

Stewardship report

Activities & Outcomes 2026

Highlights of our stewardship and responsible investment activities and outcomes for the year to 31 March 2026

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This report should be read in conjunction with the latest version of our stewardship and responsible investment policies and context report, which provides background to our activities which have taken place over the year to 31 March 2026. You can view the latest version on our website.



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Highlights of the year

- Launched our 2025 RI survey of investment managers
- Launched our 2025 assessment of bulk annuity providers' sustainability practices
- Carried out reviews of LDI managers' and master trusts' climate policy advocacy
- Further developed our delegated stewardship service, LCP Influence
- Established a systemic risk framework to support our clients
- Further developed our narrative approach to climate change scenarios
- Progressed our work supporting our climate policy advocacy asks
- Continued to lead the Investment Consultants Sustainability Working Group (ICSWG) Influence workstream

In this report, we have focused on examples most relevant to the UK Stewardship Code reporting principles. On the case study page of our website, we showcase other examples of our responsible investment work with clients, such as:



Peer benchmarking a major pension scheme to deliver a more focused, higher-impact RI strategy



Improving fund manager climate and stewardship reporting for a pension scheme's net zero targets

Introduction

In this report we bring to life how LCP has delivered stewardship services to our clients over the year to 31 March 2026, providing examples of our activities undertaken and outcomes achieved. We have worked with our clients to help them turn responsible investment ambitions into meaningful decisions, stronger oversight and better outcomes.

Responsible Investment (RI) is an important part of our consultancy services.

RI is the process by which Environmental, Social and Governance (ESG) issues are incorporated into investment decision-making and into the oversight of investments through stewardship activities. We continue to evolve our RI approach to meet the developing needs of our clients.



LCP's responsible investment philosophy

Our responsible investment philosophy sets out how we help our clients to integrate ESG factors into their investment processes and use their influence as investors in the interests of their beneficiaries.

Read it on our website, here.

Introduction

About LCP

Across LCP, we advise over **1,000 institutional clients**. We do not serve retail clients. Our business covers many areas including pensions, investment, insurance, energy transition, health analytics and sport analytics.

Investment services are a key part of LCP's business. Our investment clients had combined **assets over £800bn** at 31 March 2026. We serve asset owners across a wide range of organisations, including Defined Benefit (DB) pension schemes, Defined Contribution (DC) pension schemes, central banks, sovereign wealth funds, charities, endowments, insurers and wealth managers.

Just over half our investment clients (by assets) are based outside of the UK, across Asia, Africa, the Middle East and Europe.

While our clients may be institutions, organisations or government bodies, our advice ultimately impacts wider society – we fully recognise that in helping our clients meet their own financial and wider goals, we are ultimately allowing them to deliver on the obligations they have to the individuals they serve. Thus, millions of people are impacted by our advice.

Because we are involved with such important issues, we think it's important to make sure that we are accountable not just to our clients but also to our people, communities and planet. In February 2026, LCP became a Certified B-Corporation.

This means that we have been independently verified as meeting high standards of social and environmental performance, transparency and accountability, working towards a more inclusive, equitable and regenerative economy.

Certified B Corporation
Learn more at bcorp.com

Introduction

How we support our clients' stewardship activities

Our asset owner clients are ultimately responsible for carrying out stewardship-related activities in relation to their invested assets. We support our clients in achieving their goals by providing effective investment advice which integrates stewardship. We help clients invest responsibly, exercise their ownership rights through strong stewardship and consider the real-world impact of their decisions – including through the selection, appointment and monitoring of external investment managers.

Much of our investment work could be considered stewardship-related. In our UK Stewardship Code reporting, we have focused on three areas of our work:



1.

Helping clients to align their investments with their sustainability ambitions.

Go to section



2.

Enhancing the effectiveness of managers' voting and engagement on behalf of our clients.

Go to section



3.

Developing and supporting clients' approaches to system-wide risks.

Go to section

All information in this report is as at 31 March 2026, unless otherwise stated.

This report has been reviewed by members of our Investment department, our Defined Contribution (DC) and Financial Wellbeing department, our Investment Professional Committee (ProfCo) and Conflicts and Ethics Committee and our Head of Corporate Social Responsibility (CSR). It has been reviewed and approved by our Executive Committee and Board.



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How we engage with our clients

Communicating with, and seeking feedback from, our clients

We communicate with our clients through many different methods and invite clients to share their views with us regularly, via a range of different means.

Examples include:

- Informally, as part of routine client interactions
- More formally, when setting and reviewing the investment consulting objectives we are required to agree with our clients, which often include a stewardship-related objective
- Seeking feedback from professional trustee firms on our delegated stewardship service to help identify areas for development and improvement (more information in section 2.2)

We have two formal firm-wide methods of obtaining client feedback:

- **Our Client Care Programme:** where an independent partner meets key client contacts to gather feedback, helping us to better understand their objectives, future plans, and how we can improve our services
- **Our Client Satisfaction Survey:** Every three years we commission an independent agency to conduct a survey asking our clients to share their views on our services. The latest survey took place in Autumn 2025

The feedback from these formal and informal channels is considered as part of an ongoing review of client needs, which informs the development and delivery of our services.

LCP CARES

For our Investment and DC departments, as at 31 March 2026:

77 out of 149

client care meetings that took place over the year were with Investment and DC clients.

83%

of clients said that we go above and beyond to deliver a high-quality service.

Our net promoter score[1] (reflecting how likely our clients would be to recommend us within our Client Satisfaction Survey) remained 'best-in-class', well above the industry average, at:

71%

Our average client satisfaction score has increased from 8.6 in 2022 to:

8.9 out of 10

[1]The net promoter score is based on asking clients how likely they are to recommend LCP (0–10). Scores 9–10 are promoters, 7–8 are passives, and 0–6 are detractors. The net promoter score is the percentage of promoters minus the percentage of detractors.

How we engage with our clients

Two-way communication with our clients on topical issues

We host a range of events for our clients to support their understanding around key stewardship areas, in addition to sharing topical updates through a range of channels (including blogs, publications and podcasts). These include regular update discussions with professional trustee firms, webinars, roundtable events and three conferences during the year across pensions, investment and DC and financial wellbeing. We like formats that allow two-way discussions, as this provides insights into our clients' needs and objectives.

For example, LCP's 2025 Investment Conference, "Markets, MAGA and Megatrends", provided a structured forum through which we discussed issues relevant to long-term stewardship – including geopolitics, strategic asset allocation and the energy transition – with our investment clients. Presentations, panel discussions and breakout sessions included the opportunity for Q&A, as well as informal conversations during breaks and an evening drinks reception. This supported our understanding of the priorities of the attendees and how to effectively support them in these areas.

> "Great content and speakers.
> A thought-provoking afternoon."
> **LCP Investment Conference 2025 attendee**





1. Helping clients to align their investments with their sustainability ambitions

1. Helping clients to align their investments with their sustainability ambitions

The following case studies illustrate how we supported clients this year in selecting new investment managers, implementing their ambitions and engaging with their managers to achieve alignment with their investment beliefs and stewardship expectations.



1.1 Case study: We helped a UK charity select a private equity impact fund

1. What were the client's objectives?

A UK charity sought to advance its charitable mission by investing in assets aligned with the UN Sustainable Development Goals (SDGs). The charity was clear that these sustainability ambitions had to complement, not compromise, long-term financial returns.

2. What was our approach?

We reviewed the charity's portfolio and identified private equity as a route to achieve both financial and impact objectives while diversifying a portfolio heavily concentrated in public markets.

As a first step, we assessed the various routes to accessing private equity (e.g. primary funds, funds of funds, secondaries, co-investments), evaluating the pros and cons of each against the client's objectives.

