

Sustainability at the PPF

Sustainability Report 2025/26



IPE European Awards 2025
Highly commended, 'Stewardship and Engagement'



Pensions Age Awards 2026
DB Pension Scheme of the Year



Protecting people's futures

The PPF in numbers

Members of schemes we protect at 31 March 2025¹

8.6m

¹ Figure taken from the scheme data in The Purple Book 2025.

PPF assets under management at 31 March 2026

£31.5bn

PPF benefits paid in 2025/26

£1.2bn

PPF members at 31 March 2026

284,742

Of which:
202,383 in payment
82,359 deferred

Our purpose is to protect the future of millions of people throughout the UK who belong to defined benefit (DB) pension schemes. Should an employer sponsoring one of these schemes fail, we're ready to help.

When an employer becomes insolvent and its pension scheme cannot afford to pay the pensions promised, we compensate scheme members for the pensions they have lost. Our work has a real impact on people's lives. So whatever we do, we strive to do it well, with integrity and members' futures in mind.

How we are funded

- We raise the money we need to pay PPF benefits and meet the cost of running the PPF in the following ways:
- We receive the assets from pension schemes that transfer to us

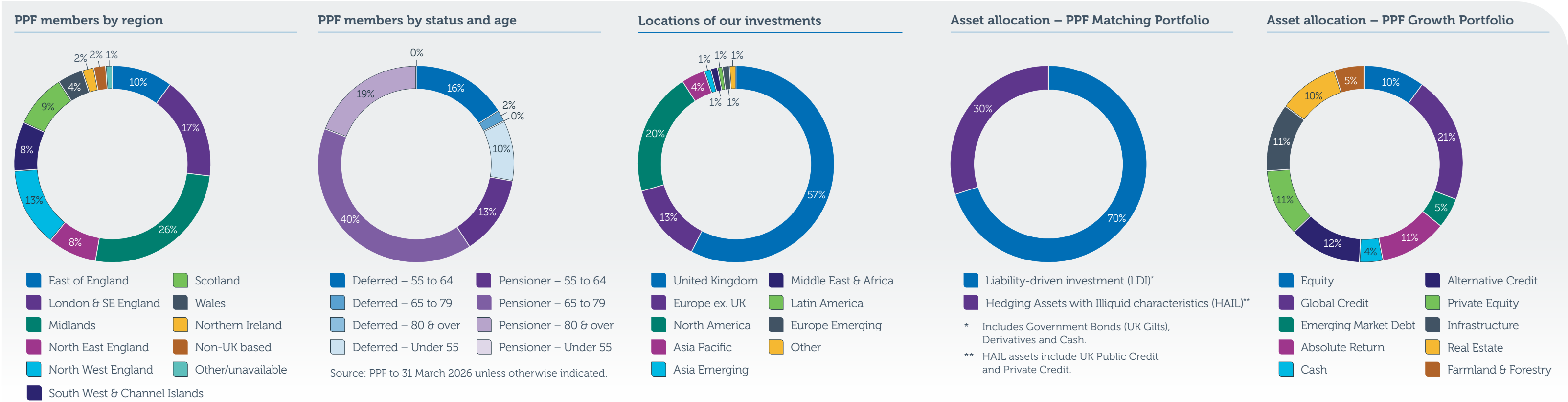
- We recover the assets that we can from insolvent employers
- We make a return on our investments, following an investment strategy under the guidance and stewardship of the PPF Board.

In our first 20 years, we also collected a compulsory levy from the pension schemes we protect. We did not charge conventional schemes a PPF levy in 2025/26.

How we are invested

Our assets are managed with an integrated approach to funding and investment. We seek to deliver investment performance consistent with targets set by the PPF Board within our strategic risk budget.

To this end, we have a funding framework that separates current and future funding requirements. Assets under management are split into two portfolios: a Matching Portfolio to meet the funding requirements of current members and a Growth Portfolio to meet future claims.



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The structure of this report

This report combines three elements of the PPF’s sustainability reporting: our UK Stewardship Code submission to the FRC, which focuses on our investment stewardship practices; our Climate Change Report, which aligns with Task Force for Climate-related Financial Disclosures (TCFD) recommendations for occupational pension schemes; and our Corporate Sustainability reporting on the PPF as an organisation.

This single document aims to provide an integrated and comprehensive view of the PPF’s approach, activities and outcomes to advance sustainability both in our investments and our operations.

As a signatory to the UK Stewardship Code 2020, we are required to explain how we have applied the Code. Although this report seeks to address the expectations of the new UK Stewardship Code 2026 (the 2026 Code), it does not follow the 2026 Code principles in exact order.

We recognise the two-part reporting structure that has been introduced – Policy and Context Disclosure, and Activities and Outcomes Report – and have sought to reflect this within our report where appropriate, whilst still maintaining a fluid and comprehensive narrative. The table below explains how this report aligns to each section of the 2026 Code. Additionally, Appendix A (see page 65) provides a summary of where each TCFD recommendation is covered.

Following the FRC’s Stewardship Code

The PPF is a 2025 signatory to the Financial Reporting Council (FRC)’s UK Stewardship Code 2020. Following the publication of the UK Stewardship Code 2026, this year’s report seeks to meet the new Code’s reporting expectations. The table below indicates where each disclosure requirement and principle of the 2026 Code is addressed within this report.

Disclosure A Our organisation, investment beliefs, clients or beneficiaries and how that informs our approach to stewardship → See pages 01, 08 to 09, 11 to 12	Disclosure B Our resources to enable effective stewardship → See pages 06, 11 to 13	Disclosure C Our policies and processes, and how they are reviewed → See pages 06 to 08, 11 to 12, Appendices C to E & J	Disclosure D Our management of conflicts of interest to put the best interests of clients and beneficiaries first → See page 08 & Appendix C	Disclosure E Our dialogue with clients and/or beneficiaries → See page 09	
Principle 1 Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries → See pages 10 to 33	Principle 2 Signatories identify and respond to market-wide and systemic risks to promote well-functioning financial markets → See pages 26 to 27, 36 to 39, 41, 48	Principle 3 Signatories engage to maintain or enhance the value of assets → See pages 13 to 27	Principle 4 Signatories actively exercise their rights and responsibilities → See pages 28 to 33	Principle 5 Signatories integrate stewardship considerations into their selection and oversight of external managers → See pages 14 to 16	Principle 6 Signatories monitor and hold to account stewardship service providers → See page 13

Introduction from our Chair and Acting Chief Executive



As Chair of the Pension Protection Fund, I am pleased to introduce this year’s Sustainability Report, which reflects both the progress we have made and the direction we are taking as a long-term investor and public purpose organisation.

Our purpose remains clear: to protect the futures of millions of people who belong to defined benefit pension schemes. Delivering on that purpose requires a resilient investment strategy, strong governance and a clear understanding of the risks and opportunities that may affect our duty to our members over the long term. Sustainability is therefore not separate from our core responsibilities. It is integral to the way we manage the Fund, oversee risk and seek to deliver secure outcomes for current and future members.

Over the past year, the Board has continued to oversee the evolution of our Sustainability strategy, our responsible investment approach and our response to climate-related risks and opportunities.

Many of the issues we face, including climate transition, market resilience and good corporate governance, are systemic in nature and require long-term, collaborative effort. We recognise that many sustainability challenges cannot be addressed by any single investor acting alone.

Through carefully selected initiatives and collaborations, we seek to contribute to better governance and more effective long-term stewardship.

Looking ahead, our focus will be on strengthening the connection between sustainability, financial resilience and strategic delivery. For the portfolio, this means ensuring we continue to strengthen our understanding of emerging risks and opportunities and maintain effective stewardship in the interests of the members and industry we serve. For the organisation, it means embedding sustainability across decision-making, governance and culture so that we continue to lead by example.

We know there is more to do. But we approach the next stage with strong foundations, a clear strategy and a continued commitment to protecting our members’ futures responsibly and sustainably.

Joanne Segars
Chair

“ Our purpose remains clear: to protect the futures of millions of people who belong to defined benefit pension schemes. ”



Our Sustainability Report brings together our investment stewardship, climate reporting and corporate sustainability activity in one integrated document. It provides a clear view of the actions we are taking across the PPF to operate responsibly, manage risk effectively and support long-term outcomes for our members.

Over the past five years, our approach to sustainability has developed significantly. We have moved from building frameworks, policies and reporting foundations to applying deeper data, stronger governance and more targeted action across our investments and operations. This year’s report shows that progress in practice.

Across the Fund, we have continued to improve the coverage and usefulness of climate and ESG data. Carbon footprint coverage of our investments has expanded substantially since our early reporting, and we have strengthened our analysis of climate risks across both Public and Private markets. Our transition and sustainable assets work has also given us a clearer view of where the portfolio is already supporting, or is positioned for, the transition to a lower-carbon economy.

We have continued to develop our stewardship priorities, including how we engage with managers, portfolio companies and wider market participants. We became a member of the International Corporate Governance Network (ICGN) during the year, allowing us to contribute to supporting and developing resilient, well-functioning markets and financial systems.

Within the organisation, we have taken practical steps to help ensure that we are operating in a responsible way. These include improving the way we monitor operational sustainability risks, developing our approach to Scope 3 supply chain emissions, strengthening internal governance and using new systems to improve oversight of business travel emissions. These actions are part of a broader commitment to make sustainability part of how we work, not simply something we report on.

This report demonstrates steady progress, but also recognises that sustainability is a continuous process of improvement. Our priority will remain disciplined, practical action that supports our purpose, protects our members and helps us operate as a responsible, resilient organisation.

Richard Beaven
Acting Chief Executive

“ Across the Fund, we have continued to improve the coverage and usefulness of climate and ESG data. ”

Five years of progress

Five years ago when we started producing dedicated sustainability reporting for the PPF, our focus was on building a monitoring and assessment framework for both our investments and our operations. Today, our focus is on using better data, stronger oversight and more targeted stewardship to drive positive outcomes for our performance and our members, and also for the wider world.

Strengthening our responsible investment and climate approach

Over the past five years, our approach to responsible investment, stewardship and climate risk has steadily evolved to meet new challenges and expectations. Many of the foundations were already in place in 2020/21 – including our responsible investment (RI) framework, manager expectations, Principles for Responsible Investment (PRI) membership, Climate Action 100+ participation and TCFD-aligned reporting. Since then, our focus has been on improving the quality, coverage and usefulness of the information we receive, strengthening oversight of managers and issuers, and using better insight to support long-term decision-making.

From strong foundations to deeper insight

2020/21

Building consistency

In 2020/21, we were already embedding responsible investment across our portfolio and strengthening the way we monitored managers and issuers. During that year we:

- Published our first **dedicated Responsible Investment Report** in 2020 and our first standalone Climate Change Report aligned to TCFD in 2021
 - Developed our **Stewardship Policy**, aligned to the UK Stewardship Code 2020 and approved by the Investment Committee and Board
 - Achieved **100 per cent reporting coverage from our Public Markets managers** using our ESG and carbon reporting templates
- Had **92 per cent of externally managed assets managed by PRI signatories** and 99 per cent by managers with a firm-wide ESG policy
 - Had c.30 per cent of **Fund net asset value covered by carbon emissions data**
 - Launched a pilot project to baseline **alignment with the Paris Agreement** on Climate Change across the wider portfolio, as existing tools covered less than 25 per cent of assets.

2025/26

Greater coverage, better evidence

Five years on, our approach is more comprehensive, better evidenced and more decision-useful. We have:

- Expanded **carbon emissions coverage to 82 per cent** of Fund net asset value
 - Increased climate analysis across Private Markets**, with 79 per cent of the Growth Portfolio + Hedging Assets with Illiquid characteristics (HAIL) Portfolio undergoing a climate transition risk assessment
 - Developed **Transition & Sustainable Assets framework**, identifying approximately £6 billion of already sustainable or transition-ready investments
- Strengthened our **Climate Watchlist**, with 87 per cent of companies meeting our disclosure targets and 79 per cent maintaining or improving their TPI Management Quality score
 - Seen a **62 per cent reduction in total financed emissions** since our 2020 baseline
 - Enhanced stewardship oversight across Public and Private Markets**, supported by manager scoring, improved ESG reporting and deeper engagement with managers.

What has improved

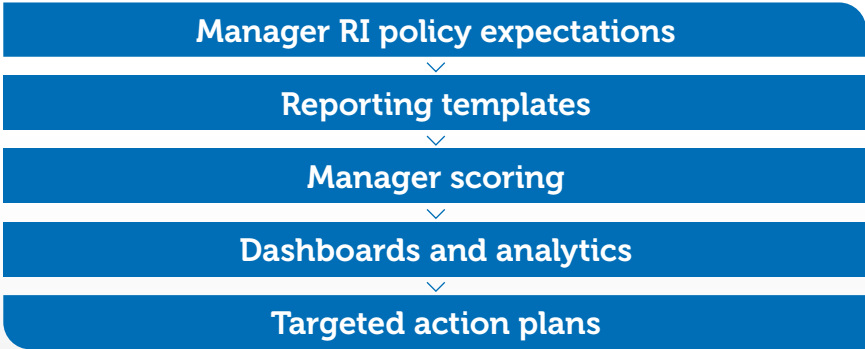
Better reporting and disclosure

We have moved from establishing consistent ESG and climate reporting templates to using richer data, dashboards and manager monitoring to support more targeted oversight. In 2020/21, our focus was on achieving standardised reporting from managers; today, we are focused on improving the quality, comparability and decision-usefulness of reporting across asset classes, particularly Private Markets.

Stronger manager oversight

Our manager oversight has evolved from assessing policies and minimum standards to reviewing implementation, stewardship evidence, ESG disclosure quality and climate transition preparedness. Our internal ESG disclosure scoring model, recurring manager reviews and improved case study evidence now give us a stronger basis for assessing manager performance and driving continuous improvement.

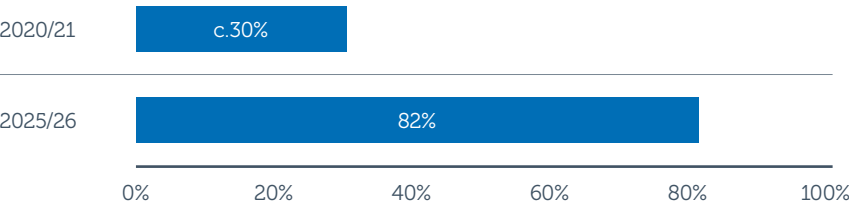
Manager oversight has evolved from reporting to action



More advanced climate analysis

In 2020/21, climate analysis was focused largely on Public Markets, carbon metrics and emerging scenario analysis. Today, our analysis includes carbon footprinting, Climate Value-at-Risk (Climate VaR), Paris alignment, Implied Temperature Rise, Scope 3 analysis, Private Markets transition categorisation and asset-level physical risk analysis.

Carbon footprint coverage has expanded across the Fund



Clearer evidence of company progress

Our Climate Watchlist enables us to focus engagement on companies that contribute materially to our financed emissions. During 2025/26, 29 companies on the Watchlist showed engagement progress, 87 per cent met our disclosure expectations, and 79 per cent maintained or improved their TPI Management Quality score.



Wider stewardship progress

Our stewardship activities take place alongside broader activities to improve corporate governance, target setting and sustainability disclosure. EOS’s* stewardship work also points to broader market progress over the period, especially on climate issues.

Stewardship and climate progress in the market

Analysis undertaken by EOS at Federated Hermes of companies engaged on climate issues between 2019 and 2024 found that many companies have strengthened their management of climate-related risks and opportunities over the period. The analysis also found companies became better prepared for the low-carbon transition. EOS notes that many factors contribute to these outcomes, including policy, technology and market developments, but the findings suggest meaningful progress in how companies are responding to climate-related risks, opportunities and investor expectations.

* EOS is our specialist stewardship services provider, supporting engagement and voting on our behalf.

Improvements seen in EOS climate-engaged companies	2019	2024
Companies with near-term science-based targets	7	50
Companies with Net Zero commitments	4	42
Companies aligned with international climate targets	3	30
Companies with highest TPI management quality scores	40	49
Companies with lowest TPI management quality scores	4	0

Key achievements of 2025/26

We continued to take clear and practical action to deliver our RI and Sustainability strategies over the year.

Investment stewardship

We put good stewardship at the heart of what we do to manage exposure to financially material risks across our portfolios

- Engaged with 640 companies, with around 38 per cent of stewardship objectives progressing through engagement and voted at 3,590 shareholder meetings.
→ See page 25
- Strengthened Private Markets stewardship through deeper manager oversight, improved reporting and broader transition risk assessments.
→ See pages 13 to 15, 22, 33, 54 to 57
- Enhanced ESG data, dashboards and reporting tools to improve accessibility and decision-usefulness of stewardship information across the Investment team.
→ See pages 15 to 16

Climate change & transition

We focused on the effects of climate change within our investments to provide transparency for all stakeholders

- Expanded our Transition & Sustainable Assets framework across £6.8 billion of Private Markets assets, strengthening oversight of climate transition risks and opportunities across the portfolio.
→ See pages 56 to 57
- Demonstrated progress among our highest-emitting holdings, with 87 per cent of our Climate Watchlist companies meeting our disclosure expectations and 79 per cent maintaining or improving their TPI Management Quality score.
→ See pages 39 and 50
- Developed a more comprehensive view of physical climate risk across the Equity portfolio, through analysis of more than 340,000 physical asset locations linked to over 3,200 companies.
→ See page 41

Our corporate sustainability

We took further steps to improve our sustainability as an organisation – and built understanding internally to reduce our environmental impact.

- Completed our first thorough carbon assessment project including our Scope 3 emissions and confirming the calculations of our previous Scope 1 and 2 disclosures.
→ See pages 59 and 61
- Implemented a new travel booking system for business travel that calculates carbon emissions of different journey options to educate colleagues and encourage choosing lower impact trips and better data management.
→ See page 59
- Conducted our first employee commuting survey, capturing travel patterns across the workforce to improve understanding of commuting-related Scope 3 emissions and the impact of hybrid working on our operational carbon footprint.
→ See page 59

Recognition for our ESG and Sustainability activities



Responsible Asset Allocators Initiative (RAAI) 2025
Top recognition in the Leaders List with 100 per cent score



IPE European Awards 2025
Highly commended in the 'Stewardship and Engagement' category



IPE Transition Awards 2025
Highly commended in the 'Leadership in Energy Transition and Net Zero' and 'Transparency and Communication on Transition Strategies' categories



Pensions Age Awards 2026
Shortlisted for 'Sustainability Provider of the Year'

Overview of the Pension Protection Fund

Our purpose and governance

PPF Sustainability strategy

At the PPF, sustainability and strong stewardship of our investments involve a continuous and steadfast process of improvement and learning.

We are committed to operating in a sustainable way to protect our assets and our members' futures, as well as the wider pensions industry and the world around us. The aim of our Sustainability strategy is to lead by example on corporate sustainability and responsible investment.

Informed by the [Five Capitals framework](#) for sustainability and our most material environmental, social and governance (ESG) risks as a business, our Sustainability strategy features four outcomes-focused sustainability goals for our organisation – see below, focusing on areas where we believe we can make a measurable difference.

The aim of these goals is not only to guide stewardship of our investment portfolio but also to foster a culture of teamwork, responsibility, mutual respect, high performance and standards of conduct throughout our organisation and across all our external interactions. Year-on-year progress is detailed in each of the following sections of this report: Investment Stewardship, Climate Change & Transition, and Our Corporate Sustainability.

Sustainability governance

The PPF has established strong governance processes to manage the risks and opportunities presented by the different aspects of sustainability above. The Board continues to have oversight over the organisational Sustainability strategy in terms of considering and managing climate-related risks and opportunities across the business. The responsibility for overseeing each of our four sustainability goals sits with the Board or a specified Board Committee. Our internal sustainability working groups continued to drive development and implementation of the strategy throughout the year. See a summary of our governance structure for sustainability, including responsible investment, right.

Our four sustainability goals

Demonstrating **excellence** in responsible investment

- Looking after our assets

Financial Capital

Ensuring effective stakeholder engagement with **integrity** and **respect**

- Community impact
- Employee and stakeholder engagement

Human & Social Capital

Championing **collaboration** and leading by example

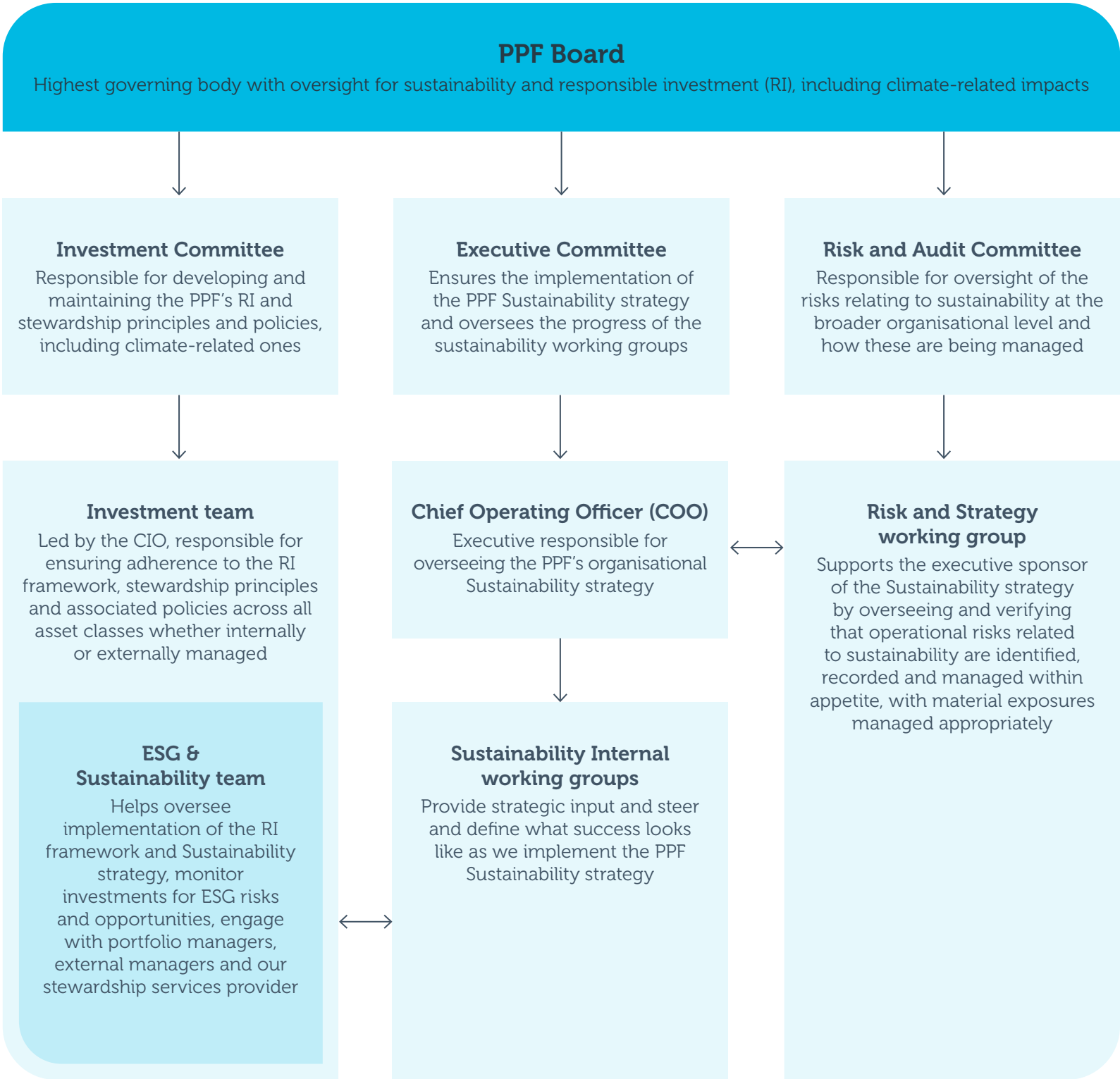
- Diversity, Equity & Inclusion
- Business ethics

Social Capital

Natural & Manufactured Capital

Being **accountable** for minimising our own environmental impacts

- Operations
- Supply chain



Overview of the Pension Protection Fund continued

Our governance structure and activities

Our sustainability governance-related activities through the year.

Function and responsibilities		Key activities in 2025/26		
PPF Board Highest governing body with oversight for sustainability and responsible investment, including climate-related impacts.		➤ Conducted an annual review of the Sustainability strategy and received key progress and outcomes.	➤ Reviewed our progress in minimising our environmental impact, and sustainability-related risks and opportunities.	➤ Undertook an annual review of RI progress and activities.
Investment Committee Responsible for developing and maintaining the PPF’s RI and stewardship principles and policies (including climate-related ones).		➤ Conducted annual reviews of our Minimum Standards, Climate Change, Stewardship and Escalation policies.	➤ Received regular reviews of RI and climate-related activities, including metrics and progress for TCFD and UK Stewardship Code reporting.	➤ Approved voting guideline changes for the 2026 proxy voting season.
Sustainability Internal working groups Provide strategic input and support as we implement the PPF Sustainability strategy.		➤ Risk and Strategy working group verified that operational risk exposures related to sustainability are identified, recorded and managed within agreed parameters.	➤ Worked with an external environmental consultant to footprint the PPF’s operational supply chain impact across all Scope 3 emissions (excluding Investments, as captured already).	➤ Provided regular risk profile reports to the Executive Committee (ExCo), addressing all operational risks, including any that may have climate change factors as a contributory cause.
ESG & Investment teams Led by the CIO, responsible for ensuring adherence to the RI framework, stewardship principles and associated policies across all asset classes whether internally or externally managed.		➤ Conducted due diligence on specific investment opportunities and analysis of ESG risks and opportunities to inform investment decision-making.	➤ Presented updates at Investment team meetings on ESG issues, including updates on companies on our Climate Watchlist and how our managers are dealing with the energy transition.	➤ Leveraged internal investment expertise to support PPF responses to regulatory consultations and external best-practice working groups during the year.
Asset manager and service providers (e.g. EOS at Federated Hermes for stewardship services provision) Follow the PPF’s RI Framework and Stewardship policy, undertake ESG integration and issuer engagement, then report transparently and accordingly.	Asset managers	➤ Reported progress to us on their engagements, including companies on our Climate Watchlist, as part of quarterly disclosure.	➤ Provided feedback on our transition assessments and updated us on how they are monitoring transition risks in our portfolios.	Service providers ➤ EOS provided updates on policy updates, public consultation responses and setting future strategic engagement priorities, particularly in relation to voting policy changes.

Overview of the Pension Protection Fund continued

Our values

We believe that establishing the right values, culture and accountability is key to delivering the best outcomes for our stakeholders. Our ‘ICARE’ values define how we conduct business across the organisation. They are integrated into every employee’s performance development review and annual goals, as well as at a directorate and overall organisation level.

Our ‘ICARE’ values are also at the heart of the PPF Sustainability strategy, which reflects our ambition to drive the growth of a sustainable pensions industry.

In April 2026, we completed the development of a new people strategy to support the delivery of our organisational strategy, ensuring we have the skills, leadership capability and culture needed for the future, and reflecting the changing external environment and generational shifts in the workforce.

Our ICARE values

Our values underpin the culture of the PPF and guide our behaviours.

Our investment approach

 Integrity	Do the right thing – always, we act with honesty, fairness and trust	We consider all material ESG risks when we assess investment opportunities
 Collaboration	Working together openly and respectfully to achieve shared success	We work collaboratively with peer organisations and partners
 Accountability	Owning our actions and delivering on our promises	We enact our shareholder rights and push our asset managers to deliver best practice on ESG risk management and transparency
 Respect	Valuing every person and every perspective	We encourage our asset managers and other stakeholders to deepen Diversity and Inclusion (D&I) practices
 Excellence	Striving for the highest standards in all we do	We’re never complacent – we strive to grow our RI practices and set new standards

Managing conflicts of interest

Acting in the best interests of our beneficiaries is fundamental to our RI approach and stewardship. As a long-term asset owner, we recognise that conflicts of interest can arise both within our own organisation and across the investment chain. These may relate to investment decision-making, engagement and voting activities, relationships with external managers and service providers, or interactions with companies and other stakeholders.

Our objective is to identify potential conflicts early, manage them transparently, and ensure they do not compromise stewardship outcomes or the interests of the PPF and our beneficiaries. The PPF has a Conflicts of Interest policy (see Appendix C) to identify where a conflict of interest may arise and how conflicts should be monitored and managed, with which all employees are required to comply. If there is a conflict of interest when making a specific decision, we include provisions for declaring interests at board and committee meetings, or within the business.

Conflicts and stewardship of our assets

From a stewardship perspective, we recognise that conflicts can arise in a number of specific situations. For example, the PPF may engage directly with companies that are also levy payers, counterparties, suppliers or business contacts of the organisation. We also seek to address conflicts proactively when undertaking stewardship through collaborative initiatives. Transparency is an important component of our stewardship approach. We report material stewardship-related conflicts where relevant, explain the controls we have in place, and regularly review whether our framework remains effective and reflective of evolving regulatory expectations, including those of the Financial Reporting Council’s UK Stewardship Code 2026.

Managing conflicts at external managers

– Conflicts may arise where stewardship activities are carried out on our behalf by external asset managers that have commercial relationships with investee companies or other market participants. We expect our external agents to identify and manage any conflicts of interest in accordance with the UK Stewardship Code’s principles.

As part of our manager selection and oversight processes, we assess how managers identify, manage and disclose conflicts of interest that could affect investment decisions, engagement activities or voting outcomes. This includes reviewing conflicts policies during operational due diligence (ODD), incorporating relevant expectations into investment management agreements and side letters (see Appendix D for example terms), and requiring ongoing confirmations from managers regarding adherence to our stewardship expectations. Where we invest through Private Markets funds, conflicts can arise in areas such as the allocation of investment opportunities between funds, continuation vehicle transactions, valuation processes and fee arrangements.

If an external manager identifies a material conflict, we expect this to be disclosed through our regular reporting requests and managed in a way that prioritises the interests of clients and beneficiaries. This includes a quarterly requirement for external managers to attest that they have adhered to our policies and expectations. Through this oversight, we seek to ensure that stewardship activities undertaken on our behalf remain objective, independent and aligned with the long-term investment interests of our beneficiaries.

Managing conflicts at EOS – Conflicts are also considered by our stewardship services provider EOS when undertaking voting and engagement on our behalf. We are satisfied that EOS has suitable expertise, policies, research and resources to carry out daily stewardship activities on our behalf. We reserve the right to amend any votes proposed by EOS; however if conflicts of interest arise on our side, we adopt an arm’s length approach and aim not to influence or override EOS’s voting decision.

EOS takes clear steps to avoid conflicts of interest between us and any other clients, or between us and EOS or its affiliates. EOS notifies us as soon as possible of any conflict of interest, or potential conflict of interest of which it becomes aware or to which it may be subject, and the potential implications for the Board. [Read more about how EOS approaches conflicts of interest here.](#)

Conflicts during the year

During the year we considered whether our participation in stewardship initiatives could give rise to perceived conflicts and took steps to ensure appropriate transparency and internal coordination. For example, we participated again in the PRI’s FTSE collaborative engagement initiative on modern slavery in the UK. Before undertaking engagement activities as part of this initiative, we considered whether any of the companies involved could give rise to actual or perceived conflicts of interest for the PPF because some participants in the initiative could also have been levy-paying employers. To manage this risk, we informed relevant internal teams in advance of the engagement and maintained clear separation between stewardship activities and any other organisational interactions with those companies. This ensures that stewardship decisions remain focused on long-term investor outcomes and not influenced by the PPF’s wider organisational relationships. We believe this demonstrates the importance of identifying potential conflicts early and implementing appropriate safeguards before stewardship activity takes place.

EOS continues to be highly transparent regarding informing us of potential conflicts of interest relating to its voting recommendations for companies that might be EOS clients (or affiliated to a client of EOS or Federated Hermes). There were no situations during the reporting period where we felt a potential conflict of interest had adversely affected a stewardship decision or outcome relating to PPF assets.

However, there were a couple of situations in our Private Markets portfolio where we rejected external managers’ continuation vehicle proposals due to concerns of not being in the PPF’s best interests for its members (see page 33).

Overview of the Pension Protection Fund continued

Stakeholder engagement

Our stewardship approach is designed around the long-term interests of our members and beneficiaries. Stewardship considerations are integrated into investment decision-making to support resilient returns, effective risk management and the long-term sustainability of the Pension Protection Fund. We regularly review our investment beliefs, stewardship priorities and governance arrangements to ensure they remain aligned with our obligations to our current and future beneficiaries.

Keeping our stakeholders updated

We are committed to regular reporting and transparency so that our members and other stakeholders such as levy payers can be aware of our progress and activities in all areas, including RI, stewardship and sustainability:

- We regularly update our website with our policies, latest voting and engagement activities and our responses to industry and government consultations
- We publish annual Sustainability Reports and provide RI and sustainability disclosures in our Annual Report & Accounts
- We previously published a separate dedicated Climate Change Report to align with Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Last year, we chose to combine that information and our Stewardship Code reporting into a single Sustainability Report
- Our Head of ESG and Sustainability, Stewardship Manager and other senior members of the Investment team frequently speak at industry conferences and events.

More broadly, we actively seek our members’ and stakeholders’ views and feedback by various methods including quantitative surveys, consultations, focus groups, one-to-one interviews and our Member Forum. We know that our stakeholders expect us to invest responsibly, and we believe we have a duty to set the highest standards of investment practice.



Taking action

Moving to a zero PPF levy

Up to 2026, legislation placed a 25 per cent limit on increases to the PPF levy that we charge pension schemes year-on-year. This protected levy payers from sharp increases in the levy but also restricted how low we could allow the levy to fall without damaging our ability to increase it again, should we face a potential funding challenge. As a result of our engagement with policymakers and stakeholders, the Pension Schemes Act 2026 now includes measures that give us greater flexibility to set the levy, enabling us to move to a zero PPF levy for conventional schemes. This means lower costs for the UK businesses that sponsor the 4,800 defined benefit (DB) pension schemes that we protect. This will be particularly beneficial for the small businesses that sponsor DB schemes.

Recognising the Act’s parliamentary progress during 2025/26 and the broad support among policymakers and stakeholders for this change, and with advice on the management of any legal risk, our Board decided to set a zero PPF levy for conventional schemes in 2025/26. This saved £45 million for DB schemes.

In February 2026, we also confirmed that we won’t charge conventional schemes a PPF levy in 2026/27. Instead, we’ll maintain a risk-based Alternative Covenant Schemes (ACS) levy for that year. We’ve listened carefully to stakeholder feedback and are committed to ensuring the ACS levy remains proportionate to the risks posed.



The Pension Schemes Act 2026 now includes measures that give us greater flexibility to set the levy, enabling us to move to a zero PPF levy for conventional schemes.



Investment stewardship

Engaging to deliver positive real-world outcomes

Progress made during the year

- Retained UK Stewardship Code signatory status:** Our RI approach continued to be externally recognised, confirmed by retaining the FRC's UK Stewardship Code signatory status for our 2025 submission to the 2020 Code.

→ See page 02
- Enhanced ESG data and reporting capability:** We continued improving ESG dashboards and reporting tools, planning a transition to our portfolio management system to improve accessibility and decision-usefulness of ESG data for the Investment team.

→ See page 15
- Strengthened stewardship activity and outcomes:** Through EOS, we engaged with 640 companies, with around 38 per cent of engagement objectives progressing, and voted at 3,590 shareholder meetings.

→ See page 25
- Strengthened Private Markets stewardship and manager oversight:** We improved oversight through closer collaboration with managers, stronger reporting and transparency, and broader use of transition assessments across Private Markets.

→ See pages 13 to 15, 56 to 57



// In Private Markets, stewardship is delivered through close collaboration and partnership with our managers.

Barry Kenneth
Chief Investment Officer



As we reflect on the year and what lies ahead in these challenging times, we take the opportunity to speak with Barry Kenneth, Chief Investment Officer, on the PPF's stewardship priorities and recent activities.

Q Why is investment stewardship so important to the PPF?

At its core, stewardship is about how we act as long-term owners of our assets. It plays a central role in protecting and enhancing value for our members. We focus on engaging with companies that don't yet meet our sustainability standards rather than simply divesting, working with them to improve how they manage risks and opportunities, particularly across climate, governance and social issues.

Q What did stewardship look like in practice over the past year?

It was another very active year. Through EOS, we engaged with **640 companies** on a wide range of issues and saw tangible progress, with **around 38 per cent of engagement objectives moving forward**. We also voted at **3,590 shareholder meetings**, challenging management where needed to drive better outcomes.

What matters most is that this activity is focused on financially material issues – those that can genuinely affect long-term performance.

Q The external environment feels increasingly complex. How is that affecting your approach?

Stewardship is becoming more complex, shaped by geopolitical tensions, rapid technological change and the transition to a low-carbon economy.

In response, we're thinking more broadly about where stewardship can have influence. That still includes company engagement, but increasingly extends to policy and market-level engagement across the investment chain, where addressing systemic risks requires collective action.

Q How are you approaching stewardship in Private Markets?

Private Markets are a growing part of our portfolio, and stewardship here is naturally more collaborative and hands-on.

Over the past year, we've strengthened our oversight significantly. Our **transition assessment framework now covers the full Private Markets portfolio**, giving us much clearer visibility of climate-related risks and opportunities at an asset level.

We've also worked closely with our managers (General Partners) to improve data and transparency, resulting in a meaningful increase in coverage across alternative asset classes.

The key difference in Private Markets is that influence is delivered through partnership. We're working with managers to ensure ESG considerations are embedded in governance, reporting and asset-level decision-making.

Q Climate is clearly important – how does it fit within stewardship?

Climate remains one of the most financially significant risks and opportunities we face as long-term investors.

Our approach focuses on building better data, improving our understanding of portfolio exposures, and engaging with companies to support credible transition plans. Alongside this, targeted engagement – for example, focusing on our Climate Watchlist of the biggest carbon emitters in our portfolio – helps prioritise effort where it can have the greatest impact.

Q How do you ensure that stewardship actually delivers results?

We're very focused on outcomes. Each engagement has clear objectives and milestones, and we track progress over time. We also link stewardship closely to financial materiality, concentrating effort where it can have the biggest impact on long-term value.

Importantly, we strongly believe that engagement and voting work together. Where progress is too slow, we can escalate through voting or alternative engagement tools.

Q How is the PPF contributing to the wider stewardship agenda?

We've continued to play an active role externally, through industry initiatives and thought leadership, especially on the Private Markets side. This helps us stay close to best practice and contribute to shaping it, particularly in areas like transition planning.

It's also encouraging to see our approach recognised externally, including **our UK Stewardship Code signatory status being reconfirmed** in early 2026.

Q What are your priorities for 2026/27?

