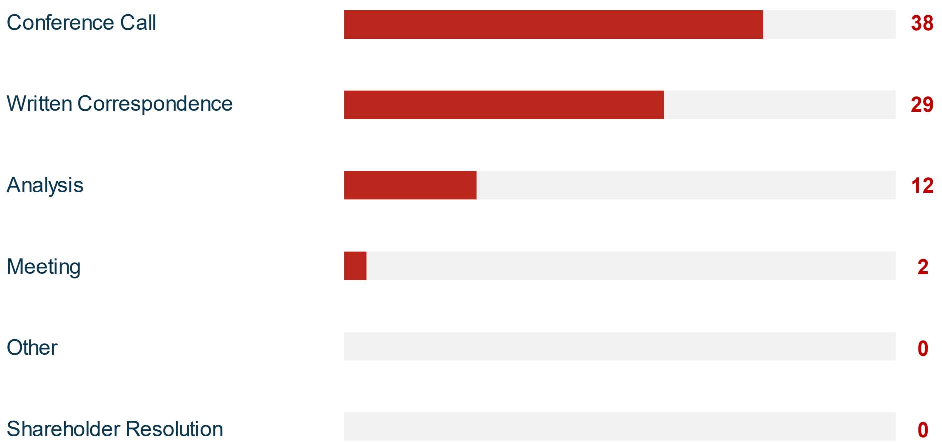



Sustainable Development Goals: https://sdgs.un.org/goals

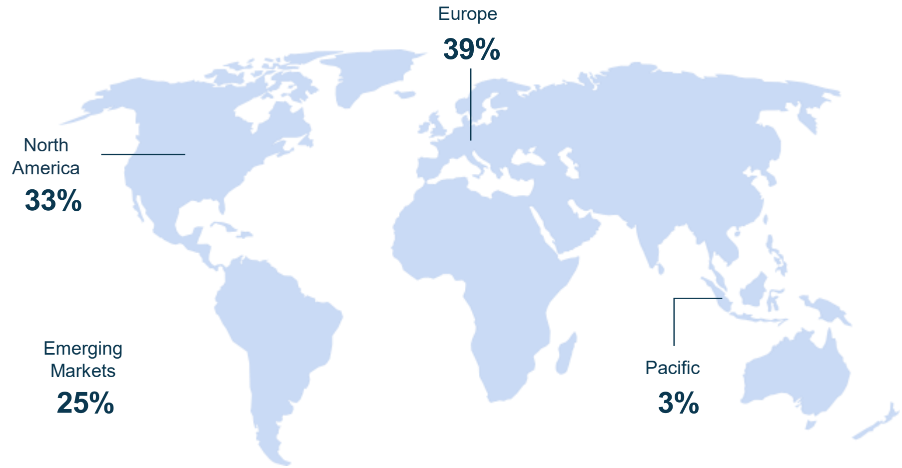
**Activity (By Sector)**




**Activity (By Method)**




**Activity (By Region) (%)**




Source: Robeco Active Ownership Report Q4 2025

# Collaborative Engagement

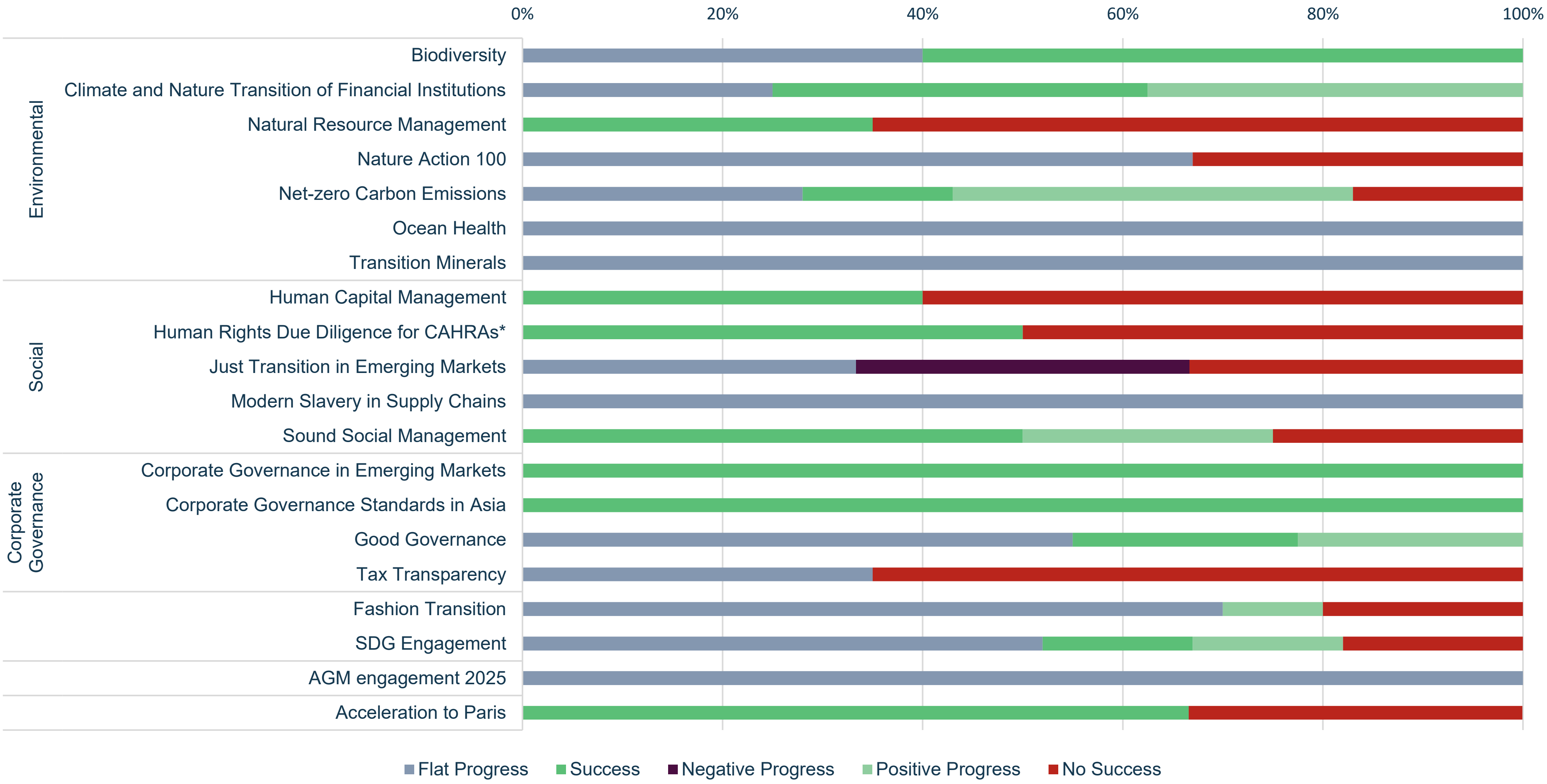
Q4 2025 – Engagement (Public Markets): Robeco

Further Information

Engagement progress by theme, also shown on page 2 in the Robeco Active Ownership report, summarises their engagement activity for our portfolio over the quarter broken down into sub-sectors, and rated on success/progress (shown as a %).

*The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.*

**Engagement Results (by Theme)**




*CAHRAs - Conflict-Affected and High-Risk Areas

**Global Controversy Engagement - companies under engagement based on potential breaches of the UN Global Compact and/ or the OECD Guidelines for Multinational Enterprises.

Source: Robeco Active Ownership Report Q4 2025

**The Real-World Outcomes section features examples of positive ESG case studies, with this quarter focusing on investments held in the Global Equity portfolio.**

## **Brunello Cucinelli** – % of LPPI GEF IPV: **0.15%**

**Brunello Cucinelli is a luxury Italian fashion house known for producing high quality apparel and accessories. The company's brand is defined as "quiet luxury" by virtue of the fact they avoid branding.**

The company operates on a unique philosophy of "Humanistic Capitalism", which prioritises ethical growth, artisanal craftsmanship, and the dignity of its workers.


### 100% made in Italy

Brunello Cucinelli is a strong proponent of **"Made in Italy" as 100%** of the manufacturing of its artisanal products takes place in Italy; 70% of workshops are in the Umbria region, where there is a heritage of excellent craftsmanship and deep local knowledge.