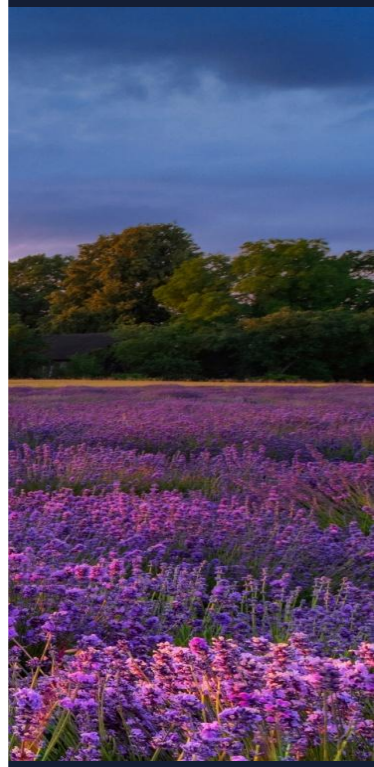
Leveraging our industry relationships and manager research programme, we compiled a longlist of 24 private equity funds with a sustainability focus for further consideration.

We then designed and ran a structured manager selection process. This involved developing a bespoke scoring framework to assess the 24 funds against both financial and sustainability criteria. We then held in-depth due diligence sessions with shortlisted managers, testing their approaches to value creation and ESG integration.

3. What was the outcome?

Two co-investment funds were appointed: one dedicated impact strategy focused on environmental sustainability, health and wellbeing, equality and inclusion, aligned with the SDGs; and one sustainable strategy, targeting companies with a positive impact but with broader diversification than a typical impact fund.

By combining rigorous manager research with a clear focus on the client's objectives, we helped translate high-level ambitions into a charity's investment strategy.



1. Helping clients to align their investments with their sustainability ambitions



1.2 Case study: We supported our DC client in appointing a net zero aligned credit fund

1. What was the background?

We helped a DC pension scheme client to review its default lifestyle strategy.

As part of this review, we worked with the client to understand its primary objectives for member outcomes, which informed our advice to introduce a short duration credit allocation within the scheme's bespoke multi-asset fund.

2. What was our approach?

We assessed the role of short duration credit within the lifestyle strategy, taking into account the client's objectives and broader investment strategy.

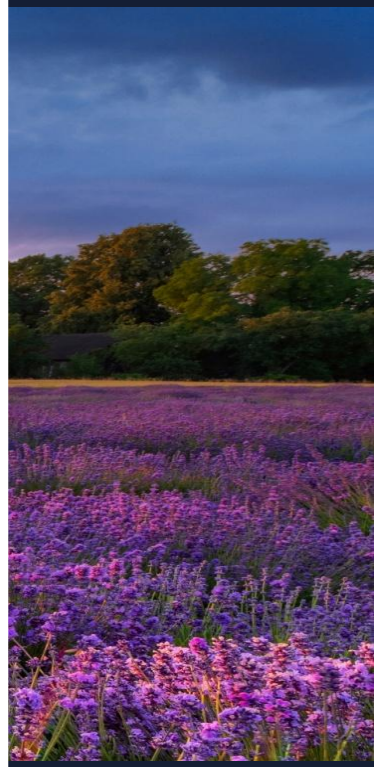
We recommended a specific short duration credit fund based on our research views, which consider ESG and stewardship practices within managers' overall investment approach, alongside the investment process, people, performance, fees and operational factors.

Our advice considered the client's investment beliefs as set out in its Statement of Investment Principles, including that ESG factors are sources of risk to the scheme's investments and that climate change should be a priority area to focus on. The client seeks to appoint investment managers who will manage these risks appropriately on their behalf. In this context, we considered how managers integrate ESG risks, including climate change, into their investment process and their approach to engagement with issuers as part of our overall assessment.

We ultimately recommended a short-dated credit fund with a commitment to net zero, supported by an explicit interim target.

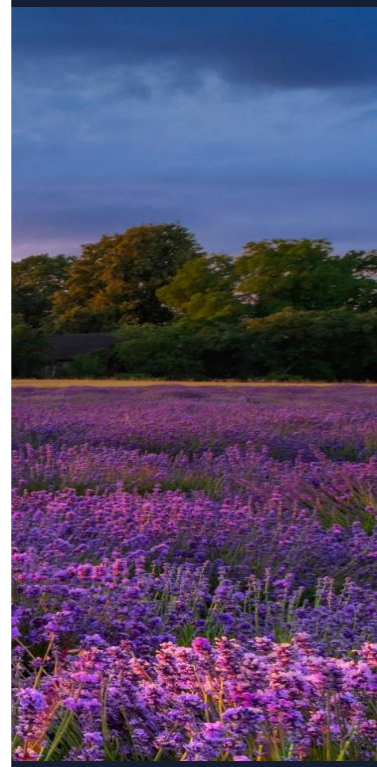
3. What was the outcome?

The client agreed to introduce our recommended fund in October 2025.



1. Helping clients to align their investments with their sustainability ambitions





1.3 Case study: Supporting a DB scheme in implementing its net zero ambition

1. What was the background?

A large DB pension scheme client recently adopted a net zero ambition and needed a practical process for aligning its portfolio with this ambition. The client also wanted to focus its engagement resource and oversight on the managers where it would have most effect.

2. What was our approach?

Phase 1: February 2025

We helped the client agree a process for aligning their portfolio with the net zero ambition over time. This included an annual process to classify each mandate as either already “aligning” with net zero, or to triage them as high, medium or low priority for seeking to improve alignment.

Triage considered the relative climate risk exposure of the asset class, our view of each manager's climate risk management approach, the ease of net zero alignment and the importance of the mandate to the client's overall portfolio.

Phase 2: April 2025

Two mandates were identified as "high priority" for engagement to improve net zero alignment. Initial discussions were held with both managers on the client’s behalf before reporting back to the client.

The client engaged with one manager during their annual meeting with the manager. (Engagement with the other manager paused due to restructuring of the client’s mandate.)

Phase 3: February 2026

Applying the same process, we identified two different mandates as high priority for engagement in the subsequent year.

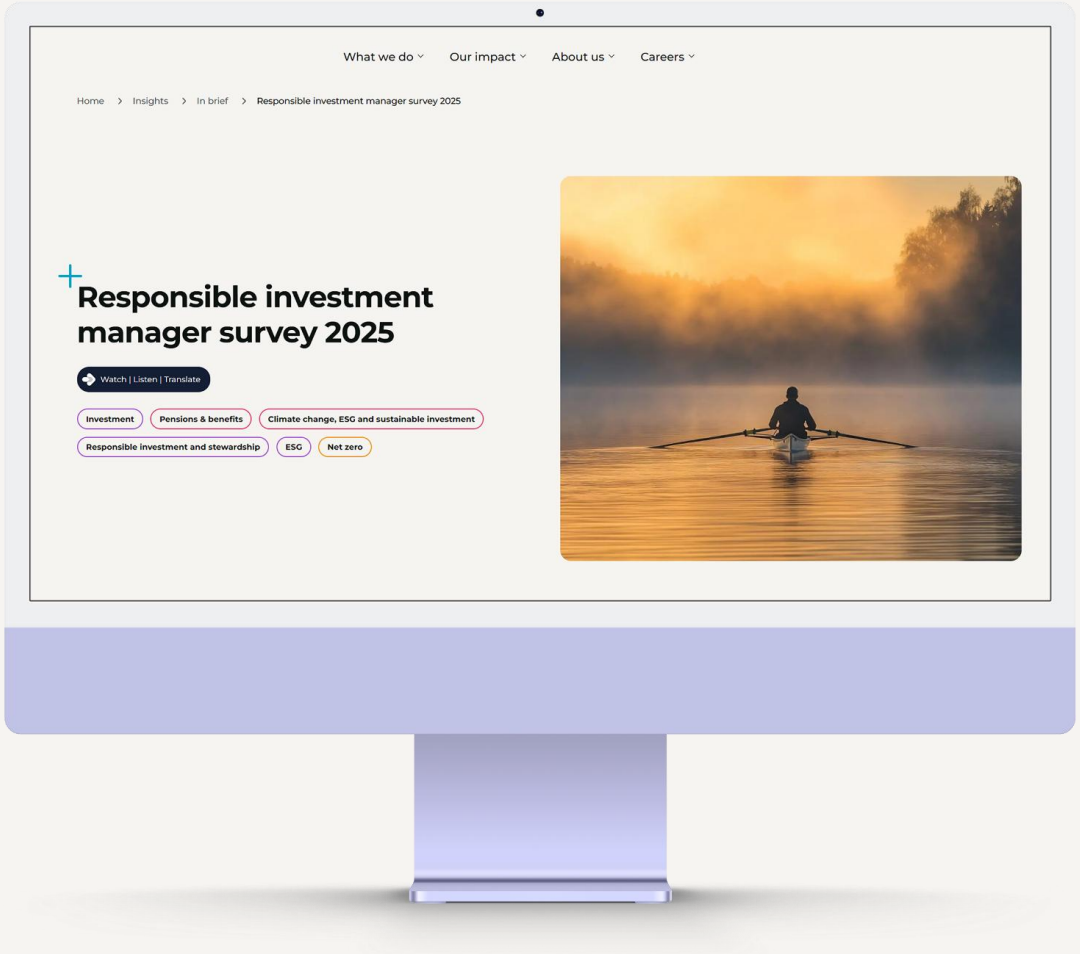
The client reviewed both managers’ approaches to net zero, met with them and had a constructive dialogue about their mandates’ approaches to net zero and the client's expectations of them.