Our focus is on continuing to deepen and sharpen our approach. That includes targeting **higher-risk and higher-impact assets**, strengthening our expectations on **credible transition planning**, and improving the use of **data and technology**.

Stewardship will remain a critical lever for managing risk and capturing long-term opportunities across the portfolio.

Investment Stewardship continued

How our purpose and values feed into effective stewardship

In terms of investment stewardship, our purpose is to deliver the best financial results we can for our members. We believe this goes hand in hand with responsible investment for two reasons:

1.

Good corporate governance and management of ESG risks is a strong indicator of how an organisation manages risk as a whole.
2.

Exercising our ownership rights is not only a key part of being a responsible owner but also helps safeguard sustainable returns in the long term.

Our responsible investment (RI) framework puts these core beliefs into practice. Read about our [RI strategy](#) and [our RI framework](#) to learn more about our beliefs, aims and approach to being a responsible investor.

Our investment objectives

The PPF investment portfolios are managed with an integrated approach to funding and investment. The Board sets a risk budget for the Investment team, which helps to determine our Strategic Asset Allocation (SAA). We seek to deliver investment performance consistent with this risk budget, implementing any necessary changes to our portfolio to maintain financial resilience.

Our investment approach

Since 2023 we have structured our investment portfolio into two portfolios to meet separate funding requirements:

Matching Portfolio: Our Matching Portfolio is designed to meet the pension payment needs of current members. To manage the risks of fluctuating interest and inflation rates, it holds assets that behave in the same way as our liabilities as and when these rates change. These assets include Government Bonds, Derivatives, Cash and Hedging Assets with Illiquid characteristics (HAIL) assets.

By applying a well-managed, conservative liability-driven investment (LDI) strategy, we look to ensure that interest-rate and inflation risks within our liabilities are fully hedged.

Growth Portfolio: Our Growth Portfolio is primarily focused on protecting our longevity and claims reserves and conservatively building up additional reserves to meet the needs of future members. It contains Public Equity, Emerging Market Debt, Investment Grade Corporate Bonds, Absolute Return strategies, Private Equity, Real Estate, Alternative Credit, Infrastructure, and Farmland & Forestry.

Changes to Strategic Asset Allocation

Through the year we ran a risk tolerance analysis very similar to previous years across both our Growth and Matching Portfolios. The main deviations throughout the year were consistent with the previous year, namely:

- **Underweight positions** relative to the benchmark in **Global Real Estate** and **Private Equity**
- **Overweight positions** relative to the benchmark in **Private Credit** and **Absolute Return**.

We are now in the second year of transitioning the Growth Portfolio to align with our target SAA, which was approved in early 2025. This transition will be completed by the end of September 2026.

The ESG team continues to work with all asset class teams to ensure our stewardship approach is fully integrated into all portfolios.

Industry recognition for our Investment team

- 

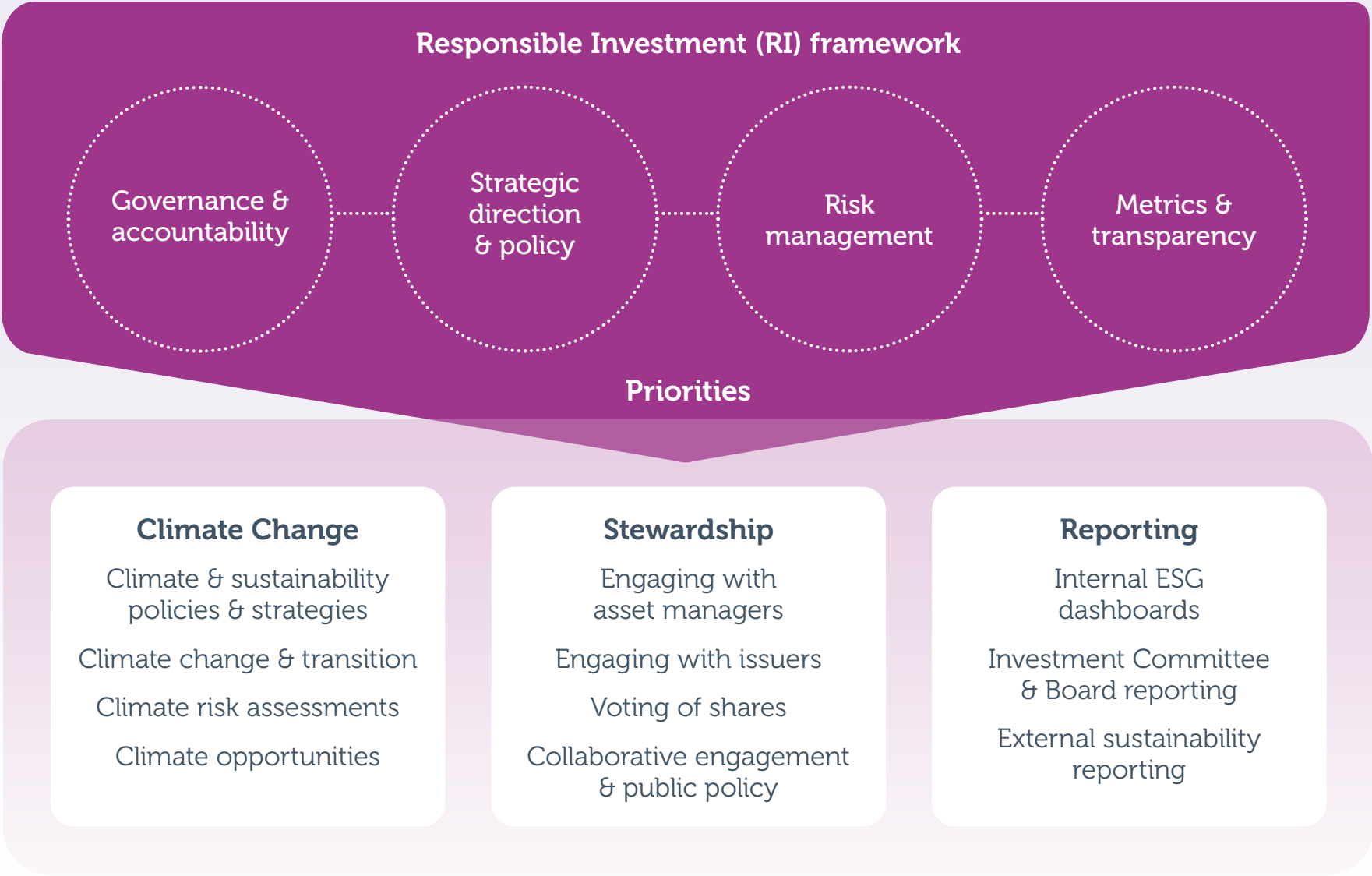
Winner of Fixed Income Award, Investments & Pensions Europe (IPE) Awards 2025
- 

Winner of DB Pension Scheme of the Year, Pensions Age Awards 2026

→ See page 05 for recent awards for our RI and stewardship activities

Our approach to responsible investment and stewardship

Our RI framework puts our core beliefs into practice:



Investment Stewardship continued

How the PPF portfolio is managed

We manage just over half of our assets (UK LDI hedging strategies, Hybrid Assets and Strategic Cash) in-house through our own team of portfolio managers. We also manage a small percentage of our Equity portfolio in-house. The remainder is managed by external asset managers across a range of vehicles, including segregated accounts, pooled funds, closed-end funds, co-investments and passive instruments.

As well as investing in Public Market assets, we take advantage of the long-term nature of the PPF to invest in Private Market assets, which tend to offer returns at a premium to Public Markets to reflect their illiquidity.

We take a highly considered approach when allocating to different asset classes, especially non-traditional and illiquid asset classes, to ensure that we optimise our risk budget.

Geographically, nearly two-thirds of the portfolio is invested in UK assets, which is largely accounted for by our internally managed UK LDI and Credit assets as well as our externally managed UK Real Estate and Infrastructure allocations. The next largest regional allocations are to North America and Europe ex. UK – see chart on page 01.

Measuring our performance

We measure the performance of our investment portfolios over five-year rolling periods, which we consider to be an appropriate investment time horizon to deliver the cash flows required for our members. This longer-term perspective also aligns well with our stewardship activities, as we recognise that engagement with companies and other issuers can take years to bear fruit.

Considering the needs of beneficiaries in our stewardship process and activities

As mentioned, we have built our responsible investment and stewardship processes to safeguard sustainable returns in line with the long-term nature of our liabilities and our investment horizon. We also consider other stakeholders such as our levy payers when seeking to generate these returns in a sustainable manner. We consult with our levy payers on an ongoing basis regarding our funding strategy, as discussed on page 09.

Embedding ESG considerations across the portfolio

In line with our RI strategy, we embed material ESG considerations right across our investments and across our work with external asset managers, from manager selection through to ongoing monitoring and reporting. We also engage with underlying issuers in our portfolios and use our voting powers to advocate for strong ESG practices. Finally, we work on a policy level with regulators and governments around the world as we deem necessary.

Setting exclusions

We insist on a high level of responsible conduct from our underlying issuers. We seek to avoid investing in issuers that contravene international conventions or norms for controversial activities that are ratified into UK law – for example, the production of specific controversial weapons. We implement this through a small exclusion list, which is applied across the Fund as far as is practically possible.

Analysing climate transition of Private Market assets

We seek to monitor how well the assets we invest in are transitioning to a Net Zero global economy. We do this using information from MSCI for Public Market assets but there is less available for Private Markets. We therefore developed our Transition & Sustainable Assets framework to classify investments – this year marks our third year of reporting against it. We have now extended the assessment across all Private Markets asset classes, including Alternative Credit – covering around £6.8 billion of assets in total – to provide a more comprehensive view of transition risks and opportunities in our portfolio. Over the coming year, we will continue to prioritise transition risks in our engagement activities with Private Markets managers. We will also work to keep assessing new assets under this framework and strengthen identified transition mitigations.

See pages 56 to 57 for more on our Transition & Sustainable Assets framework for Private Market assets.

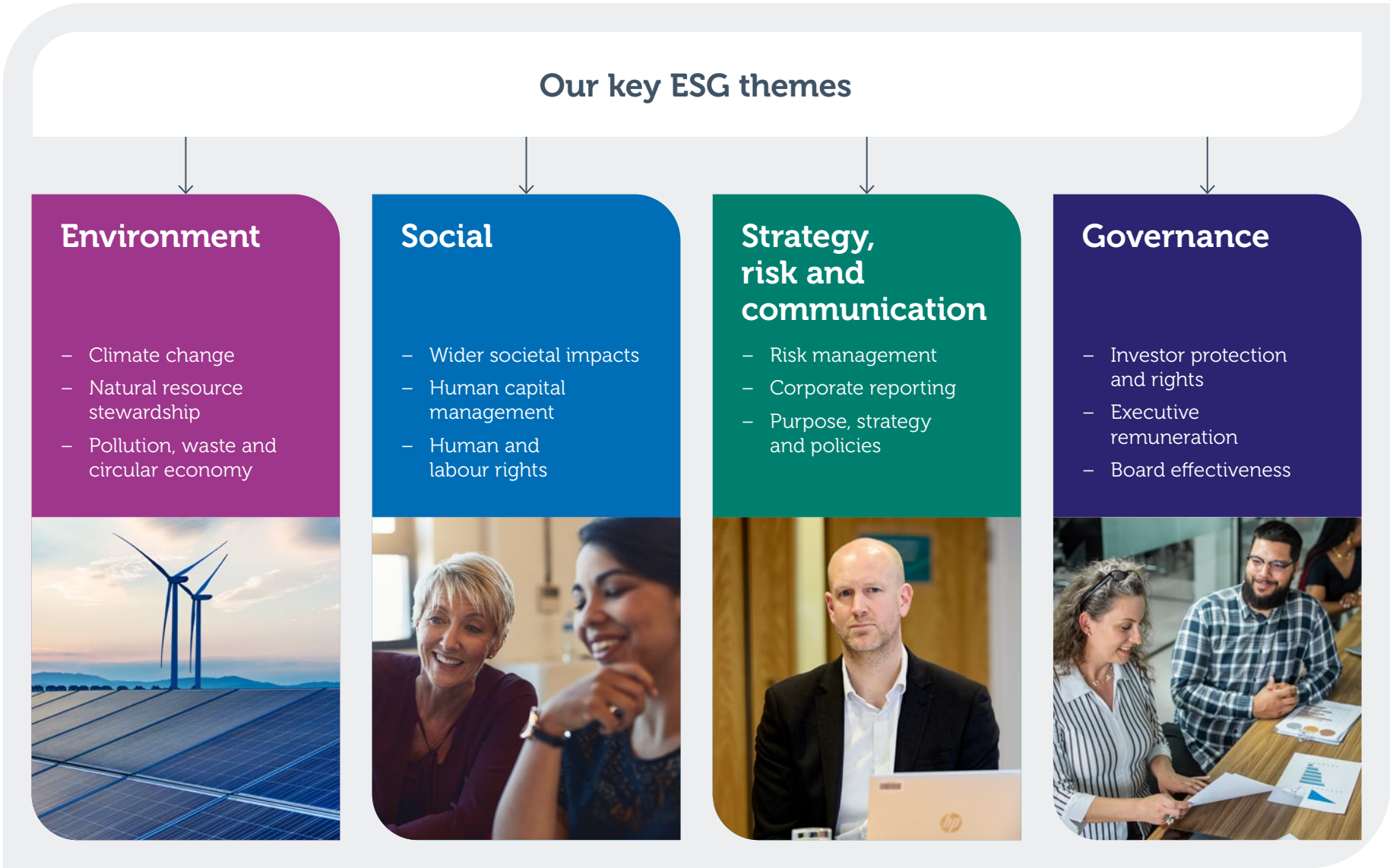
Engagement and voting

As detailed in our full [Stewardship policy](#), we strive to apply our stewardship activities across our entire investment portfolio. We amend our approach depending upon the asset class or strategy, how directly we’re invested in it, and the level of control we can leverage. We believe in engagement with companies and issuers as a path for achieving verifiable and tangible impact on material stewardship issues. We are strong advocates of supporting companies, governments and other issuers in building and sustaining good governance and progressing their practices on environmental and social matters. In order to incentivise issuers, we are committed to transparent voting, following a robust assessment of a company’s practices. See more on our approach to voting on page 28 onwards.

Leading on RI standards

Given our size and the global nature of the investments in our portfolio, we believe we have an opportunity to improve standards of responsibility and stewardship among companies, issuers and assets across the world. We also see this as an area where we can influence and help raise standards for the asset management industry itself, particularly in Private Markets where good stewardship practices may be less developed than they are in, say, Public Equity Markets.

For example, we aim to identify and encourage the most thorough and efficient approaches to good stewardship in Private Market investing, and use our regular review meetings with our Private Market asset managers to explore new developments in the field.



Investment Stewardship continued

Ensuring our external agents are aligned with our approach

External agents, such as third-party asset managers and our specialist stewardship services provider, EOS, are critical to helping us manage our investment portfolio efficiently and responsibly. We continually monitor these agents’ practices in order to keep improving the quality and coverage of their stewardship activities and to ensure consistency with our own investment beliefs, policies and guidelines. Holistic oversight of our external agents is carried out across the Investment team, ESG team, Operational Due Diligence (ODD) team and the Commercial Services team. This ensures robust analysis in the selection process and throughout the life of our relationship with a manager or provider.

Oversight of our stewardship services provider

We continue to outsource stewardship activities for our segregated public issuers to EOS, part of Federated Hermes, to ensure that our shares are voted cost-efficiently and there is proper engagement with companies where ESG concerns arise. We carry out oversight of EOS’s engagement services for both our external segregated portfolios and internally managed assets. EOS also provides voting recommendations to us for our segregated Equity holdings in line with its published corporate governance principles. However, we are always in control of the vote and have the ability to exercise our voting rights on segregated holdings in line with our own policy and principles.

 Taking action

Sharing stewardship best practice for private assets

We have been investing in Private Markets for many years. The increased attention being paid to private assets by other asset owners has presented an ongoing opportunity to share more widely how we approach stewardship and climate disclosure in this area.

Claire Curtin, our Head of ESG and Sustainability, has discussed our work on understanding the transition risks and opportunities in Private Markets assets with Net Zero Investor and Sustainable Investor publications. We have participated in several investor roundtables and working groups in the UK to share our insight in this area with other asset owners. For example, Sanjay Mistry, our Head of Alternative Credit, is a member of the PRI’s Private Debt Advisory Committee and helped to develop its ‘Stewardship in Private Debt’ guidance on best practice in this area – see right. This industry-level activity will continue in 2026/27.

Across both Private and Public Markets, we expect our external asset managers to influence and engage issuers on material ESG factors, and update us on their actions. Activities should include engagement, taking part in collaborative industry initiatives, and being transparent about voting where we have ballots. We regularly carry out in-depth reviews of our external managers’ stewardship activities to assess how they’re engaging with companies and issuers on our behalf. We particularly scrutinise their activities in relation to our key sustainability themes such as climate change, human and labour rights, corporate reporting, and executive remuneration.

 Taking action

Advancing stewardship in Private Debt

As mentioned, our Head of Alternative Credit, Sanjay Mistry, is a member of the PRI’s Private Debt Advisory Committee (PDAC).

The PRI’s 2025 ‘Stewardship in Private Debt’ guidance aims to improve alignment between limited partners (LPs) and general partners (GPs) by establishing a common framework and set of expectations for stewardship across the private credit lifecycle. Developed with input from PDAC, it clarifies how ESG considerations should be integrated from origination to monitoring and exit, and sets out what LPs should expect from GPs in terms of engagement, covenant design, data reporting and escalation practices.

Crucially, it drives alignment by:

- **Standardising expectations:** Providing shared language, KPIs and due diligence approaches for ESG and stewardship
- **Embedding stewardship into mandates:** Enabling LPs to specify clear requirements in manager selection and ongoing oversight
- **Improving transparency:** Encouraging consistent reporting on ESG performance, engagement activity and outcomes
- **Strengthening accountability:** Clarifying GPs’ role in using contractual rights (e.g. covenants, pricing incentives) to influence borrower behaviour.

Overall, the guidance reduces ambiguity and information asymmetry between LPs and GPs, enabling more consistent, measurable and outcome-focused stewardship in Private Debt.



Investment Stewardship continued

How we appoint and oversee managers

Partnering with our external managers

For several years, we have engaged with our external asset managers both during our initial RFP selection process and on an ongoing basis to ensure they can meet our high standards on stewardship and ESG integration. Throughout our relationship with managers, we encourage constant improvement in their approaches to managing ESG and climate-related risks. We also use insights from our stewardship services provider, EOS, drawn from its engagement with issuers on material ESG issues, to inform our conversations with managers about their own engagement in these areas.

Our manager selection process

Our initial manager selection process includes a review of current practice through disclosed materials and an ESG questionnaire as part of the RFP process. This is a scored, mandatory list of questions that prospective asset managers must answer alongside meeting a set of minimum requirements on a pass/fail basis in order to progress through the tender process. The ESG questionnaire comprises several sections including: Governance & Alignment; Diversity & Inclusion; RI Policy & Strategy; ESG Incorporation; Integration & Risk Management; Stewardship & Active Ownership; and Reporting. Appendix F shows a sample list of questions within the Stewardship section of the questionnaire.

Responses are quantitatively scored. This feeds into the overall manager selection score for selecting new external managers. We use this as a constructive process, not only to inform the manager of our expectations but to understand the appetite and ability of the manager to improve their practices. We regularly share best practice examples with managers to ensure a clear understanding of what is expected.

Our pre-funding and appointment process

As mentioned, our stewardship expectations are integrated into all legal contracts. See Appendix G for examples of our standard RI external manager contract terms. After managers are appointed, the ESG team and ODD team continue to work closely with them to ensure they continue to meet our requirements and to identify any gaps or challenges that arise.

 Case study

Strengthening operational resilience through due diligence

Background: Our ODD team conducted an operational due diligence review of a new manager in 2025. The review identified a number of operational risks, with the most material relating to trading, such as the absence of automated pre-trade compliance controls, and comparatively low insurance coverage across Directors and Officers (D&O) and Errors and Omissions (E&O) and cybercrime policies.

Action: The team fed back to the manager on the areas that required strengthening, including trading resilience, pre-trade compliance and insurance coverage. This helped ensure that operational risks were clearly identified and addressed before the relationship progressed.

Outcome: Following the review, the manager strengthened its trading resilience by hiring an additional trader and expanding its authorised trading signatory list to include two further Investment team members. It also enhanced its pre-trade compliance framework by using its existing system to implement the required controls and increased its insurance coverage in line with its growth in assets under management.

Why it matters: This case study demonstrates how operational due diligence can help improve asset managers’ operational resilience by identifying potential weaknesses and encouraging practical improvements that reduce operational risk and strengthen governance standards.

Our minimum ESG and stewardship requirements of external asset managers

- Should be an active signatory to the UN-supported Principles for Responsible Investment (PRI) or considering becoming a signatory
- Must provide evidence of an RI policy and implementation of ESG considerations within investment decision-making and active ownership that covers the proposed fund or mandate; or must have a commitment to implement such a policy no later than 12 months from the PPF’s initial investment
- Must accommodate inclusion of the PPF’s standard ESG and RI clauses within the fund terms (or provide a marked-up version with any minor amendments sought by the manager’s counsel) and be able to apply the PPF’s exclusion lists, as appropriate
- Must provide fund-specific ESG reporting
- Must have a Diversity & Inclusion policy with clear implementation within relevant internal management processes
- Must complete the PPF’s ESG questionnaire, with no significant risks or issues flagged by the PPF ESG team.

 Case study

Strengthening governance oversight through due diligence

Background: In early 2025/26, our Operational Due Diligence team reviewed a prospective manager as part of the appointment process. The review identified a small number of corporate governance risks, including informal governance practices for committee meetings.

Action taken: We raised these findings directly with the manager during the due diligence meeting, highlighting the importance of formal meeting records, clear accountability and documented follow-up actions for effective governance oversight.

Outcome: In response to our feedback, the manager agreed to minute all committee meetings and record action points going forward, strengthening transparency and accountability within its governance processes.

Why it matters: This example demonstrates how operational due diligence can support better governance standards among our managers by identifying practical improvements and securing timely commitments to address them.

 Case study

Private Equity: Enhancing ESG due diligence through manager engagement

Background: During selection of a US Growth Private Equity manager, the ESG review identified gaps against the PPF’s minimum expectations. The manager applied ESG due diligence only where a materiality threshold was met, creating a risk that issues could be missed in parts of the portfolio.

Action: Recognising the strategic merits of the opportunity, our ESG team worked with investment and legal colleagues to engage the manager and secure targeted improvements as a condition of appointment. These included:

- Clarifying minimum ESG due diligence requirements across all investments
- Strengthening contractual protections through clearly defined side letter provisions
- Securing time-bound commitments to remove the materiality threshold and extend ESG due diligence across the full investment universe
- Establishing interim assurance arrangements, with core checks completed post-investment where needed and reported to the PPF.

Outcome: The manager committed to formal enhancements to its ESG due diligence approach, including full portfolio coverage over a defined timeframe, consistent assurance checks such as AML/KYC, litigation and conflicts screening, and improved ESG reporting and notification of material findings.

Why it matters: This case demonstrates how the PPF uses engagement and contractual levers in Private Markets to strengthen ESG practices. It shows the value of setting clear expectations during manager selection and securing tangible, time-bound improvements where gaps are identified.

Investment Stewardship continued

Oversight of our external asset managers

Ensuring standards of responsible investment

As detailed on page 14, we have robust RI requirements that all our external managers must meet prior to investment (and on an ongoing basis), to ensure they are fully aligned to our commitment to robust RI reporting. We will not appoint or allocate more capital to managers that fall short of these standards.

We require disclosure of all existing and potential managers’ policies, ESG integration and stewardship processes and reporting to ensure they meet our evolving expectations (see Appendices F and G). Quarterly stewardship reporting is required from all Public Markets managers, and the quality of this reporting feeds into our ongoing monitoring and ratings process. We also expect our Private Markets managers to provide this reporting annually.

Our external managers are also reviewed by our dedicated ODD team on a scheduled basis. The ESG team works closely with the ODD team to ensure that ESG considerations are fed into the review process. The ODD team screens for reputational risks associated with personnel. Updates on firms’ Diversity & Inclusion (D&I) metrics are required in our ODD questionnaire, which must be completed by all external managers annually. The ODD team also reviews managers’ policies in key areas such as business ethics, business continuity, disaster recovery and money laundering.

Internal ESG disclosure scoring model of our external managers

We have a thorough internal process to monitor and track progress of all our external managers regarding ESG, with a focus on the ESG disclosure and reporting they provide for an investment strategy we have with them. We identify laggards and leaders within each asset class, and we score managers by asset class accordingly from ‘1’ to ‘3’:

- **Managers that score ‘1’** do not meet our minimum requirements and will not be considered for further funding if they do not show improvement – funds with this score are usually legacy holdings of funds in wind-down.
- **Managers that score ‘2’** meet our minimum requirements and are broadly satisfactory in their ESG practices and reporting.
- **Managers that score ‘3’** are leaders in the asset class and showcase excellence.

Public Markets managers are reviewed quarterly and Private Markets managers annually unless we are engaging on a particular topic. We report the distribution of scores for the quarter to our Investment Committee and our Head of ESG and Sustainability raises any identified risks.

Monitoring ongoing manager ESG activity and reporting

The ESG team and the relevant internal portfolio manager attend quarterly calls with external Public Markets managers, with the manager providing ESG reporting in advance to help us identify talking points. On the call, we engage with managers on their overall ESG efforts, we exchange views and we raise requests with them.

We have seen a significant evolution in ESG reporting from our Public Markets managers over the last five years. For example, the first round of reporting we received in 2021 included only basic analysis of a fund’s ESG profile and a few climate metrics. We now receive detailed reporting about each fund’s ESG profile and outlook, stewardship and due diligence activities, carbon analysis and climate stress-testing and alignment. Given the weighted nature of the scores presented below, any score changes shown in the tables here can also be due to changes in allocation between managers within an asset class rather than score changes for the managers themselves. This is the case within the Emerging Market Debt strategy this year, where an allocation change to the underlying managers has slightly increased the weighted average from 2.5 to 2.7.

Average external manager ESG disclosure scores by asset class

	Weighted average ESG score in 2025/26	Weighted average ESG score in 2024/25
Public Markets		
Public Equity	2.0	2.0
Absolute Return	2.2	2.2
Global Credit	2.8	2.2
Emerging Market Debt	2.7	2.5
	Weighted average ESG score in 2025/26	Weighted average ESG score in 2024/25
Private Markets		
Alternative Credit	2.3	2.2
Private Equity	2.6	2.6
Infrastructure	2.5	2.6
Real Estate	2.8	2.8
Farmland & Forestry	2.5	2.5

Source: PPF

Across Public Markets, external managers largely maintained the quality of ESG disclosure compared to last year:

- The weighted average score for **Global Credit** has improved due to two managers being upgraded from 2 to 3 to reflect their improved stewardship reporting and engagement efforts.
- The changes in the average scores for **Emerging Market Debt** reflect changes in asset allocation (we terminated a mandate with a lower-scoring manager) as the scores for the continuing managers have remained the same.
- For **Private Markets**, the scores remained largely consistent. We continued to see quality ESG and climate data provision, with carbon emissions coverage at 50 per cent. This year our assessment process was enhanced through manager-provided and publicly available emissions data. Our managers also supported the continued implementation of our Transition & Sustainable Assets framework, which was extended across all Private Markets asset classes, including Alternative Credit.

Manager Stewardship, ESG & Diversity Scoring

Overall Score		
Stewardship Score	ESG Template	Diversity Questionnaire
1 Manager discloses engagement/ due diligence examples	1 High ESG risk (%)	1 Workforce roles
2 Manager provides clear background of the engagement/ due diligence examples	2 Carbon emissions	2 Investment roles
3 Manager provides clear objectives (engagement-related only)	3 Carbon intensity	3 Asset owner diversity charter
4 Manager provides clear engagement progress/outcomes	4 Implied temperature rise	4 Other diversity questions
5 Engagement is integrated into the investment stewardship process	5 Climate scenario analysis	

“ We have been working on moving key ESG metrics to our Aladdin platform, which will enhance data accessibility for our Investment team and allow for more real-time analysis. ”

Investment Stewardship continued

Progress on monitoring and analysis of our investments

Enhancements to how we monitor our portfolios and our managers

We continue to push for improvement in the proportion of our portfolio covered by key ESG metrics, especially climate-related and transition metrics for monitoring and measurement. This includes working closely with our ESG data providers and portfolio management systems to improve data coverage and analytics capabilities on their platforms. We also continue to provide asset class reporting templates for our external managers to complete, and support campaigns for better corporate ESG disclosure, such as the CDP annual questionnaire.

Public Markets

There have been no significant changes to our quarterly ESG reporting template for Public Markets managers, which is now very comprehensive and has led to an improvement in the quality of reporting, especially on climate risks and engagement activities.

We continue to apply our Quantitative Manager Scoring framework to assess the overall ESG and climate performance of our Public Markets managers. The aim of this is to assess our external asset managers objectively on their progress and activities, as evidenced in their reporting, based on set criteria. The three pillars of assessment are: Stewardship Score, ESG Template and the Diversity questionnaire. Each pillar is assessed on a set of criteria and weighted based on its perceived importance for ESG financial materiality – see chart overleaf.

ESG dashboards

ESG integration is a fundamental driver of long-term value creation and risk management. Last year, we introduced our PowerBI-driven ESG dashboards to our internal Investment desks. These dashboards are able to detail ESG and climate metrics specific to each portfolio. They have enabled our Investment team to identify ESG risks and opportunities within their portfolio at a high level as well as for individual issuers.

We are committed to improving our ESG integration capabilities and enabling further efficiencies where we can. In 2025/26 we have been working on moving the key metrics from our ESG dashboards to our Aladdin platform, which will enhance data accessibility for our Investment team and allow for more real-time analysis. This will also allow us to include more forward-looking analysis around climate scenarios and the transition to a low-carbon global economy.

Private Markets

We continue to focus on the depth, quality and comparability of ESG and climate reporting across our Private Markets portfolio. During the year, we strengthened engagement with Private Markets managers through a range of initiatives, including eFront® Insight ESG Outreach. As the campaign focuses mainly on asset-level data, we also sent out our custom PPF ESG template to our Private Markets managers, requesting manager and portfolio-level data to supplement the eFront® results and inform our risk and opportunity analysis. We also continued to enhance and expand our Transition & Sustainable Assets framework.

Transition & Sustainable Assets analysis – This year we continued our Transition & Sustainable Assets analysis to assess coverage and transition risks and opportunities across the portfolio. Beyond collecting assessments from our managers (who utilise the PPF criteria), we reviewed results to improve consistency, identify emerging risks and opportunities, and support ongoing dialogue with managers. This year, we extended analysis to include Alternative Credit, thereby achieving assessment across all of our Private Markets assets. We now have over £6.8 billion of our Private Markets assets covered by this analysis – see pages 56 to 57.

 Case study

Streamlining ESG oversight through integrated attestation

Background: Historically, our ESG team has operated a quarterly attestation process requiring external asset managers to confirm adherence to ESG policies and standards. In parallel, the Compliance team maintained its own attestation framework to support regulatory reporting obligations. Although both processes sought to ensure robust oversight, they required overlapping inputs from managers, creating duplication and inefficiencies.

Action: Working collaboratively, the ESG and Compliance teams redesigned the approach to integrate ESG attestations into a single, consolidated process. This enabled external managers to provide one set of responses, reducing their and our administrative burden while maintaining the quality and scope of information collected.

Outcome: This integrated approach strengthened internal governance by ensuring consistency across reporting frameworks and introducing additional validation through Compliance’s oversight processes. It also enhanced the credibility of ESG-related disclosures by aligning them more closely with formal regulatory reporting standards.

Why it matters: The outcome demonstrates a practical application of cross-functional collaboration, delivering operational efficiencies while reinforcing the robustness of the PPF’s approach to external manager oversight. By streamlining processes and improving data reliability, the PPF has positioned itself to scale its reporting more effectively as regulatory expectations continue to evolve.



Investment Stewardship continued

Our approach to engagement

Engagement with issuers is a fundamental pillar of our responsible investment strategy and the process by which we believe we can effect greatest positive change. We'll always look to exhaust the engagement process before considering divestment from a holding.



How we engage

We engage with issuers in a number of ways: directly, through our external agents such as EOS, or through collaboration initiatives when we consider it is in our beneficiaries' long-term interests to do so. We expect boards of investee companies to show responsibility, integrity and independence. In cases where a company board deviates from principles of good practice, it should explain its reasons for doing so.

We prioritise engagement on those themes of greatest importance to us. We work closely with our stewardship services provider EOS to define focus areas for engagement with issuers in Public Markets and provide feedback on them. However, there's still a strong need to increase transparency around engagement, especially in certain asset classes such as Sovereign Debt and Private Assets, both of which have great potential for positive impact. Over the past year, we've continued to encourage improvements in these areas and supported our asset managers to engage with relevant issuers in their portfolios. Case studies profiling our engagement activities are given throughout this section.

Specific considerations for the PPF

From a policy perspective, given that we are an arm's-length body (ALB) of the UK Government, there are specific considerations when it comes to engagement with policymakers. These include ensuring that our communication is relevant to our responsibilities and does not stray into areas that are party political (or that could be misrepresented as being party political), and that it is carried out in a way that is justifiable on value-for-money grounds. We must also follow the guidance that is issued on the conduct of civil servants during a pre-election period, including making sure that activity isn't seen to compete with an election campaign for public attention.

Asset class	Owner of engagement	Integration and stewardship approach
Primarily internally managed assets		
Liability-driven investment (LDI)	➤ PPF	➤ We engage with borrowers, primarily during reissuance or refinancing ➤ We have less influence with Sovereign Debt, although we engage on market-level issues like overnight rates, RPI, and Gilt issuance
UK Public Credit & Strategic Cash	➤ PPF ➤ EOS	➤ We engage with borrowers, primarily around reissuance or refinancing ➤ EOS also covers these portfolios for engagement services
UK Private Credit	➤ PPF ➤ External managers	➤ We engage with borrowers, primarily around reissuance or refinancing ➤ We engage with our external managers on their activities
Primarily externally managed assets		
Listed Equity	➤ EOS ➤ External managers	➤ We reflect any concerns from our assessments in our voting and engagement approach ➤ Managers can exert influence on companies through voting and engaging with company management. Approaches will differ depending on whether managers follow high-influence, systematic or active strategies ➤ We also use intelligence from EOS's engagements to inform our oversight of our external managers' engagement activities
Listed Credit: Corporate, sovereign, emerging markets (EM)	➤ External managers ➤ EOS	➤ Managers can engage with borrowers, primarily around reissuance or refinancing – they have less influence over Sovereign Debt ➤ We monitor external managers' own engagement practices and activities ➤ We also use intelligence from EOS's engagements to inform our oversight of our engagement activities
Absolute Return	➤ External managers ➤ EOS	➤ Managers can engage, but with limited influence over strategies with shorter holding periods ➤ We monitor external managers' own engagement practices and activities ➤ We also use intelligence from EOS's engagements to inform our oversight of our external managers' engagement activities
Real Estate	➤ External managers	➤ Managers with full control of assets can engage with tenants and local communities ➤ We monitor external managers' own engagement practices and activities
Private Equity and Infrastructure	➤ External managers	➤ Managers can engage with companies or assets in primary funds, or with operating companies in Infrastructure, especially if they have board seats. We monitor external managers' own engagement practices and activities
Alternative Credit	➤ External managers	➤ Managers can have ongoing dialogue with borrowers, but have limited control over management ➤ We monitor external managers' own engagement practices and activities
Secondaries/ Fund of Funds	➤ External managers	➤ We monitor external managers' own engagement practices and activities

Investment Stewardship continued

Engagement approach for assets managed internally

As explained earlier, we manage approximately half of our assets by value internally, the majority of which are in Fixed Income strategies. Industry-wide engagement with Fixed Income issuers remains less developed than for Equity, although engagement practices continue to evolve and gain importance. We take a variety of approaches to engagement with Fixed Income issuers, depending on the size of our investment, maturity of the asset and whether the issuer is corporate or sovereign/quasi-sovereign. During 2025, we continued to manage a proportion of our Equity portfolio in-house, benefiting from a combination of internal stewardship oversight and external engagement services provided by EOS.

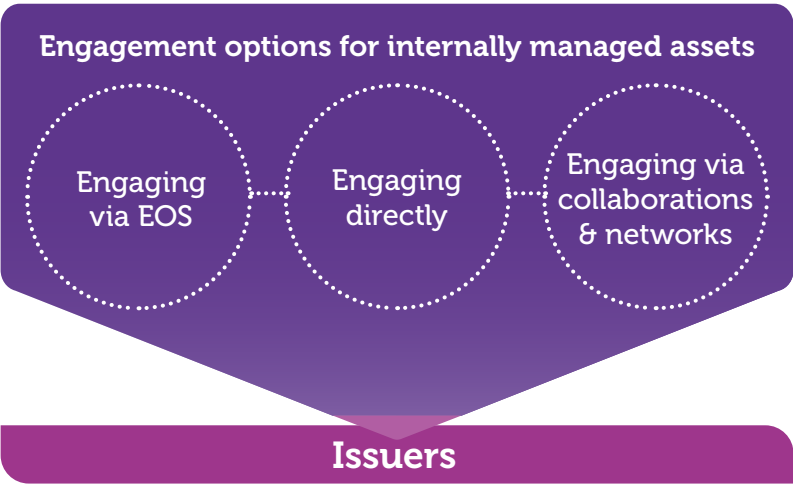
UK Gilts

Our ongoing aim to improve the efficiency and functioning of markets through collaboration with stakeholders and policymakers on important issues continued into 2025. As a major participant in the UK Government Gilt market within our LDI assets, we regularly engage with the UK Debt Management Office (DMO) and HM Treasury on a range of issues. This involves taking part in annual consultations, forums and investor roundtables.

UK Credit and Strategic Cash

We take a nuanced approach to engagement with our UK Credit strategy, given that we are invested in both Public and Private Credit issuers. These are generally longer-duration assets, so differ from our Strategic Cash book, which is much shorter in duration.

As largely listed instruments, our Public UK Credit and Strategic Cash books have reasonable ESG and carbon emissions data coverage within our portfolio management systems. We use these systems to monitor these portfolios regularly, along with supplementing assessments from open-source initiatives.



Our UK Credit and Cash assets are also under the remit of our external stewardship services provider EOS, which engages with issuers on our behalf. The EOS platform allows us to monitor the progress of all engagements with an issuer regardless of where we hold it in the capital structure.