### Italian sourced materials

The company has direct responsibility for and takes great care in the selection and **sourcing** of its **raw materials** through trusted **Italian suppliers.**


### Ambitious carbon emissions reduction targets

Through the curation of high quality, timeless pieces, Brunello Cucinelli represents the antithesis to 'fast fashion'. This is complemented by its **ambitious carbon emissions reduction targets**, which are aligned to SBTI, despite the company having a relatively low emissions production model.

**Targets (2019–2028 Plan):**
Reduce Scope 1 & 2 emissions by 70% and Scope 3 by 22.5% (absolute).
Cut greenhouse gas intensity by 60%.
**Long-Term Goal:**
Achieve net-zero emissions across the value chain by 2050.


### 20% higher pay

The work required is highly skilled, and Brunello Cucinelli **artisans are paid 20% higher than commensurate roles elsewhere in Italy.**

Source – [https://www.brunellocucinelli.com/en/](https://www.brunellocucinelli.com/en/)

**The Real-World Outcomes section features examples of positive ESG case studies, with this quarter focusing on investments held in the Global Equity portfolio.**

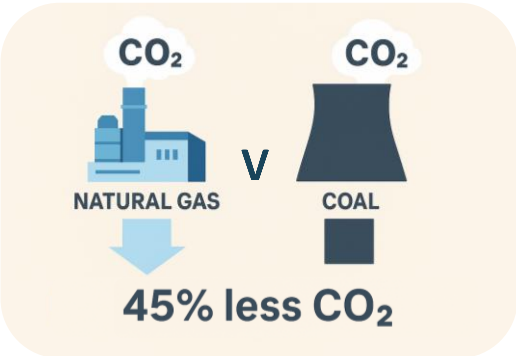


## Gaztransport & Technigaz – % of LPPI GEF IPV: 0.21%

GTT – Technology for a sustainable world

**Gaztransport & Technigaz (GTT) designs and develops membrane-based containment technologies which are primarily used for the transport and storage of liquified natural gas (LNG).**

GTT is favourably exposed to the gasification of the global primary energy mix (currently gas is about 25% of the global primary energy mix). Natural gas is one of the cleanest fossil fuels and is considered as the "transit" fuel that will allow the world to manage the shift from coal and oil towards a greater reliance on renewable energy. GTT membrane technology reduces LNG leaks during the transport process, thereby playing an important role in the decarbonisation of the maritime sector and the emissions from natural gas overall.




### 45% less CO2 than coal

**Natural gas** emits up to **45% less CO2 than coal** when used to produce electricity (modern combined-cycle gas plants have a CO2 footprint 2.8x smaller than coal-fired plants).


### Exposure to green hydrogen

Through its subsidiary, Elogen, which designs and manufactures proton exchange membrane (PEM) electrolysers, GTT is also involved in the **green hydrogen sector**.


### Commitment to low-carbon solutions

As part of its roadmap, GTT is committed to allocating an **increasing share of its research and innovation efforts to low-carbon solutions**, including hydrogen, ammonia and carbon capture, recognising the role it can play in the decarbonisation of the maritime sector

Source – https://www.gtt.fr/

BERKSHIRE PENSION FUND
LPP Local Pensions Partnership Investments

## Robeco's New 2026 Engagement Themes

Robeco's Active Ownership team will launch three new engagement themes in 2026. During Robeco's annual client panel, which solicits feedback from active ownership clients regarding future engagement themes, LPPI advocated for two of the three newly introduced themes (Physical Resilience & Responsible Artificial Intelligence).

1. Physical Resilience: This theme on physical resilience, which is the other side of climate change from transition, will focus particularly on sectors that face the largest risks, such as flooding, extreme weather events, water stress, and more. Robeco will build on their previous climate engagement experience to assess the measures that companies are taking to assess and adapt to these risks. Companies will be asked to consider their value chain as well as their own operations, to integrate nature into their approach, and to work with policymakers and local communities to ensure an effective approach. This theme will also assist the ongoing integration of physical risks into Robeco's portfolio risk management and investment decision making processes.