3. What was the outcome?

The client has a good understanding of strengths and weaknesses in the three managers’ approaches. It is continuing light-touch engagement with the first manager through its annual monitoring meetings. It has asked us to continue engagement with the other two managers on the weaknesses identified, for example the quality of net zero-related engagements with portfolio companies.

1. Helping clients to align their investments with their sustainability ambitions

1.4 Responsible investment survey of investment managers



Each year, we carry out detailed research to assess investment managers' and bulk annuity providers' RI practices, and we share our findings with clients to support them in assessing and selecting new providers as well as for ongoing monitoring and oversight processes.



LCP's *2025 responsible investment manager survey* received responses from over 130 investment managers and evaluated the progression of their firmwide RI practices since our 2024 survey, while also taking a snapshot of how investment managers are positioning their philosophy and approach to RI looking ahead.

1. Helping clients to align their investments with their sustainability ambitions

1.4 Responsible investment survey of investment managers (continued)

Some of our key findings were:

No managers reported giving RI-related issues less consideration overall, and most reported no meaningful change, over the year to 30 June 2025, signalling continuity despite ongoing debate around ESG. Where there were reported changes, these focused on integrating RI into investment processes, refining specific products or strategies, or changing engagement practices.



Governance continues to strengthen, with ESG and/or stewardship oversight now near universal at board level, although RI training gaps remain, particularly among board members, which raises questions about the quality of RI oversight.

Collaboration activity appears to be mixed. There was growth in participation in some collaborative initiatives such as Nature Action 100, while participation in other initiatives remained broadly flat. Participation remains uneven, particularly across different regions, and some managers have withdrawn from collaborative initiatives.

A significant majority (77%) of managers now expect a disorderly transition to net zero rather than a failed or orderly transition. In addition, although *most* managers that responded continue to work towards net zero emissions for at least some of the assets that they manage, this has not changed significantly since the previous survey, so progress appears to have plateaued.

1. Helping clients to align their investments with their sustainability ambitions

1.4 Responsible investment survey of investment managers (continued)

These assessments feed into our responsible investment assessment of individual strategies which we use to help our clients select new managers and monitor existing managers.

We have used these assessments alongside the manager's specific responses to develop clear, actionable "asks".

This year we fed back asks to 133 managers, typically three asks each, covering issues like RI training for investment professionals, having a clear engagement process, improving climate scenario analysis and engaging with policymakers and regulators. We also use these asks to help our clients carry out more informed and targeted engagement with their managers. We aim to drive improvements at managers, and we actively encourage clients to do so too.

This year we also provided clients with a comparison to our insights from the last survey, enabling clients to track changes over time and challenge managers where responses appear incomplete or outdated, supporting a more regular engagement process.

1.5 Sustainability assessment of bulk annuity providers*

We carried out our fifth sustainability review of bulk annuity providers ("providers") during the reporting period.

Our assessment covered ten providers and considered their ESG practices, with a focus on the systemic risks that could threaten long-term provider solvency and, ultimately, member benefits. We covered four main areas: ESG foundations; Stewardship; Nature and climate; and Transparency.

* Insurers who sell insurance policies that pay part or all of future benefit payments owed to a group of pension scheme members.



1. Helping clients to align their investments with their sustainability ambitions

1.5 Sustainability assessment of bulk annuity providers (continued)

We graded all 10 providers from "Starter" to "Market leader". Our key findings were:

Sustainability is now more embedded within providers' investment processes

Progress has been uneven across the market

Most providers have net zero targets

Engagement remains an important tool for meeting net zero targets

Nature considerations are at an early stage

Client and member sustainability tailored reporting is underdeveloped

We made two main improvements since our previous review:

1. **Provider-specific "asks" for all insurers**, including market leaders, to give clients a practical basis for engagement. By setting out these asks, we are better placed to engage more formally with providers to improve their services, while giving them clear objectives to work towards, in line with our understanding of best practice
2. **Efficient approach to information collection**, by using providers' responses to the Bulk Annuity Sustainability Survey (a standardised industry survey released in 2025)

We delivered two key items to our clients:

1. **A headline market review** – helping those pension scheme clients early in an insurer selection process to introduce sustainability into the discussion
2. **A detailed insurer-specific review** – for clients at a detailed insurer shortlist stage, or those already transacted. This allows clients to compare the relative strengths, weaknesses and key sustainability risks of insurers, and to support more targeted challenge and ongoing engagement