Private Credit

Our UK Private Credit assets are typically held for the long term and often have very little secondary market liquidity. This makes pre-investment ESG due diligence, issuer engagement and getting the right covenants in place absolutely critical. The continued higher interest rate environment, resulting in an increased cost of borrowing, has reduced the issuance of new Credit. Overall, this has resulted in higher-quality issuances coming to Private Markets, with entities that operate in regulated sectors faring best. Where necessary, over the last year, we have continued to decline deals in Private Credit where there are ESG, and in particular, governance, concerns around an issuer.

 Taking action

Taking part in HM Treasury’s Market Engagement Group

As one of the UK’s largest asset owners, we play a significant role in domestic markets. Around 50 per cent of our portfolio is invested in the UK, including substantial long-term holdings in Gilts and productive finance. We take seriously our responsibility to contribute to a stable, resilient financial system.

Our Head of LDI, Evan Guppy, was appointed in mid-2026 to join HM Treasury’s Market Engagement Group (MEG). The MEG provides a forum for market participants to share insights on Gilts, Sterling and broader market developments. Evan’s expertise in UK Fixed Income and risk management will support constructive dialogue within the MEG, helping ensure the UK’s financial markets remain robust and well-functioning. We’re grateful for this opportunity to contribute our perspective as a long-term, system-wide investor, focused on delivering security for our members.

 Case study

Strategic Cash: Issuer engagement

Sector: European Transportation
Issue: Supply chain human rights

Background: Concerns were raised about this issuer following external analysis highlighting potential human rights risks linked to operations in a high-risk region. The company maintained direct operations locally, and independent assessments had identified a heightened risk of exposure to potential human rights abuses. Initial company disclosures indicated no material issues; however, limitations in audit scope and transparency raised concerns regarding oversight and the robustness of due diligence processes.

Action: Sustained engagement was undertaken to:

- Encourage independent verification of human rights practices
- Request greater transparency on audit scope, methodology and findings
- Challenge inconsistencies in disclosed outcomes
- Promote broader assessment across multiple operating sites.

Engagement included ongoing dialogue and follow-up requests for publication of full audit findings and clarification of identified gaps.

Outcome: In response to this engagement, the company:

- Commissioned and subsequently disclosed independent human rights audits across relevant sites
- Acknowledged inherent limitations in conducting fully independent assessments in the region
- Ultimately exited direct operations in the high-risk region.

These actions removed direct exposure to the most acute operational risks, while increasing transparency around the challenges of human rights due diligence in complex environments.

Why it matters: This case illustrates the role of engagement in driving greater accountability and risk mitigation in complex human rights contexts. Highlighting the importance of ongoing supply chain oversight, it underlines the need for transparency and scrutiny of corporate due diligence processes and demonstrates how responsiveness to sustained investor engagement can reduce direct operational risk.

 Case study

UK Credit: Issuer engagement

Sector: US Financial Services
Issue: Board effectiveness and succession planning

Background: Concerns were identified over several years regarding board independence and effectiveness at this issuer, particularly where the roles of chair and Chief Executive Officer (CEO) were combined. The Lead Independent Director role was considered insufficiently empowered to represent shareholder interests, and disclosure on succession planning lacked clarity. These issues were viewed as potential risks to governance resilience and long-term oversight.

Action: Sustained engagement was undertaken to:

- Advocate for separation of the chair and CEO roles
- Encourage clearer and more transparent succession planning
- Promote stronger board independence and accountability.

Engagement was delivered through written correspondence and ongoing dialogue following annual meetings and company disclosures.

Outcome: The company confirmed:

- Separation of the chair and CEO roles
- Appointment of a designated successor as CEO, with a defined timeline
- Transition of the incumbent to a chair role during the handover period.

These changes represent a material strengthening of governance arrangements and succession transparency.

Why it matters: Strengthened governance was delivered through clearer separation of powers, enhanced transparency and investor confidence in succession planning, support for leadership continuity and organisational stability. This case demonstrates how sustained engagement can improve governance in line with long-term investor expectations.

Investment Stewardship continued

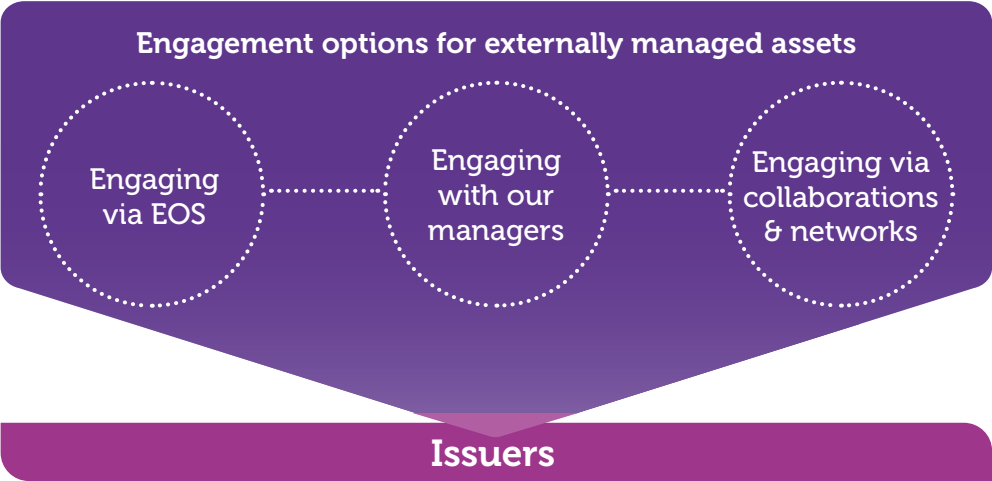
Engagement approach for assets managed externally

We take a multi-pronged approach to engagement for our externally managed assets, driven by the following factors:

- We allocate across many asset classes using a range of external asset managers with whom we engage directly and instruct to engage with issuers on our behalf.
- Our allocation to Public Equity is much lower than most pension schemes. In addition, as we employ a passive strategy for some of this, we engage our external stewardship services provider, EOS, to carry out direct, issuer-level engagement where possible, for greater efficiency.
- Our Equity index is a highly diversified, alternatively weighted index comprising around 3,000 names. To maximise our impact, we therefore look to leverage industry-wide collaborations engaging entire sectors or multiple companies on systemic issues (e.g. climate change or modern slavery).

Ongoing collaboration with external managers

In addition to general oversight, we also look to work with asset managers on specific issues. This could be involvement in a wider industry project, or directly in relation to an underlying asset held by the manager, for example an issuer that is on our Climate Watchlist – see page 39.



How we engage with Public Equity issuers

Engagement with our Public Equity issuers depends on the mandate construction. For segregated Equity portfolios, EOS engages on our behalf, and we have full access to the EOS database and reports for monitoring the progress of these engagements. We also have the opportunity to join specific meetings where appropriate. Our internally managed Equity portfolio also benefits from EOS engagement. See page 25 for how we engage with our issuers and progress on our listed company engagement.

For pooled Equity funds, the relevant external manager will engage on our behalf, so our engagement efforts tend to focus on the manager itself. Our quarterly ESG reports from these managers provide detail of their engagement activities and allow for our oversight of their progress and outcomes – see examples right.

Case study

Equity: Issuer engagement

Sector: UK Consumer Goods
Issue: Biodiversity and sustainable food systems

Background: Our stewardship provider engaged with a large UK retailer on biodiversity and nature-related risks in its agricultural supply chains. These supply chains are highly dependent on natural ecosystems, making nature loss a potential risk to long-term resilience, profitability and supply continuity.

Action: Between 2021 and 2025, the stewardship provider held regular engagement with the company’s sustainability leadership and board representatives. The engagement focused on improving the company’s understanding of its nature-related impacts and dependencies, assessing risks and opportunities across higher-risk commodity supply chains, and encouraging alignment with emerging best practice, including the Taskforce on Nature-related Financial Disclosures (TNFD) framework.

Outcome: The company made progress in adopting a structured approach to nature-related risk assessment, including use of the TNFD’s Locate, Evaluate, Assess and Prepare (LEAP) methodology to identify and assess risks in priority supply chains. It also announced targeted actions to protect nature in key sourcing regions, support agricultural innovation and advocate for policy frameworks that enable investment in sustainable farming.

Why it matters: Stronger management of nature-related risks can improve supply chain resilience and reduce exposure to disruption and commodity price volatility. For long-term investors, this supports better oversight of material sustainability risks and encourages companies to integrate nature considerations into broader risk management and strategic planning.

Case study

Equity: Issuer engagement

Sector: US Technology
Issue: Aligning executive incentives with shareholder value

Background: Concerns were identified with the company regarding the alignment of executive incentives with long-term shareholder value. In particular, the Chief Executive Officer’s shareholding requirement was below prevailing market standards, limiting alignment between leadership decisions and long-term outcomes. Strengthening shareholding requirements was viewed as a key mechanism to enhance accountability and discourage short-term risk-taking.

Action: Sustained engagement was undertaken to:

- Advocate for an increase in the CEO’s shareholding requirement
- Promote stronger alignment between remuneration structures and long-term performance
- Reinforce investor expectations on governance best practice.

This included repeat engagement during proxy discussions and dialogue with board representatives over multiple reporting cycles.

Outcome: The company introduced a long-term incentive structure with multi-year vesting, increased the CEO’s shareholding requirement from below market norms to a more robust level, and acknowledged that the changes were intended to better align leadership and shareholder interests.

These developments represent a meaningful strengthening of the link between executive incentives and long-term value creation.

Why it matters: This outcome improves alignment between management incentives and long-term shareholder value, reduces the risk of short-term decision-making and enhances accountability and governance quality. This case demonstrates how engagement can strengthen incentive structures to support sustainable, long-term performance.

Case study

Equity: Issuer engagement

Sector: Asian Transportation
Issue: Board independence and governance

Background: Concerns were identified regarding board composition and independence, particularly where long-tenured independent directors were considered no longer fully independent. In addition, the board was assessed as being overly weighted towards executive directors, limiting the ability to provide effective challenge on strategy and risk oversight. These issues were viewed as potential risks to governance effectiveness and long-term value creation.

Action: Sustained engagement was undertaken to:

- Advocate for renewal of long-tenured independent directors
- Encourage stronger board independence and balance
- Promote improved transparency on board composition and governance practices.

Engagement was delivered through ongoing dialogue, including direct meetings and follow-up discussions linked to annual general meetings and proxy voting.

Outcome: The company replaced long-serving independent directors with new appointees, increased overall board independence, appointed additional independent directors, including improving gender diversity, and established targets to strengthen board independence and diversity.

These changes resulted in a measurable increase in board independence and a more balanced governance structure.

Why it matters: This engagement helped to strengthen board oversight and ability to challenge management decisions, enhancing governance through improved independence and diversity, and supporting more effective risk management and strategic decision-making. This case demonstrates how sustained engagement can improve board composition and governance in support of long-term value creation.

Investment Stewardship continued

How we engage with publicly listed Credit and other debt securities

Investment-Grade Credit

Although we include our Corporate Bond investments within the scope of the engagement service from EOS, we are pleased that all of our external managers in this asset class also regularly report to us on their stewardship progress and that the depth of disclosure has improved over the year. We see engagement with debt issuers as a longer-term focus, given their ongoing need to reissue debt that is well suited to our investment profile.

Sovereign Debt

Debt issued by governments is a fundamental asset class for many asset owners, including ourselves, as well as being a pillar of a well-functioning economy. In Emerging Market Debt, successful engagement with governments often requires a concerted effort over a long period of time. However, debt investors are vital for engaging governments on a range of topics, including transitioning to clean energy and stopping deforestation.

The evolution of tools and datasets that deepen the ability of investors to measure climate-related and other ESG risks presented by Sovereign Debt is welcomed. We also strongly encourage our managers to contribute their knowledge and resources to drive this progress further. For example, we support our managers participating in collective initiatives such as the [Investor Policy Dialogue on Deforestation](#) (IPDD) and the [Emerging Markets Investors Alliance](#) (EMIA).

Absolute Return

For our Absolute Return mandates, we have so far predominantly monitored our physical investments (leaving derivatives or synthetic instruments aside for now). The two areas of most relevance are positions in long/short equity or credit and event-driven strategies, where our managers have engaged directly with corporate issuers.

Case study

IG Credit: Issuer engagement

Sector: Energy
Issue: Climate targets and community impact

Background: Our stewardship provider engaged with a major energy company on a range of issues linked to climate change and relationships with local communities. As a major energy company, it faces significant challenges from the global energy transition and community concerns about the impacts of its large-scale energy projects. Ineffective management of these issues could lead to regulatory, legal, operational and reputational risks, as well as increased costs and reduced profitability.

Action: Between 2019 and 2025, our stewardship provider engaged regularly with the company’s investor relations team and the head of climate strategy. Discussions focused on improving the company’s approach to carbon offsetting and encouraging the company to provide more clarity on how these offsets contribute to its climate targets. There was also discussion on enhancing grievance mechanisms and processes to address community and human rights concerns associated with its operations.

Outcome: The company is moving towards more structured and measurable management of social risk, which is evident through small improvements in the grievance resolution rate. The company has incorporated climate transition considerations into its business transformation strategy and maintained ongoing dialogue on the role of carbon offsets in achieving its climate ambitions.

Why it matters: Effective management of climate, nature and social impacts can help reduce operational, legal and reputational risks while supporting long-term business resilience. Strong governance of these issues is increasingly important for maintaining stakeholder trust, protecting value and positioning companies for the transition to a lower-carbon economy.



Investment Stewardship continued

 Case study

EMD Credit: Issuer engagement

Sector: Materials
Issue: Improving board governance

Background: Historically, many Mexican companies have faced governance challenges, including long director tenure, large boards and lack of board independence. These factors can reduce board effectiveness and weaken oversight of long-term strategy and risk management. In this case, opportunities for the company to strengthen its governance framework were clearly evident.

Action: Our stewardship services provider first engaged with the company in 2019 and recommended the implementation of a formal board evaluation framework to help identify areas of improvement. Since then, engagement has continued to reinforce this message and show examples of good practice.

Outcome: The company became one of the first large Mexican companies to disclose board candidate names ahead of its annual general meeting and to allow shareholders to vote on directors individually, thereby exceeding local regulatory requirements. The company also established a board evaluation framework at the beginning of 2024. The composition of the board has subsequently shown some improvements with the nomination of two new members, one of whom was female.

Why it matters: This case has enabled the company to be an exemplar in Mexico of governance that goes beyond local standards, thereby increasing shareholder confidence in the company and demonstrating the benefits of long-term investor engagement.

 Case study

Sovereign Debt: Issuer engagement

Asset class: EM Sovereign Debt
Issue: Enhancing sustainable finance practices

Background: Engagement through our external manager focused on strengthening Hungary’s sustainable finance framework, including improvements to green bond impact reporting, EU Taxonomy disclosures, and the development of a potential social bond programme.

Action: Our manager’s Emerging Markets Debt team engaged with Hungary’s Debt Management Office through the Emerging Markets Investors Alliance (EMIA) to discuss reporting enhancements, increased transparency on use of proceeds, greater diversification of green bond allocations, and the design of a future social bond framework.

Outcome: Hungary enhanced its impact reporting through expanded EU Taxonomy disclosures and demonstrated openness to increased reporting transparency and diversification of green bond investments. Discussions also supported the development of a social bond framework, helping to advance the country’s sustainable finance agenda and broaden future labelled bond issuance opportunities.

Why it matters: Sovereign Debt is a critical element of the PPF portfolio. This engagement demonstrates the potential for improving sustainability practice among government issuers and especially lays down the foundations for stronger green bond issuance in Hungary.

 Case study

Absolute Return: Issuer engagement

Sector: Technology
Issue: Restructuring and governance reform

Background: A leading global technology services company faced a period of significant financial distress following years of governance weaknesses, leadership changes and strategic challenges. By 2024, the business was experiencing negative cash flows, elevated debt levels and reduced access to traditional financing, placing its long-term viability at risk. Despite these challenges, the company retained valuable assets and strong client relationships, providing a foundation for potential recovery.

Action: Our asset manager engaged throughout the restructuring process, leveraging their long-standing knowledge of the company and its capital structure. Working alongside other creditors, they helped establish a debt committee and supported the development of a restructuring plan aimed at restoring financial stability and market confidence. Engagement focused on preserving business continuity, maintaining client trust and protecting the strategic value of the enterprise.

Outcome: The restructuring was completed in 2025 with the company successfully raising new capital and reorganising its balance sheet. Governance improvements, enhanced board oversight and better alignment between management and stakeholder interests have helped rebuild confidence in the business.

Why it matters: This case demonstrates how active stewardship can support corporate recovery during periods of financial stress while also promoting stronger governance and sustainable long-term value creation for stakeholders.



Investment Stewardship continued

How we engage with Private Markets, illiquid and unlisted assets

Given the diverse nature of Private Markets, we take a nuanced approach to engagement with participants in them. We continue to work with our appointed asset managers in this space to improve their stewardship and engagement processes. Although progress is not always positive, we were pleased by the advances seen during the year under review and have been able to identify the leaders and laggards on ESG issues within our portfolio. This helps us assess future investment opportunities more effectively.

We look to our external Private Markets managers to drive improvement in the companies and assets in which they invest (including managers of ‘secondary’ funds that hold existing investor commitments or assets in private funds). We encourage all managers to provide us with information on progress and demonstrate to companies the value of more stringent ESG practices. In the Private Equity space, our interactions with general partners (GPs) and expectations of how they engage with their portfolio companies will differ from our expectations of secondary managers and how they engage with underlying GPs. In terms of control, we have greater expectations around stewardship where GPs hold board seats or controlling stakes in companies.

Private Equity

Private Equity managers have a central role to play in the global transition to low-carbon energy, given their ability to invest in and support businesses across the energy value chain. We have seen an improvement in Private Equity managers’ ESG reporting in recent years with some strong examples of progress being presented at meetings.

Alternative Credit

Alternative Credit can include assets such as non-bank direct financing, asset-based finance and structured credit. Our Alternative Credit managers are less likely to have significant control or leverage with underlying portfolio companies as debt investors or lenders. However, we still expect them to engage where they do have access to management.

We welcome opportunities for our senior Investment team members to join or contribute to external RI initiatives in the Alternative Credit sector, bringing deep practitioner knowledge to these groups. Sanjay Mistry, our Head of Alternative Credit, serves on the UN-supported Principles for Responsible Investment (PRI) Private Debt Advisory Committee. In addition, he has joined the Institutional Limited Partners Association (ILPA) Open Responsible Investment Group. Sanjay contributed to the PRI’s Stewardship in Private Debt: A Technical Guide, released in July 2025 – see page 13.

Real Estate

Our Real Estate managers are highly advanced when it comes to evaluating and incorporating ESG risks and opportunities into investment strategies and reporting, due to a combination of regulatory pressures, investor expectations and the sector’s intrinsic environmental impact. Real Estate activities contribute significantly to global carbon emissions and energy consumption. This makes ESG reporting especially critical for the sector.

Infrastructure

Our engagement with our Infrastructure managers has evolved significantly over the past few years. Projects such as the eFront® Insight ESG Outreach service and our in-house Transition & Sustainable Assets analysis (see pages 56 to 57) have enabled us to hold detailed discussions with our managers and capture thorough analysis of our portfolios.

Forestry

Forestry is one of the most viable nature-based investment solutions in the journey towards global Net Zero carbon emissions. Well-managed forests also increase biodiversity and can be more resilient to climate change.

We continue to expect our Forestry assets to meet the highest international certification standards set by the Forest Stewardship Council and/or the Programme for the Endorsement of Forest Certification – see page 55. A small percentage of our Forestry portfolio is not certified, either because it is allocated to new planting sites (and the manager is expecting the area to be certified when planting is completed) or ownership restrictions prevent such certification. This year, we again obtained carbon sequestration data from our Forestry managers. We again note that there remains a lack of industry standardisation on this data, which continues to hinder cross-manager comparisons and overall data aggregation. Despite this, we welcome the commitment of our Forestry managers to engage with us on gathering this information.

Case study

Private Equity company engagement

Sector: Software
Issue: Human capital management

Background: One software company in our Private Equity portfolio had historically managed human capital through informal programmes. As the company scaled, the external portfolio manager identified an opportunity to strengthen and formalise its approach to people-related policies, training and retention.

Action: The manager, supported by an external ESG adviser, engaged with the company to codify written human capital policies, introduce anti-discrimination and anti-harassment training, formalise a diversity, equity and inclusion recruitment and retention strategy, and begin stay interviews with employees.

Outcome: These measures helped improve the company’s management of human capital risks and supported employee retention. In its latest ESG monitoring update, management reported that voluntary turnover had decreased by 2 per cent over the past year.

Why it matters: Effective human capital management can support operational resilience, reduce turnover-related costs and help companies retain the skills needed to deliver long-term growth.



Investment Stewardship continued



Case study

Alternative Credit
company engagement

Sector: Software
Issue: Enhanced sustainability governance and reporting

Background: Building on a previously covered Alternative Credit case study involving ESG-linked margin incentives, our manager continued engagement with the same software company following publication of its inaugural Sustainability Report to discuss the company’s climate strategy, emissions disclosure, transparency, and diversity, equity and inclusion (DEI) practices.

Action: The manager’s ESG lead met with the company’s sustainability officer and provided guidance on emissions reporting and investor expectations. Discussions covered climate target-setting, Scope 3 emissions supplier engagement, decarbonisation initiatives, governance arrangements and DEI programmes. The manager also discussed expectations for future sustainability reporting.

Outcome: The engagement highlighted tangible progress, including Science Based Target adoption, formalisation of ESG governance through an ESG Committee, improved Scope 3 emissions management across its supply chain, and enhanced sustainability disclosure.

Why it matters: This engagement demonstrates how a Private Credit manager can use its influence to support improvements in climate strategy, disclosure, governance and social practices. It also shows how ongoing dialogue can help companies build more mature sustainability frameworks while improving transparency for investors.



Case study

Real Estate asset engagement

Sector: Commercial real estate
Issue: Creating resilience in an increasingly regulated market

Background: The PPF maintains exposure to a highly energy-efficient German office development designed to meet leading sustainability standards and reduce operational carbon intensity. The investment was made within a broader risk-return framework, but its sustainability characteristics support our preference for Real Estate assets that are better aligned with long-term transition trends in the built environment.

Action: The development incorporates advanced energy efficiency measures that contribute to lower lifecycle emissions and improved resilience to increasingly stringent sustainability regulation of Real Estate. Including Real Estate with these characteristics in the PPF portfolio demonstrates to the market how important they are to our investment selection, even where the opportunity for direct engagement is limited.

Outcome: This investment provides exposure to a Real Estate asset that is expected to be more resilient to evolving minimum energy standards and occupiers’ own expectations on sustainability. This helps reduce the risk that regulatory or market shifts could negatively affect future cash flows or asset valuations.

Why it matters: By investing in Real Estate assets that are well positioned for the global transition to a low-carbon economy, we can meet our need for long-term risk-adjusted returns while also aligning the portfolio with broader sustainability goals.



Case study

Infrastructure and climate risk

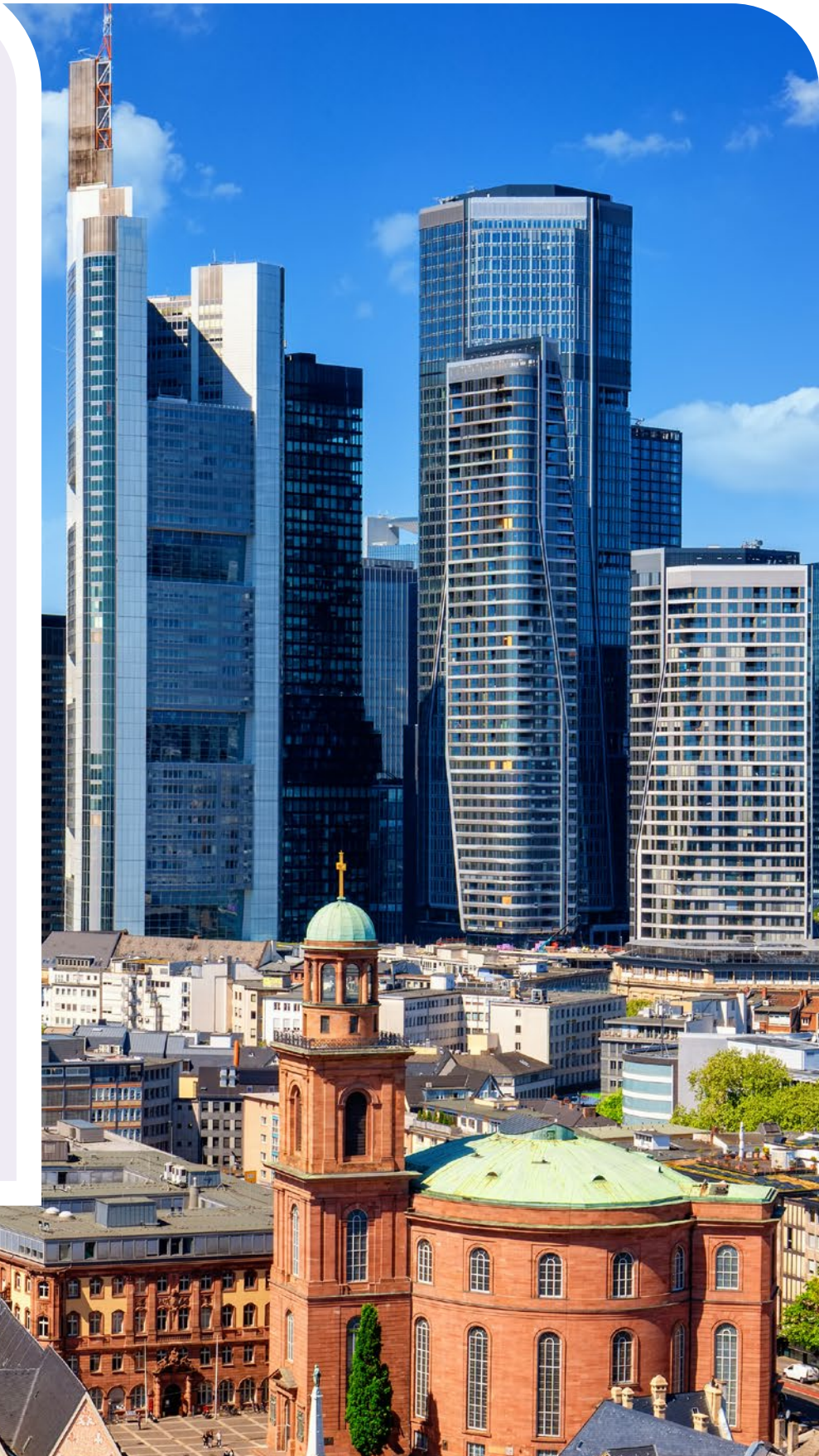
Sector: Oil & Gas storage and transportation
Issue: Extreme weather resilience and responsibility

Background: In October 2025, a category 5 hurricane struck Jamaica, creating significant risks for energy infrastructure, such as port operations, and local communities. One of our Infrastructure managers had exposure to a portfolio company operating a floating storage and regasification unit on Jamaica’s coast, providing fuel supply to critical power plants.

Action: Ahead of port closures, the company proactively repositioned the vessel to protect employees and the asset. Following the storm, it coordinated the vessel’s return once the port reopened, enabling operations to resume quickly. The vessel also delivered humanitarian aid to the island, supporting local recovery efforts.

Outcome: The company minimised operational downtime, helped restore critical fuel supply and supported Jamaica’s recovery after the hurricane. The response demonstrated the resilience benefits of floating infrastructure, which can be repositioned during extreme weather events and returned to service quickly when conditions allow.

Why it matters: The case illustrates how Infrastructure assets can support both operational resilience and community outcomes during climate-related disruption. It also shows why we consider physical climate risk, business continuity planning and social responsibility when assessing the long-term sustainability of investments.



Investment Stewardship continued

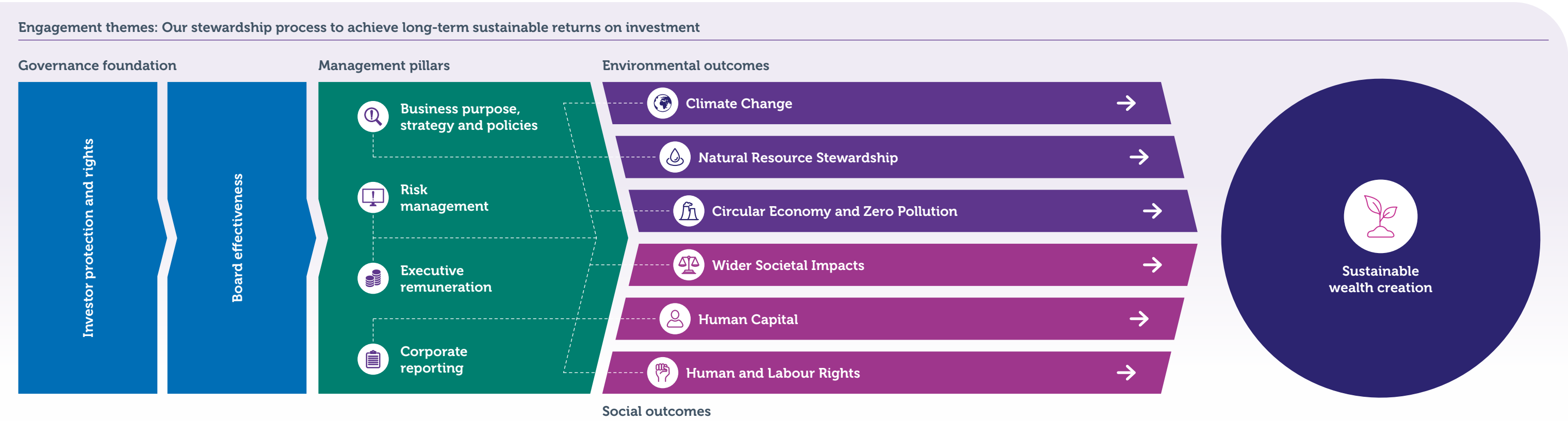
How our stewardship services provider approaches engagement

We use EOS to engage and vote across our segregated Equity mandates and also engage with our Public Credit and Strategic Cash assets. Our Stewardship policy details how we work with EOS, utilising its four-stage engagement milestone progress system to drive change at companies – see below right – and the full list of themes considered.

Latest activity and themes

EOS focuses its stewardship activities on the issues that it believes have the greatest potential to deliver long-term sustainable wealth creation for investors, with a focus on financial materiality. Its [Engagement themes for 2026-2028](#) consider four pillars of stewardship: Environmental; Social; Governance; and Strategy, Risk and Communication. Within these four pillars, focus areas include (but are not limited to) Climate Change, Natural Resource Stewardship, Human Capital, Human & Labour Rights, Board Effectiveness, Executive Remuneration, Risk Management, Corporate Reporting and Business Purpose Strategy & Policies.

These themes are reviewed annually in conjunction with client surveys and input via biannual meetings during which topics are presented and discussed. EOS also continues to maintain a comprehensive engagement plan covering a broad range of other themes that generally lead to wider positive societal outcomes. These include: seeking to avoid the emergence of ‘superbugs’ through anti-microbial resistance; increasing resource efficiency through the circular economy; and reducing all forms of harmful pollution.



Investment Stewardship continued

Our issuer engagement progress and outcomes

Progress and outcomes from EOS-overseen assets

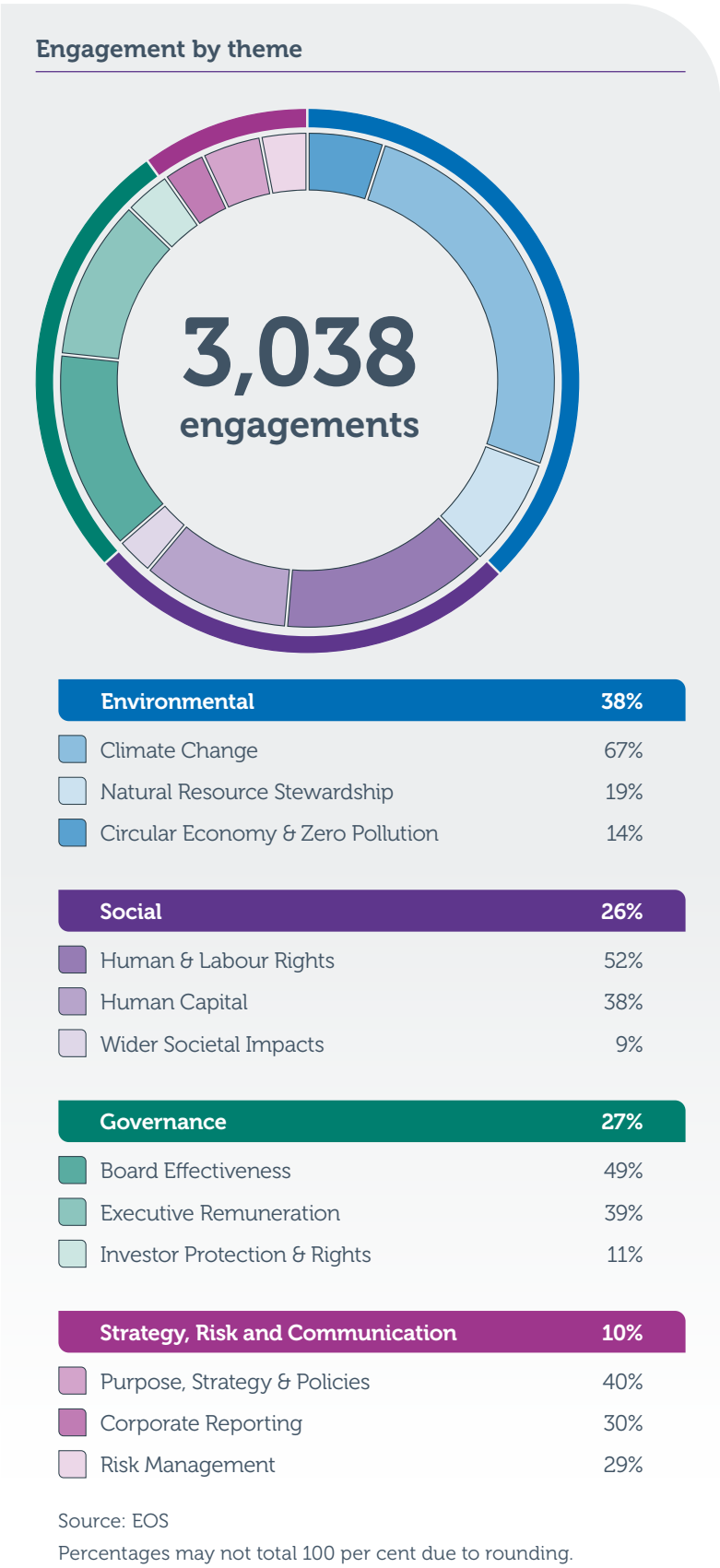
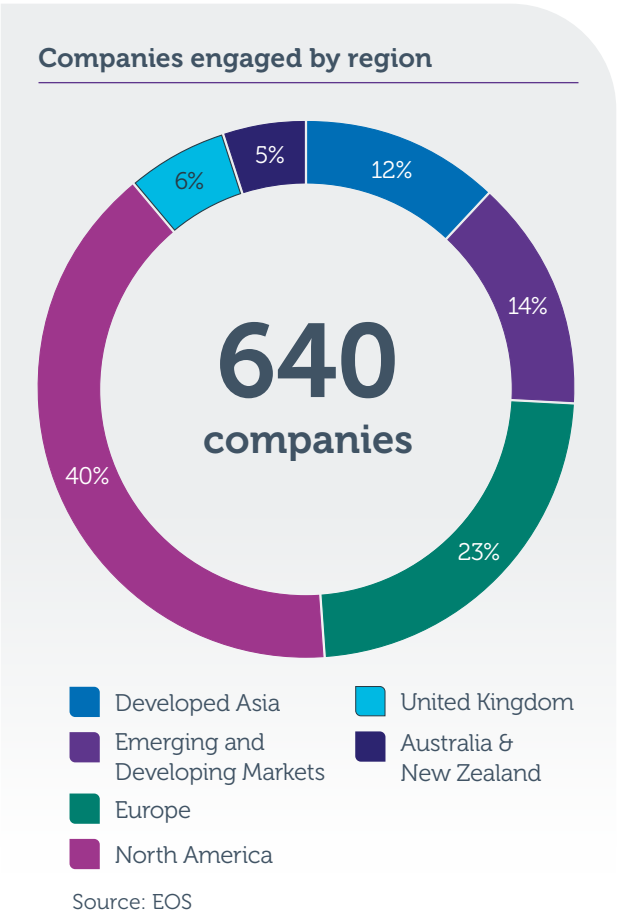
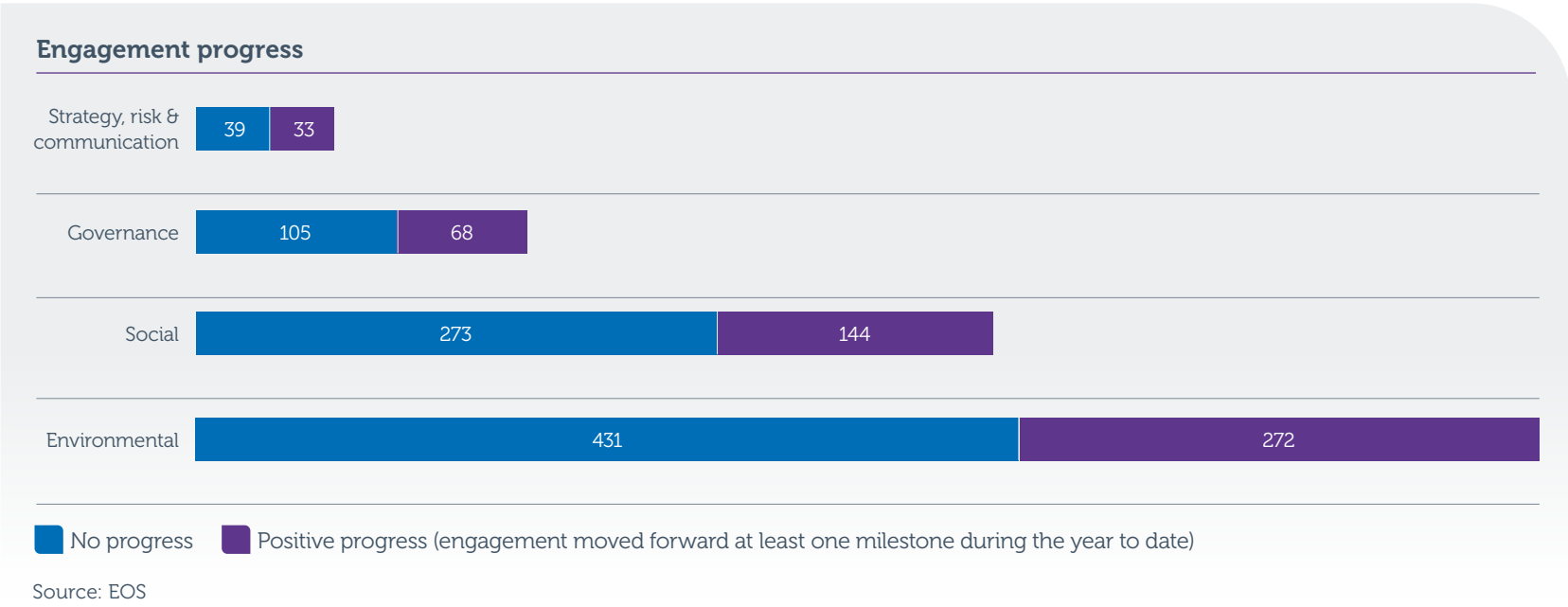
In 2025/26, our stewardship services provider EOS engaged with 640 companies that we invest in on 1,365 objectives. Across Environmental, Social and Governance issues we saw higher levels of engagement on Climate Change, Human & Labour Rights and Board Effectiveness, in line with our key themes. EOS’s holistic approach to engagement means that it typically engages with companies on more than one topic simultaneously. One example from the case studies presented earlier in this report, is the engagement with a European Energy company held within our IG Credit book, where a number of issues have been raised over the course of the engagement – see page 20.