2. Responsible Artificial Intelligence: Engagement on the responsible use of artificial intelligence with tech software and microchip hardware companies has two aspects: energy use and social impact. Due to the high energy intensity of data centres being used for AI, Robeco will focus on the efficiency of energy usage, whether renewable power sources are being used, their carbon footprints, and whether these footprints can be offset. The social side of AI's impact is also a key topic, particularly with issues like misinformation and content moderation. As AI use grows, there is a growing need to make sure it is done responsibly and with the right controls in place. Robeco's engagement will look to ensure this is done proactively, not reactively.

3. EU Sovereign Climate Policy Engagement: The sovereign engagement will take place with a number of European governments within the Eurozone. The data needed will come from the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) platform, which assesses how countries are managing the low-carbon transition. This data also underpins bond selection for Robeco's Climate Euro Government Bond ETF.

## Local and Regional Investment

P(S)

In November 2025, LPPI's Head of RI participated in a roundtable hosted by Pension Fund Service focussed on local and regional investment. The event followed-on from LPPI's participation in the white paper published by The Good Economy "Scaling-Up Local Investing for Place-Based Impact: A Strategic Framework and Guidance for LGPS" published in September 2025.

Representatives from LGPS pools and pension funds met with The Good Economy and asset managers experienced in working with the LGPS on local investment to share insights on their experience to date including lessons learnt, practical challenges, and the opportunities local investment encompasses.

Under Fit for the Future (FftF), there is a requirement for LGPS administering authorities to set a local investment objective which incorporates a target range (expressed as a proportion of the total value of the pension fund), the area in coverage, and the impact in focus.

LPPI's partner funds already have experience of investing locally supported by LPPI, and their bespoke local sleeves are referenced within the white paper (page 14). The advice and support LPPI will provide to partner funds during 2026 to help them develop Investment Strategy Statements compliant with FftF requirements will include their objectives for local investment.

## Northern LGPS and LPPI acquire 5,000-home portfolio

P(S)

Northern LGPS, in partnership with Local Pensions Partnership Investments (LPPI), has completed the acquisition of PRS Holdco, the operating arm of PRS REIT, bringing its entire portfolio of 5,478 single-family homes under joint ownership. The homes span 71 sites across England, Scotland and Wales.

This £1.1 billion transaction marks a significant step in delivering long-term, sustainable housing investment for pension fund members. The partnership plans to deploy an additional £1 billion to expand the portfolio by more than 15,000 homes over the next 10 years, helping to address the UK's chronic undersupply of quality rental housing while generating stable returns.

The joint venture will establish a dedicated property management platform to directly manage the portfolio, promoting strong operational oversight and tenant experience.

### LPPI Stewardship Code Submission

In October 2025, we submitted our response to the UK Stewardship Code, in the form of the 2024-25 Responsible Investment and Stewardship Annual Report. We are happy to announce that on the 26th of January 2026, we received confirmation from the Financial Reporting Council (FRC) that our submission was successful.

This year marks our fourth and final report under the 2020 Code, reflecting material progress in embedding stewardship across all functions. We are pleased to share the key highlights from the 2024–25, which include:

- ✓ Publication of our first suite of TCFD-aligned reports at both entity and product level and enhanced climate risk oversight through Climate Risk Analytics Reports.
- ✓ Significant progress in preparing and ultimately launching the LPPI Environmental Opportunities Fund, which invests in private market assets supporting climate mitigation, adaptation and natural capital.
- ✓ We have continued to champion active ownership, including participation in the Net Zero Engagement Initiative and the Global Investor Statement to Governments on the Climate Crisis.
- ✓ Across asset classes, ESG integration was deepened through enhanced due diligence, stronger engagement processes and systematic monitoring.
- ✓ Engagement activity both directly and through partners such as Robeco, included over 249 engagements across climate, human rights, governance and SDGs.
- ✓ 100% engagement coverage of net zero priority holdings within internally managed equity portfolios.
- ✓ Our voting activity remained robust, with 19% of votes cast against management and strong support for shareholder proposals on climate, transparency and human rights.
- ✓ Delivered real-world decarbonisation, with Real Estate achieving a 22% reduction in energy-use intensity and 19% $CO_2$ cuts, alongside expanded renewables and improved data coverage to 98%.
- ✓ Set and expanded Net Zero targets across all major asset classes, completing Phase 3 (covering indirect Real Estate, Infrastructure and Credit) and progressing toward full portfolio alignment by 2050.