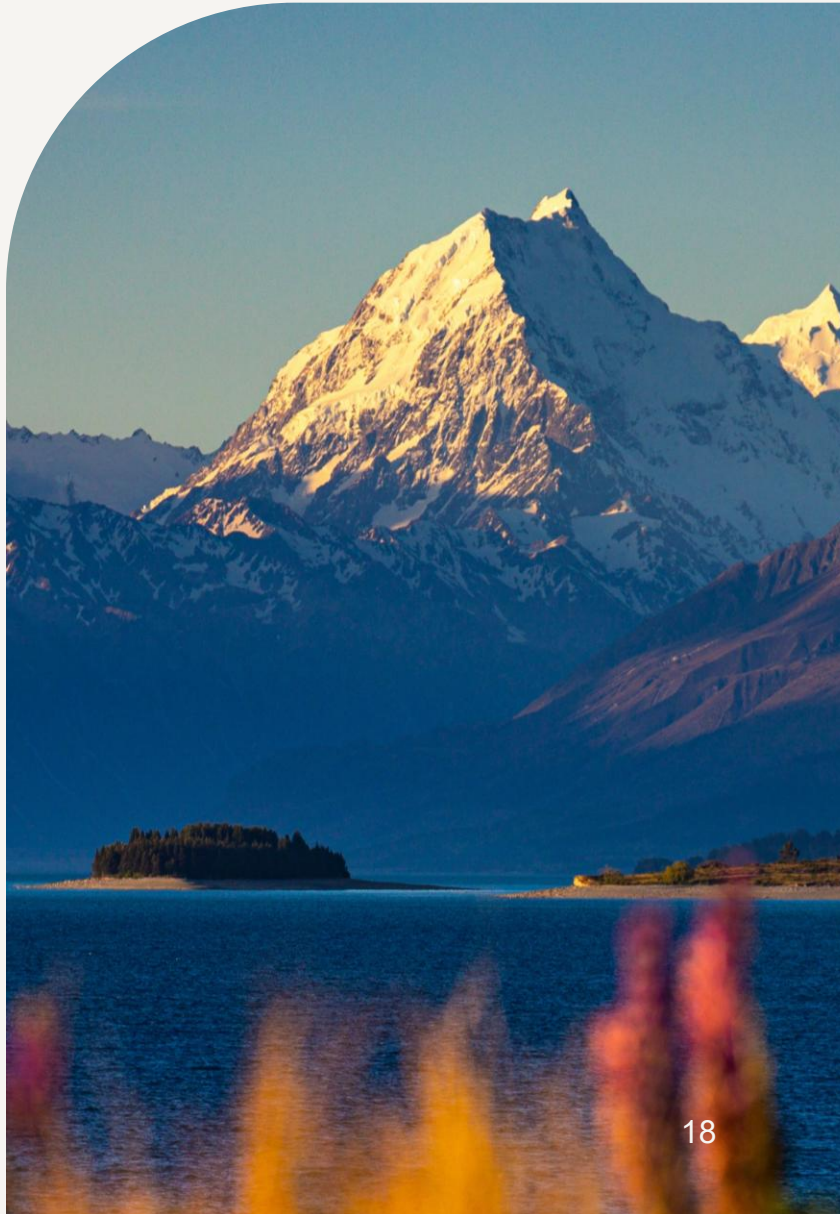


2. Enhancing the effectiveness of managers' voting and engagement on behalf of our clients

2. Enhancing the effectiveness of managers' voting and engagement on behalf of our clients

Following feedback from clients and professional pension trustees during the year, we further developed our delegated stewardship service, LCP Influence, to supplement our clients' own engagement with their managers.

We set out details of our service, how we have engaged with investment managers and what the impact has been below.



2.1 What is LCP Influence?

LCP Influence is our consultant-led engagement programme for assessing and engaging with asset managers on their stewardship practices on behalf of our clients. We developed this service to support clients in overseeing their managers' stewardship practices, recognising the time, resource and budget constraints that asset owners often face.

The service is intended not only to evaluate current practice, but also to identify priority areas for improvement and engage with managers to support stronger stewardship practices over time.

Our assessment focuses on six core areas:

Engagement activity	**Voting behaviour**	**Resourcing**
Use of technology and data	**Record-keeping and reporting quality**	**Systemic stewardship**

2. Enhancing the effectiveness of managers' voting and engagement on behalf of our clients

2.2 How did we develop our approach this year?

We held conversations with a number of professional trustee firms during the year to seek their views, better understand their needs and help develop this service further. This included delivering stewardship training focused on regulatory expectations, the tools available to pension trustees as well as describing what trustees should expect from their investment consultants in this area.

This year we expanded the scope of our assessment to include additional managers. We now cover 12 managers in total, which oversee a significant proportion of our clients' assets.

Our discussions with managers focus on the issues most important to our clients and also areas of growing significance more broadly – for example, this year we placed greater emphasis on physical climate risks and the implications of artificial intelligence.

2.3 How have we engaged with the managers?

Of the 28 targeted asks we identified in late 2024, 50% (or 14) were completed by late 2025, with a further 14% having a clear implementation plan.

Of our 28 asks:

4
were being progressed with a clear implementation plan

14
had already been completed



2. Enhancing the effectiveness of managers' voting and engagement on behalf of our clients

2.3 How have we engaged with the managers? (continued)

Areas in which we have seen managers strengthen their stewardship approach include:

- Assessing the effectiveness of their voting and engagement activity with underlying companies and issuers
- Disclosing clearer strategies for policy engagement
- Setting clearer objectives for each specific engagement activity
- Improving the quality of stewardship reporting
- Taking a more thorough approach to integrating responsible investment considerations into investment decision-making, including prior to investing in a company

As part of our assessments, we also engaged with managers to better understand how engagement outcomes feed into overall ESG assessments and investment decision-making. For example, one manager shared an example of client reporting which they are developing, demonstrating the link between engagement outcomes and investment buy and sell decisions.

Following the 2025 assessments, we made a further 23 targeted asks, reflecting both areas where progress is still required and areas where stewardship expectations continue to evolve. We also carried forward 14 asks from the previous year where we felt continued engagement was required.

Some common areas where we asked managers to strengthen their approach include:



Continuing to improve the granularity of stewardship reporting, including disclosure of progress against engagement milestones and objectives



Continuing to strengthen responsible investment tools and data, and further integrate these into investment decision-making



Outlining climate policy views more thoroughly in public-facing documents



Increasing the resource dedicated to policy advocacy activities

2. Enhancing the effectiveness of managers' voting and engagement on behalf of our clients

2.4 What impact has our engagement had?

We are keen to understand whether our approach is effective, so we issued an anonymous survey to each of the managers assessed.

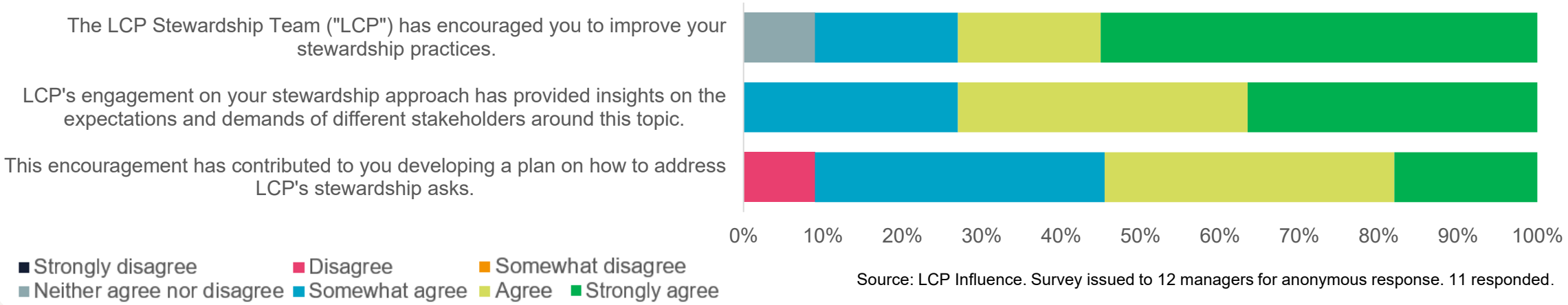
Overall feedback was positive. In particular, managers highlighted:

- The value of the insights we provided on best practice and stakeholder expectations
- Our engagement had encouraged them to strengthen their stewardship practices
- Their confidence in the expertise of LCP's engagement specialists

We are pleased that the results suggest our engagement is being effective, and that we are influential in encouraging managers to improve their stewardship practices and consider concrete next steps.

Taken together, the feedback received from professional trustee firms, the responses to our anonymous manager survey and the progress made against our targeted asks provide clear evidence that LCP Influence is supporting clients' stewardship objectives by strengthening their oversight of managers and informing our engagement on their behalf.

Manager feedback on our engagement has been positive



Source: LCP Influence. Survey issued to 12 managers for anonymous response. 11 responded.



3. Developing and supporting clients' approaches to system-wide risks

3. Developing and supporting clients' approaches to system-wide risks

At LCP, we believe some of the biggest investment risks we face today are market-wide and systemic in nature. In our view, investors should use their influence to undertake systemic stewardship, not only to protect individual holdings within their investment portfolios and overall portfolio value, but also to help protect the economy and the stability of financial markets on which future investment performance will depend.

We set out below how we identify and prioritise systemic risks, as well as what our priority systemic risks are, which include market-wide risks.

3.1 Our systemic risks framework

We define systemic stewardship as investors using their influence at a systems level – for example, engaging with policymakers and regulators – with the objective of addressing systemic risks that have the potential to materially harm financial outcomes.