Engagement by theme

A summary of the issues and objectives on which EOS engaged with companies in 2025/26 is shown right.

Engagement progress in 2025/26

As shown on the previous page, EOS conducts engagement through a four-stage milestone progress system, beginning with identification of a concern and progressing through to measurable outcomes. Engagements may span several quarters or years. EOS delivered another strong year of engagement progress, with approximately 38 per cent of outstanding objectives advancing by at least one milestone during the year. The chart below illustrates the progress made across each engagement theme. During the year, 126 objectives were marked as complete and 38 objectives were discontinued – this was largely due to the issue being no longer relevant or material or being restarted as a new objective.



Investment Stewardship continued

Key industry collaborations during the year

Engaging with issuers through investor collaboration

Acting collaboratively with other investors to address industry, regulatory or company-specific issues has become a core pillar of our stewardship approach, given the scale, influence and efficiency it can deliver. As part of our efforts to maximise the collective voice of the investment industry, we are members of selective initiatives and engagements around a number of themes that are important to us.

Given there are so many industry initiatives to address environmental and social challenges, we prioritise support for markets where we are already active or where we can see rules are being developed to improve a market’s functionality and reduce systemic risks.

We continued to participate in key workstreams of the Institutional Investors Group on Climate Change (IIGCC) throughout the year. We also work closely with UK policymakers and market stakeholders, such as the Pensions and Lifetime Savings Association (now called Pensions UK), the UK Sustainable Investment Forum (UKSIF), the Investment Association, the UK Debt Management Office and the Department for Work and Pensions. We are involved with a range of investor organisations to help drive industrial and legislative change to encourage higher levels of stewardship and greater disclosure of ESG risks across the investment industry or within specific sectors.

The PPF is an active participant in the following councils, committees and working groups:

- We’ve been a signatory to the UN-supported Principles for Responsible Investment (PRI) since 2007; our Head of Alternative Credit sits on the PRI’s Private Debt Advisory Committee and we’re members of its Collaboration platform
- We continue to be a member of the Asset Owner Council, sitting on the steering committee
- Our Stewardship Manager served on the Investment Association’s Remuneration and Share Schemes Committee and its Stewardship Committee during the year
- During 2025/26 we were actively involved in IIGCC programmes, including the Net Zero Engagement Initiative (in order to support engagement with companies on our Climate Watchlist), the UK Policy working group and the Proxy Voting working group
- We also encouraged greater disclosure of environmental impact by companies, governments and other institutions by supporting organisations such as the global disclosure systems provider CDP.

Updates from some initiatives we are members of:

Climate Action 100+

The PPF continues to be a signatory to Climate Action 100+, the largest-ever investor engagement initiative on climate change. The initiative aims to put pressure on 169 of the world’s largest greenhouse gas emitters, responsible for approximately 80 per cent of global industrial emissions. Largely as a result of Climate Action 100+, 80 per cent of these organisations have now committed to Net Zero by 2050 or sooner across at least Scope 1 and 2 emissions. Additionally, 91 per cent now have board committee oversight of climate change risks and opportunities and 81 per cent commit to aligning their disclosures with TCFD or ISSB standards.

Engagement through Climate Action 100+ has informed our analysis of company progress when voting at AGMs. Of the 99 companies on the PPF’s own Climate Watchlist of major emitters, 50 are engaged as part of the Climate Action 100+ programme (many with EOS as our co-lead or support on engagement). See page 39 for more on progress on our Climate Watchlist.

Throughout 2025, investor engagement through Climate Action 100+ continued to deliver tangible outcomes [as its 2025 Progress Update shows](#). Companies strengthened climate-related disclosures, improved aspects of their transition planning, and demonstrated progress on issues such as climate policy engagement and ‘Just Transition’ considerations. Sectoral and thematic engagements also helped build momentum in specific areas, showing how focused, aligned action can unlock progress.

IIGCC Net Zero Engagement Initiative

The IIGCC’s Net Zero Engagement Initiative (NZEI) was launched in spring 2023 to build on and extend the reach of investor engagement beyond the Climate Action 100+ list to include more companies that are heavy users of fossil fuels. NZEI has grown from 90 to 114 signatories since its 2023 launch and has engaged with 138 companies. In October 2025, IIGCC expanded the NZEI to include private companies as well as publicly listed ones. This expansion should particularly help to strengthen stewardship activities within Fixed Income markets. Two-thirds of focus companies have made progress against the NZEI’s core objectives, which reflects the benefit of NZEI’s targeted approach to focus on large corporates that are systematically important within high-impact sectors yet also have the potential to make meaningful progress to decarbonise.

We continue to leverage NZEI activities to support work on our own Climate Watchlist of the highest-emitting companies in the PPF portfolio. As detailed in our report last year, we saw successful engagement with French water, energy and waste recycling company Veolia Environment SA through this initiative. The company’s climate change target was validated by the Science Based Targets initiative (SBTi) and assessed by the Moody’s Net Zero Assessment as aligned with targets to keep global heating within 1.5°C of pre-industrial levels. One of the next steps in our engagement plan with the company is to move towards improvements in methane capture and reduction.



Taking action

Joining ICGN to bolster our systems level stewardship

As part of our continued evolution of stewardship practices, we became a member of the International Corporate Governance Network (ICGN) during the year. This reflects our growing focus on systemic and systems-level risks – such as climate change, biodiversity loss, human capital challenges and threats to market integrity – which cannot be addressed through company-level engagement alone.

Membership provides access to a global network of asset owners, investors and governance experts, strengthening our ability to collaborate with peers, contribute to the development of market standards and share insights on emerging stewardship challenges.

We believe that effective long-term stewardship increasingly requires investors to work collectively to support resilient, well-functioning markets and financial systems, helping to protect and enhance the long-term interests of our members and beneficiaries.



Taking action

Asian steel companies and Climate Action 100+

Asian steel companies are making notable progress in developing detailed, time-framed decarbonisation strategies through the disclosure of technology roadmaps (a Climate Action 100+ sub-indicator). This demonstrates increasing transparency around pathways to achieving targets and offers insight into projected commercialisation timelines for various technologies, allowing investors to assess the credibility of companies’ decarbonisation strategies. One steelmaker, POSCO, which is on our Climate Watchlist of high carbon emitters, provided progress updates on completing its hydrogen reduction iron-making test facility (a pioneering process to enable the shift to carbon-free steelmaking) and evaluating the facility’s commercialisation readiness by 2027.

Investment Stewardship continued

Nature Action 100

This is a global investor engagement initiative aiming to help institutional investors drive corporate action on nature and biodiversity loss. It is supported by more than 240 investors managing assets worth more than \$30 trillion. The initiative targets 100 companies with the greatest potential impact on biodiversity, including those involved in biotechnology, chemicals and food production. It sets high-level agendas and expectations for corporate ambition, aiming to reverse nature loss by 2030. Half of the companies engaged have initiated plans to address their impacts and dependencies on nature, and around one-third have been assessed as having made significant progress against the initiative’s expectations.

The launch of the Nature Action 100 Benchmark established the first systematic assessment of corporate performance on nature, revealing growing commitments and target setting but significant gaps in nature-risk assessment and implementation. Overall, the initiative has succeeded in making nature a mainstream stewardship issue while creating stronger investor expectations and accountability for corporate action.

PRI Advance initiative

PRI Advance is a collaborative stewardship initiative led by the Principles for Responsible Investment (PRI) that focuses on human rights and systemic social issues. Supported by 268 institutional investors, it seeks to drive positive outcomes for workers, communities and society through engagement with 37 companies as well as policymakers.

The initiative currently focuses on the metals and mining and renewables sectors, which can present higher human rights risks. Progress is measured using the World Benchmarking Alliance’s Social Transformation Framework.

We have been a signatory to the initiative since its launch and participate in investor sessions where possible to inform our approach to social issues. In 2025, more than half of the engaged companies (19 of 37) recorded progress against one or more engagement objectives. Investor assessments indicate that companies are strengthening their policies, governance structures and due diligence processes that underpin effective management of human rights risks.

However, while many companies have established foundational policies and processes, benchmark findings and engagement assessments suggest that significant gaps remain in demonstrating effective implementation and outcomes for rights-holders, highlighting that sustained stewardship attention remains necessary. Looking ahead, Advance will prioritise the effective implementation and monitoring of established human rights frameworks and governance processes. Its key engagement themes remain labour rights, Indigenous Peoples’ rights and high-risk human rights impacts, while it also seeks to broaden its reach across additional sectors.

Votes Against Slavery

We continued to be a member of the PRI-supported Votes Against Slavery (VAS) initiative led by Rathbones Investment Management, enabling us to participate in its 2025 campaign.

VAS focuses on FTSE 350 and Alternative Investment Market (AIM) companies that lack disclosure compliant with the UK’s landmark Modern Slavery Act 2015. The initiative has been recognised in updated UK Government statutory guidance on transparency in supply chains, highlighting its growing influence on market practice and policy discussions.

For the reporting period, all of the 26 companies on the FTSE 350 that were non-compliant prior to the 2025 proxy season have responded, with 25 making changes to become fully compliant. The remaining company is not under the scope of the 2015 Act. Of the 60 non-compliant AIM companies, 54 responded and 42 have made changes and are now fully compliant, five companies have delisted and 11 require further monitoring.

We actively support this campaign as modern slavery continues to be embedded into our 2026 voting guidelines, and we considered escalation opportunities, including the use of voting rights at company AGMs where appropriate. In May 2025, the PPF initiated a targeted engagement with Harworth Group, one of our equity holdings, to encourage strengthening its modern slavery disclosures after the VAS findings identified they were less developed than peers regarding supply chain risks, due diligence processes and governance oversight. Harworth has now enhanced its reporting, providing clearer articulation of governance structures, expanded disclosure of supply chain risks, and more detailed explanation of the processes in place to identify, assess and mitigate modern slavery risks.

Considering and promoting well-functioning markets

Collaborating to promote and improve market-wide risks

As a responsible asset owner, we feel it is important to understand and seek to mitigate risks that arise from systemic, market-wide issues. Systemic issues relevant to ESG include climate change, biodiversity, human rights, general disclosure and reporting. These risks are identified by our ESG, Legal and Risk & Compliance teams, and our Strategy & Policy team.

As mentioned in the previous section, we believe our involvement in key industry initiatives and collaborations, and monitoring market consultations, helps us to identify and consider these risks. With the global investment landscape facing growing scepticism towards ESG activities from different areas, this work is more important than ever to create value for our stakeholders and manage future risks.

Direct policy engagement during the year

Sterling 20 – In 2025, we joined Sterling 20, a coalition of the UK’s largest pension providers and insurers committed to long-term investment in the nation’s infrastructure, innovation and renewable energy sectors. Sterling 20 serves as the delivery group for the Mansion House Accord, turning high-level commitments into practical steps that support UK economic growth.

Our experience in productive finance positions us as a constructive and informed partner within the group. We have shared our expertise with smaller or emerging organisations seeking institutional capital. We have contributed practical guidance on how we assess opportunities, the characteristics that make propositions investible, and the governance standards required to attract long-term investment. These discussions have highlighted where improved collaboration and market structures could help unlock greater flows of capital into the UK over time.

TPR-led Transition Plan working group – During the year, we were also one of two asset owners to join The Pensions Regulator (TPR)’s [Transition Plan working group](#) as representatives of the UK’s Asset Owner Council.

The group was established to develop and test a voluntary Net Zero transition plan template designed specifically for trust-based occupational pension schemes, drawing on the framework and guidance developed by the UK Transition Plan Taskforce. This responded to a clear gap in the market, as there has not previously been a template tailored to the governance, investment and stewardship needs of occupational pension schemes.

Our involvement enabled us to contribute an asset owner perspective to a practical industry challenge with the intention to support trustees in managing financially material transition risks, such as exposure to high-carbon sectors, market volatility and changing regulation, while also identifying investment opportunities linked to the transition to a low-carbon global economy. The focus was on supporting stronger investment governance and high standards of stewardship, and to be capable of integrating climate, nature, societal factors and adaptation in a way that complements the UK’s evolving sustainable disclosure framework. Participation therefore aligns with our wider stewardship objective of helping to improve market practice, support better long-term decision-making and manage systemic risks in the interests of members and other stakeholders.

Public policy engagement through EOS

Europe – Our stewardship services provider EOS collaborated with industry peers to support the preservation of key aspects of the EU Sustainable Finance Framework through a joint statement responding to the EU Omnibus Initiative (which seeks to reduce the sustainability administrative and reporting burdens for businesses).

In parallel, it continued to promote enhanced investor access to company board directors beyond the chair, particularly across Italy, Spain and Scandinavia.

Additionally, EOS contributed to the IIGCC’s consultation on its EU Stewardship position paper, expressing broad support for the proposed revisions while highlighting that some changes would not be an efficient use of resource. EOS’s response also emphasised the importance of reducing the reporting burden on firms seeking signatory status under the UK and EU Stewardship Codes.

Developed Asia – Across Asia, a key focus for engagement was the issue of board accountability, effectiveness and independence, and the protection of minority shareholder interests. South Korea made some successful amendments to its commercial code. These included large publicly listed companies now being required to allow cumulative voting in board elections to enable minority shareholders to have stronger representation and a 3 per cent cap on voting rights being applied to majority shareholders (and affiliates) when electing audit committee members. Another notable change was the extension of directors’ fiduciary duties to include all shareholders.

US – In the US, EOS responded to the Securities and Exchange Commission’s consultation on executive compensation disclosure requirements and emphasised that well-designed remuneration structures can support business success and align the interests of management and shareholders. They also highlighted concerns that executive pay structures and related disclosure requirements have become increasingly complex, often failing to demonstrate clearly the link between pay and performance.

Investment Stewardship continued

Exercising our ownership rights

Company engagement is our principal tool for fostering greater social and environmental responsibility among the companies and other assets in which we invest. We primarily look to engage companies and issuers in a constructive, confidential manner. If this does not achieve the hoped-for outcome, we turn to other powers that we have as investors, including voting against management.



How we utilise our ownership rights

As an engaged investor, it is important that we use the rights we have as providers of capital to full effect, when considered appropriate. Our preference is to prioritise direct, confidential engagement, but in cases where the desired progress does not materialise, it can be appropriate to escalate our engagement effort.

Escalation is the process by which investors apply progressively more targeted, public or more stringent approaches and tools to influence a company on an issue of concern. In 2023, we developed a formal escalation policy, outlining our approach and the potential methods we will use if engagement fails. Our policy provides the structure for determining objectives and internal processes to be followed.

When considering an escalation strategy, the PPF will explore the following levels of action:

- **Level One – Private escalation:** The PPF organises a private collective engagement or group letter to send to the company management or board. This level may involve voting against management if there is a lack of progress in an initial engagement.
- **Level Two – Public low-visibility escalation:** The PPF organises or participates in a collective engagement such as a group letter or speaking at an AGM, which is undertaken as a public action and where press coverage may be encouraged.
- **Level Three – Public high-visibility escalation:** The PPF takes deliberate action to attract attention to our concerns such as filing a shareholder resolution, or organising and publicising a ‘Vote No’ campaign against one or more directors. Pursuing (leading or supporting) litigation outside of any established class action strategy already in place would also fall into this category.

Implementation

The above methods can be implemented across asset classes, and across both internally and externally managed portfolios. As noted, voting rights can be used to elevate our concerns. This is most commonly done for Equity holdings in line with the implemented proxy voting policy – see overleaf for more details. Where we hold both the Debt and Equity of a company, we will consider using our Equity voting rights to escalate. However, when the opportunity arises, voting rights can also be used in other asset classes at the individual manager’s discretion.

Governance of escalation

We maintain robust internal controls to oversee and approve each level of escalation:

- **Level One – Private escalation:** Relevant internal manager(s) to be informed of an issue by the ESG team to agree and approve an escalation approach.
- **Level Two – Public low-visibility escalation:** Relevant internal manager(s) and CIO to be informed of an issue by the ESG team to agree and approve an escalation approach.
- **Level Three – Public high-visibility escalation:** Relevant internal manager(s) and CIO to be informed of an issue by the ESG team to agree an escalation approach. The Investment Committee of the Board of the PPF will be notified in the event of a recommendation to implement a Level Three escalation and given the opportunity to provide input prior to any final approval. The chair of the Investment Committee will also be responsible for raising awareness to the Board if an issue is assessed as sufficiently contentious to warrant the Board’s consideration.

Recourse

Ultimately, there could be situations where our recommendation, following failed engagement, is that the PPF should not be investing in the company either in relation to a particular asset class or all asset classes (depending on the mandate situation and resultant risk). It could also be the case that the restriction only applies to future investments (depending on the situation).

Any decision to add a company to our exclusion list would need to be signed off by our CIO and would mean that a company is specifically listed as uninvestable. The relevant internal manager(s) would be responsible for ensuring any necessary amendments to external manager legal contracts (e.g. investment management agreements, side letters) are carried out.

Investment Stewardship continued

How we approach voting

The PPF sees voting as an essential tool from a stewardship perspective in supporting engagement and enforcing shareholder rights.

During the year under review, our Investment Committee approved updates to our PPF voting guidelines. These provide clarity on our intentions for voting decisions around core stewardship issues during the Annual General Meeting (AGM) season. Developed by our ESG team, the guidelines leverage best practice, as demonstrated by our stewardship services provider EOS, and closely align with its global voting guidelines. Our voting guidelines can be seen in full in Appendix E. The aim of these guidelines is not to duplicate EOS's own global voting guidelines. Rather, they provide stakeholders with a concise document outlining areas of focus that are material to us.

We commit to voting every share we hold, except when its cost is prohibitive or it is not possible to do so due to operational reasons – for example, due to share blocking (where shareowners are prohibited from trading or loaning shares that they intend to vote for a period leading up to, and sometimes following, the AGM) or overly complex power-of-attorney requirements. Generally, we aim to align with the voting policy of our appointed stewardship services provider EOS, but we still review voting recommendations for significant votes or high-profile ballots.

Managing voting across our portfolio
EOS, which acts as our voting overlay provider for segregated mandates, provides daily updates relating to forthcoming shareholder meetings at which we are entitled to vote. We have direct oversight of the voting execution across all our Public Equity mandates. These are assessed alongside our voting watchlist of companies to determine which shareholder meetings and resolutions need to be reviewed by us internally.

- This includes companies that are:
- On our Climate Watchlist
 - Flagged on a UN Global Compact controversies watchlist
 - Are being engaged by the PPF as part of either a collective or individual engagement
 - Or represent a significant holding as a percentage of our portfolio.

This watchlist is loaded onto EOS's voting platform (or our external managers' platforms for pooled split votes), which allows regular automated reports to be produced highlighting future votes, giving us sufficient time to review the shareholder documentation and ensure our voting intentions are implemented.

Our segregated mandates are instructed through the EOS voting service, and our pooled funds have been set up to enable split voting for our allocation of shares. We are able to amend voting instructions directly on the relevant manager/ EOS voting platform. Where we disagree with a manager's intended voting instructions, we have a discussion with the manager or engagement provider, as appropriate. Recognising the importance of voting our entire shareholding at certain contentious shareholder meetings, we are able to recall lent stock when considered appropriate. This ensures the full weight of our holding is reflected at a meeting.

In combination, this process allows us to exercise our full voting power right across our portfolio and ensures much greater consistency in our strategy, especially for particularly important companies and issues.

Total Meetings	3,660
Total Resolutions	40,746
How many meetings did we vote at?	3,590
How many resolutions did we vote on?	38,806
What % of resolutions did we vote on for which we were eligible?	95.2%
Of the resolutions on which we voted, what % did we vote with management?*	82.6%
Of the resolutions on which we voted, what % did we vote against management?	15.3%
Of the resolutions on which we voted, what % did we abstain from voting?	1.8%
Of the resolutions on which we voted, what % did we withhold from voting?	0.3%
Of the meetings at which we voted, what % did we vote at least once against management?	62.3%

* The reduction in resolutions voted was driven by the closure of two accounts previously included in the aggregated voting totals. The actual percentage of resolutions voted by EOS remained consistent with prior years.

Taking action

Escalation through voting

Auditor independence, particularly in cases of extended tenure, was an issue on which we repeatedly considered escalation during the year. In line with our voting policy, we may vote against the audit committee chair, and the ratification of the external auditor, where the audit firm had been in place consecutively for an excessive period – for example over 100 years – with no review or consideration of auditor rotation. This year, this policy led to us opposing the auditor and audit committee chairs at a number of US companies. These included ArcherDaniels-Midland, ExxonMobil, and Chevron, all of which have audit firms with tenures over 90 years, and at Sherwin-Williams, Dow, Deere & Co, and Caterpillar, where auditor tenure is over 100 years.

Voting activity 2025/26

The charts and table overleaf present our global approach to voting throughout the year under review. In terms of numbers, the PPF voted at slightly fewer meetings than in 2024/25 due to allocation changes in the structure of our Equity portfolio. Of the meetings we were eligible to vote at, we voted at a similar number, percentage-wise. Share blocking and complex power-of-attorney requirements can still present challenges to our ability to vote.

The proportion of management proposals that we supported remained consistent with 2024 at 82 per cent, as did the votes against management at just over 15 per cent. Governance remained the dominant voting theme, reinforcing the importance of governance in stewardship, and director elections remain an important escalation route where concerns exist about accountability or the management of material ESG risks.

Shareholder proposals continued to be an important escalation mechanism in 2025. However there was an overall decline in the number of shareholder proposals versus the previous year (1,338, down from 1,528), driven

primarily by declines in the North American region due to political uncertainty, anti-ESG pressure and new guidance from regulators. The most notable drop was in environmental and social-related proposals, with a decline of 46 per cent in social proposals alone. In contrast, the number of proposals on corporate governance increased by 49 per cent, concentrated around shareholder rights. As in 2024, a number of anti-ESG shareholder proposals were filed, especially relating to Diversity, Equity and Inclusion (DEI) themes, yet continued to receive generally low shareholder support.

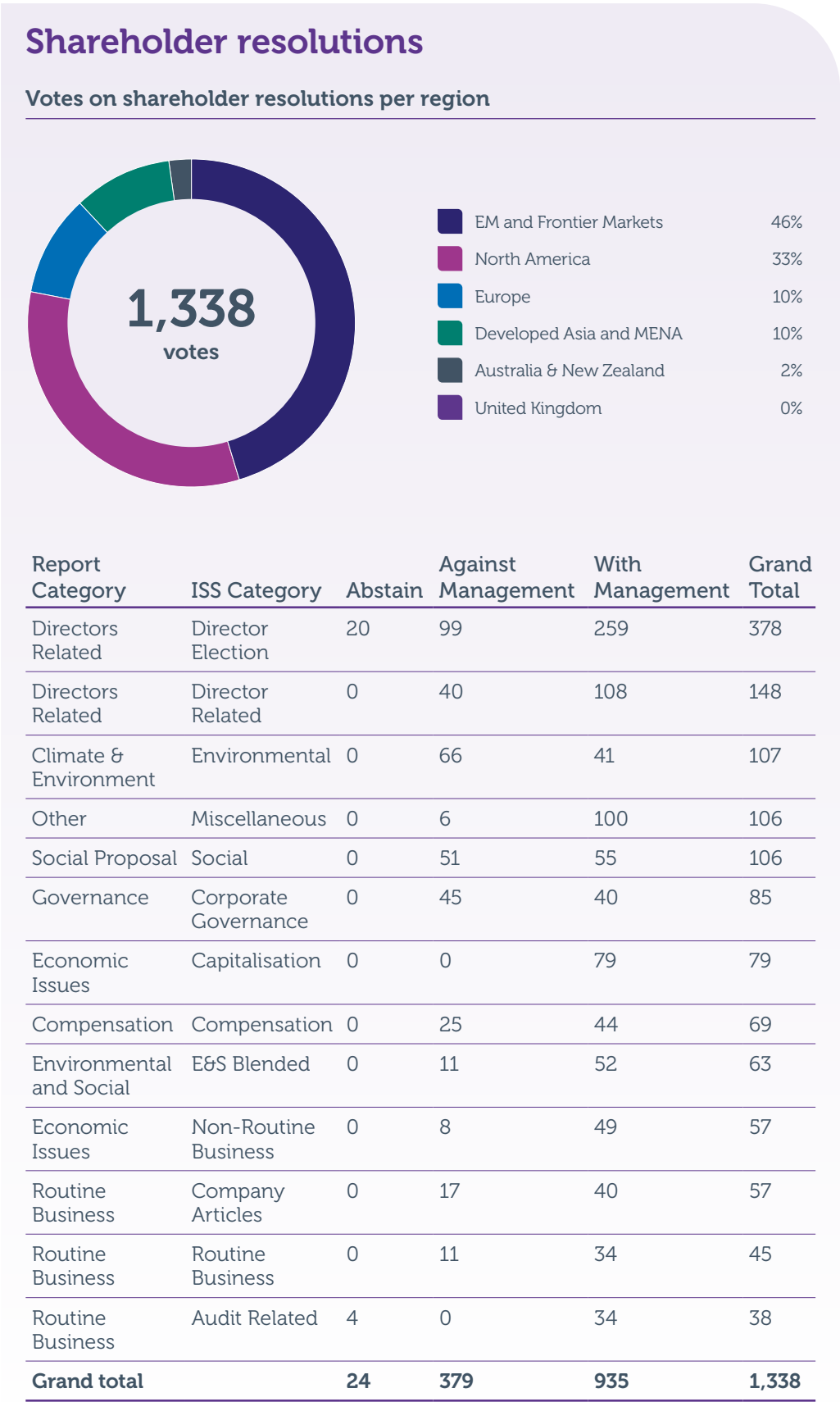
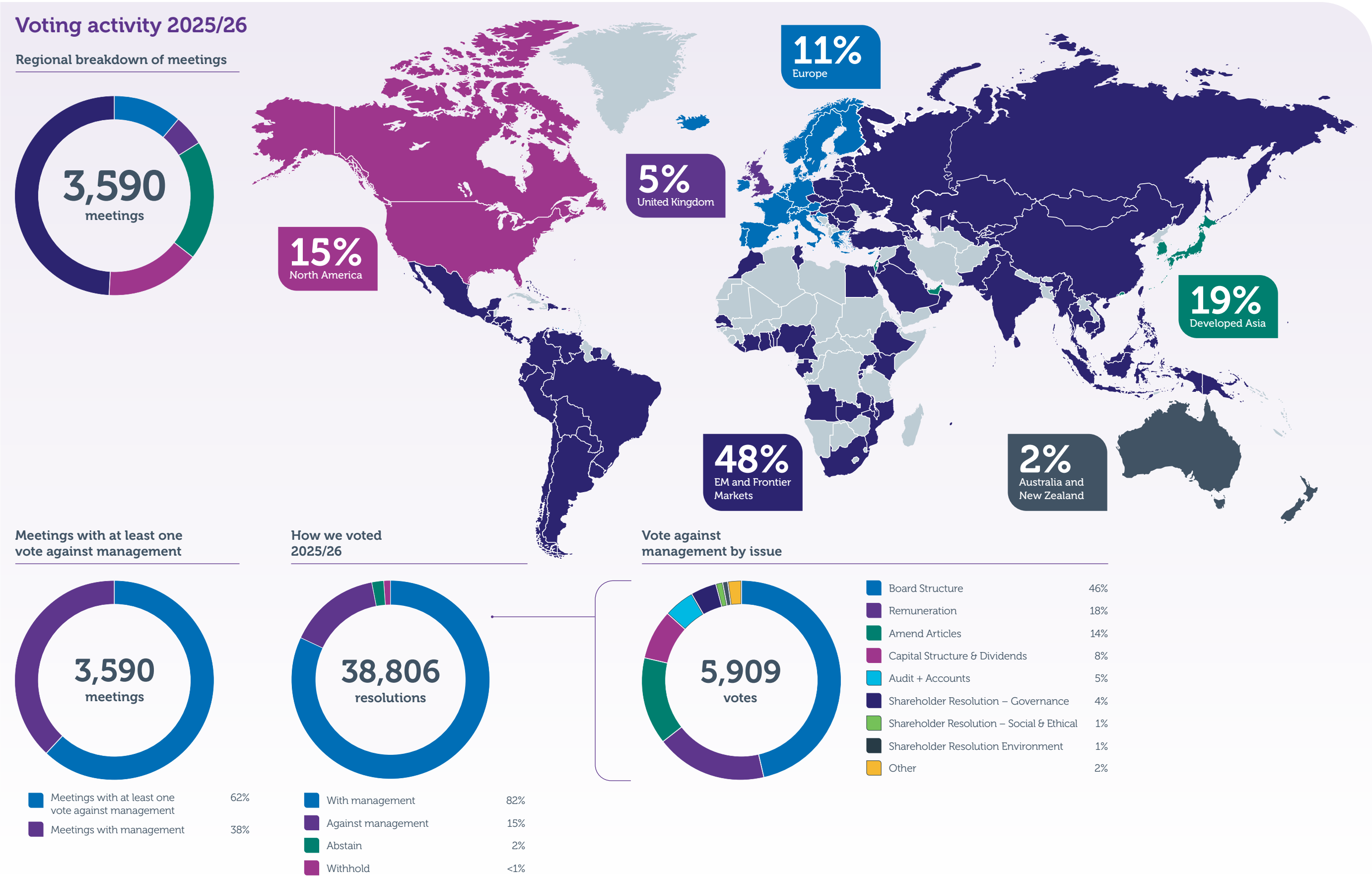
We followed EOS's voting recommendations in the vast majority of cases, overriding its recommendations in just a handful of instances. In one case, we chose to vote against the remuneration report for one of our Equity holdings in the Real Estate sector, following a 'refer' recommendation from EOS. The rationale for this decision is covered in our Significant votes section on page 32 and was informed by our direct engagement with the company in the lead up to the vote, where we ensured the company was fully briefed about our decision.

Taking action

Human Rights proposals

A number of shareholder proposals relating to AI were filed during the year, particularly within technology companies headquartered in North America. Many proposals explored the intersections of AI and other topics like climate change, data privacy and human capital. We were supportive of resolutions where we felt the shareholder proposal promotes better management of ESG opportunities and risks related to AI. However, we did not support shareholder proposals on this topic if we believed the proposal would not be additive to a company's practices.

Investment Stewardship continued



Investment Stewardship continued

Voting on climate issues

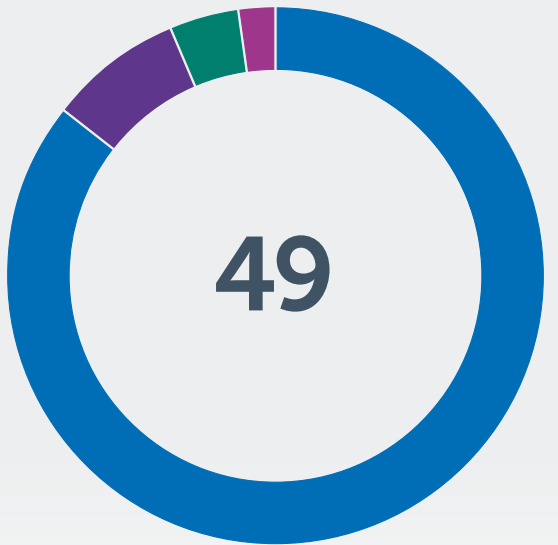
We continue to consider climate change to be a financially material investor concern and therefore a significant voting issue. We believe that, given the nature of the risk, long-term strategic consideration should be given to this risk factor. We consider voting against the re-election of relevant directors at companies where insufficient management of climate-related opportunities and risks is indicated, with our decision based on our region and sector-specific guidelines.

We saw continuing pressure on climate stewardship through the season, even with a drop-off in both the number of climate-related proposals and their quality in North America with Say-on-Climate resolutions declining since their 2022 peak. In 2025, we voted on 11 management proposals related to Say-on-Climate, with a roughly 50/50 split on whether we supported management or not, determined through an increasingly nuanced case-by-case approach. In 2025, we also voted against management on the re-election of directors due to climate-related concerns at 43 companies, with the highest number in Asia (China, India & Japan) and Emerging Markets.

We voted with management for three out of five transition plan related management proposals. For example, following several years of intensive engagement, we provided support for Centrica’s revised energy transition plan. The company’s in-depth transition planning, assessment of external dependencies, and advocacy strategy sufficiently reassured us of the readiness of the business to capitalise on climate opportunities and manage commercial risks related to the energy transition.

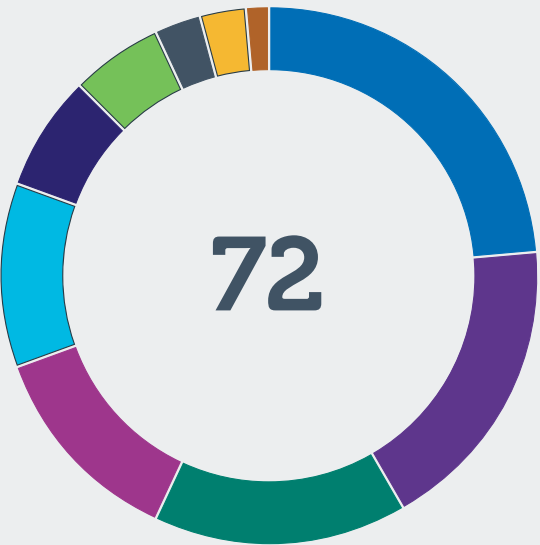
We continue to support shareholder-related proposals on climate primarily where companies have failed to demonstrate a clear decarbonisation strategy. Out of the 72 votable shareholder proposals related to climate that we voted on, we supported 49 of them – with the vast majority due to a lack of disclosure or reporting analysis provided by the company (86 per cent). Fifteen proposals (of which we supported 11) were specifically related to transition strategy or transition plans, marking a growing need for transition planning to be taking place at higher-impact companies now. Of the climate shareholder proposals that we did not support, our rationale was mainly led by concerns that the proposal was in conflict with the objective to protect shareholder value or long-term value creation.

Shareholder resolutions on climate issues – Against management



Lack of disclosure/Reporting analysis	42	86%
Insufficient action on climate change	4	8%
Insufficient targets and/or climate plan/strategy/policies	2	4%
Lack of strategy/policies/plan aligned with current commitments	1	2%

Votes on shareholder resolutions by climate theme



GHG emissions	17	24%
Disclosure of fossil fuel financing	13	18%
Report on climate change	11	15%
Proposals requesting non-binding advisory vote on climate action plan	9	13%
Restrict spending on climate change-related analysis or actions	8	11%
Climate change lobbying	5	7%
Restriction of fossil fuel financing	4	6%
Report on 'Just Transition'	2	3%
Renewable energy	2	3%
Climate change action	1	1%

Case study

Disclosure of banks’ financial risk audit in consideration of climate change

When assessing potential risks in our portfolio, a big focus for us is which assets are likely to be negatively affected by regulatory, transition or physical risks related to climate change. That includes engaging with major banks such as Westpac, HSBC and BNP Paribas on their analysis surrounding the potential for climate change issues to cause long-term credit losses and how this is disclosed to investors.

For example, in the 2025 voting season, three Japanese megabanks – Mitsubishi UFJ Financial Group (MUFG), Sumitomo Mitsui Financial Group (SMFG) and Mizuho Financial Group – received shareholder proposals calling for the disclosure of their financial risk audit. We supported these proposals, reflecting our concern that there is insufficient consideration of climate change in audit and accounts and inadequate management of climate-related risks.

Although these proposals were ultimately rejected with support varying significantly, the level of shareholder support was highest at SMFG with over 15 per cent votes cast in favour, indicating a meaningful minority of shareholders wanting stronger climate-risk governance and disclosure at the company.



Investment Stewardship continued

Our criteria for significant votes

The importance of being able to control our votes has never been more important. Along with guidance from Pensions UK around significant votes, we also use our own criteria to flag material votes that we need to scrutinise carefully.

As mentioned, we have created a voting watchlist of companies for which we get particular coverage from our stewardship services provider EOS. We also have an agreed timeline for action to execute votes proactively for significant and material positions in our portfolio. After deciding our voting intentions, we access the voting platforms of our asset managers for any pooled mandates and submit our vote instructions.

- Our voting watchlist includes:
- Companies where we own over 1 per cent of equity
 - Companies that we hold directly (which we escalate to our CIO for a voting decision)
 - Companies with specific issues of concern (e.g. practices that are non-compliant with the UN Global Compact)
 - Companies that feature on our Climate Watchlist
 - Votes related to a specific initiative in which we’re involved (e.g. companies on the Climate Action 100+ list).

Public disclosure of voting records

Each quarter, our segregated voting and engagement disclosure reports are uploaded to our public website. They can be viewed here: [Reporting and investing transparently | Pension Protection Fund](#). This includes a detailed line-by-line record of our voting activity so stakeholders can review how we voted on specific resolutions at shareholder meetings.

Stock lending

For several years, we have participated in stock-lending programmes, which are administered by our Investment Operations team and overseen by our Investment Committee. We believe PPF members benefit from the additional income that this generates and that stock lending has benefits for market liquidity and efficiency. To ensure we are always able to vote on company issues, we never lend out our whole shareholding in a company.