The FRC has also outlined next steps under the updated 2026 Code. The 2026 Code applies from the 1st of January 2026, with our first submission due by 31st October 2026. As an existing signatory, LPPI benefits from a transition year and will remain on the signatory list throughout this period. Future reporting will consist of a ‘Policy and Context Disclosure Report’ (at least every four years) and an ‘Activities and Outcomes Report’ submitted annually.

The updated framework is designed to be more flexible, outcomes-oriented and better aligned with the needs of asset owners and beneficiaries. We look forward to keeping you updated as we prepare our first report under the new Code and continue to strengthen our stewardship practices.

## Fit for the Future Consultations

Preparations for the implementation of the UK Government's Fit for the Future programme involve LGPS regulations and statutory guidance being updated to reflect changes introduced as part of pooling consolidation. Within consultations released during Q4 2025, the most notable for responsible investment were a public consultation on The Local Government Pension Scheme Pooling, Management and Investment of funds Regulations 2026 (open from 20 November 2025 to 2 January 2026) and a closed consultation on the draft statutory guidance which will accompany these regulations which closed on 12 January 2026. They indicate that Investment Strategy Statements will be a key document where administering authorities articulate the objectives, priorities and preferences which have shaped their strategic asset allocation and their approach and requirements for ESG, responsible investment, and local investment.

## LPPI New Defence Policy

In Q2 2025, LPPI initiated the development of a new RI Policy - Annex on Defence Investments. This Policy was approved by LPPI's Stewardship Committee in September 2025. Defining and articulating a clear position on the sector is helpful to navigating the considerations which apply to investment in products and services which support national and international security (threat detection, deterrence, protection, and resistance to armed attack) but which can feasibly also facilitate undue surveillance, aggression, and broader harms. The new Annex articulates our position on responsible investment in the defence sector, grounding our approach in human rights standards and establishing robust monitoring and escalation processes. This policy materially strengthens our social risk management framework and expands our suite of RI policy annexes.

## NZAM Update

Following a material review of the initiative and the original NZAM commitment (2020) a revised commitment statement (2026) has been released to current signatories. LPPI was required to confirm continued participation in the initiative (default) or withdraw from it (by notification).

After consultation with our partner funds, LPPI has chosen to remain a signatory to the Net Zero Asset Managers Initiative. We believe that staying part of the initiative promotes ongoing alignment within the asset management industry, facilitating an efficient market transition and bolstering the credibility of the standards we have implemented to date. We understand the reasons behind the changes to the commitment statement and believe these adjustments ensure it better reflects the asset manager context, respecting fiduciary duty, client mandates and jurisdictional realities. We are particularly appreciative that the overall remit of the initiative has remained largely unchanged, as we benefit from their review and feedback on our target-setting approach. This provides helpful insight to our internal teams and strengthens our regulatory disclosures, and we look forward to those activities resuming later in the year.

While most of the changes introduced in the new NZAM commitment statement do not affect LPPI's existing targets and commitments, we have identified a relevant update regarding the coverage target statement. Under the revised NZAM commitment statement, the previous requirement to progressively increase the proportion of assets under management (AUM) covered by targets until reaching 100% has been removed. Instead, this aspect is now addressed as a disclosure obligation: firms are expected to report the percentage of AUM covered by their targets and provide an explanation for any AUM not included. This effectively maintains the original commitments 'comply or explain' approach. As such, we have decided to maintain this approach and amend our target language to remove the absolute 100% coverage goal, focusing on maximising our coverage whilst acknowledging the practical considerations and dependencies impacting future expansion in coverage. This adjustment ensures that net zero remains an investment-led objective centred on identifying and managing material risks and opportunities for our partner fund portfolios in alignment with our fiduciary responsibilities.