3. Developing and supporting clients' approaches to system-wide risks

3.1 Our systemic risks framework (continued)

Over the year, we have developed a framework to help our clients determine which systemic risks they want to focus their attention on and what actions they can take for each of their priority risks. It takes a joined-up approach, leveraging experience across LCP to explore systemic risks not just in an investment context, but for the asset owner as a whole – for example, integrating scheme governance, funding and covenant implications for our DB clients.

This framework aims to make systemic risks more tangible for our pension scheme clients, against the backdrop of increasing regulatory expectations for them to consider systemic factors. Recent market volatility has also illustrated that, while all asset owners will be affected in some way by systemic factors, preparedness can help manage the impact.



The framework takes a structured approach:

1 We help our clients **understand what systemic risks are**, how they relate to other important concepts such as tail risks and megatrends, and why they matter.

2 We explore with them **the most salient systemic risks** identified in key academic and industry publications.

3 We use this in a guided roundtable discussion to determine **which risks our clients consider the most significant** for them.

4 Once our clients have agreed a shortlist of systemic risks to be their immediate strategic focus, we explore with them the **levers they have to better understand, act on, and manage** those risks. Many of these levers are familiar from the work we have previously done with them on climate change risks – including training, manager engagement, policy advocacy, and their own governance.

3. Developing and supporting clients' approaches to system-wide risks

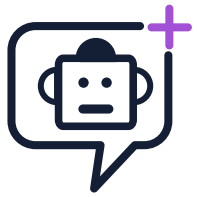
3.2 Our priority systemic risks

Systemic risks that have been a focus over the year to 31 March 2026 include:



Geopolitical risk and inflationary pressures:

Recent global events have served to demonstrate the significant effect geopolitical uncertainty can have on financial markets, making it a key immediate focus for our clients. Growing concerns on what this might mean for future inflation expectations has exacerbated this.



Artificial Intelligence (AI) and cybersecurity risk:

AI capabilities have advanced so significantly in the past year as to make material economic changes plausible within a short space of time. Understanding the possible impacts of this, and how it interacts with cybersecurity risks, is becoming an urgent issue for our clients to understand and act on.



Climate change risk:

This remains a fundamental systemic risk for long-term investors to navigate. Demonstrating the financial materiality of this risk to our clients has been important to ensure it remains a prominent consideration.



Nature risk:

This is an increasing area of focus for our clients, given the critical role that nature systems play as the bedrock of global economies and, in turn, the financial system.

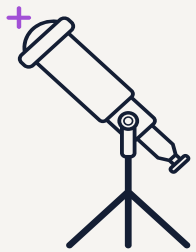
3. Developing and supporting clients' approaches to system-wide risks

We have set out some examples of our recent work to support clients on specific systemic risks.

3.2.1 We have supported clients in understanding how heightened geopolitical risks could impact them

Our macroeconomic research team carries out regular research with expert economists to discuss the economic outlook, possible scenarios and potential asset class impacts. The team produces a range of output for internal and external use, including a quarterly investment update for clients which includes details of any key changes to the economic outlook and our asset class views.





To support clients in understanding geopolitical risks and how they could be impacted by them, the team produces regular and timely updates for colleagues to send to their clients, informing clients of relevant geopolitical developments, what the market reaction has been and any actions that we recommend they consider. Examples during the year included the implications of President Trump's tariff policies and updates on the escalation of the Middle East conflict.



We also offer a range of economic scenarios, including some focused on geopolitical risks. During the year, our team developed bespoke scenarios for several clients that wished to consider implications for their investment and funding positions in more detail, including:

- A scenario that considered the impacts of an escalating trade war, causing a severe deterioration of US-China relations and leading to serious global instability as a result
- A scenario considering what a stagflationary environment might look like

We explored these scenarios with our clients and used them to inform their wider decision-making.

3. Developing and supporting clients' approaches to system-wide risks

3.2.2 We have explored the implications of AI as a megatrend and systemic risk with our clients, as well as developing our own capabilities in the area



Divergent expectations of what AI might be able to achieve by 2030, and how these capabilities will translate into real-world economic impacts, indicate AI is a key immediate area of both risk and opportunity for our investment clients. Over the year, we have therefore been exploring how the impacts of AI might translate into both specific and systemic risks for our clients.

Externally, this has ranged from exploring AI as a megatrend with associated risks and opportunities for our clients to navigate, including a potential "AI bubble", to more focused training helping clients better understand what AI actually is, where it might be going, and what this means operationally, for investments, and for financial outcomes.

Our exploration of AI as a systemic risk has included:

- The publication of a blog explicitly discussing this issue and exploring how AI interacts with other important systemic risks
- Work to look at AI and cybersecurity as a potential stewardship priority for clients. This included considering how stewardship could help mitigate AI-related systemic and financial risks, for example through collaborative initiatives and voting on AI-related issues
- Active participation in industry groups that are considering the systemic implications of transformative AI and the role the financial sector plays in helping society navigate this (see section 3.6 for more details)

Internally, we remain committed to using AI safely and responsibly, to not just do our work more efficiently, but to do it better. Over the past year, this has involved evolving and improving our internal AI tools such as LCP ARC (an extra layer of quality control to complement our existing do-check-review processes) and LCP Transpose (which allows our clients and scheme members to access information in video form, in a podcast, or in a different language).

3. Developing and supporting clients' approaches to system-wide risks

3.2.3 We have continued to develop our work helping clients to invest in the energy transition

We continued to develop our energy transition investment proposition over the year, further integrating our investment expertise with the sector insight and analytical capabilities of our energy department, LCP Delta.

We made tangible progress in addressing these challenges:

Deepened our research across key segments, including power generation, storage, grid infrastructure and industrial decarbonisation.

Strengthened our engagement with specialist managers across private equity and private credit.

This has enabled us to identify a more defined set of investable opportunities and to develop stronger conviction in the areas of the value chain where capital is most needed.

In parallel, we have advanced our work on developing a more comprehensive investment approach to the energy transition. In particular, we have explored the potential for integrated, multi-manager solutions that bring together complementary strategies across technologies and across the capital structure. The objective is to provide investors with diversified exposure to the transition through a single, scalable allocation, while directing capital towards areas where it can have the greatest impact, including system resilience, clean firm power and the integration of renewable energy.

We have also continued to support asset owners across the occupational pension, Local Government Pension Scheme (LGPS) and corporate sectors, helping them understand the evolving opportunity set and consider how energy transition investments can be incorporated into their portfolios. This has increasingly included early-stage discussions on implementation pathways and how a more structured, programmatic approach to the transition could be achieved.



3. Developing and supporting clients' approaches to system-wide risks

3.2.4 We have further developed our narrative approach to climate change scenarios

Following past criticisms of the industry's approach to climate change scenario analysis, we have continued to develop our narrative approach. This can be accompanied by a quantitative approach if clients wish.

During the year, we introduced a climate scientist to one of our pension trustee clients to see how a purely narrative approach to climate scenario analysis could work for them. This enabled the trustee board to tap into the latest scientific thinking (particularly on climate tipping points) to help them understand the potential economic impacts of climate change, and to consider actions they can take to mitigate the risks.



Following this session, we developed our narrative approach into a workshop which allows our wider client base to:

- Access the latest climate-related information and thinking
- Determine what scenarios are of most interest or concern to them
- Focus their efforts on actions that mitigate the most critical risks of climate change

We consider climate scenarios to be an important tool for asset owners to assess the risks and opportunities of climate change. However, quantitative analysis can give misleading results due to limitations of the modelling and clients tend to focus on the numerical outputs rather than the broader insights. We have found that narrative-based sessions are more engaging for clients and more effective at building their understanding of climate risks. We are therefore encouraging the Department for Work and Pensions (DWP) to update its guidance for pension trustees to remove the preference for quantitative over qualitative analysis.