Summary of some of our significant vote outcomes

Date of meeting	Company name and significance	Resolution(s)	For/Against management	Reasoning for vote decision	Vote outcome	Outcome and next steps
19 May 2025	Harworth Group Plc – 18% holding – large PPF holding	12. Approve remuneration policy	Against	We voted against the remuneration policy due to concerns over the structure of the proposed long-term incentive scheme. Our vote against is not a reflection on the quality or performance of management and we continue to support the strategic direction of the company. We do not consider the quantum of remuneration to be excessive at Harworth, but ultimately are not supportive of a hybrid scheme in this circumstance, resulting in a vote against the proposed policy	12 – 24% Against	We will continue to monitor the progress of the company ahead of the next AGM.
14 November 2025	Novo Nordisk A/S – Climate Watchlist	1.1. Election of chair 1.2 Election of vice chair 1.3 Election of other members to the board of directors	Abstain	Given that the replacement of majority independent board directors resulted in an overall reduction of board independence raising governance concerns, we chose to abstain from voting	1.1 – 7% Abstain (93% For) 1.2 – 6% Abstain (94% For)	Our engagement service provider EOS has engaged with the company on board composition and succession planning. This engagement is ongoing.
21 May 2025	Phillips 66 – Climate Watchlist	All Director Election resolutions 1e. Elect dissident nominee director Brian S. Coffman 1f. Elect dissident nominee director Sigmund L. Cornelius 1g. Elect dissident nominee director Michael A. Heim 1h. Elect dissident nominee director Stacy D. Nieuwoudt	1a-d – DNV 1e-h – For	In May 2025 Elliott Investment Management, with a 6% stake in Phillips 66, launched a full proxy contest against the company, claiming the board lacked independence and accountability and underperformed its peers. In this instance we did not vote for the directors elected by the company and voted for the directors elected by Elliott	1a – 55% For (Elected) 1b – 42% For (Not elected) 1c – 56% For (Elected) 1d – 47% For (Not elected) 1e – 52% For (Not elected) 1f – 56% For (Elected) 1g – 53% For (Elected) 1h – 36% For (Not elected)	The outcome of the proxy contest was a split vote. Two of the directors put forward by Elliott Investment Management were supported by shareholders alongside two elected directors from Phillips 66. We will continue to monitor the situation ahead of the next AGM.
29 April 2025	Wells Fargo & Co – Climate Risk and Disclosure	6. Report annually on energy supply ratio 7. Report on respecting Indigenous Peoples’ rights	6 and 7 – For	We supported resolutions 6 and 7 for promoting better management of environmental and social opportunities and risks	6 – 18% For 7 – 12% For	The vote outcome of the shareholder proposals for items 6 and 7 were 18% FOR energy financing disclosure and 12% FOR Indigenous rights. These both failed, most likely due to the notable political and regulatory pressures facing climate and social stewardship, following a number of US banks (including Wells Fargo) withdrawing from some climate-related commitments.

Investment Stewardship continued

Exercising our rights in other assets

Internally managed Fixed Income

Our rights as a provider of Fixed Income debt to a company differ markedly from those as an Equity shareholder. We find that achieving large-scale change among Fixed Income issuers can often be more effectively managed through industry-led initiatives rather than as a single investor. However, we have developed a fully integrated approach to the assessment and oversight of our potential and ongoing Fixed Income investments.

For example, in UK Private Credit, where data can be less readily available, we rely heavily on our internal due diligence process. This involves significant engagement with the management teams of private companies. In addition to commercial and risk-related analysis, ESG considerations are evaluated and concerns are addressed within the process. Ultimately, if we are not comfortable with the terms of a deal, we will not participate. However, we will often seek to propose amendments to the terms of the agreement to ensure that any requests we have are incorporated into the deal and – where appropriate – the future structure of the company. As part of the ongoing management of Fixed Income assets, we will often continue to seek positive change after entering into an agreement.

When investing in alternative assets through external investment vehicles, no voting rights are attached to the underlying assets. However, we can vote on issues relating to the fund itself. In these circumstances the portfolio manager will vote directly with input from the PPF ESG team.

Private assets

The majority of our investments in Private Equity, Debt and Infrastructure are made through limited partnership arrangements. These do not provide voting rights in the same way that public assets do. Where appropriate, we seek to have representation on a Limited Partnership Advisory Committee (LPAC), giving us approval rights on specific issues such as amending contractual terms and approving the appointment of other committee members. It is almost impossible to change retrospectively any contracts or side letter terms that were signed historically.

We therefore look to obtain sufficient recourse in our side letters at the outset. By doing this, if we determine that we no longer wish to remain invested in a portfolio company due to an unmitigable risk, we have the option to transfer out of the whole fund.

Case study

UK Private Credit

Issue: Selective insourcing and stewardship oversight

Background: Following a strategic review of our externally managed Private Credit assets, we made the decision to bring selected assets in-house to improve oversight, strengthen engagement and reduce external costs. The initial proposal identified six assets for potential transfer into the in-house portfolio.

Action: We carried out a detailed ESG risk assessment across the assets proposed for transfer, which highlighted some potential concerns about insourcing one housing association asset. This included follow-up engagement with the external manager and the company’s senior management to understand the nature and severity of the issues identified, the remediation plans in place and whether more direct oversight from us internally would support or hinder our ability to influence outcomes.

The review identified several material risks, including low customer satisfaction scores, regulatory scrutiny under new consumer standards and exposure to ageing housing stock. Although management had begun implementing remediation plans, these were expected to take several years to demonstrate effectiveness and would require sustained, resource-intensive monitoring.

Outcome: Given the relatively small position size and limited influence this would provide, we concluded that insourcing would not deliver sufficient incremental benefit nor materially improve our ability to exercise stewardship to justify the additional operational effort required. It was decided that external management remained the more appropriate route for this particular exposure.

Why it matters: This case study demonstrates how we integrate ESG risk considerations into portfolio management decisions and consider ways to exercise our rights as an investor, even in Private Credit. It also shows that our approach to insourcing is selective and outcomes-focused. We seek to bring assets in-house where doing so improves oversight, engagement and value for our stakeholders, but we are prepared to retain external management where that is judged to be the more effective way to manage complex risks.

Case study

Real Estate

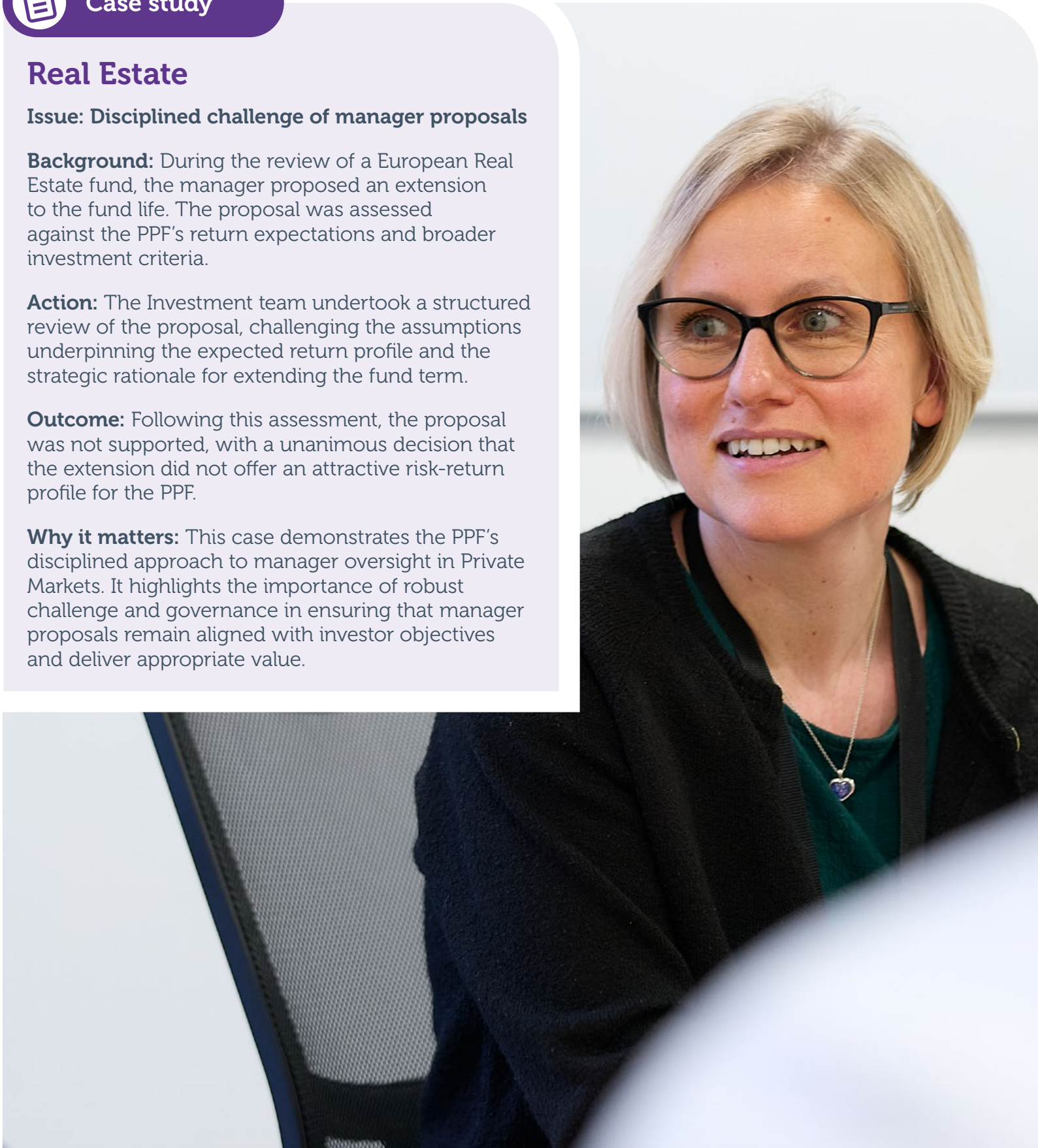
Issue: Disciplined challenge of manager proposals

Background: During the review of a European Real Estate fund, the manager proposed an extension to the fund life. The proposal was assessed against the PPF’s return expectations and broader investment criteria.

Action: The Investment team undertook a structured review of the proposal, challenging the assumptions underpinning the expected return profile and the strategic rationale for extending the fund term.

Outcome: Following this assessment, the proposal was not supported, with a unanimous decision that the extension did not offer an attractive risk-return profile for the PPF.

Why it matters: This case demonstrates the PPF’s disciplined approach to manager oversight in Private Markets. It highlights the importance of robust challenge and governance in ensuring that manager proposals remain aligned with investor objectives and deliver appropriate value.



Climate change & transition

Claire Curtin, our Head of ESG and Sustainability, discusses the strategic focus on climate in our portfolio and our progress on transitioning our assets to align with a low-carbon global economy



Climate risk is being realised today, with material implications for economic stability, infrastructure resilience and asset valuations.

Claire Curtin
Head of ESG and Sustainability

Our 2025/26 report marks five years since our 2020 baseline year. Over this period, the market landscape has evolved significantly, shaped by regulatory developments, shifting investor sentiment and increased engagement with corporates and asset managers on climate-related issues. We are encouraged by the progress across our portfolio since 2020, supported by improvements in climate data, disclosures and transparency. As a long-term asset owner, we remain focused on driving further improvement.

Climate change remains a pressing systemic risk facing the world. The year under review was marked by an increasing frequency and severity of physical impacts including extreme flooding, heatwaves and wildfires.

62%
reduction in financed emissions since 2020

These events reinforce the fact that climate risk is being realised today, with material implications for economic stability, infrastructure resilience and asset valuations. In this context, we continued this year to explore new approaches to assessing physical risk in our portfolio, primarily through our collaboration with MSCI.

But alongside these physical impacts, the transition to a low-carbon global economy has continued to progress since our 2020 baseline year, driven by evolving policy frameworks, technological advancements and shifting market dynamics, especially in the energy sector. However, whilst progress has been made, the future pace and pathway of this transition now look uncertain, given the highly variable outcomes across different sectors, geographies and individual assets.

31%
of equity holdings face at least one severe physical climate hazard today

Nonetheless, transitioning to low-carbon assets remains a key strategic investment focus for us, given its potential to materially impact portfolio resilience and long-term returns.

In particular, this year we continued to develop and embed our Transition & Sustainable Assets framework into our Investment strategy. The framework continues to support our structured assessment of transition risks and opportunities across our Private Markets portfolios, enabling us to identify assets that are ‘aligned’, ‘transitioning’, or ‘exposed’ to transition-related risks. This year, we have expanded our asset coverage to provide a more comprehensive view of our exposures and inform our portfolio construction and stewardship priorities.

£6bn
invested in sustainable and transition opportunities

The PPF has now allocated approximately £6 billion of assets under management to a diversified universe of sustainable and transition opportunity investments. This reflects our conviction that a well-managed transition to a low-carbon global economy can support resilient long-term portfolio performance for our members, while also contributing to positive environmental and societal outcomes for the wider world.

Climate Change & Transition continued

Our progress at a glance

Climate change is one of the most significant issues on the global agenda, with the potential to impact businesses, economies and people everywhere. The PPF is committed to assessing and managing climate-related risks and opportunities across its investment portfolio, supporting important industry initiatives, and driving transparency and disclosure among issuers and investors.

Data for 2025/26:

Achieving more high-quality disclosure in all asset classes

82%

of the PPF Fund’s total net asset value covered by carbon footprint metrics. (2024/25: 76%)
→ See page 38

96%

of Credit portfolio and 95% of UK Credit portfolio maintained strong coverage of carbon data.
→ See page 40

50%

of Private Markets portfolio covered by carbon data.
→ See page 54

Climate Watchlist companies progress

87%

of portfolio companies on our Climate Watchlist reported high-quality carbon emissions, exceeding our disclosure target.
→ See page 39

29%

of our Climate Watchlist companies saw engagement progress.
→ See page 39

79%

of Climate Watchlist companies maintained or improved their TPI Management Quality Score.
→ See page 50

Portfolio alignment and transition analysis

c. £6 billion

of assets identified as sustainable or transition-ready investments, supported by our Transition & Sustainable Assets framework.
→ See pages 56 to 57

79%

of our Growth Portfolio and HAIL Portfolio has undergone a climate change transition assessment.
→ See pages 56 to 57

73%

of our in-house UK Credit portfolio is aligned, aligning or committed to align with the Paris Agreement on Climate Change.
→ See page 52

Five years on from our baseline year

62%

reduction in total financed emissions across our Public Markets holdings.
→ See page 42

63%

reduction in weighted average carbon intensity across our Public Equity holdings.
→ See page 44

42%

reduction in carbon intensity of our UK Sovereign portfolio.
→ See page 45

Supporting transparency in climate disclosure

We consider climate risk management an ever-evolving strategic journey that requires us to keep refining processes and set new standards in how these risks are assessed and managed. We continue to champion investor organisations that drive transparency in climate-related risks and support several disclosure initiatives such as the PRI, CDP, IIGCC, Climate Action 100+, and the Transition Pathway Initiative (TPI). Additionally, the PPF has been a formal supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and has reported in line with its recommendations through our reports since 2020/21. The TCFD recommendations have since been fully incorporated into the ISSB Standards, ensuring the framework continues to support comparable, decision-useful sustainability and climate-related financial disclosures.

Assessing risks and opportunities

We have multiple measures in place to identify various types of climate-related risks that could impact how our portfolio performs in the short and long term. These include transition risks arising from policy changes such as carbon pricing or taxes, technology risks and opportunities as companies develop (or fail to adopt) superior technologies, and physical risks that may affect assets in certain locations. We also recognise opportunities within some asset classes, for example our renewable energy exposure and low-carbon battery storage assets which directly support the transition to a low-carbon economy.

In addition, we see opportunities across the transition value chain, including assets providing critical infrastructure, technologies and services enabling decarbonisation and the scalability of the energy transition. Such opportunities include battery manufacturing and industrial technology assets supporting electrification and supply chains, as well as grid and energy infrastructure platforms enabling the integration and optimisation of low-carbon energy.

Private Markets assets

We have extended our Transition & Sustainable Assets framework to categorise all of our Private Markets asset classes based on their status in transitioning away from fossil fuels. Informed by established taxonomies, we identify Private Markets assets as:

- Transitioning;
- Presenting climate or transition opportunities; or
- Lacking a clear transition link.

This framework informs our engagement with Private Markets managers to ensure transition risk is adequately addressed in investment processes.

We actively implement the TCFD framework across our portfolio and have published a dedicated Climate Change Report annually since 2021 to show our progress on managing climate-related risks in the PPF portfolio in line with TCFD requirements. Since 2024/25 we have integrated our TCFD-aligned reporting into the PPF Sustainability Report, so we can maintain our focus on the potential impact of climate risks on our portfolio and the returns we can achieve for our members.

Climate Change & Transition continued

Strategy and risk management

This year we continued to advance our process for analysing climate-related risks and opportunities within our investments and considering climate risks and opportunities across all of our organisational processes. For the first time, this includes addressing our operational supply chain.

Considering the impact of climate on our strategy and resilience

From an operational perspective, we continue to consider climate change to be an emerging risk for the PPF, with the potential to cause physical disruptions to our operations and supply chain, thereby affecting critical business services. We have taken important steps to address this, seeking to learn from market-leading approaches.

At the portfolio level, we consider climate change to be a major systemic risk that can affect the value of our investments in the short, medium and long term. We believe the Climate Change policy that we have laid out for our investments is fundamental to our long-term investment goals and we are committed to improving our understanding of, and mitigating, these risks and opportunities on behalf of our members.

Given the extreme weather we have seen playing out across many regions in the past year, we believe that Physical risks are no longer a medium term risk. These risks are manifesting already, so we have moved Physical risks up into the short term timeframe.

Climate risk management in our operations

Effective operational climate-change risk management offers significant opportunities to improve our resilience and adaptability to a changing world. This involves identifying and assessing risks, implementing mitigation strategies, and leveraging emerging technologies to measure and reduce our carbon footprint.

Additionally, transparent disclosure of climate-related risks and opportunities, as recommended by the TCFD, improves trust among our stakeholders, levy payers and members, ensuring the long-term stability and growth of our organisation.

In line with the Greening Government Commitments, we have implemented a Climate Change Adaptation Strategy (CCAS). The CCAS is part of our broader risk management framework and operational resilience protocols. Each year, we perform a Climate Change Risk Assessment (CCRA) to evaluate the operational risks posed by climate change, using established self-assessment protocols. The risks identified in the CCRA feed into our CCAS.

The PPF risk universe outlines all the types of risk to which the PPF may be exposed, including external climate change and business continuity/operational resilience risks. We then monitor identified risk exposures, plan for challenging events and respond appropriately. Regular reporting to committees on operational and material risks includes risks that may have climate change factors as a contributory cause.

See more on implementation of the PPF Sustainability strategy on page 59.

Climate and our investments

Climate-related risks (and opportunities) can have different likelihoods or magnitude of impact on our investment portfolio, depending on the asset class. The principal risks and opportunities we have identified are:



Climate Change & Transition continued

How we assess climate risks and opportunities in our investments

To assess climate-related risks in our investment portfolio, we use a variety of measurement and scenario analysis tools from our data providers. We take a bottom-up perspective when assessing our portfolio, as we believe climate-related risks will play out in different ways, depending on the asset class. We assess our alignment with forward-looking global goals such as the Paris Agreement on Climate Change.

Why we measure climate risk scenarios

Climate change presents a wide range of threats and opportunities to the value of the assets we hold in our investment portfolio. These range from the impact that the physical effects of a changing climate, such as flood, hurricane and drought, can have on a company’s interests and profitability, to the commercial impact of legislation introduced to try to mitigate global warming (such as requiring firms to cut their carbon emissions).

By assessing the impact of a spectrum of scenarios that could play out as countries and businesses take very different approaches to responding to climate change, we can assess how vulnerable different assets in our portfolio are to potential loss. This can inform both the assets we choose to hold and how we engage with companies, bond issuers and other assets in order to improve their own resilience against these scenarios.

Our climate transition scenarios

When stress-testing the Climate Value-at-Risk (Climate VaR) of our portfolios, our data provider MSCI applies a number of climate transition scenarios that largely align with those developed by the Network for Greening the Financial System (NGFS). Although the scenarios only cover a small number of plausible pathways and have known limitations, they can still provide a useful starting point for understanding value-at-risk assessments. MSCI have incorporated the most recent scenario updates from the NGFS, see right, as well as continuing to provide the Divergent Net Zero (1.5°C Disorderly) scenario for continuity.

The NGFS scenarios provide strong evidence that early action to deliver an orderly transition to global Net Zero emissions by 2050 is likely to be the optimal pathway for minimising climate-related physical risks and losses globally.

Portraits of two opposite global warming scenarios

Global action taken to reach Net Zero by 2050

+1.4°C

warming likely above pre-industrial levels by 2100

World keeps to current climate policies

+3°C

warming likely above pre-industrial levels by 2100

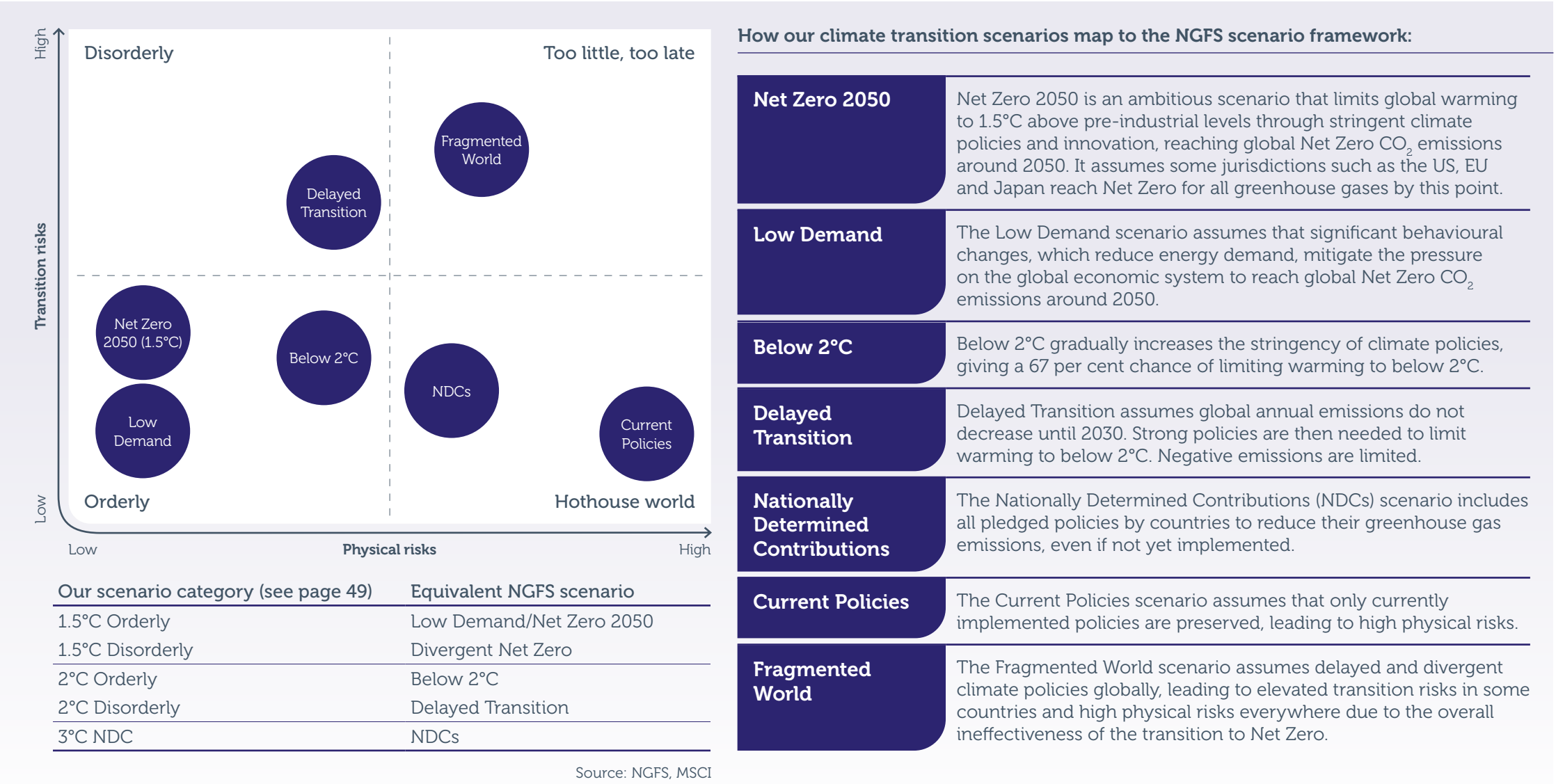
More transition risks <

> More physical risks

Reaching Net Zero global CO₂ emissions by 2050 requires an ambitious transition across all sectors of the global economy. Scenarios emphasise the importance of decarbonising the energy supply, increasing electricity use (over fossil fuel use), increasing energy efficiency and developing technologies to tackle hard-to-abate emissions. Transition risks to the economy include higher emissions costs and changing business and consumer preferences. But physical risks would be minimised.

Although many countries have started to introduce climate policies, they are not yet sufficient to achieve official commitments and targets. If no further measures are introduced, 3°C or more of warming could occur by 2100. This would likely result in deteriorating living conditions in many parts of the world and lead to some irreversible impacts like sea-level rise. Physical risks to the economy could result from disruption to ecosystems, health, infrastructure and supply chains.

Source: NGFS



The NGFS climate transition scenarios above fall into four quadrants:

Orderly scenario assumes climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.

Disorderly scenario explores higher transition risk due to climate policies being delayed or divergent across countries and sectors. Carbon prices are typically higher for a given temperature outcome.

Hothouse world scenario assumes that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts, such as sea-level rise.

Too little, too late reflects delays and international divergences in climate policy ambition that imply elevated transition risks in some countries and high physical risks in all countries due to the overall ineffectiveness of the transition.

Climate Change & Transition continued

Summary of our processes and tools for assessing climate risks and opportunities across asset classes

This table summarises how we are measuring climate risks and opportunities in each asset class and how much of the total PPF portfolio value is currently covered.

Metric		Asset class covered	What is measured	What it tells us
Carbon emissions	82% of total PPF portfolio value covered	Public Markets (Equity, Credit, UK Credit, Sovereign Debt)	Absolute carbon emissions apportioned using EVIC to the PPF’s holdings (tonnes CO ₂ e)	Absolute carbon emissions indicate the total amount of greenhouse gases (GHGs) emitted that are associated with our investments.
			Relative carbon intensity apportioned using EVIC to the PPF’s holdings and normalised by amount invested (tonnes CO ₂ e)	Relative carbon intensity measures how carbon intensive an investment in a portfolio is, based on the value of our investments.
			Weighted average carbon intensity (WACI) weighted by the PPF’s holdings and normalised by revenues (corporates) or PPP-GDP (sovereigns) (tonnes CO ₂ e)	WACI (revenue-based) allows us to perform cross-sector comparisons and evaluate exposure to carbon-intensive companies.
		Private Markets (Infrastructure, Private Equity, Alternative Credit, UK Private Credit, Real Estate)	Absolute carbon emissions apportioned using Fair Market Value and Enterprise Value (or % ownership if not available) to the PPF’s holdings (tonnes CO ₂ e)	Absolute carbon emissions indicate the total amount of GHGs emitted that are associated with our investments.
Climate Value-at-Risk (Climate VaR)	56% of total PPF portfolio value covered	Equity, Credit, UK Credit	Transition risks (Climate VaR) includes policy risk costs and technology opportunities (% of Enterprise Value)	Transition risks are the business-related risks (e.g. policy, legal, technological and market) that arise as society and the global economy transition to a low-carbon/Net Zero economy.
			Physical risks (Climate VaR) include acute and chronic risks (% of Enterprise Value)	Physical risks arise from the impact of climate change on physical assets such as land, real estate and infrastructure. These risks can be event driven (acute – e.g. hurricane) or associated with longer-term shifts in climate patterns (chronic – e.g. rising heat).
		Sovereign Debt	Country-level Climate VaR metrics	Climate Value-at-Risk (Climate VaR) metrics are forward-looking estimates of the loss or gain an asset or portfolio may experience under different climate scenarios within a given time horizon.
Portfolio alignment	56%* of total PPF portfolio value covered	Equity, Credit, UK Credit	Binary target: % portfolio committed to the Science Based Target initiative (SBTi) or other science-based targets (% of portfolio by market value)	We assess the percentage of portfolio companies committed to using robust science-based targets to understand how much and how quickly they must decarbonise to prevent the worst impacts of climate change.
			Implied Temperature Rise (ITR) expressed in °C (by 2100)	The ITR metric indicates how our investment portfolio aligns to global climate targets, such as the Paris Agreement. It estimates the global implied temperature rise by the year 2100 if the whole global economy had the same carbon budget over-/undershoot level as our portfolio.
			MSCI Paris Aligned Investment Initiative (PAII) Net Zero Investment Framework (NZIF) tool	This is the company’s alignment category in the Paris Aligned Investment Initiative (PAII)’s Net Zero Investment Framework (NZIF), according to the mapping implemented by MSCI ESG Research. There are five NZIF alignment categories: Achieving Net Zero; Aligned; Aligning; Committed; and Not Aligning.
		Sovereign Debt	Country level Net Zero Investment Framework (NZIF) Assessment	This is a country-level alignment category based on PAII’s NZIF, utilising a combination of Climate Action Tracker assessments, MSCI Implied Temperature Rise (ITR) data and PPF’s internal analysis.
Exposure to Sustainable and Transition Assets	89% of total PPF portfolio value covered	Equity and Corporate Credit	Green revenues/exposure to low-carbon solutions (% of portfolio by market value)	
		Sovereign and Corporate Credit	Green bonds, social bonds, sustainability bonds and sustainability-linked bonds (% of portfolio by market value)	
		Infrastructure, Private Equity, Real Estate, UK Private Credit, Alternative Credit	PPF Transition & Sustainable Assets framework	
		Forestry	Forestry certified in accordance with the FSC, PEFC and/or SFI (% of portfolio by market value)	The percentage of forestry in our portfolio that follows best practice for sustainable management.

Climate Change & Transition continued

Engaging with our Climate Watchlist companies to manage climate risks

The Climate Watchlist was established in 2023 to identify the largest contributors to financed emissions in our Public Markets portfolio in order to help us focus our stewardship efforts where they can have the greatest impact. Together, the companies on our Climate Watchlist account for at least 70 per cent of our material financed emissions.

In 2025/26 there were 99 companies on the Climate Watchlist. Almost half are engaged through our stewardship provider EOS; the remainder are engaged through external investor initiatives, our external managers or by the PPF directly. Our engagement efforts focus on driving better climate disclosure, target-setting and transition planning. The graph below illustrates the composition of the Climate Watchlist by sector and region.

Progress on engagement

To account for the varying levels of maturity in companies’ decarbonisation pathways, we continue to group objectives by level of progress. This can range from establishing baseline disclosure, to improving the quality of emissions reporting, through to encouraging the adoption of credible science-based targets for reducing emissions.

Having been established in 2023, the Climate Watchlist was updated in 2024/25 to ensure it continues to represent the majority of our material financed emissions. This year marks our first year of reporting externally against this updated Climate Watchlist. Engagement on climate issues with portfolio companies is a lengthy process that requires robust monitoring and resourcing. Many rounds of engagement over years are usually needed for meaningful change to happen and the results to be obvious. Nevertheless, we have already seen improvements across our updated Climate Watchlist with 29 companies seeing progress over the year, and only one company seeing a deterioration against progress – see pie chart below.

Against a rapidly evolving climate, regulatory and market landscape, we see engagement with our Climate Watchlist as critical to reducing financed carbon emissions within the PPF portfolio. We will continue to work alongside our stewardship provider, external managers and industry initiatives to drive further progress over the next reporting period.

Progress on our Climate Watchlist companies

- French multinational electric utility company **Engie SA** strengthened its climate strategy following engagement, introducing Scope 1–3 emissions reduction targets aligned with a pathway to limit global heating to 1.5°C and committing significant capital allocation towards renewable energy generation, storage and networks to capture energy transition opportunities.
- Global energy tech company **Eni** improved its climate-related financial disclosures following engagement. This included incorporating 1.5°C global heating sensitivity analysis into its asset valuation assumptions, disclosing commodity price pathways aligned with

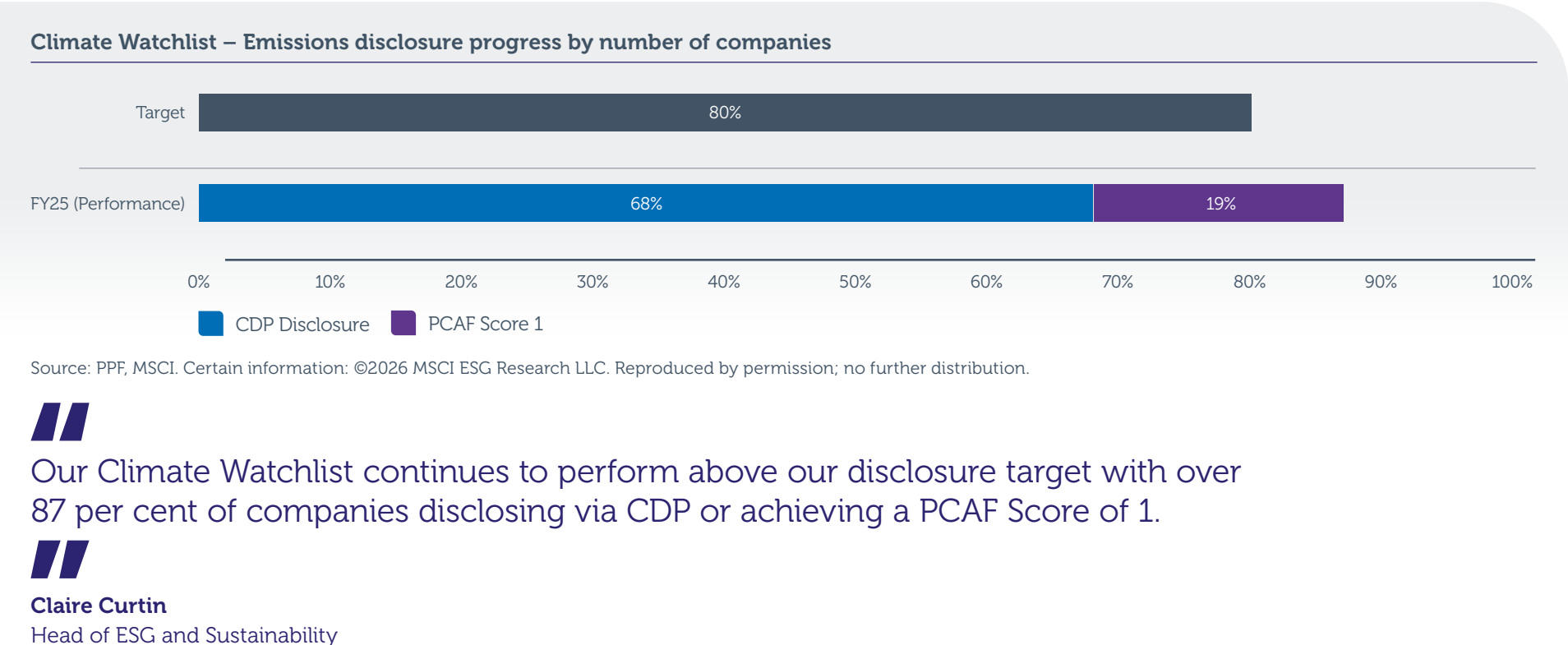
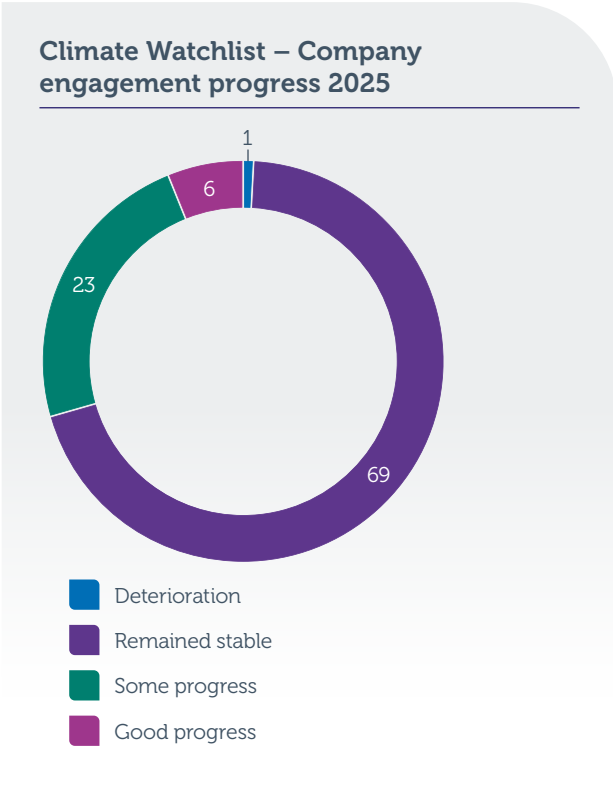
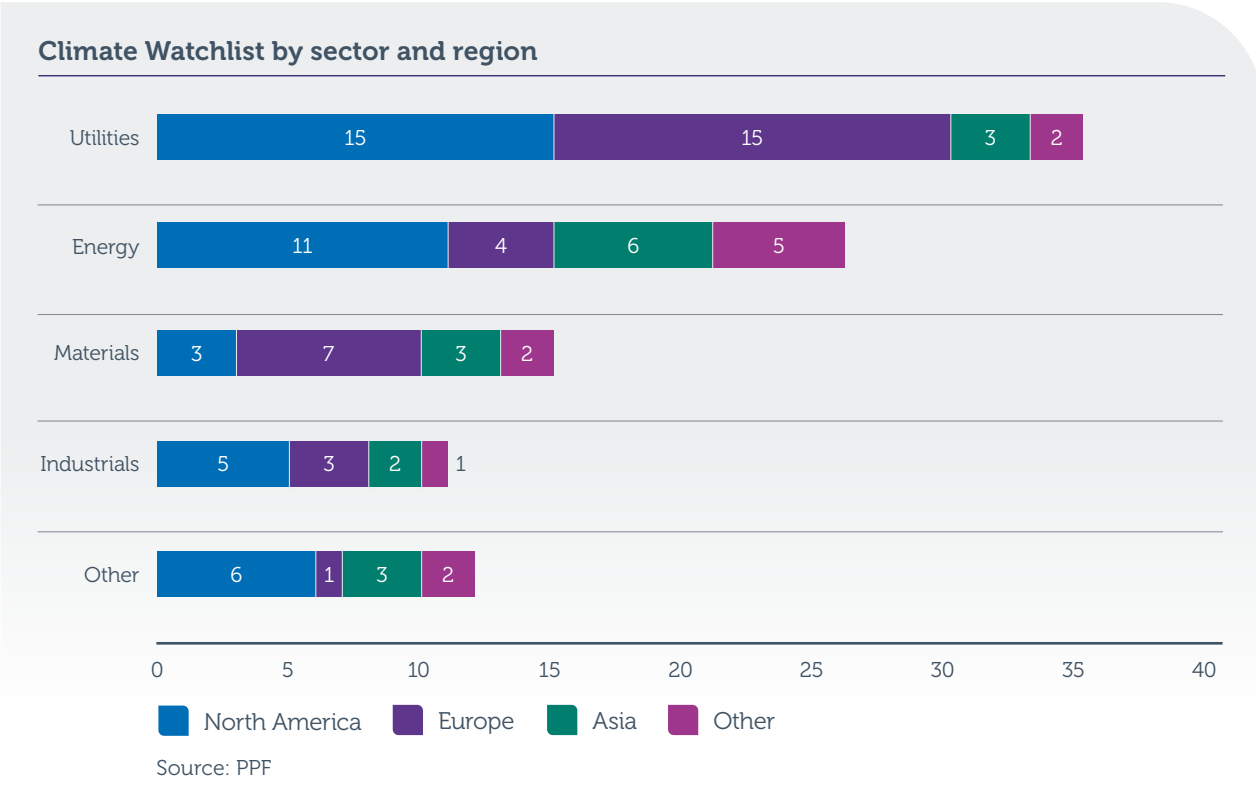
the Paris Agreement on Climate Change, and quantifying potential impairments. This improves investors’ ability to assess portfolio resilience under different energy transition scenarios. Further engagement is focused on strengthening governance of investment decisions and Net Zero scenario stress-testing.