# Further Information Guide

Q4 2025 – Portfolio Insights – Listed Equities (LPPI Global Equities Fund) (Pages 2 & 3)

## Sector Breakdown (%)

- Identifies the Global Equities Fund's ("GEF") sector breakdown and their proportions.

## Top 10 Positions

- The top 10 GEF companies as a % of the asset class portfolio.

## GEF Sector Weights

- Comparison of sector weights against their benchmark.
- The larger the bar the bigger the difference between GEF and benchmark weightings.
- Where a positive number is shown, this indicates the GEF is overweight to a sector.
- Where a negative number is shown, this indicates the GEF is underweight to a sector.

## Portfolio ESG Score

- This is a relative indicator and not a measure of portfolio ESG risk exposure.
- Individual companies are assigned an ESG score (between 0-10). The final numbers shown in the bar chart are the weighted averages of these scores for the stocks held in the GEF vs its benchmark through time.
- This table is a comparison with the benchmark and reviews changes over time.
- LPPI utilise an established methodology (developed by MSCI) for determining the ESG score of stocks within the GEF. Further details can be found here: https://www.msci.com/documents/1296102/21901542/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Nov+2020.pdf
- The higher the score shown, the better the ESG credentials of the GEF / benchmark.

## Governance Insights

These metrics provide insights on governance issues for the GEF using data from ISS DataDesk (Institutional Shareholder Services), our provider of shareholder voting services.

- **Women on the board:** A measure of gender diversity based on the average proportion of female board members for companies in the GEF.
- **Board independence:** The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence.
- **Say-on-pay:** The average investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

## Transition Pathway Initiative (TPI) Headlines

- TPI assess how well the largest global companies in high carbon emitting sectors are adapting their business models for a low carbon economy.
- The % of GEF covered by TPI shows the portfolio exposure to high emitting companies.
- The number/proportion of companies with top scores (TPI 3 to 5*) is a measure of the quality of transition management by the high emitting companies held within the GEF.
- Detailed TPI methodology can be found through the following link: https://www.transitionpathwayinitiative.org/publications/2023-methodology-report-management-quality-and-carbon-performance-version-5-0
- *Monitoring – For all companies rated below TPI 3 and sit in High Impact sectors, we request our internal team or external managers to submit a TPI monitoring questionnaire, which aims to further understand the rationale behind its inclusion in the fund, and asks the following questions: What is their thesis & observations on climate risk for the company? Is the TPI score an accurate reflection of the company's climate risk management? What actions have been taken to encourage improvement?

## Private Market Asset Classes

- These metrics indicate the industry sector and regional breakdown as a % of the asset class for Private Equity, Infrastructure and Real Estate investments.

## Green & Brown

- These metrics indicate the Pension Fund's total portfolio exposure (%) to green and brown assets. Current coverage extends to: Listed Equities, Fixed Income, Green Bonds, Private Equity, and Infrastructure.
- These are further broken down into their sectors/activities related to green and brown.
- Please be aware that due to rounding within the different breakdowns the totals may not sum correctly.
- The report presents information on the trend in Green and Brown exposures (commencing in Q4 2021). Quarterly changes in Green and Brown exposure reflect multiple factors at play including funds reaching maturity, assets being revalued, and investments being made and sold. The total value of the Royal County of Berkshire Pension Fund (RCBPF) portfolio (as the denominator) also affects Brown and Green % shares quarterly.

### Green

Green activities are those directly contributing to real world decarbonisation, principally through renewable energy generation, but include other activities supporting lower emissions including district heating, and waste management. Where possible, these assets are identified at the sub-industry GICS level for each underlying asset. Further LPPI analysis is undertaken where GICS does not provide enough detail.

### Brown

Investments in energy and power generation based on fossil fuel activities, including: extracting (upstream), transporting (midstream), refining (midstream), supplying (downstream), or some energy companies that legitimately span all aspects (integrated). Fossil fuels used to generate energy is part of electricity generation. These assets are identified at the sub-industry GICS level for each underlying asset.