3. Developing and supporting clients' approaches to system-wide risks

3.2.5 We have developed our materials to support clients in better understanding their physical climate risk exposures

Physical climate risks present a real and growing threat to assets, financial markets and economic systems. As temperature rises accelerate, the threat of risks to our clients' assets and investment objectives also increases. Physical climate risks can have market-wide impacts and therefore clients should be taking appropriate action to consider and manage these risks, even if they do not invest directly in physical assets, such as infrastructure and property.

We conducted research in the second half of 2025 to understand how asset owners and investment managers are managing these risks.

We prepared training materials to help clients understand what physical climate risk is, how the risks and opportunities present, and what actions they can take.

Our clients delegate day-to-day management of their assets to investment managers, so ensuring managers are appropriately addressing these risks is key. Our assessments of managers therefore include climate risk management, including physical climate risks.

We used data from a third-party provider to develop portfolio assessment tools that can form the basis of our clients' engagement with investment managers on this topic.

As a firm, we continue to participate in industry-wide collaborations and take action in support of our climate policy asks (see section 3.6) based on our view that stronger and faster action is needed to limit and respond to physical climate risk.



3. Developing and supporting clients' approaches to system-wide risks



3.2.6 Case study: We have supported our clients in understanding nature-related risks and opportunities by conducting in-depth research into nature-based solutions

1. What was the background?

To support a large client, keen to make a real-world impact whilst generating strong returns, we have explored opportunities within nature-based solutions.

We agreed to focus our research on five areas: regenerative agriculture, ocean impact, sustainable forestry, ecosystem restoration and freshwater impact.

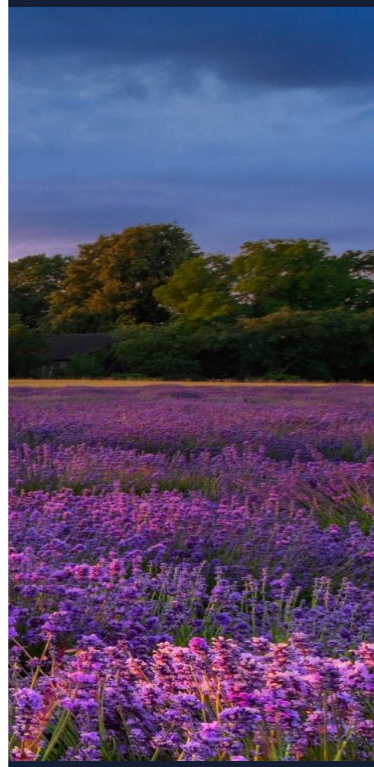
2. What was our approach?

We began our research process with regenerative agriculture where we identified more than 40 fund managers. These fund managers operated a mix of farmland strategies and value-chain corporate strategies. We established that 27 ran specialist regenerative agriculture funds while most of the others had broader remits. There were a small number where we were not convinced that they used a holistic regenerative approach.

We removed strategies which were focused on value-chain exposure (which is important, but does not offer the diversification benefits of farmland), those raising very small funds as well as those who did not provide sufficient information. We conducted initial due diligence on seven strategies.

3. What was the outcome?

We are continuing our research of nature-based solutions during 2026. This has included in-depth due diligence on seven regenerative agriculture strategies, based within Europe, America and emerging markets. These funds have different characteristics in terms of geographic focus, whether farms are majority or minority owned, whether farms are directly operated or leased to tenant farmers, the type of farm produce focused on, their ability to monetise soil carbon sequestration and whether they take small exposure to value chain corporates.



3. Developing and supporting clients' approaches to system-wide risks

In the following sections we describe how we encourage systemic stewardship across the market in a range of ways.

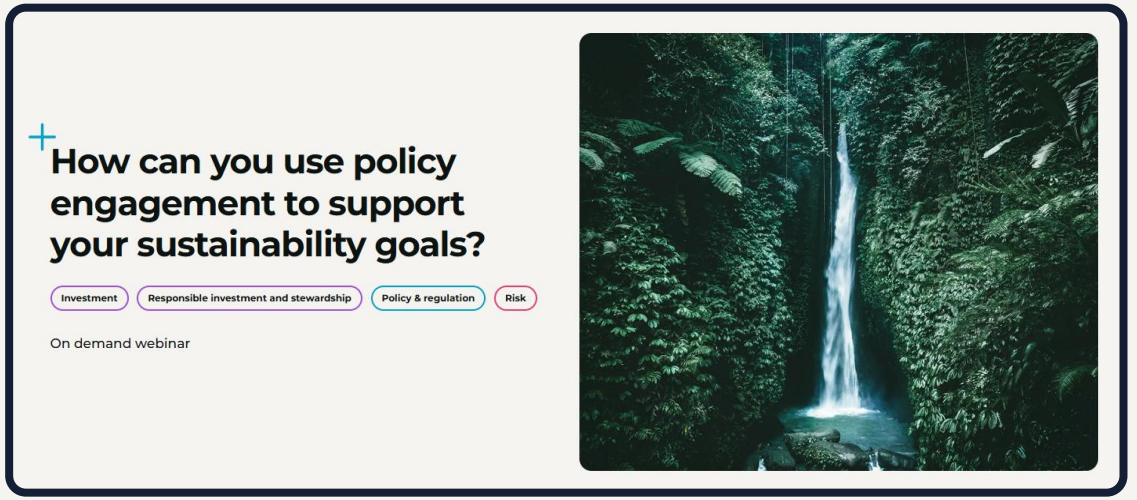
3.3 We host industry discussions to encourage effective policy engagement

In July 2025, we hosted a webinar on policy engagement with Sir Steve Webb (Partner at LCP and former pensions minister) and Paul Scaping (Public Policy Specialist at the Investment Association) as speakers. It was attended by professional trustees, asset owners, asset managers and other industry professionals.

The webinar explored how policy engagement can address systemic risks and support well-functioning financial markets. The discussion focused on market-wide risks such as climate change, policy uncertainty and macroeconomic pressures, which are financially material to clients' long-term outcomes. The webinar and our related blog also covered how policy engagement initiatives can be undertaken.



Recognising that many asset owners lack in-house resource to undertake policy engagement themselves, we suggest asset owners encourage managers to engage on policy issues on their behalf, in a way that is aligned with fiduciary duty.



These types of events allow us to contribute to promoting well-functioning markets. They help encourage more coordinated and effective policy engagement supporting systemic stewardship across the investment chain.

3. Developing and supporting clients' approaches to system-wide risks

3.4 We encourage asset owners to use their influence with policymakers to address systemic risks

We believe it is important that asset owners seek to address systemic risks to which their assets are exposed. We describe below two areas on which we have focused this work.

LDI managers

Many of our DB pension scheme clients hold a significant portion of their assets in Liability Driven Investment (LDI) portfolios. The managers of these portfolios hold a notable share of UK gilt issuance, so they have the potential for meaningful influence with the UK government. Furthermore, policy advocacy is one of the main stewardship tools available for the asset class.

In late 2025, we refreshed our assessment of the climate policy advocacy work of five key LDI managers against an updated version of our "*best practice principles*", following our initial assessment in 2024. This included assessing progress against the specific areas where we had previously asked each manager to improve.

While we continue to believe all five managers have room for improvement, we were pleased to see that some of our prior-year recommendations had been addressed.

Some of the managers were more forthcoming in the information they shared with us about their climate policy advocacy activity and seemed to have developed their work in this area since our initial assessment.

Master trust providers

Master trusts hold a significant proportion of the UK's DC assets and therefore may also be able to exert some influence with the UK government. In light of this, we carried out a review of master trust providers' climate policy advocacy, recognising that climate change is one of the greatest systemic and existential risks that our DC clients and their members face. We assessed sixteen master trust providers against a set of "*best practice principles*", providing feedback to each on areas of relative weakness, and held a roundtable with master trust trustees to discuss their providers' approach in this area.