- Global building materials provider **CRH Plc** strengthened its climate governance and transparency following engagement. Action has included integrating climate-related risks and assumptions into its financial statements and expanding climate-aligned disclosures, improving visibility on asset valuation and capital allocation under the transition to Net Zero.
- LATAM Airlines Group**, Latin America’s largest airline holding company, reaffirmed its commitment to achieving Net Zero carbon emissions by 2050, aligning its environmental objectives with global climate frameworks. This ambition is supported by a robust sustainability strategy, focusing on operational efficiency, fleet modernisation, and adoption of sustainable aviation fuel (SAF).

Our Climate Watchlist and emissions disclosure

Alongside welcoming disclosure on carbon emissions from companies, we place strong emphasis on the quality and reliability of disclosed data. Since 2023, we have committed to ensuring that at least 80 per cent of companies on our Climate Watchlist are making disclosures on emissions, with a view to standardising how this is reported. We remain above our target, with over 87 per cent of the Climate Watchlist disclosing via CDP, or achieving a data quality score of 1 (highest quality) based on the Partnership for Carbon Accounting Financials (PCAF) approach. When comparing companies with CDP scores in both 2025 and 2024, 29 per cent saw an improvement in their score from 2024 to 2025 and 61 per cent of scores remained stable.

Despite improvements in the availability of carbon data in Public Markets, more still needs to be done to acknowledge the importance of high-quality, decision-useful data. As outlined in our case studies, engagement on carbon emissions disclosure remains a key priority for us. To this end, we have continued to participate in the annual Non-Disclosure Campaign by CDP to encourage greater corporate transparency.



Climate Change & Transition continued

Metrics and targets

We continue to push for high-quality carbon emissions disclosure across all asset classes in our portfolio, so we can better assess our alignment with the goals of the Paris Agreement on Climate Change. The most progress on disclosure has been within Public Markets. However, we continue to support increased disclosure for Private Markets as standardised reporting is adopted.

Five years on: Looking beyond year-on-year volatility

Five years on from our baseline year of 2020, we have witnessed a meaningful shift in both market practice and regulatory expectations around carbon measurement and disclosure. As an asset owner, our focus has moved from high-level commitments to more granular, decision-useful data, supported by evolving industry standards and regulatory frameworks. But although data quality and coverage have improved across much of the portfolio, significant gaps remain which reinforces the need for continued progress in measurement and disclosure.

To assess progress on carbon emissions in the PPF portfolio, we consider it more informative to analyse multi-year time horizons. Year-on-year movements in portfolio emissions are often more influenced by changes in asset allocation, market dynamics, market valuations and evolving data coverage and methodologies than changes in the underlying real-world emissions. Focusing on longer-term trend analysis provides a more reliable indication of structural decarbonisation and better aligns with our need for decision-useful reporting and trend analysis.

Company disclosure rates and data quality

Good quality disclosure is critical to ensuring that our analysis of climate-related risks is as accurate and decision-useful as possible. We continue to measure whether carbon emissions are reported by portfolio companies themselves, if they had to be estimated by our ESG data provider, or whether they are classified as not covered at all – see charts opposite. We also look at the split between ‘reported’ and ‘estimated’ carbon emissions data on a ‘weighted by emissions’ basis (rather than just weighted by market value) – see Appendices K and L for what these terms mean.

Why carbon emissions disclosure is so important

Understanding how much carbon is being emitted into the atmosphere by the assets in our portfolio remains critical to measuring progress against our ambition of contributing to the global transition to Net Zero man-made carbon emissions.

First, by determining where the largest emissions are being generated, we can engage with the underlying company, bond issuer, real estate landlord, etc., to take action to reduce emissions.

As well as reducing the contribution of our investments to global heating and climate change, this also makes our portfolio more resilient to future shocks (and potentially less likely to lose value) as the world looks to move to Net Zero.

High-quality carbon disclosure that’s reported by the assets themselves (rather than having to use approximations) is also a good sign that a company or issuer is taking measurement of (and therefore action on) their carbon emissions seriously.

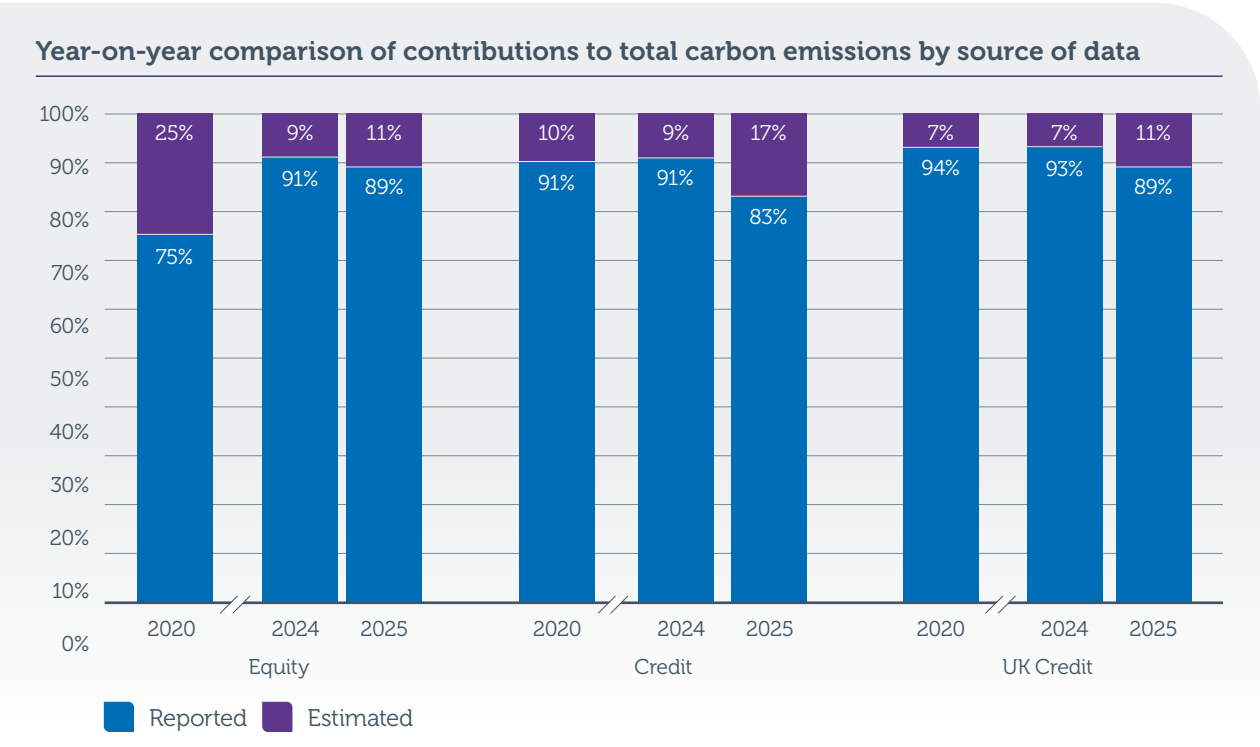
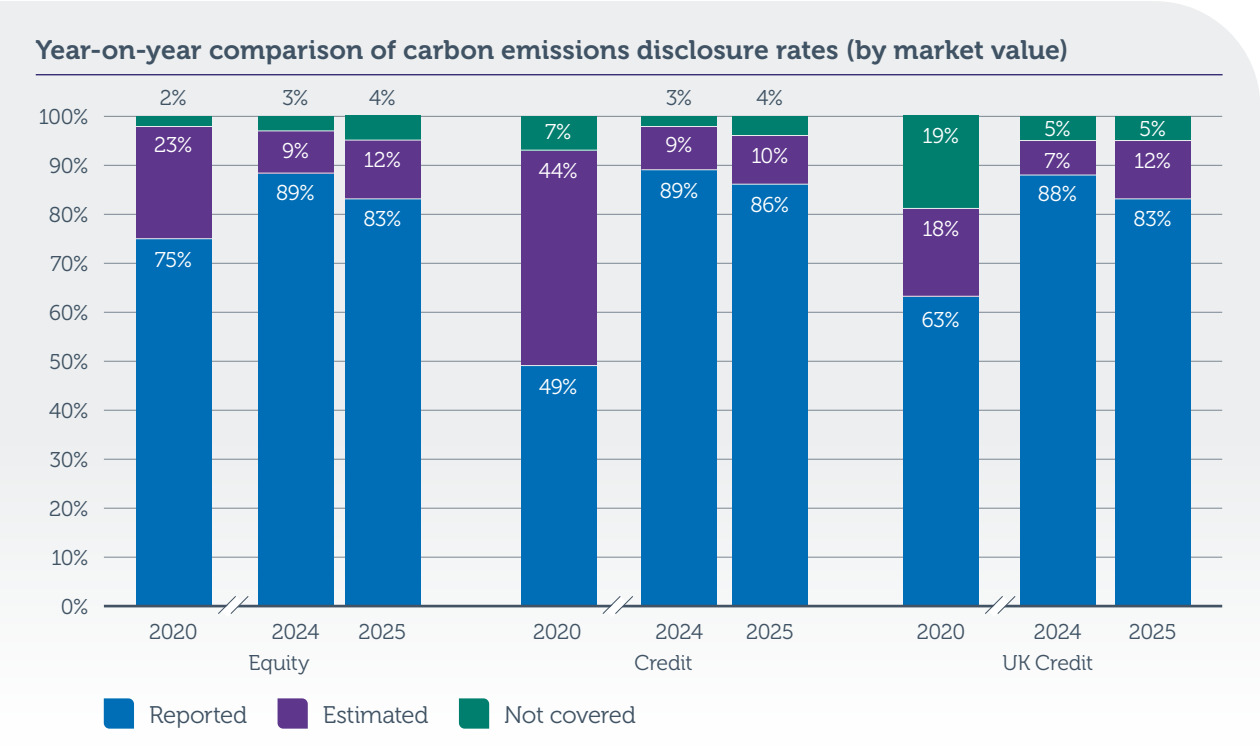
While financed emissions remain an important monitoring metric, they are only one indicator of climate progress and can be influenced by changes in portfolio composition, market movements and disclosure. We therefore consider them alongside a broader range of measures, including transition planning, climate governance and stewardship outcomes.

Across our Public Markets portfolios, the overall emissions coverage of holdings has been stable at 96 per cent. In addition, over 86 per cent of total carbon emissions from these portfolios are reported rather than estimated. Over the five years from our baseline, we have seen improvements predominantly across our Public Equity and UK Credit portfolios, witnessing a 14 per cent improvement in reported emissions (weighted by emissions) and a 14 per cent increase in emissions coverage (weighted by market value) for the portfolios respectively.

Equity: Disclosed carbon emissions have remained largely consistent with last year at 96 per cent. We observed a decline in reported emissions compared to last year, driven by portfolio composition; however, the majority of emissions (89 per cent) remain based on reported data rather than estimates. Since our baseline year, we have seen a 14 per cent increase in reported emissions versus estimated emissions. However, disparities remain across jurisdictions and sectors. Emissions disclosure continues to lag in Emerging Markets, reflecting less mature disclosure practices, evolving regulatory requirements, and lower adoption of standardised reporting frameworks.

Credit: Emissions coverage for our Global Credit portfolio (which covers Global and Emerging Markets) remained strong at 96 per cent. In the remaining cases where there is no emissions coverage, issuers tend to be unlisted, privately owned or structured finance entities, where disclosure is not publicly defined and estimates are not available from our data provider. Our largest Credit exposure to use estimated rather than reported emissions is included in our Climate Watchlist, where its progress on emissions disclosure will continue to be monitored closely.

UK Credit: Reported emissions data continues to be provided for most of our UK Credit portfolio. Overall coverage remains substantially above our 2020 baseline (when only 63 per cent of emissions, by market value, were reported). We therefore do not expect further large year-on-year coverage improvements going forward. However, we will continue to engage holdings to improve quality of disclosure. As with our Global Credit exposure, our largest exposure to estimated emissions is included in our Climate Watchlist, where progress on emissions disclosure will be monitored closely and prioritised for engagement with the issuer.



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Note 1 – PCAF Scores Quality Breakdowns comparability: Reported Emissions correspond to a PCAF Quality Score of 2, Estimated Emissions correspond to a PCAF Quality Score of 4, using Partnership for Carbon Accounting Financials (PCAF) guidance.

Note 2 – MSCI One doesn’t provide 2020 Reported vs Estimated breakdown, so we have used the historical breakdowns from their previous system.

Note 3 – Totals not equalling 100 per cent are due to rounding.

Climate Change & Transition continued

 Case study

Assessing physical climate risks in our portfolio

 Taking action

Climate-related physical risks, such as flooding, extreme heat and water stress, are increasingly material drivers of financial outcomes for long-term investors. As the intensity of these risks increases, rising losses underscore the need to assess asset-level resilience, insurance coverage and adaptation strategies. Together, these factors highlight that integrating physical risk analysis is essential to forward-looking portfolio construction.

Recognising this, the PPF partnered with MSCI to deepen our understanding of physical climate risk across our portfolio. Traditional portfolio analysis often stops at sector and domicile, leaving location-driven risks hidden. By sharing our holdings-level data across 3,226 companies, we have been able to leverage MSCI’s geospatial analysis capabilities to assess climate hazard exposure for over 340,000 physical assets.

This analysis shows that physical climate risk is no longer a distant threat – it is increasingly reflected in today’s portfolios and may shape financial outcomes in ways that are only now becoming visible.

Managing and reducing the risk

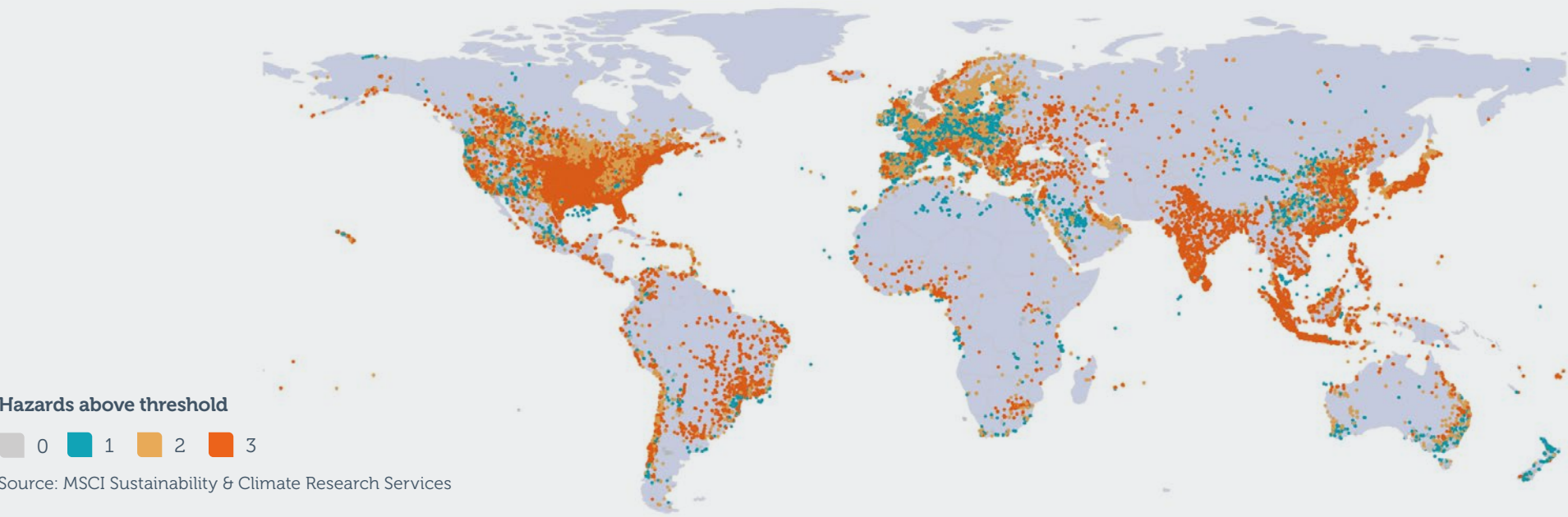
Measuring exposure to physical climate risk does not directly translate into financial impact. But it does present a critical opportunity to measure progress on readiness (managing the risk) and adaptation (reducing the risk) among individual companies and other assets to help minimise potential realised losses.

There are signs of momentum in managing physical risk: 53 per cent of the most exposed companies in the PPF portfolio disclose that they are identifying and assessing physical risks, with 49 per cent integrating physical risk into their enterprise risk management (compared with 16 per cent for the overall MSCI study). This activity needs to be strengthened through targeted engagement to support both readiness and adaptation.

Market impact is observable

Companies with assets exposed to any of the observed 2022-24 tropical cyclones underperformed, starting around five trading days before impact and for around 30 business days afterwards. Investors themselves increasingly recognise this materiality, shifting the debate around physical climate risk from ‘if’ to ‘how fast?’

PPF portfolio exposure to high-intensity physical hazards by asset location



Data as of September 2025. Asset locations can be significantly exposed to multiple hazards. The map shows all asset locations of the individual PPF portfolio. Asset locations are coloured by the number of hazards with an intensity value of 8/10 or higher.

A global, multi-hazard issue

When it comes to assessing climate-related risks in a portfolio, physical risk exposures are global, regardless of regional investment focus. Hazards such as wildfires, droughts and heatwaves often compound and are already affecting portfolio companies worldwide. Approximately 45 per cent of company output in the PPF’s Equity portfolio is generated outside the company’s country of domicile, and 67 per cent of companies operate in three or more countries, meaning they may be exposed to hazards across continents.

Moreover, this is not just a future concern. MSCI found that 31 per cent (as a percentage of AUM) of the PPF’s Equity portfolio companies could face at least one potentially severe physical hazard today, with compounded hazards threatening to amplify disruption across power, water, transport and labour.

The portfolio also contains asset locations exposed to multiple high-intensity hazards – see map. Many sites could face more than one risk (defined by MSCI as an intensity score of $\geq 8/10$), with some exposed to two or more hazards simultaneously. These exposures are geographically diverse, occurring across North America, South America, Europe, and parts of South and Southeast Asia – again indicating that multi-hazard physical risk is a material, portfolio-wide consideration rather than a region-specific issue.

Next steps

While acknowledging current limitations on data quality, the incorporation of physical risk assessment and mitigations is a core component of our Climate strategy and continues to be a strategic focus for the PPF – including:

- Continued focus on physical risk assessment within portfolio monitoring, with increased emphasis on identifying asset-level exposures and overlapping hazards
- Increased integration of physical risk into investment decision-making, including consideration of resilience, and geographic concentration of risk
- Prioritising stewardship towards companies with elevated physical risk exposure, focusing on the development and implementation of credible adaptation strategies, resilience measures and associated capital allocation.

Climate Change & Transition continued

Absolute carbon emissions

Despite improvements in emissions disclosure and the increasing adoption of decarbonisation targets by companies and governments, global greenhouse gas emissions have yet to enter a sustained decline and still remain close to record levels. Although there are signs that emissions growth is slowing and that some sectors and regions may be approaching peak emissions, the pace and timing of economy-wide decarbonisation remain uncertain. As a result, we do not expect a linear reduction in portfolio emissions over the next few years, particularly given the influence of portfolio composition, market movements and improving data coverage on reported carbon metrics.

Emissions may continue to rise for some metrics in the short term, especially as our portfolio coverage of emissions data continues to increase (as we saw last year). Paradoxically, backing companies that are looking to reduce their emissions may also increase our exposure to high-impact carbon activities, such as energy production and heavy industry. However, we firmly believe that providing capital to credibly transitioning companies is necessary in order to see real-world decarbonisation at the scale and pace now urgently required.

We continue to measure and report on the total Scope 1 and Scope 2 carbon emissions associated with our holdings in public global equity ('Equity'), global investment-grade credit and emerging market credit ('Credit') and the publicly traded UK Credit sleeve within the HAIL allocation of our Matching Portfolio ('UK Credit'). Collectively, these listed assets account for around one-third of our overall assets under management – see page 01.

We report relative intensities for UK and EM Sovereign Debt portfolios in the next section. However, these assets are excluded from our total financed emissions summary below. This is because we believe comparing country-level absolute emissions alongside corporate emissions is not logical on a like-for-like basis, due to the risk of emissions being double counted.

How emissions have changed over the year

Scope 1 and 2 emissions have witnessed a 2 per cent year-on-year decrease, predominantly driven by the UK Credit portfolio. We have also reported Scope 3 emissions, although we have chosen not to aggregate them with our Scope 1 and 2 emissions, due to the inherent double-counting involved and the fact that Scope 3 emissions are nearly all still estimated. See page 46 for more on this, and Appendix L for more on the formulae used in our emissions calculations.

When we assess our Scope 3 emissions, year-on-year we have seen a 5 per cent increase, driven predominantly by an increase in our Scope 3 upstream emissions.

In terms of overall progress, total financed emissions across our Public Markets holdings have fallen by 62 per cent since our baseline of December 2020.

Decarbonisation progress for the PPF's Public Markets holdings:

-62%

in total financed carbon emissions (tCO₂e)

Source: PPF/MSCI Change from December 2020 (baseline) to December 2025

Our total financed emissions (tonnes) for 2025 for our Equity and Credit holdings

	Scope 1+2 emissions (tCO ₂ e)	Scope 3 emissions (tonnes CO ₂ e)		PPF AUM assessed (\$m)	Scope 1+2 carbon data coverage*
		Scope 3 – upstream (tCO ₂ e)	Scope 3 – Downstream (tCO ₂ e)		
Equity	197,613	516,754	1,084,627	\$3,969	96%
Credit	230,801	493,150	1,060,593	\$9,393	96%
UK Credit	50,505	101,165	158,867	\$1,825	95%
Total financed emissions	478,919	1,111,069	2,304,087	\$15,187	96%

* This metric shows the percentage coverage of holdings that have either reported or estimated emissions data and an available figure for Enterprise Value including Cash (EVIC). EVIC is essential for apportioning absolute financed emissions but is not always available for Fixed Income holdings.

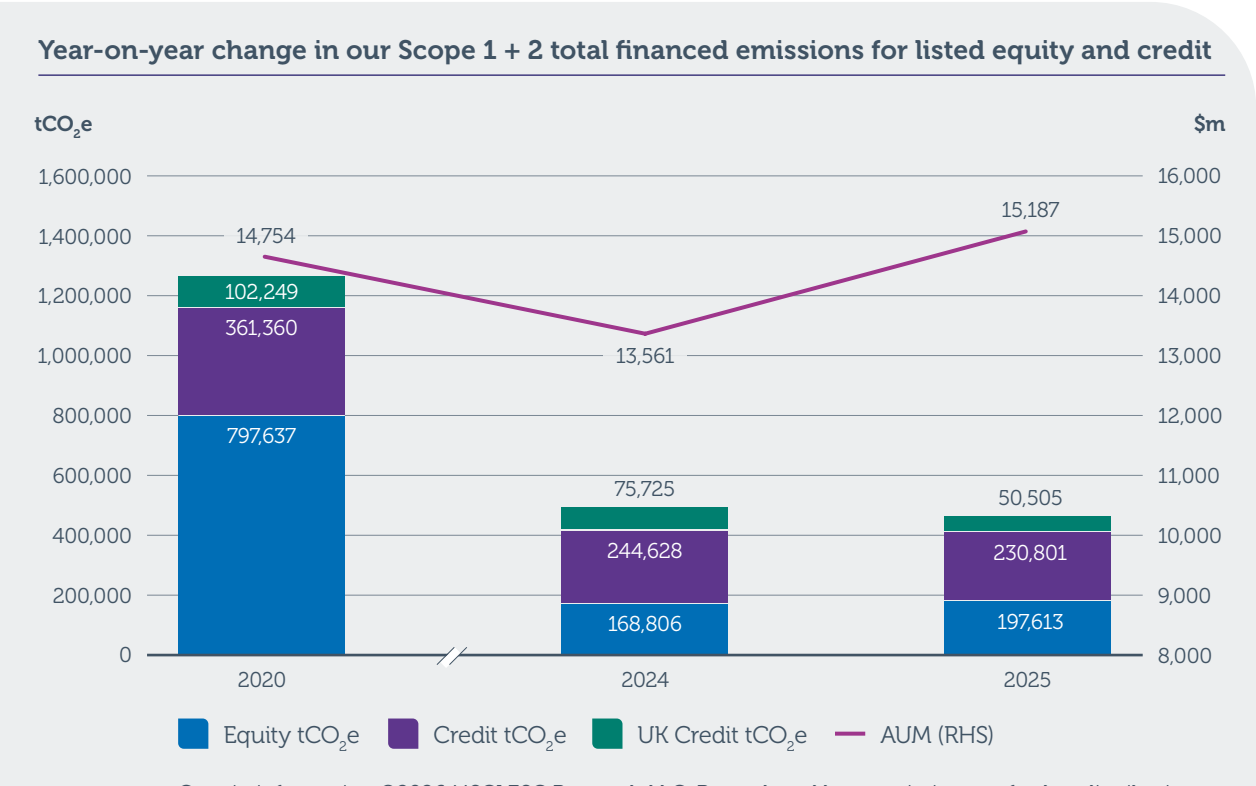
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Climate Change & Transition continued

What do our emissions metrics tell us?

Metric	Tells us
Total financed emissions = Emissions ‘owned’ by our portfolio	What level of greenhouse gas emissions are we financing in total (in estimated tonnes of CO ₂ equivalent, tCO ₂ e)?
Financed carbon emissions = tCO ₂ e/\$million invested	What level of greenhouse gas emissions are we financing per \$1 million invested (tCO ₂ e/USD)?
Weighted average carbon intensity (WACI) = Weighted emissions of the portfolio/\$million sales	How carbon intensive are the business models of the companies that we are invested in (tCO ₂ e/USD)?



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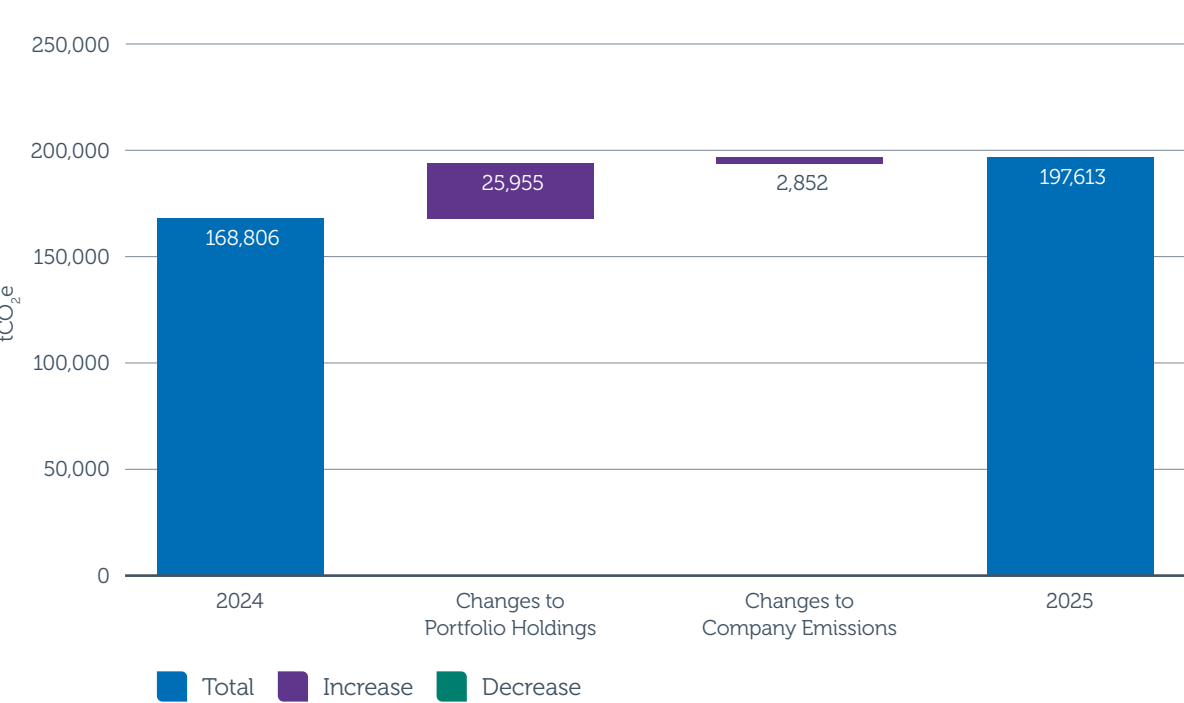
Reasons for the increase in our Equity total financed emissions

In our Equity portfolio, total financed emissions increased by 17 per cent, year-on-year. However, as the below chart shows, the large majority of the change came from changes to portfolio holdings or AUM allocation, rather than actual changes in company emissions.

If we isolate the change driven exclusively by underlying company emissions performance, total financed emissions increased by 2 per cent. The increase in underlying company emissions performance is primarily attributable to one company which expanded the scope of activities included within its emissions reporting, providing a more comprehensive assessment of its emissions performance. This dynamic demonstrates the importance of active engagement with portfolio companies on emissions performance, as changes driven by portfolio reallocation do not necessarily reflect real economy decarbonisation. It also reflects how improving data quality and disclosure can impact assessments: as companies expand emissions boundaries and reporting becomes more comprehensive, the shift away from estimated data may result in short-term increases or volatility in reported emissions.

Despite the year-on-year increase, the 2025 total financed emissions in the Equity portfolio remain approximately 75 per cent below our 2020 baseline year. Although this reflects some improvements in underlying company emissions, the reduction is predominantly driven by changes in portfolio composition over the years, including a change to our Equity benchmark in 2021.

Causes of change in PPF Equity financed carbon emissions between 2024 and 2025 (tCO₂e)



Taking action

Why we measure ‘causes of change’ in our Equity total financed emissions

As the middle chart shows, we assess not only how much carbon emissions in our portfolio have changed year-on-year but the cause of the change. We divide this analysis into two categories: change that has happened through companies reducing/increasing their emissions; and change that has come from altering our portfolio holdings.

This ensures that reductions or increases in emissions are fully accounted for so we do not claim emissions reductions that don’t actually exist in the real world. It also allows us to see if emissions reductions are actually coming from companies changing their behaviour.

Although year-on-year analysis of portfolio emissions provides useful insight into recent activity, short-term changes in emissions can be skewed by portfolio reallocation, data updates and evolving company disclosures. We therefore also assess causes of change in emissions over a five-year period, which helps to distinguish long-term structural decarbonisation from shorter-term volatility. Given that the majority of the five-year change in emissions in the PPF Equity portfolio is attributable to the change in our Equity benchmark, this is not presented graphically. However, we continue to assess longer-term attribution trends to inform our analysis.

While financed emissions remain an important monitoring metric, changes in portfolio emissions do not always reflect changes in underlying company behaviour. We therefore consider emissions metrics alongside indicators such as transition planning, climate governance and stewardship outcomes to provide a more complete view of climate progress.

Climate Change & Transition continued

Relative carbon intensity by strategy

Why we measure relative carbon intensity

As well as measuring the overall total carbon being produced by our investment portfolio – and how this is falling or rising over time – we look to assess the specific carbon exposure of individual asset classes. **Financed carbon emissions** per \$m invested tell us how much carbon is being generated per \$1 million (\$m) invested in an asset class (or company or bond etc). This allows portfolios of different sizes to be compared on a like-for-like basis.

‘Weighted average carbon intensity’ (WACI) is used to monitor our exposure to carbon-intensive companies and the ‘carbon efficiency’ of those companies. It is measured by calculating carbon emissions on a company’s revenues, then weighting the company by the size of our investment in it. The more/less carbon generated per \$1 million of revenue, the more carbon intensive/carbon efficient the business is.

We use a number of metrics to assess the relative carbon emissions intensity of our portfolios, which allows us to measure emissions from different asset classes and sizes of portfolio on a like-for-like basis (e.g. per \$1 million invested), which we express as ‘normalised’ financed emissions. See Appendix L for an explanation of each of these metrics.

Alongside corporate emissions from Equity and Credit holdings, we can also consider emissions from UK and Emerging Markets Sovereign Debt through relative carbon intensity analysis. As a result, we are now measuring relative carbon intensity for 64 per cent of the total PPF portfolio.

Equity portfolio

Carbon intensity metrics

In our Public Equity portfolio, year-on-year, total financed emissions increased by 17 per cent (see graph on page 43) and the Weighted Average Carbon Intensity (WACI) increased by 3 per cent. The financed emissions per \$m invested, which is a preferred metric to use when comparing year-on-year portfolio emissions, increased by 6 per cent. The total financed emissions increased primarily due to adding new companies within the Public Equity portfolio. Although the new holdings are associated with lower emissions on a like-for-like basis, their larger combined market value resulted in a higher overall financed emissions total.

Since our baseline year of 2020, there has been an overall decline of 75 per cent in total financed emissions in our Equity portfolio, as illustrated by the graph on page 43. Additionally, the financed carbon emissions per \$m invested have decreased by 57 per cent. A similar downward trend is evident in the WACI for our Equity holdings, which is now 63 per cent lower than in 2020.

⚙️

Taking action

Our largest contribution to financed emissions in our Equity book is included in our Climate Watchlist and remains under engagement by our stewardship provider. The Company has set a public Net Zero target and is actively being engaged on its coal phase-out strategy, which we hope will be reflected in a reduction in emissions in the future.

PPF Equity carbon metrics

Metric	2020	2024	2025
Financed Carbon Emissions (tCO ₂ e/\$m invested)	122	49	52
Benchmark Financed Carbon Emissions (tCO ₂ e/\$m invested)	127	34	27
Weighted Average Carbon Intensity	243	87	90
Benchmark Weighted Average Carbon Intensity	300	73	61

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Credit portfolio

Carbon intensity metrics

Our Corporate Credit portfolio recorded another year-on-year reduction in financed emissions, despite an increase in overall market value. Total financed emissions fell by 6 per cent, while financed emissions per \$m invested declined by 16 per cent. This continues the structural downward trajectory observed since 2020, leaving the portfolio’s total financed emissions 36 per cent below our baseline year. The majority of this reduction was driven by changes in portfolio holdings. When isolating only those companies whose year-on-year movement results predominantly from changes in their reported emissions, we find that the net change is dominated by a single issuer. This company achieved a material reduction in emissions, primarily through improved operational performance.

⚙️

Taking action

The top five contributors to total financed emissions within our Credit portfolios continued to be included in our Climate Watchlist. Four of these have already publicly committed to Net Zero by 2050; however, we will continue to ensure that these top major emitters are robustly engaged on their climate strategy in the coming year.

PPF Credit carbon metrics

Metric	2020	2024	2025
Financed Carbon Emissions (tCO ₂ e/\$m invested)	58	31	26
Benchmark Financed Carbon Emissions (tCO ₂ e/\$m invested)	84	73	68
Weighted Average Carbon Intensity	328	71	80
Benchmark Weighted Average Carbon Intensity	257	193	196

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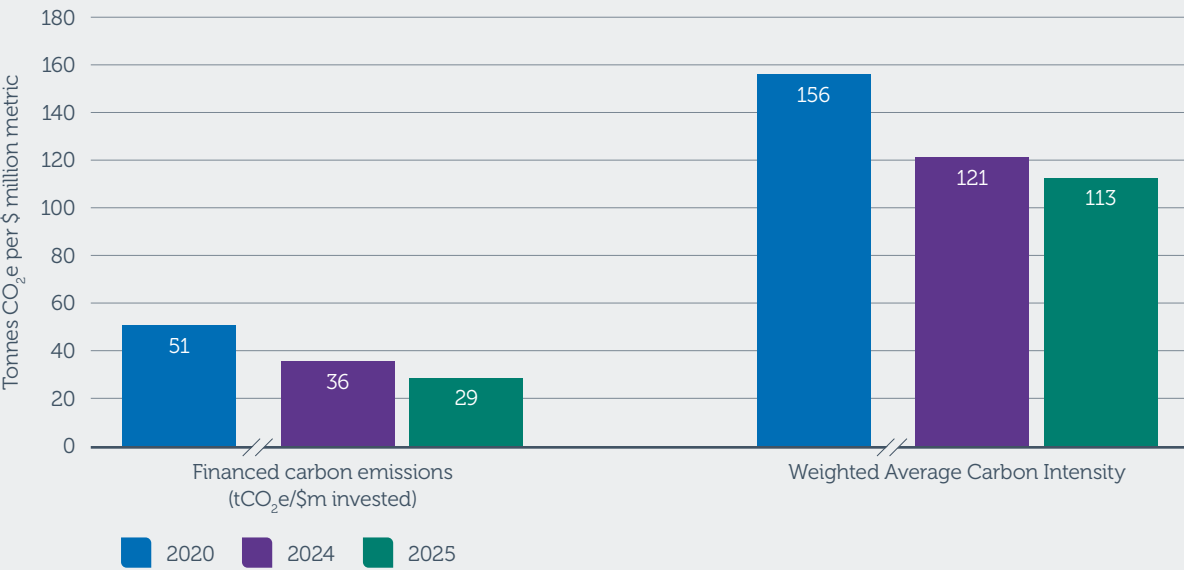
Climate Change & Transition continued

UK Credit portfolio

Carbon intensity metrics

In the UK Credit portfolio, we saw a year-on-year decrease of nearly a third in total financed emissions – see graph on page 43. This is predominantly driven by the change in enterprise value including cash (EVIC) for a key entity. The change is also reflected in financed carbon emissions per \$m invested which saw a year-on-year decrease of 19 per cent – see graph below. Data coverage within the UK Credit portfolio remained consistent at 95 per cent year-on-year (see page 40), providing a stable basis for interpreting changes in financed emissions. This trend is also reflected in a substantial change on our 2020 baseline year, with total financed emissions and WACI reducing by 51 per cent and 28 per cent respectively.