# Further Information Guide

Q4 2025 - Stewardship Headlines (Pages 6 - 11)

## Shareholding Voting

- This section of the report gives an overview of stewardship activities in the last quarter. Partner pension funds delegate day to day implementation of the Partnership's Responsible Investment approach to Local Pensions Partnership Investments Ltd (LPPI). Ongoing stewardship activities by LPPI include portfolio and manager monitoring and the exercise of ownership responsibilities via shareholder voting and engagement.
- Shareholder voting is overseen centrally by LPPI rather than by individual asset managers. LPPI receives analysis and recommendations from Institutional Shareholder Services (ISS) who are a provider of proxy voting and governance research. We follow Sustainability Voting Guidelines focussed on material ESG considerations and liaise with providers and asset managers as needed to reach final voting decisions.
- Full details of all shareholder voting by LPPI are publicly available from the LPPI website within quarterly shareholder voting reports.
- The Headline section provides insight into the scope of voting activity, including how votes against management is concentrated.
- The map of votes per region is included because different jurisdictions have different voting seasons. This provides context to the reporting of voting statistics quarter to quarter as votes take place in batches depending on the companies domicile at different points throughout the year.

## Engagement (Public Markets)

- Engagement is an active, long-term dialogue between investors and companies on environmental, social and governance factors, which can be executed through a variety of channels.
- LPPI has engaged an external provider (Robeco Active Ownership Team) to supplement dialogue underway by LPPI and external delegate managers.
- This section outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution).
- "Activity by method" summarises engagements by category / method and can include multiple inputs from the same company.
- The updated Robeco Active Ownership report summarises our engagement activities for the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %).
- Page 9 of the Robeco stewardship policy outlines further details of their process: https://www.robeco.com/docm/docu-robeco-stewardship-policy.pdf

# Further Information Guide

Q4 2025 - Real World Outcomes (Pages 12 & 13 )

- This section provides case studies which highlight positive ESG outcomes arising from the Pension Fund's holdings.
- The focus of the real-world outcomes rotates between asset classes for each quarter in the following pattern:
    - Q1 – Infrastructure
    - Q2 – Real Estate
    - Q3 – Private Equity
    - Q4 – GEF
- The case studies offer bite sized insights on positive outcomes being achieved and contributed to by companies held by the portfolio.

**GICS - Global Industry Classification System**
The most widely used approach to categorising activities into industry sectors. The main standard in use for public markets with growing use for other asset classes. For more information on GICS and the activities that fall into each sector, please see:
https://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook_2018_v3_letter_digitalspreads.pdf

**Climate Action 100+**
Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

**Paris Agreement**
The Agreement is a legally binding international treaty to tackle climate change and its negative impacts. The Agreement includes commitments from all countries to reduce their emissions and work together to adapt to the impacts of climate change. It entered into force on 4 November 2016.

The Agreement sets long-term goals to guide all nations to:

- substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees,
- review countries' commitments every five years,
- provide financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts.

https://www.un.org/en/climatechange/paris-agreement

**MSCI ACWI - MSCI All Country World Index**
A stock index designed to track broad global equity-market performance. The LPPI Global Equity Fund's benchmark.

**MSCI - Morgan Stanley Capital International**
A global index provider.

**TCFD - Taskforce on Climate Related Financial Disclosure**
The Financial Stability Board created the Task Force on Climate-related Financial Disclosure (TCFD) to improve and increase reporting of climate-related financial information by companies and investors.
Recommendations include annual disclosure under 4 pillars: Governance, Strategy, Risk Management, Metrics & Targets.

**TPI - Transition Pathway Initiative** https://www.transitionpathwayinitiative.org/
The TPI assesses the highest emitting companies globally on their preparedness for a transition to a low carbon economy. 368 companies are rated TPI 0-4* for Management Quality based on 19 separate datapoints. TPI Management Quality scores provide an objective external measure of corporate transition readiness.

**NZAMI – Net Zero Asset Managers Initiative** https://www.netzeroassetmanagers.org/
The Net Zero Asset Managers Initiative launched in December 2020 and aims to galvanise the asset management industry to commit to a goal of net zero emissions.

**IIGCC**
Institutional Investor Group on Climate Change. LPPI is a member.

**PRI - Principles for Responsible Investment** https://www.unpri.org/
A United Nations-supported international network of financial institutions working together to implement its six aspirational principles, often referenced as "the Principles".