We found that the level of policy advocacy undertaken varied widely: some master trusts were very active, while others were not engaging with policymakers at all. Several of the master trusts noted that this was the first time they had been asked to discuss this work externally.

We have already seen evidence that some providers are strengthening their approach in response to our feedback. We plan to repeat this assessment after two years to assess progress and encourage further improvement across the market.

3. Developing and supporting clients' approaches to system-wide risks

3.5 We have policy asks to address climate risk and guide engagement with policymakers and regulators

We have a set of policy asks to address climate risk on behalf of our clients and their beneficiaries, which guide our discussions with policymakers and regulators. Progress updates on each ask during the reporting year are summarised below:

Ask 1: **Climate regulations for investors should aim for real-world impact, not (just) disclosure**

We invited asset owners to support these asks, and 68 asset owners with assets totalling £197bn have already done so.

For more details, see our webpage.



ACTIVITIES

This was a prominent theme in our discussions with DWP and The Pensions Regulator (TPR) during the year, including Claire Jones' (Head of Responsible Investment) regular catch-ups with them via the ICSWG Influence workstream (see section 3.6). There seems to be widespread support for reducing the reporting burden on pension trustees, so conversations have focused on how to simplify the reporting and encourage trustees to place greater emphasis on actions that seek to improve real-world outcomes on behalf of members. In particular:

1. Claire was an active member of TPR's Transition Plan Working Group, which prepared advice to DWP on transition plans for UK pension schemes
2. Claire also worked on an ICSWG project developing a vision for a simplified sustainability reporting framework for large UK pension schemes
3. We responded to DWP's survey on experiences of the Task Force on Climate-Related Financial Disclosures (TCFD) regulations for pension schemes and the Department for Energy Security and Net Zero (DESNZ) consultation on transition plans

PROGRESS

At the time of writing, there have been no policy changes. However, relevant announcements are expected in 2026.

3. Developing and supporting clients' approaches to system-wide risks

3.5 We have policy asks to address climate risk and guide engagement with policymakers and regulators (continued)

Ask 2: **It should be easier for DB and DC pension schemes to invest in climate solutions (including growth and/or illiquid assets)**

ACTIVITIES

We have had various conversations with policymakers and regulators to share our experiences of the barriers to investing in illiquid assets and/or specific geographic regions, and discuss potential solutions.

We have contributed to the Emerging Market and Developing Economies (EMDE) Investor Taskforce, which aims to increase investment in climate transition and sustainable development in emerging markets and developing economies. Ken Willis (a senior investment partner) and Claire Jones have attended roundtables on this topic.

Claire arranged a meeting between the Taskforce and ICSWG representatives and reviewed the Taskforce's report on the potential for UK asset owners to increase their allocation to EMDE investments.

PROGRESS

The UK policy environment has become more supportive of investing in illiquid and growth assets, including policies relating to DC value for money, consolidation and release of DB surplus, albeit investing in climate solutions is not an explicit part of the policy aims.



3. Developing and supporting clients' approaches to system-wide risks

3.5 We have policy asks to address climate risk and guide engagement with policymakers and regulators (continued)

Ask 3: **Climate action needs to match the scale of the risk, removing the current disconnect between the levels of policy ambition and implementation**

Ask 4: **Governments should set clear, credible, consistent net zero plans, which are nature-friendly and socially just, so investors can invest in the net zero transition with confidence**

ACTIVITIES

Given the scale of Asks 3 and 4, we focus on encouraging others to speak out and amplify the investor voice to deliver these messages, as outlined in the previous sections where we provide examples of hosting industry discussions and using influence with policymakers. We have also provided feedback and specific "asks" for improvement in relation to systemic stewardship for managers (see section 1.4 and section 2.3) and bulk annuity providers (see section 1.5).

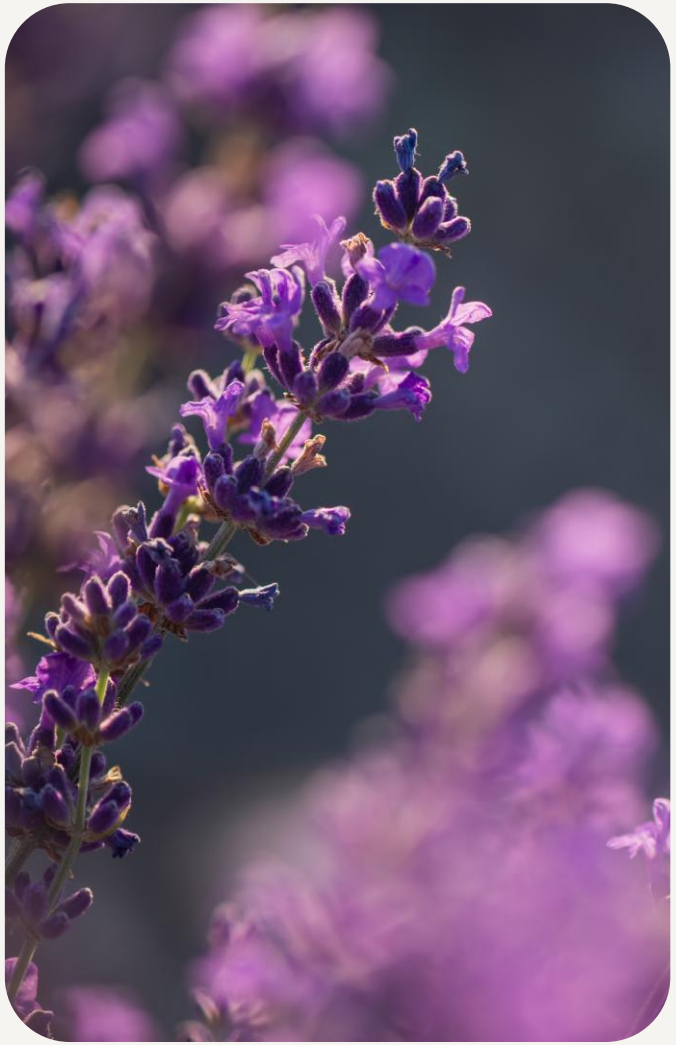
During the year, Claire appeared on Asset TV and was quoted in the industry press advocating for investors to do more policy engagement, in particular engagement that demonstrates support for ambitious climate action that is aligned with their fiduciary duty

PROGRESS

There has been limited progress on government climate action, as evidenced by the annual UN emissions gap reports, but there is recognition of the importance of policy stability and some progress on setting net zero plans.



3. Developing and supporting clients' approaches to system-wide risks



3.5 We have policy asks to address climate risk and guide engagement with policymakers and regulators (continued)

Ask 5: **Pension trustees' fiduciary duty should be reinterpreted to have a longer time horizon and include macro (impact) as well as micro (risk) considerations**

ACTIVITIES

We contributed to industry discussions about whether UK pension trustees' fiduciary duty should be clarified, including hosting a roundtable on behalf of ShareAction in April 2025 which discussed a proposal for legislative clarification. Whilst we did not advocate for or against a change in the law, we did advocate for clarity around time horizons and trustees' ability to take account of macro (impact) considerations. Claire helped to draft a policy brief from the Transition Finance Council (TFC) requesting clarification of fiduciary duty, including on these points.

We were pleased when the Pensions Minister announced the intention to bring forward guidance on trustees' investment duties. On behalf of ICSWG, Claire provided input to DWP's initial workshop and was subsequently accepted as a member of DWP's Technical Working Group (TWG) which is developing the guidance. Claire set up an ICSWG group to support her contribution to the TWG and respond to DWP's consultation in due course. A consultant from our RI team also joined this group and the Institute and Faculty of Actuaries' (IFoA) working group on fiduciary duty, to help co-ordinate work across ICSWG and IFoA.