PPF UK Credit carbon metrics



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Taking action

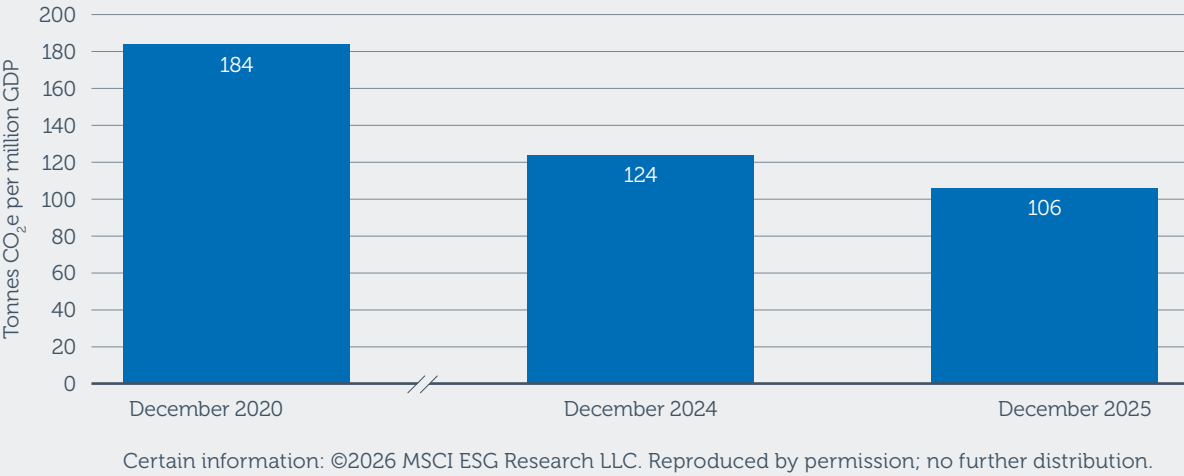
As UK Credit is a more concentrated portfolio, three contributors to financed emissions represented 27 per cent of total financed carbon emissions. These contributors are all included within our Climate Watchlist and have committed to Net Zero targets. Engagement in UK Credit will continue to focus on these three companies.

UK Sovereign Debt portfolio

Carbon intensity

The carbon intensity of UK Gilts in our LDI portfolio has decreased year-on-year by 15 per cent, due to declining UK carbon emissions at the sovereign level. This marks a continued decline in intensity and emissions in our UK Sovereign portfolio since our baseline year of 2020. The downward trend in UK Sovereign emissions continues to be driven by renewable energy generation, and the continuing shift from coal and fossil fuels, alongside improvements in industrial decarbonisation. The UK retains legally binding climate targets, including reaching Net Zero by 2050. This target is supported by interim emissions reduction commitments, reinforcing the policy framework underpinning decarbonisation.

PPF UK Sovereign holdings: carbon intensity



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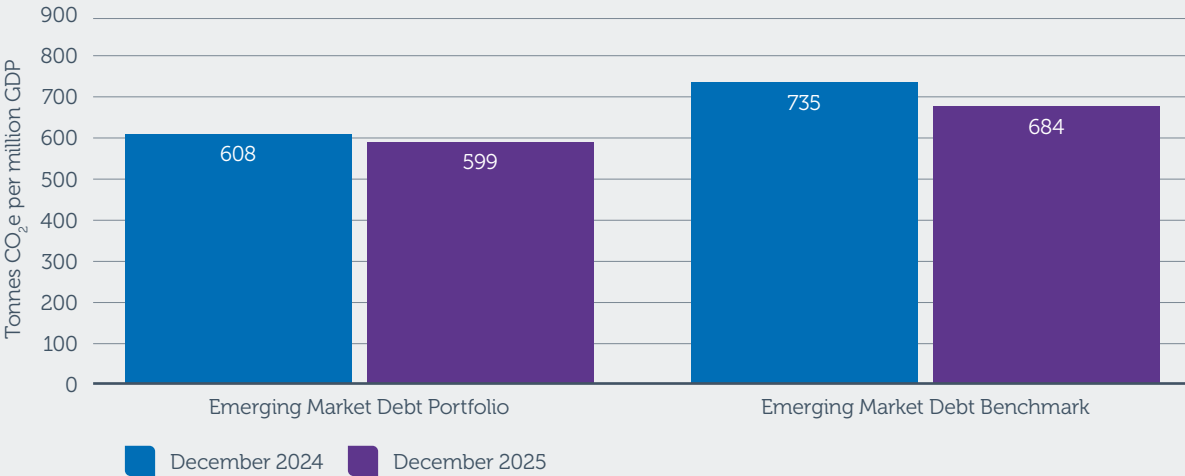
The downward trend in UK Sovereign emissions continues to be driven by renewable energy generation, and the continuing shift from coal and fossil fuels, alongside improvements in industrial decarbonisation.

Emerging Market Sovereign Debt portfolio

Carbon intensity

The carbon intensity of bonds issued by emerging market governments has reduced year-on-year by 2 per cent. This is predominantly due to existing holdings reducing their carbon intensity (a result of both reducing carbon emissions and increasing their GDP). This decrease has been partially offset by an increased exposure to one country which has seen a decrease in GDP and an increase in carbon emissions year-on-year. Carbon intensity data coverage across the portfolio and benchmark remains robust at 100 per cent.

PPF EM Sovereign holdings: carbon intensity



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Carbon intensity data coverage across the Emerging Market Debt portfolio and benchmark remains robust at 100 per cent.

Climate Change & Transition continued

Scope 3 emissions

As in previous years, we have opted to split out our Scope 3 emissions analysis and focus on relative emissions metrics as we feel absolute carbon emissions can be misleading. This is because Scope 3 emissions are almost entirely estimated and there is considerable double-counting across the different scopes once Scope 3 is incorporated.

Why we measure Scope 3 emissions

Scope 3 emissions are greenhouse gas emissions that are not directly owned or controlled by the companies held in our portfolios but occur through their business activities, or ‘value chain’. ‘Upstream’ Scope 3 emissions are generated during the production of a business’s products or services, while ‘downstream’ Scope 3 emissions come from their use and disposal.

Notably ‘Scope 3 sales intensity’ refers to the level of greenhouse gas emissions associated with a company’s sales, relative to the revenue generated from those sales.

Scope 3 emissions often account for the largest (but hardest to measure) element of a business’s emissions so they cannot be ignored when assessing our portfolio’s climate impact. Attempting to measure them can also help to identify emissions ‘hotspots’ within a company’s value chain, which can inform our engagement activity with the company. We are also working towards measuring our own Scope 3 emissions (see pages 61 to 62) in order to manage and reduce the environmental impact of the PPF’s own operations.

Equity

This year, we saw Scope 3 upstream sales intensity remain largely consistent whereas downstream sales intensity witnessed an 11 per cent increase. The increase in downstream sales intensity was predominantly driven by portfolio composition but was also affected by an increase in Scope 3 downstream sales intensity at an Australian financial company where an increase in emissions aligned to an increase in revenue.

Credit

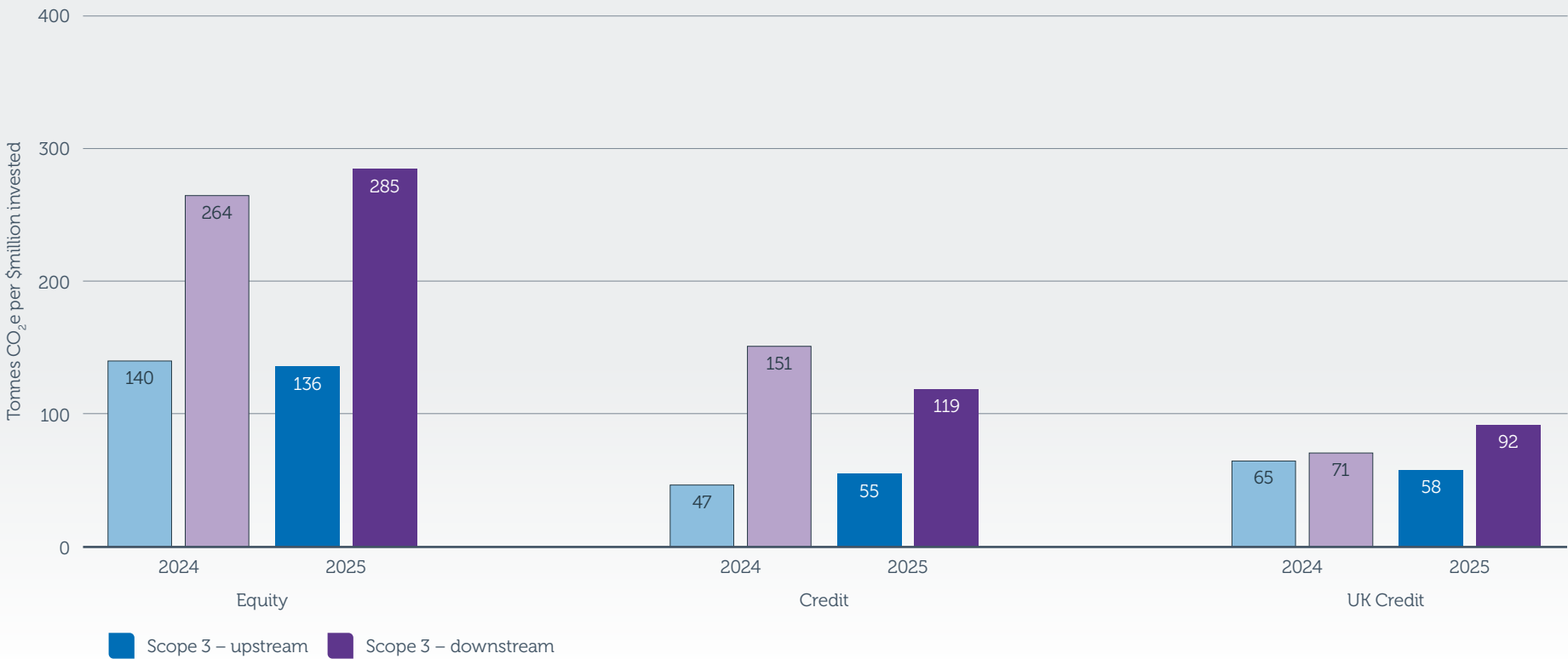
Our Credit portfolio saw a 34 per cent year-on-year increase in upstream sales intensity, while the downstream sales intensity increased by just 4 per cent. Aligned with the Equity portfolio, the key change to intensity was driven by portfolio composition, in particular there was an increase in exposure to companies with higher Scope 3 upstream emissions.

UK Credit

Year-on-year, the upstream sales intensity of our UK Credit portfolio decreased by 4 per cent and the downstream sales intensity increased by 59 per cent.

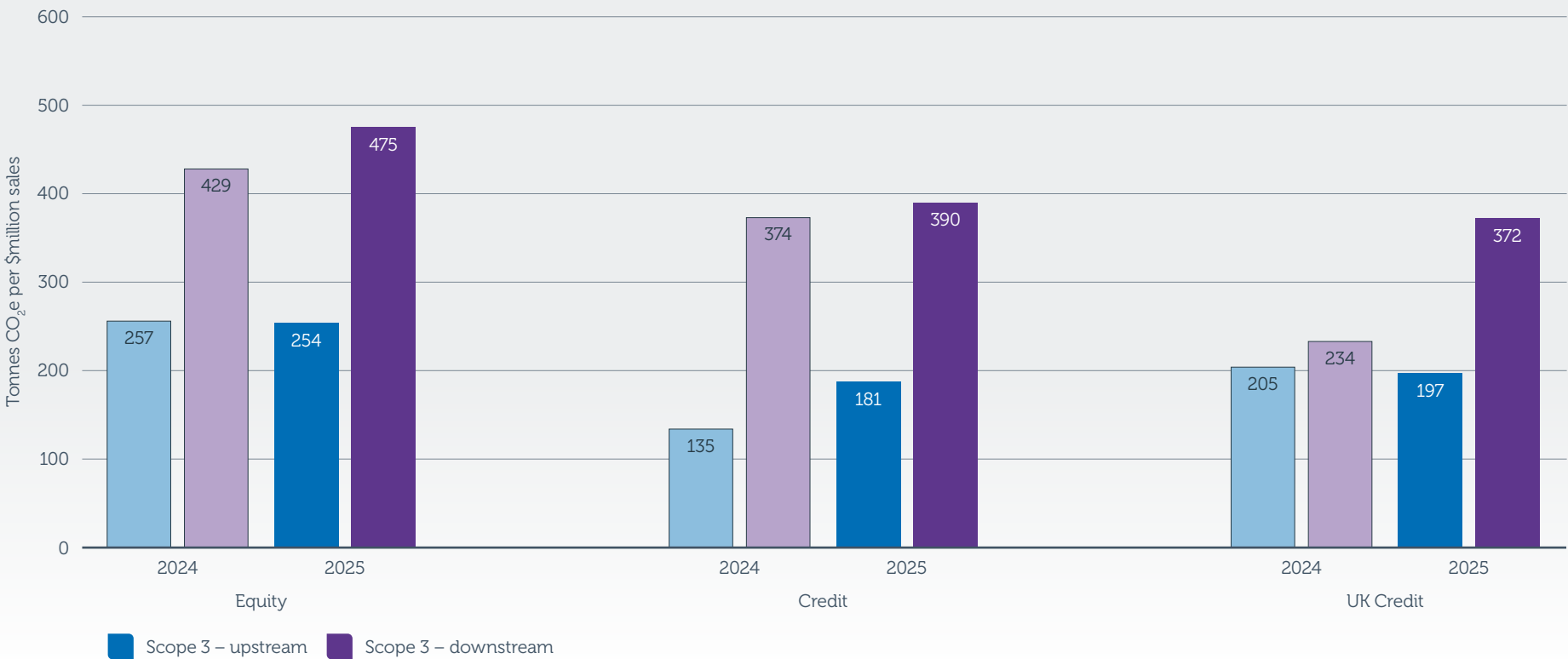
The biggest contributor to the increase in Scope 3 downstream sales intensity was an Italian utilities company. This was due to an increase in the company’s Scope 3 downstream emissions, predominantly driven by changes linked to boundary expansion following their materiality assessment. The company has set a long-term ambition to be Net Zero by 2050, with specific mid-term goals linked to its Scope 3 performance.

PPF Scope 3 emissions: financed carbon emissions (tCO₂e/\$m invested)



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PPF Scope 3 emissions: weighted average carbon intensity (tCO₂e/\$m sales)



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Climate Change & Transition continued

High-carbon impact sectors

Why we focus on high-carbon sectors

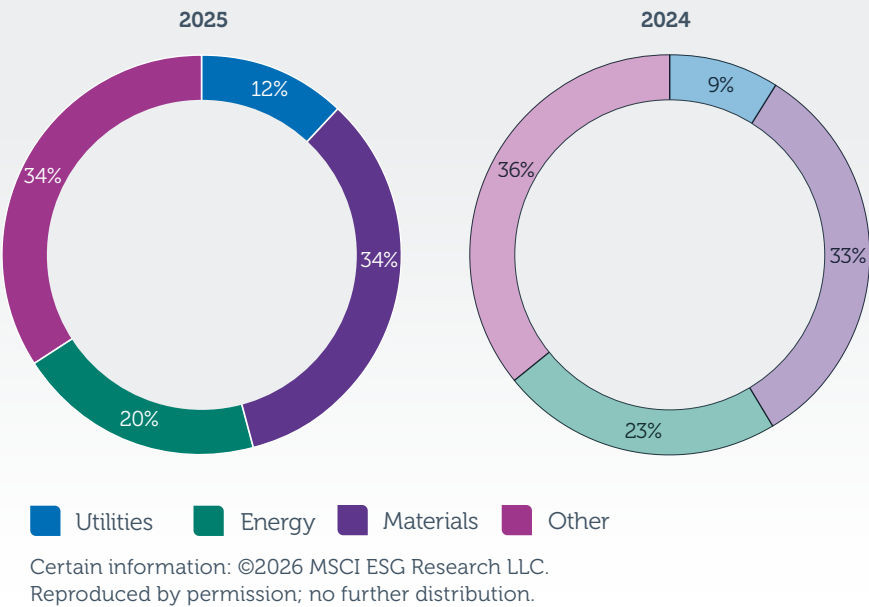
High-carbon emitting sectors such as Utilities, Materials and Energy present the biggest climate-related exposures in our portfolio but can also present some of the greatest transition opportunities. We therefore pay special attention to understanding our exposure to them and how that is changing year-on-year. Although our investment decisions are not driven by this top-down assessment, this scrutiny helps us prioritise where engagement efforts might have the greatest effect.



Equity

High-carbon impact sectors contributed broadly similar levels to overall carbon emissions in our Equity portfolio year-on-year, with a modest shift in sector composition (66 per cent in 2025 versus 65 per cent in 2024). This reflects a reduction in our exposure to the Energy sector, offset by increases in Utilities and a slight rise in Materials.

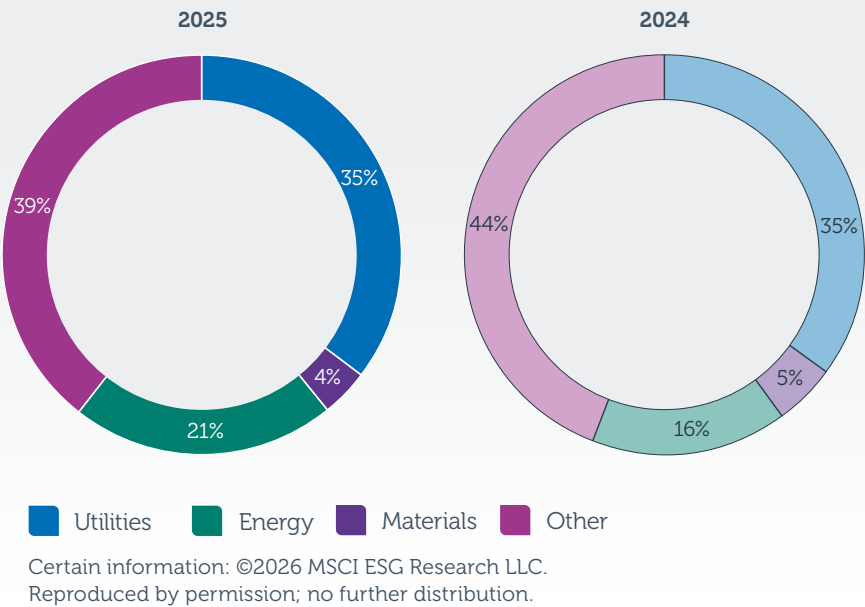
Equity



Credit

High-carbon impact sectors continued to contribute more emissions to Credit this year (61 per cent) compared to last year (56 per cent). The increase is predominantly from the Energy sector, which saw a 5 per cent rise in its contribution to emissions with changes predominantly driven by portfolio allocation. Our top three contributors to financed emissions in the Credit portfolio are all within the Energy sector and continue to be engaged via our Climate Watchlist.

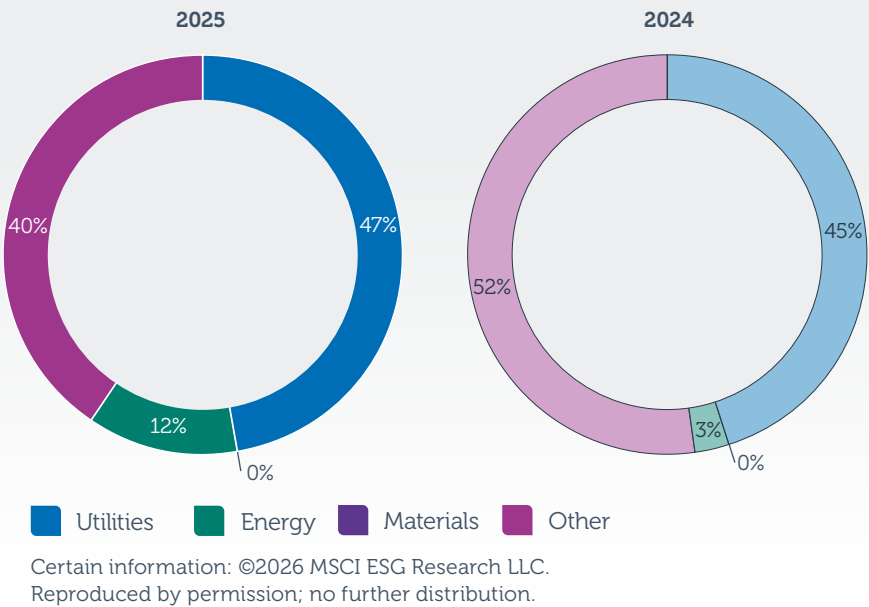
Credit



UK Credit

Within our UK Credit portfolio, our exposure to high-carbon impact sectors has increased from 48 per cent to 60 per cent, driven by an increase in Energy exposure. The increase is primarily driven by a change in portfolio composition, with a greater concentration of Energy holdings year-on-year. Our largest exposure to financed emissions is also within the Energy sector and remains on our Climate Watchlist to ensure strong engagement. Overall, Utilities remains the largest sector contributor amongst high-carbon impact sectors, maintaining a stable exposure year-on-year (47 per cent vs 45 per cent).

UK Credit



Climate Change & Transition continued

Forward-looking scenario analysis

To manage our exposure to climate-related risks effectively, we use a number of forward-looking tools to assess how our portfolio might be affected by climate change in the future. These are covered in turn in the next five sub-sections.

Why we measure Climate Value-at-Risk

Assets, companies and industries can be affected by climate change, and the ways the world looks to respond to it, in very different ways. Climate Value-at-Risk (Climate VaR) offers a forward-looking estimate of the loss or gain an asset or portfolio could experience under different climate scenarios – from an orderly transition to keep global warming within 1.5°C to a ‘Too Little, Too Late’ scenario where climate action is delayed and uncoordinated. This allows us to assess – and take action to manage – the potential costs and/or profits that our portfolio could face in the best-case to worst-case scenario. Due to continued changes in methodology, we continue not to present comparison with prior years as part of our Climate VaR reporting.



1. MSCI Climate Value-at-Risk

As a long-term asset owner, it is important to stress-test our portfolio to see how its value might be affected in a range of scenarios and circumstances. To explore the impact of climate on our portfolio, we analyse the Climate VaR metric from our data provider, MSCI. We recognise that Climate VaR estimates are subject to uncertainty, reflecting their reliance on forward-looking assumptions, scenario pathways and varying levels of data availability and quality.

Climate VaR comprises Transition VaR (comprising Policy VaR and technology opportunities) and Physical VaR, both of which we analyse. Common market practice is for climate scenario analysis to be conducted once every three years; however, we consider it valuable to review the outputs annually to inform our evolving investment views. We continue to recognise the inherent uncertainties and assumptions within scenario modelling. Accordingly, outputs are considered alongside a broader range of quantitative and qualitative inputs and are not relied upon in isolation for investment decision-making. These metrics can provide useful directional insights into potential exposures but are not, in themselves, sufficient as a basis for management decisions.

When stress-testing the Climate VaR of our portfolios, we look at five potential climate transition scenarios that align with those developed by the Network for Greening the Financial System (see page 37). We choose to split out orderly and disorderly scenarios into a 1.5°C and a 2°C scenario to acknowledge the significant differences in these two temperature outcomes and how they might play out over the next 10 years.

Transition VaR
i Policy VaR – The highest Climate VaR under a disorderly transition to a low-carbon global economy is mainly explained by the abrupt need for a higher and faster reduction in emissions. Companies would be required to achieve a bigger emission reduction and pay a higher assumed carbon price, face higher electricity costs, and absorb higher costs from their value chain, culminating in a higher Policy VaR. Conversely, a failed transition results in low Climate VaR because it assumes no/minimal policy action is taken so companies would not be required to decarbonise to the same degree. Plus, companies would not be forced to move into renewable energy as quickly or at all.

ii Technology opportunities – As well as assessing risks that climate change poses to the value of our investments, we look ahead to see how opportunities in a Net Zero world might benefit our portfolio. The VaR model principally assumes that, as the world moves towards Net Zero, companies with low-carbon/carbon-free technology patents, for example, are likely to see positive performance as the demand for renewable energy/low-carbon technologies increases. When calculating Transition VaR, the value gained from these opportunities can offset the value lost through Policy VaR.

Physical VaR
Physical VaR is used to assess the potential impact of the physical effects of climate change on the value of portfolio assets. The tool, developed by MSCI, covers six acute risks and five chronic risks. Acute hazards are catastrophic events such as coastal flooding, tropical cyclones, fluvial flooding, pluvial flooding, low river flow, and wildfire.

Chronic hazards are longer-term shifts in climate patterns – specifically looking at extreme heat, extreme cold, increased precipitation, extreme snowfall and wind gusts.

Acknowledging limitations

As mentioned, we acknowledge that there are limitations with the currently available climate scenarios and value-at-risk methodologies, which could be under-representing the risk. Recent studies have highlighted that existing scenarios do not factor in climate tipping points and feedback loops. Further methodological advances are being explored and implemented to address this, which will be further examined over the next reporting period to monitor accuracy and coverage improvements.

Climate Value-at-Risk (VaR)	
Transition VaR	Physical VaR
The business-related risks/opportunities of transitioning to a low-carbon economy: Policy VaR Technology opportunities	The financial risks that arise from physical impact of climate change such as extreme weather, drought and rising sea levels

Climate Change & Transition continued

Climate Value-at-Risk 2025 by asset class

Assessing physical risk

As discussed on page 41, the effects of the physical risks arising from climate change are already being witnessed across jurisdictions and assets. We continue to prioritise the assessment of physical risk within our management and stewardship approach, while further refining how these outputs are interpreted and embedded within our processes.

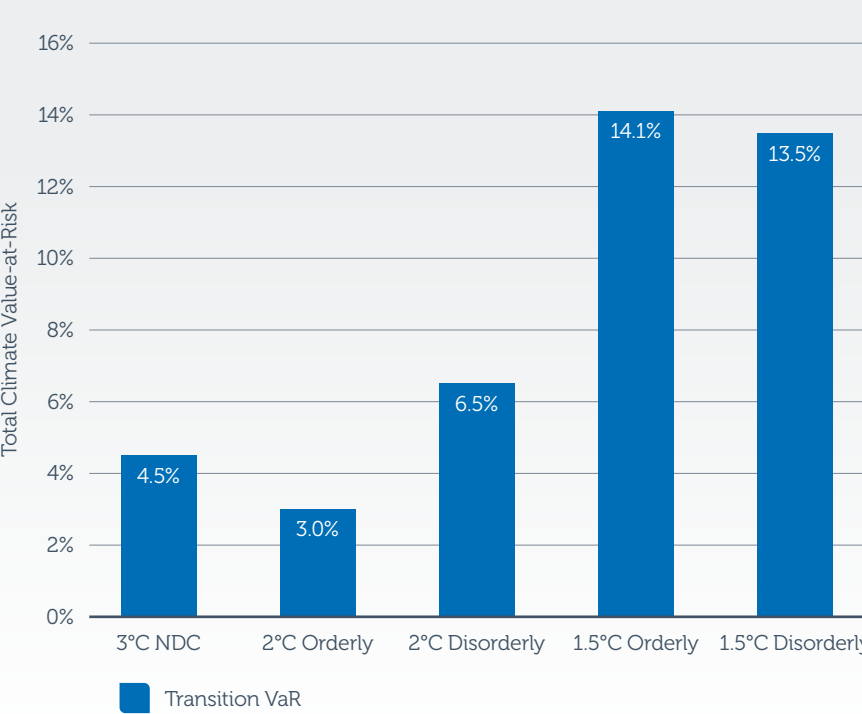
However, given ongoing methodological and data limitations – particularly in capturing the full range of physical risk impacts – this year we present results for transition risk only in the graphs presented to the right. We will continue to enhance our approach to interpreting and applying physical risk outputs within our investment processes.

Equity

The impact from a 1.5°C Orderly scenario is most significant for our Equity portfolio, with a Transition VaR of more than 14 per cent. This is significantly higher than last year’s Transition VaR of 11 per cent, and is driven by an increase in Policy Climate VaR.

Transition risk remains a key priority in engagement with our Climate Watchlist companies, whom we push to consider climate change risks more widely. Aligned with previous years, Energy remains the most exposed sector across all Policy VaR scenarios. The company with the largest exposure to Policy VaR in the energy sector features in our Climate Watchlist and therefore is a priority target for corporate engagement. Similarly aligned to last year, the Capital Goods sector stands to benefit the most from the technology opportunities presented by the transition to Net Zero.

Equity Climate VaR by scenario



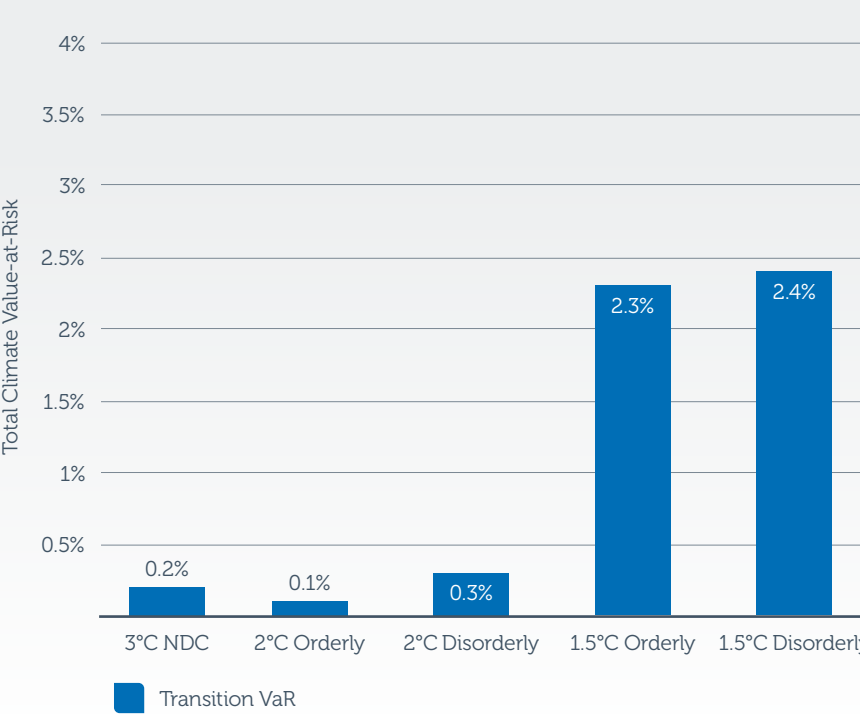
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Credit

Consistent with last year, our Credit portfolio has witnessed lower Transition VaR than our Equity portfolio with the largest impact relating to the 1.5°C Disorderly scenario. The most adverse scenario differs across asset classes due to differences in portfolio composition. Within Equity, higher Technology Opportunity VaR under the 1.5°C Disorderly scenario partially offsets transition risks, resulting in the 1.5°C Orderly scenario having the highest net Transition VaR. In contrast, technology opportunities contribute minimally within the Credit portfolios, leaving the 1.5°C Disorderly scenario as the most adverse outcome.

Across the scenarios, Diversified Financials hold the highest exposure to Policy VaR. The vast majority of exposure within this sector relates to the captive financing entities of automobile manufacturers, reflecting the high transition risk profile of the automobile sector. Like last year, technology opportunities made a minimal contribution to Transition VaR in the Credit portfolio.

Credit Climate VaR by scenario

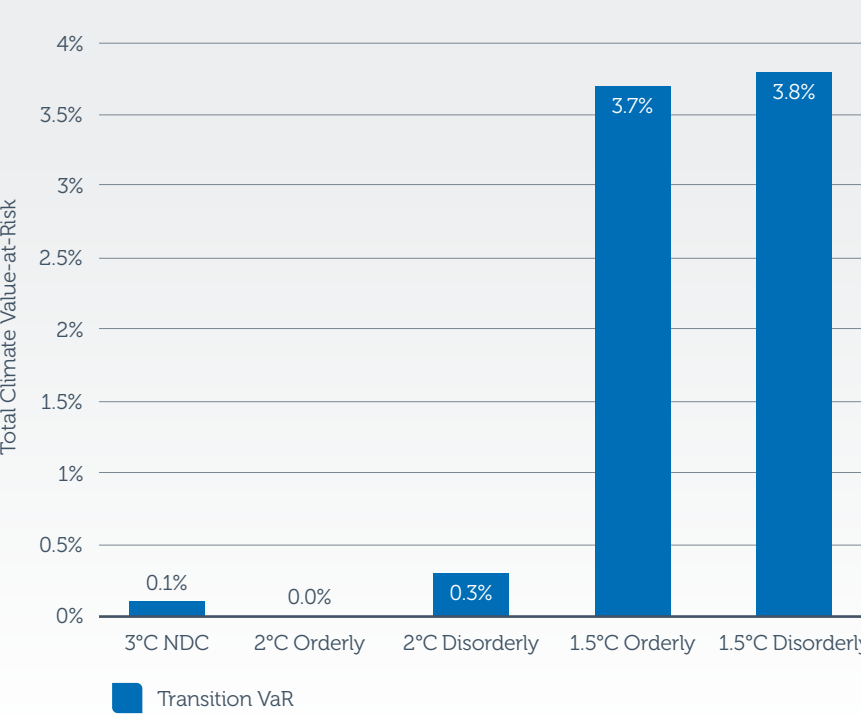


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UK Credit

We continue to observe low levels of Transition VaR exposure across our UK Credit book. Like last year, we see the largest impact under the 1.5°C Disorderly scenario, where Policy VaR is likely to have a high impact on the Utilities sector. Under the 1.5°C Disorderly scenario, the largest three contributors to Policy VaR are all included within our Climate Watchlist and are therefore subject to ongoing engagement. This year, Transport is the sector in our portfolio seeing the greatest positive potential impact from technology opportunities arising from the transition to Net Zero. Notably, an Asian rail company that issues sterling-denominated debt holds a number of low-carbon rail technology patents, which should support its future performance.

UK Credit Climate VaR by scenario



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Climate Change & Transition continued

2. The Transition Pathway Initiative

The Transition Pathway Initiative (TPI) is a global, asset owner-led initiative which assesses companies’ preparedness for the transition to a low-carbon economy using two main assessments: a quality assessment of a company’s carbon management practices and a carbon performance assessment.

The TPI covers approximately 2,000 companies with a total market capitalisation of \$99 trillion. We focus on using TPI assessments to evaluate companies on our Climate Watchlist, as it provides valuable supplementary analysis when assessing our progress on engaging with these companies to reduce their emissions.

TPI Management Quality assessment for Climate Watchlist companies

The [Transition Pathway Initiative’s Management Quality \(TPIMQ\) assessment](#) seeks to evaluate and track the quality of companies’ governance and management of their greenhouse gas emissions, and also their understanding of risks and opportunities related to transitioning away from fossil fuels.

Progress has continued since 2024 across the Climate Watchlist, with 16 per cent of companies demonstrating an improvement in their TPIMQ scores. Notably of these, 15 per cent of companies now achieve the highest scores of 4 or 5,

indicating stronger alignment with higher-quality transition management practices. The majority of companies have maintained their previous score, suggesting a degree of stability in transition performance. Within this group, over half (33 per cent of the total Climate Watchlist) are sustaining scores of 4 or 5, reflecting a core cohort of companies with relatively advanced transition management capabilities.

Overall, these results indicate incremental but meaningful progress, with improvements concentrated among a subset of companies while a significant proportion of companies continue to demonstrate consistently higher levels of transition preparedness.

TPI Carbon Performance assessment for Climate Watchlist companies

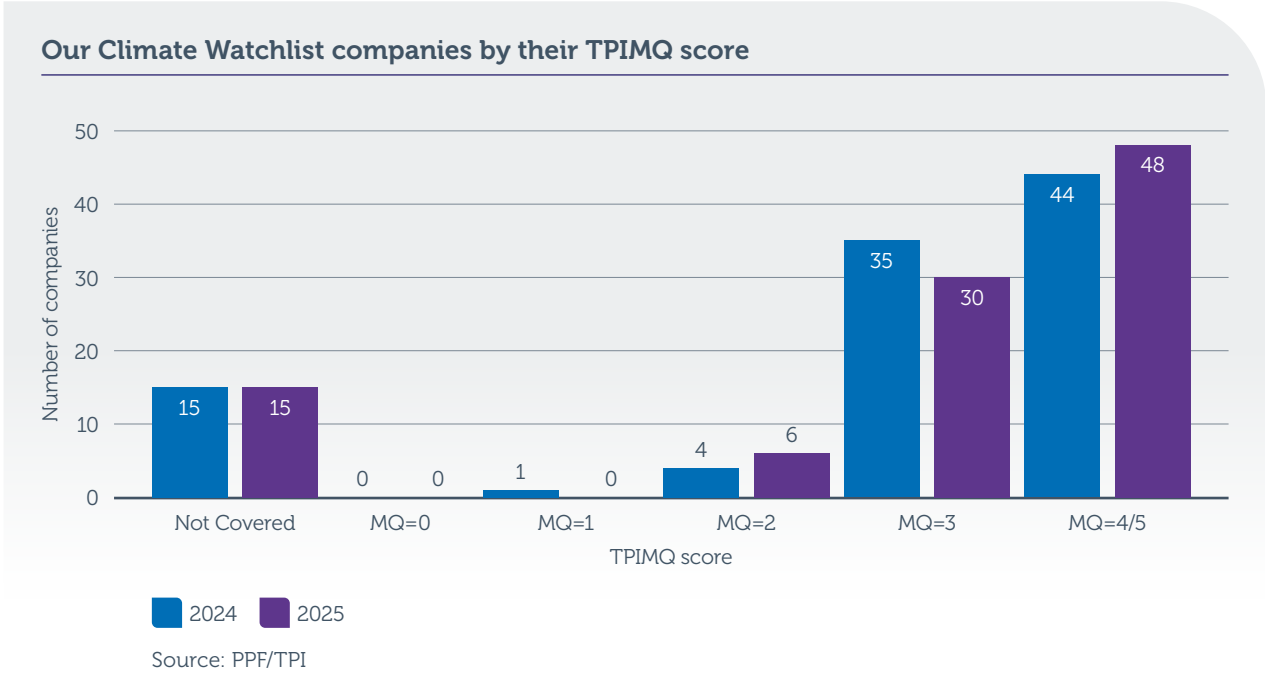
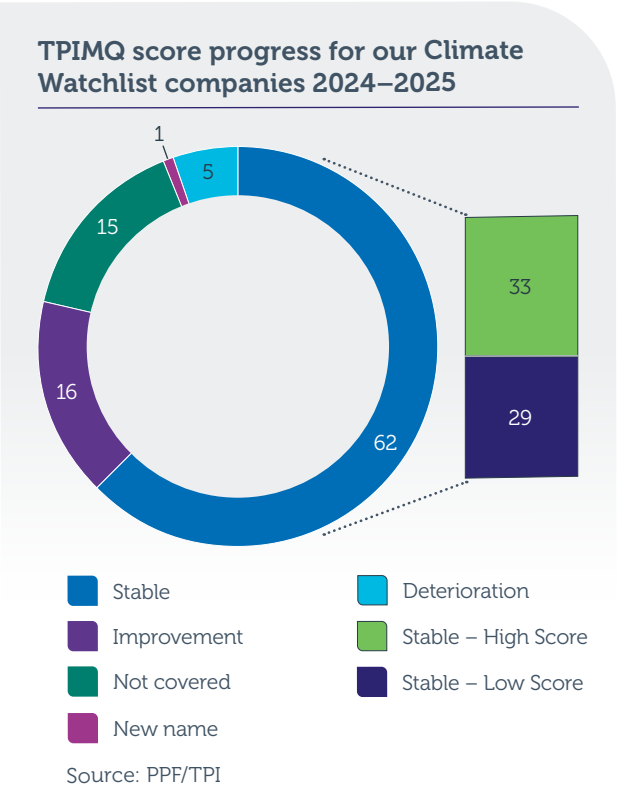
The TPI Carbon Performance (TPICP) assessment moves on from what companies are saying to what they are doing. It looks to compare a company’s emissions pathway and credibility of relevant targets against different climate scenarios consistent with the Paris Agreement on Climate Change.