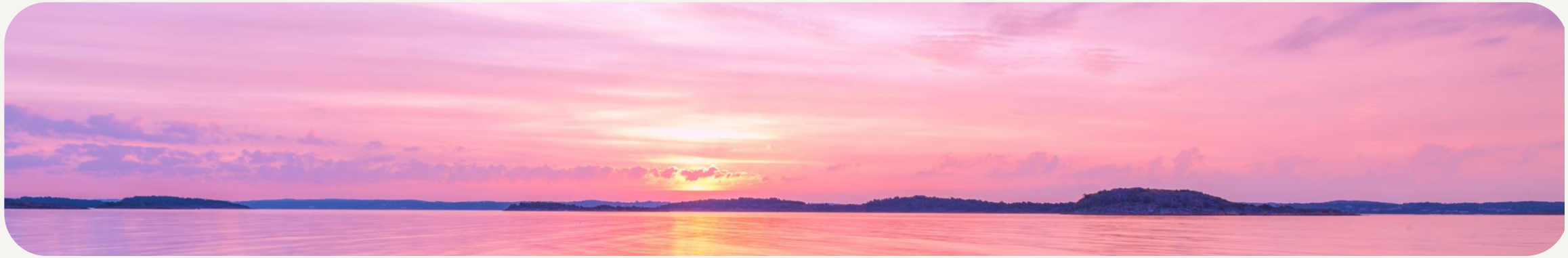
PROGRESS

DWP is due to consult on draft guidance in Autumn 2026, which we hope will largely address our ask.

3. Developing and supporting clients' approaches to system-wide risks

3.6 We contribute to a wide range of industry initiatives that support well-functioning financial markets

As a firm, we participate in a wide range of initiatives that are relevant to the industries in which we operate. Through working groups, industry bodies and advisory committees, we help shape market practice, contribute to policy development, improve transparency and reporting, and support better governance and stewardship standards. This broad involvement reflects LCP's commitment to sharing practical expertise and engaging constructively with regulators, policymakers and peers.



On the next pages, we have set out for each of these initiatives which we participated in over the year to 31 March 2026:

1. A brief description of each initiative
2. How they help promote well-functioning markets
3. What the role and contribution of our LCP representatives are in relation to each group

3. Developing and supporting clients' approaches to system-wide risks

3.6 We contribute to a wide range of industry initiatives that support well-functioning financial markets (continued)

The table below summarises some of the initiatives in which we participate, and our role in them, focusing on those that relate to sustainable investment and our priority systemic risks (see section 3.2).

Name of working group	Brief description of working group	How it helps promote well-functioning markets	Description of LCP representative's role and contribution
ICSWG – SteerCo	Committee overseeing ICSWG's direction and priorities	Supports coordinated industry action on stewardship and sustainability	Represented LCP on the steering committee and contributed to the direction of ICSWG's work. Member of subgroup that reviewed ICSWG strategy in 2025
ICSWG – Influence workstream	Industry workstream engaging policymakers and regulators on sustainable investment issues relevant to UK pension schemes	Helps improve the regulatory framework for asset owners and reduce barriers to effective stewardship and sustainable investment	Established and led the workstream. Helped progress its policy priorities, engaged with TPR, DWP and Financial Conduct Authority (FCA), and led ICSWG's response to DESNZ's consultation on transition plans
ICSWG – Raise the Bar workstream	Workstream focused on raising stewardship standards, including engagement reporting and voting alignment	Improves accountability, transparency and consistency in stewardship practice	Helped develop a tool for evaluating the alignment of investment managers' stewardship with asset owners' expectations
TPR Transition Plan Working Group	Stakeholder group to explore the practicalities of transition plans for occupational pension schemes	Supports the development of policy and tools to help pension schemes respond to the climate transition	Actively contributed to group discussions and commented on drafts of group deliverables

3. Developing and supporting clients' approaches to system-wide risks

3.6 We contribute to a wide range of industry initiatives that support well-functioning financial markets (continued)

Name of working group	Brief description of working group	How it helps promote well-functioning markets	Description of the role and contribution of the LCP representative
Net Zero Investment Consultant Initiative (NZICI) – Steering Committee	Initiative supporting investment consultants and asset owners on net zero	Encourages more consistent approaches to climate-related investment and manager assessment	Represented LCP on the steering committee. Contributed to a manager net zero assessment framework, updates to NZICI commitments, and the annual progress report
Institutional Investors Group on Climate Change (IIGCC) – UK Policy Working Group	Policy group focused on UK climate and sustainable finance policy	Supports clearer policy for transition finance, stewardship and long-term investment	Provided input on policy discussions, including DESNZ's transition plan consultation. Co-opted onto TFC working group to help develop policy briefing on fiduciary duty
IIGCC – Nature Investment Working Group	Forum for investors to collaborate on biodiversity and nature-related investment risks and opportunities	Aims to improve consistency in how nature risks are understood, assessed and integrated into investment decision-making	Contributed to the development of nature investment profile and due diligence tools to standardise how potential investees report nature-related information
IFoA Finance & Investment Board – Impact Investing Working Party	Working party aiming to help with the understanding and implementation of impact investing by actuaries	Encourages investment in solutions to societal and environmental issues, some of which threaten the functioning of financial markets	Contributed to the development of a how-to guide to impact investing focused on practical application by actuaries in various fields
Investors for Purpose *Known as Pensions for Purpose prior to 11 March 2026*	Collaborative organisation focused on impact and sustainable investment	Improves dialogue and knowledge-sharing between asset owners, advisers and managers	LCP acted as a Community Partner until the end of 2025, and has remained a member over 2026, taking part in meetings and discussions on market developments, barriers and opportunities

3. Developing and supporting clients' approaches to system-wide risks

3.6 We contribute to a wide range of industry initiatives that support well-functioning financial markets (continued)

Name of working group	Brief description of working group	How it helps promote well-functioning markets	Description of the role and contribution of the LCP representative
The 300 Group	Group of senior investment professionals focused on market herding and systemic risks	Highlights structural risks that could affect market stability and investor outcomes	Founding member and regular attendee, contributing to discussions on risks such as tariffs, sovereign debt and equity concentration
Charities Investment Consulting Partnership	Partnership promoting better investment practice in the charity sector	Shares information and knowledge, reduces barriers and improves access to suitable investment structures for charities	Represented LCP on roundtables with a range of charities and led engagement on removing tax-related barriers to charities investing in life funds
International Actuarial Association – AI Taskforce	Taskforce aimed at advancing the competency of the actuarial profession with respect to AI	Creates awareness of risks and opportunities related to AI, including the interaction with professional standards	Contributed to new AI risk framework within the phase 1 Professionalism and Ethics workstream and reviewed key taskforce outputs as part of the phase 2 Adoption Framework workstream
IFoA AI and Emerging Technologies Practice Board	Board which explores how transformative technologies are reshaping actuarial practice and influencing broader societal systems	Encourages ethical and responsible use of AI and strengthens understanding of emerging technology risks	Member of the practice board since its establishment in November 2025, actively contributing to discussions on how AI should be incorporated into actuarial education, and risks and opportunities for the profession
DC Investment Forum (DCIF) Advisory Group	Group which helps to steer the organisation's research and events	Promotes investment excellence in DC pensions through research, thought leadership and industry engagement, including in RI and other stewardship-related topics	Acts as consultant representative, working alongside a trustee representative on the Board. Contributes scheme and industry perspectives on key emerging issues and developments in DC investment strategy

Conclusion

Over the year, we have helped clients put stewardship into practice by aligning portfolios with their sustainability ambitions, strengthening oversight of investment managers and supporting them in understanding and responding to system-wide risks.

We have complemented this client work with manager research, policy advocacy and active participation in industry initiatives, using our influence to encourage stronger stewardship practices and support well-functioning financial markets.

As risks and opportunities evolve, we will continue to develop practical approaches that help clients protect long-term financial outcomes and deliver on their investment objectives.

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