Close to half of companies on our Climate Watchlist (56 per cent) maintained a stable TPICP assessment over the year, indicating limited movement in underlying carbon performance.

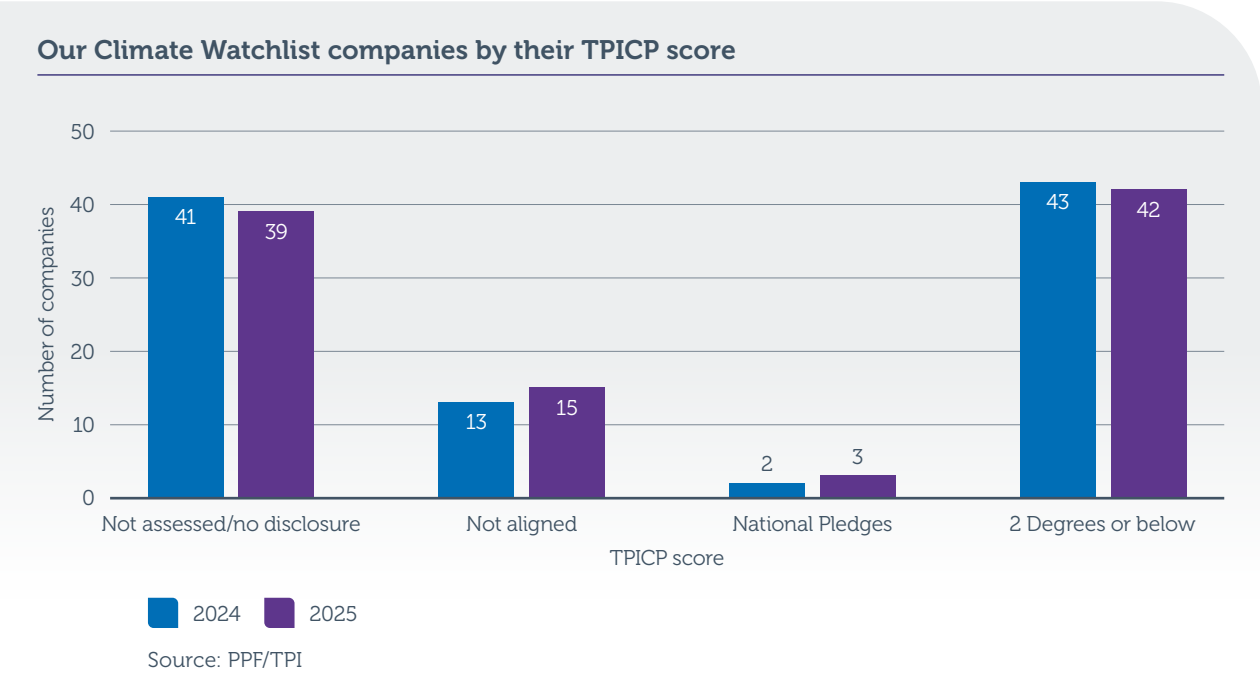
Encouragingly, almost half of the Watchlist is now aligned with at least a minimum pathway, with 42 per cent assessed as aligned to ‘2 degrees or below’ and a further 3 per cent aligned to ‘National pledges’ on emissions reductions.

Although a small number of companies showed improvement and only limited deterioration was observed, overall progress remains incremental. The proportion of companies assessed as ‘Not aligned’ or lacking sufficient disclosure has reduced a little but remains material, with a significant number of companies still not covered by TPI carbon performance metrics.

This reflects ongoing data limitations, as carbon performance assessments require consistent, multi-year emissions reporting.

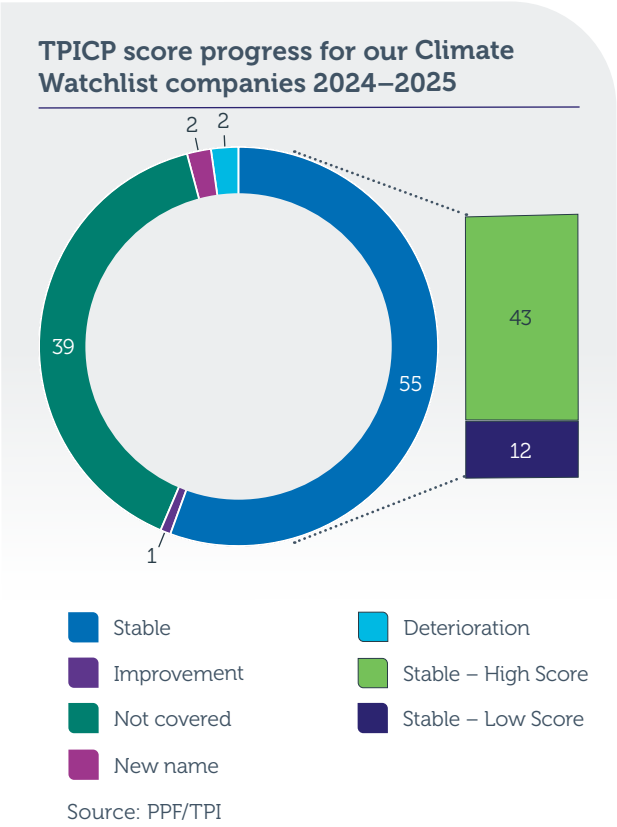


TPIMQ scores
MQ0 – Unaware of (or not Acknowledging) Climate Change as a Business Issue; MQ1 – Acknowledging Climate Change as a Business Issue; MQ2 – Building Capacity; MQ3 – Integrated into Operational Decision-making; MQ4 – Strategic Assessment; MQ5 – Companies with transition planning and implementation.



What the TPI Climate Performance (TPICP) scores mean:
Not Aligned: Not aligned with the goals of the 2015 Paris Agreement on Climate Change to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.
Paris/National Pledges: Consistent with the global aggregate of emissions reductions pledged by countries up to at least mid-2020, depending on the sector.
According to the IEA, this aggregate is currently insufficient to put the world on a path to limit warming to 2°C, even if it constitutes a departure from a business-as-usual trend. This scenario is consistent with a carbon budget that limits the global mean temperature rise to 2.6°C by 2100 with a 50 per cent probability.
2 Degrees or below:
1.5 Degrees scenario: Consistent with the overall aim of the Paris Agreement on Climate Change to hold the increase in the global average temperature to well below 2°C above pre-industrial

levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. This scenario is consistent with a carbon budget that limits the global mean temperature rise to 1.5°C with a 50 per cent probability.
Below 2 Degrees scenario: Also consistent with the overall aim of the Paris Agreement to limit warming, albeit at the middle of the range of ambition. This scenario is consistent with a carbon budget that limits the global mean temperature rise to 1.65°C with a 50 per cent probability.



Climate Change & Transition continued

3. The Science Based Targets initiative (SBTi)

The [Science Based Targets initiative \(SBTi\)](#) aims to provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement on Climate Change by setting ambitious emissions reduction targets based on rigorous scientific assessment.

We view a commitment to setting an SBTi target or SBTi-approved target as a key indicator for evaluating a company’s ambitions to reduce their carbon emissions. The initiative has been instrumental in assessing alignment with the Paris Agreement on Climate Change for many of our portfolio companies.

This year, we continue to use the dataset within the MSCI ESG platform to analyse our portfolio exposure to companies that have either formally committed to SBTi targets or had their targets approved by the initiative.

In April 2026, SBTi announced updates to its standards and methodologies. As these changes fall outside our reporting period, they are not reflected in this report; however, they are expected to affect the classification and assessment of company targets over time. We will continue to monitor developments and incorporate their impact in future reporting.

Science-based target commitments: update on approvals and removals
Despite some companies retracting their SBTi commitments, the initiative still boasts over 12,000 companies with targets or commitments. Of these, almost 10,000 have validated targets and over 2,000 have Net Zero targets.

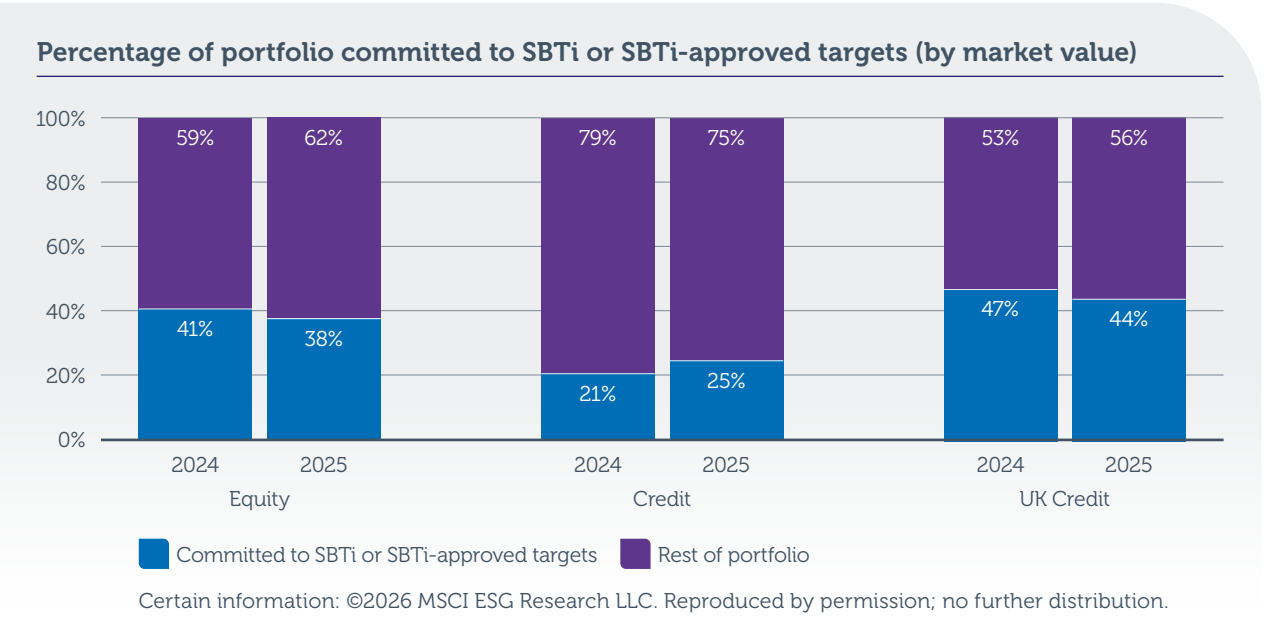
Our external stewardship services provider, EOS, takes SBTi targets into account in its engagement and will consider engaging with companies if commitments to SBTi targets have been removed. The aim is to understand the rationale for removing a target and encourage companies to revisit the benefits of a science-based approach. However, we do acknowledge that, for some sectors, there are no clear means of adopting SBTi-approved approaches so companies might seek other science-based approaches to reach Net Zero/align with the Paris Agreement.

Progress on SBTi coverage
The percentage of companies with approved SBTi targets (rather than simply committing to targets) increased over the year for our Equity, Credit and UK Credit portfolios. We expect to see the number of approved targets continue to increase as the second version of the SBTi’s Corporate Net Zero standard is finalised to reflect a more realistic approach to decarbonising companies’ operations and value chains.

Equity
Overall, our Equity portfolio has marginally lower exposure to companies with ‘Approved’ or ‘Committed’ SBTi targets compared to last year; however, most of the difference arises from changes in holdings within the strategy. The largest exposures to new names which have not ‘Approved’ or ‘Committed’ SBTi targets are within our Absolute Return strategies where our influence is limited.

Credit
Progress on SBTi targets among our Credit holdings has improved year-on-year. Exposure to companies with ‘Approved’ or ‘Committed’ SBTi targets has increased compared to last year, driven by a 4 per cent increase in SBTi ‘Approved’ targets. This was driven by adjustments in portfolio allocation alongside some ‘Committed’ names from last year graduating to ‘Approved’.

UK Credit
This year, we observe a slight decrease in UK Credit holdings with SBTi ‘Approved’ or ‘Committed’ targets. The majority of holdings have either maintained or improved their status – again, the changes result from adjustments in portfolio allocation. One holding has stepped back from its commitment, having had its SBTi application suspended due to challenges associated with Scope 3 emissions calculations. This position will be kept under review.



Climate Change & Transition continued

4. Portfolio ‘Paris Agreement’ alignment

Why we assess our portfolio’s alignment with the Paris Agreement

We are committed to considering how our investment portfolio can support the transition and align with the Paris Agreement on Climate Change, which seeks to keep average global warming within 2°C (and ideally close to 1.5°C) of pre-industrial levels.

Following the initiation of our Paris Portfolio Alignment Project in 2021, we have continued to measure our investment portfolio’s alignment to the goals of the Paris Agreement using the best available assessment tools. We remain focused on refining our assessments from a bottom-up, asset-level approach where possible. As the industry and corresponding data providers have progressed, we continue to evolve our processes to ensure consistency with relevant industry best practice. For our Private Markets portfolio, where data is less readily available, we now assess our assets against our internal taxonomy – see pages 56 to 57. For our Public Markets investments, we continue to present data aligned with the MSCI Paris Aligned Investment Initiative (PAII)’s Net Zero Investment Framework (NZIF) tool. For our Sovereign Debt portfolios, we assess alignment using a combination of Climate Action Tracker assessments, MSCI Implied Temperature Rise (ITR) data and PPF’s internal analysis, drawing on the NZIF sovereign framework to evaluate countries’ progress towards Net Zero.

Paris Agreement alignment progress

We have been assessing our progress on overall alignment with the Paris Agreement goals each year since setting our 2020 baseline. As part of this process, we assess each year the best approaches to assess our progress. This means that direct year-on-year comparisons are not always methodologically possible; however, it also means that we have the confidence that we are using the best possible measurement tools available.

Asset class progress

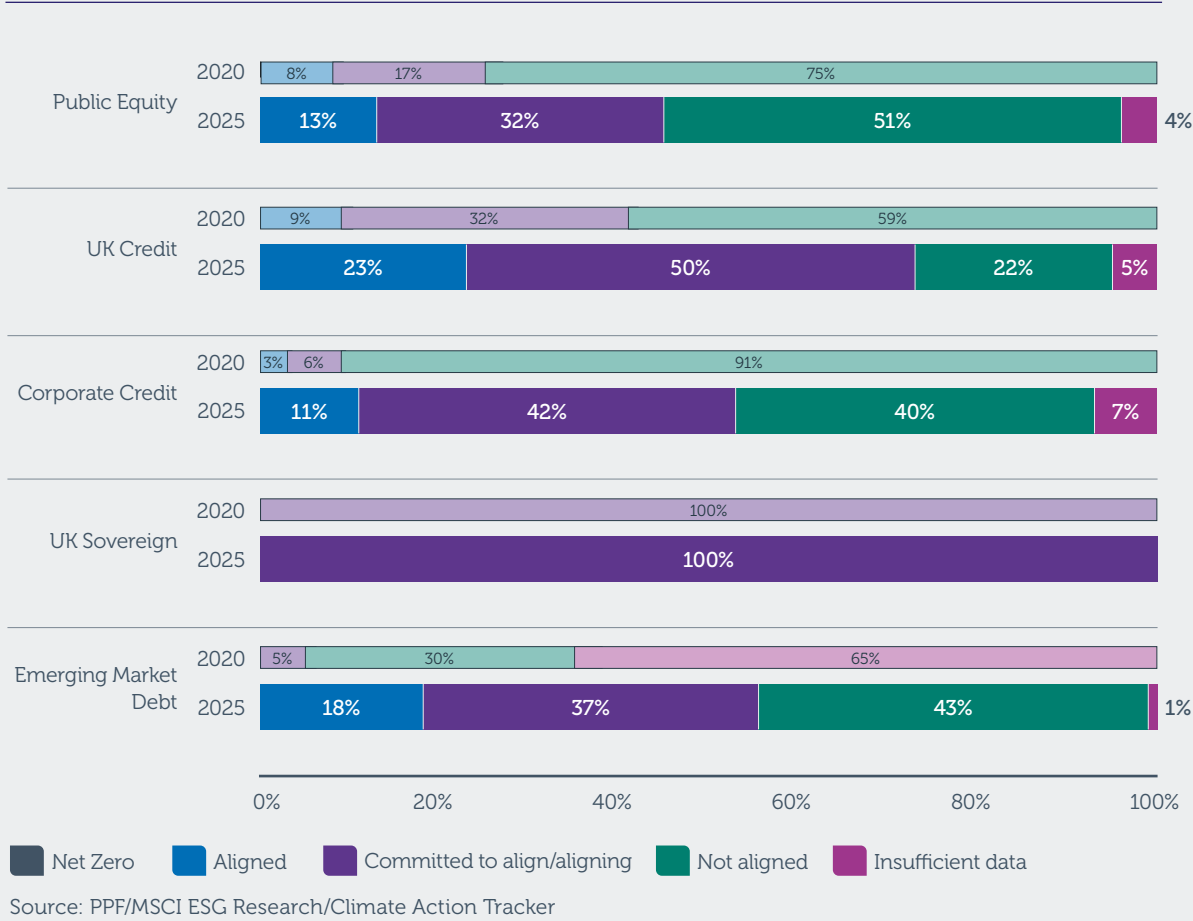
While alignment is presented for Public Markets and Sovereign Debt, we have not aggregated results at the total portfolio level this year, reflecting our increased focus in Private Markets on assessing sustainability and transition characteristics through our Transition and Sustainable Assets framework – see pages 56 to 57.

Since our 2020 baseline, we have seen a clear shift in alignment across all Public Markets asset classes, although comparability since our baseline is affected by changes in methodology, data coverage and portfolio composition. Taking our UK Credit portfolio as an example, ‘Not aligned’ exposure has declined materially from 59 per cent in 2020 to 22 per cent in 2025, with corresponding increases in ‘Committed’ (32 per cent to 50 per cent) and ‘Aligned’ (9 per cent to 23 per cent).

We have also continued to see improvement in alignment with the Paris Agreement goals, with Public Equity, Global Credit and UK Credit all witnessing improvements. The majority of this change is driven by changes in portfolio composition, but we have also witnessed improvements on an actual like-for-like basis. For example, if we look at like-for-like holdings in our Public Equity book we see 58 per cent of holdings maintained their alignment category and 29 per cent improved their alignment category, based on market value. The largest improvement relates to a Greek financial company which is now ‘Committed’ vs. ‘Not Aligned’, thanks to the company implementing long-term targets consistent with achieving global Net Zero and disclosing its operational Scope 1, 2 and 3 emissions.

Across our Sovereign portfolio, alignment exposure in our UK Sovereign Debt holdings remained unchanged year-on-year and since our 2020 baseline, reflecting the UK’s continued 2050 Net Zero commitment. Across our Emerging Market Debt portfolio, changes in alignment exposure are largely driven by portfolio composition. However, portfolio coverage has increased since our baseline year due to the application of additional data methodologies, enabling a greater proportion of holdings to be assessed.

Alignment of asset classes in the PPF portfolio with the Paris Agreement on Climate Change – 2025 to 2020 baseline



How we have categorised our alignment assessments:

Net Zero: Typically, this refers to assets meeting all relevant criteria and have an emissions performance at Net Zero which can be expected to continue.

Aligned: Refers to assets that have science-based targets, a decarbonisation plan and current absolute or emissions intensity at least equal to a relevant Net Zero pathway. This category broadly signifies that transition risk is being managed at an asset level.

Committed to align/aligning: Refers to assets with a long-term decarbonisation goal consistent with achieving global Net Zero by 2050; refers to assets with emissions performance not equal to a contextually relevant Net Zero pathway. However, importantly they have science-based targets and a decarbonisation plan, and are thus ready to transition.

Not aligned: Refers to assets without a commitment to decarbonise in a manner consistent with achieving global Net Zero.

Insufficient data: Assets that we are unable to model.

Not included: Assets or asset classes considered out-of-scope for the project (e.g. derivatives, short positions, physical cash).

Climate Change & Transition continued

5. Implied Temperature Rise (ITR)

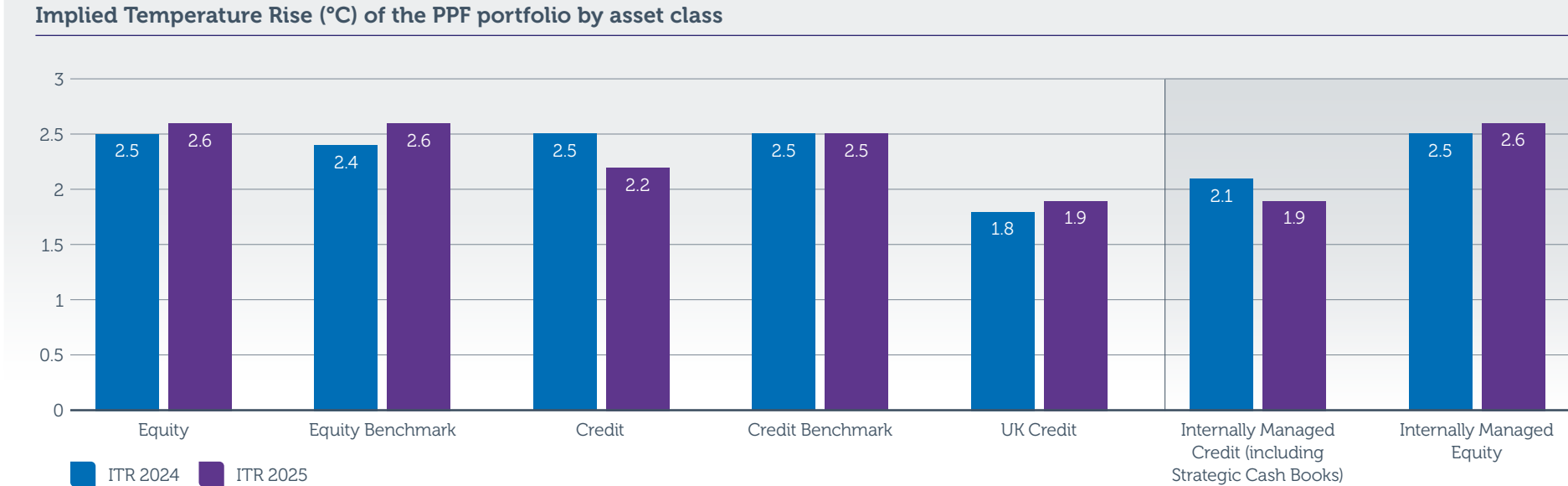


Why we assess our portfolio's Implied Temperature Rise

Implied Temperature Rise (ITR) allows us to show the temperature alignment (or misalignment) of our portfolio with global temperature goals such as the Paris Agreement on Climate Change which seeks to keep man-made global warming below 2°C of pre-industrial levels. ITR assesses the carbon emissions generated by a company, fund or portfolio to estimate the temperature rise the world would see by the year 2100 if the whole global economy had the same carbon budget over-/undershoot as the asset in question. This can be used to help set decarbonisation targets and inform engagement with portfolio companies on climate risk.

We continue to report the ITR results to maintain consistency and allow us to monitor progress over the years. ITR from MSCI ESG Research is a forward-looking metric, expressed in degrees Celsius, designed to show the temperature alignment of companies, portfolios and funds with global temperature goals – notably, in our case, the aim of the UN Paris Agreement to keep global average heating within 2°C (and ideally close to 1.5°C) of pre-industrial levels.

The ITR methodology that MSCI uses continues to follow best practice recommendations on measuring portfolio alignment as set out by the Glasgow Financial Alliance for Net Zero (GFANZ) in late-2022. This included tightening the contribution from corporate targets so that only credible targets are reflected in the projection of future emissions and, in turn, the resulting ITR score for a company. Given changes in both the underlying MSCI methodology and portfolio composition, comparisons with our 2020 baseline year are not considered meaningful or representative. We therefore focus on current year results, which provide the most relevant view of the portfolio performance.



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Equity

Our Equity book has an ITR of 2.6°C. The ITR split across the portfolio comprises 45 per cent of the book (by market value) between 1.5 and 2°C, 34 per cent between 2 and 3.2°C, and 21 per cent over 3.2°C. The distribution across these bands remains largely unchanged since last year.

Credit

Our Credit book has an ITR of 2.2°C which is an improvement compared to 2024. Specifically, 48 per cent of the book (by market value) has an ITR of between 1.5 and 2°C, 28 per cent has an ITR of between 2 and 3.2°C, and 23 per cent has an ITR of over 3.2°C. The weighting of value over 3.2°C has increased compared to 2024 driven by a change in portfolio holdings in sectors with higher ITRs.

UK Credit

Our UK Credit book has an ITR of 1.9°C – this marks a minor increase from 2024 but still remains aligned with the Paris Agreement. Specifically, 63 per cent of the book (by market value) has an ITR of between 1.5 and 2°C, 30 per cent has an ITR of between 2 and 3.2°C, and 7 per cent has an ITR of over 3.2°C. The distribution across these bands has remained largely consistent with last year.

Climate Change & Transition continued

Other asset classes – Private Markets

This year we again focused on improving processes for collecting and verifying ESG data across our Private Markets portfolio. We continued to participate in the eFront® Insight ESG Outreach project, which looks to capture key ESG data from Private Markets funds. Our Private Markets emissions analysis has also been enhanced through assessment of data received directly from our managers alongside publicly available emissions data.

We are seeking to improve coverage further, including through our partnership with industry initiatives, such as the ESG Data Convergence Initiative (EDCI). We expect these activities, alongside continued engagement with our Private Markets managers, to support improved data quality over future reporting periods.

Consistent with last year, we have chosen to exclude Farmland & Forestry from our financed emissions. Many of these assets have negative emissions (acting as carbon credits or have large carbon sequestration) and we would not like these to distort the emissions calculations for other parts of our Private Markets portfolio.

Progress on Private Markets emissions coverage

The carbon emissions coverage of Private Market assets has remained consistent this year. Private Markets assets account for about half of the PPF Growth Portfolio and within Private Markets we hold emissions data for 50 per cent of the portfolio.

While we have seen improved disclosure on emissions across areas in the portfolio, in many cases, it has been challenging to establish if emissions were provided directly by portfolio companies or not. Estimated data comprises instances where data gaps have been addressed through one of three approaches: estimates provided by Clarity AI (a machine-learning tool that generates Public Markets proxies for use in Private Markets, where appropriate); the use of prior year reported data where current period data is unavailable; or publicly verified and available disclosures. We will continue engagement with our external Private Markets managers to ensure the level of robust emissions reporting improves year-on-year.

Private Markets – Coverage of Emissions (by % of Market Value)

	Scope 1 & 2	Scope 3
Private Equity	47%	47%
Alternative Credit	19%	19%
Infrastructure	91%	86%
Real Estate	55%	51%

Private Markets – Reported vs. Estimated Scope 1 & 2 Emissions

	Emissions reported by Manager	Emissions estimated
Private Equity	13%	34%
Alternative Credit	8%	12%
Infrastructure	21%	71%
Real Estate	32%	23%

Private Markets – Reported vs. Estimated Scope 3 Emissions

	Emissions reported by Manager	Emissions estimated
Private Equity	8%	39%
Alternative Credit	2%	17%
Infrastructure	52%	35%
Real Estate	28%	23%

Private Markets – Financed Emissions (tCO ₂ e)		
	Scope 1 & 2 (tCO ₂ e)	Scope 3 (tCO ₂ e)
Private Equity	17,819	130,357
Alternative Credit	9,055	82,623
Infrastructure	345,998	1,978,318
Real Estate	3,049	16,987
Total Financed Emissions	375,921	2,208,285

Source: PPF/eFront® ESG Data Service including Clarity AI
Note: If the manager has not defined if the emissions are reported or estimated, we have defaulted to estimated. Aggregate reported/estimated percentages may be slightly different from coverage percentages due to rounding.

Alongside participating in the eFront® Insight ESG Outreach project, our Private Markets emissions assessment has been enhanced through data received directly from managers, publicly available emissions data, and we are seeking to improve coverage further through industry initiatives.

Climate Change & Transition continued

Using internally developed templates to report emissions from other assets

UK Private Credit assets

Our externally managed UK Private Credit sleeve within the ‘HAIL’ allocation of our Matching Portfolio consists of a mix of Private Credit issuers and real assets. It is a challenging asset class to report aggregated emissions for due to its hybrid nature. It is not covered by MSCI, our Public Markets data provider, nor by the eFront® Insight ESG Outreach project to assess Private Markets assets.

Therefore, we continue to use our own template to collect emissions data for our UK Private Credit exposure. This year, we have managed to aggregate the results of our two largest external managers, accounting for roughly £1 billion of our Private Credit exposure.

Emissions data for our assessed UK Private Credit assets

	Scope 1 & 2 emissions (tCO ₂ e)	Scope 3 emissions (tCO ₂ e)
UK Private Credit assets	34,987	92,850

	Reported	Estimated	No Data
UK Private Credit Scope 1 & 2	32%	24%	44%

	Reported	Estimated	No Data
UK Private Credit Scope 3	16%	3%	82%

Source: PPF – Percentages may not total 100 per cent due to rounding.

Private Credit assets – emissions data coverage

In terms of emissions disclosure, Private Credit still faces challenges with the majority of data being unavailable to lenders, so gaps are proxied with estimates from our managers where possible. Emissions from corporate issuers within Private Credit can be challenging to secure because of the lack of investor control over underlying holdings (a challenge we have also encountered in our Alternative Credit book). As expected, Scope 1 & 2 emissions have greater availability with 56 per cent being covered overall and 32 per cent using actual emissions.

The top three contributions to reported emissions in our UK Private Credit book all hold Net Zero targets with credible progress demonstrated. The largest contributor to reported emissions in our UK Private Credit book is a ports operator. The company has committed to achieving carbon neutral Scope 1 and 2 emissions by 2032 and Net Zero by 2042, supported by electrification of equipment, use of lower-carbon fuels and increased on-site renewable power. The second-highest contributor is a UK city council with a Net Zero target and plan in place.

Forestry

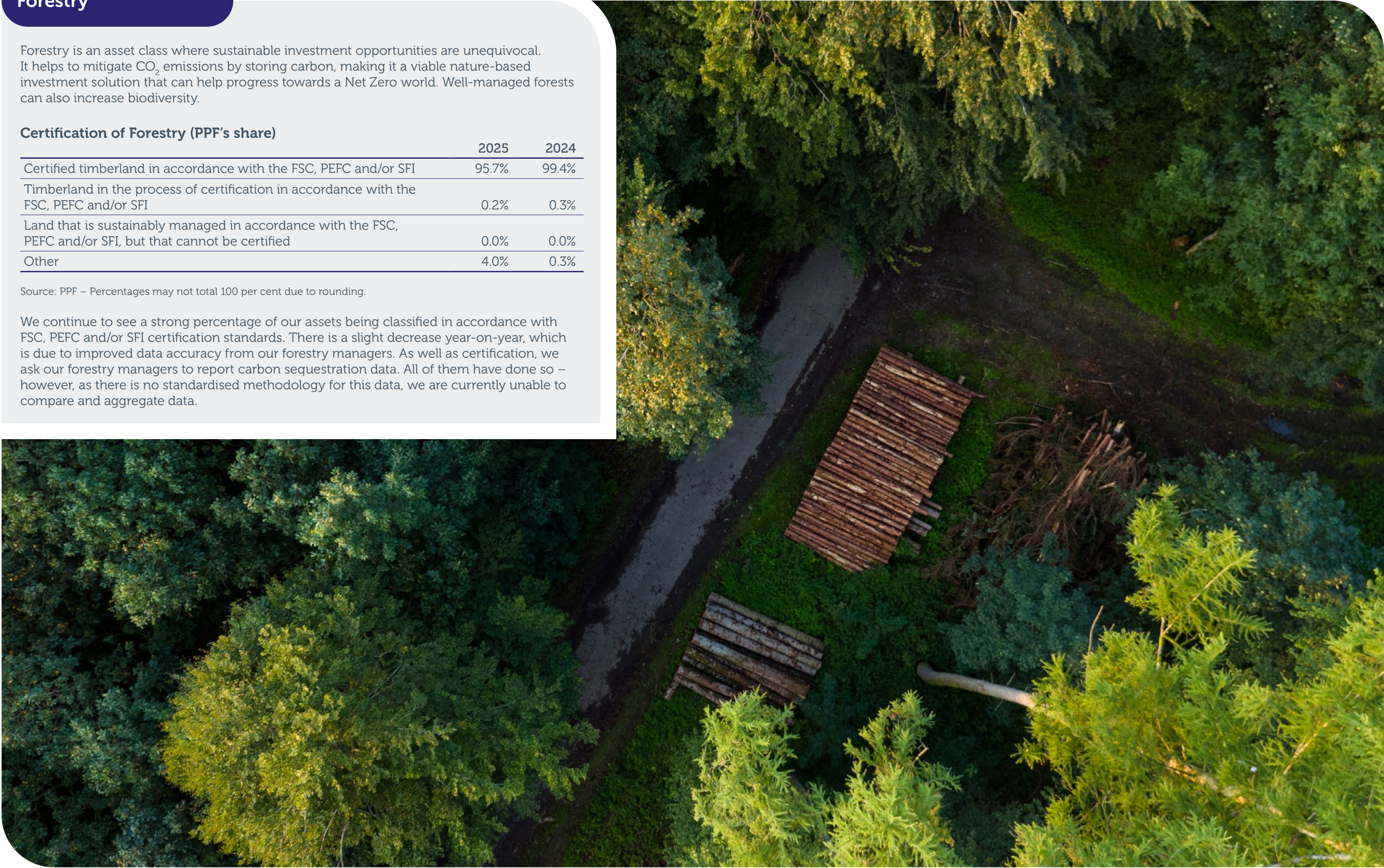
Forestry is an asset class where sustainable investment opportunities are unequivocal. It helps to mitigate CO₂ emissions by storing carbon, making it a viable nature-based investment solution that can help progress towards a Net Zero world. Well-managed forests can also increase biodiversity.

Certification of Forestry (PPF's share)

	2025	2024
Certified timberland in accordance with the FSC, PEFC and/or SFI	95.7%	99.4%
Timberland in the process of certification in accordance with the FSC, PEFC and/or SFI	0.2%	0.3%
Land that is sustainably managed in accordance with the FSC, PEFC and/or SFI, but that cannot be certified	0.0%	0.0%
Other	4.0%	0.3%

Source: PPF – Percentages may not total 100 per cent due to rounding.

We continue to see a strong percentage of our assets being classified in accordance with FSC, PEFC and/or SFI certification standards. There is a slight decrease year-on-year, which is due to improved data accuracy from our forestry managers. As well as certification, we ask our forestry managers to report carbon sequestration data. All of them have done so – however, as there is no standardised methodology for this data, we are currently unable to compare and aggregate data.



Climate Change & Transition continued

Sustainable assets & transitioning assets

Our assessment of how our portfolio aligns with international goals to limit global warming has focused on sector-level alignment to date. But we also recognise the need to assess alignment bottom-up, asset by asset (especially for Private Markets where companies’ activities can be much more nuanced than a generalised sector), if we want a more complete assessment of how ready our assets are for the transition to a Net Zero global economy.

This year, we have also continued to provide a high-level snapshot of our exposure to assets that can be clearly classified as ‘sustainable’ – see below for how we define this. This focuses primarily on Public Markets, where we can use the assessment from MSCI, which seeks to align with best practice. We also included our Forestry assets as they are almost entirely certified by reputable certification schemes (see page 55 for full sustainability certification details of our Forestry assets). We have seen increases in our exposure to sustainable assets within Equity and Credit year-on-year.

PPF exposure to sustainable assets per asset class

	Exposure to sustainable assets	AUM (£m) 2025
Equity	6.4%	£188m
Credit	2.3%	£160m
UK Credit	9.2%	£124m
Forestry	95.7%	£893m
LDI	4.8%	£356m
Total		£1,720m

What we have classified as ‘sustainable’:

Equity, Credit, UK Credit: Companies with green revenue exposure or exposure to products and services classified as low-carbon solutions.

Forestry: Forests that are certified by international bodies and/or managed in a sustainable manner.

LDI: UK Government Green Gilts issued to finance or refinance eligible green expenditures.
Source: PPF/MSCI

Continuing our strategic focus on our Transition & Sustainable Assets framework

For long-term asset owners, the transition to a low-carbon economy represents a structural shift driven by policy, technology and market forces. In line with the Paris Agreement on Climate Change, this transition is expected to have significant implications for asset valuations and portfolio resilience. While momentum is building, uncertainty around timing and execution will result in uneven outcomes, requiring active assessment of both transition risks and opportunities.

In order to navigate these risks and opportunities, we developed our Transition & Sustainable Assets framework. This year marks the third year of reporting against it. The framework is a core strategic tool for our assessment, reflecting the potential for policy, technology and market developments to impact portfolio performance materially over time.

Importantly, we recognise that climate metrics alone do not always capture the role investors can play in supporting real-world decarbonisation. While some assets may currently contribute to higher portfolio carbon emissions, those with credible transition strategies can be well positioned to adapt successfully and reduce emissions over time. Our framework is therefore designed to assess not only current emissions exposure, but also the preparedness, ambition and progress of assets as they navigate the transition to a lower-carbon economy. This provides a more comprehensive view of transition risks and opportunities than carbon emission metrics alone, which may not fully recognise the role investors can play in supporting real-world decarbonisation. Our assessment has now been extended to cover all our Private Markets asset classes, including Alternative Credit, providing a comprehensive view of exposure to transition risks and opportunities across these holdings.

PPF Transition & Sustainable Assets taxonomy

Green	Assets with a clear sustainable product link (or green/sustainable buildings with relevant certificates and energy rankings)
Orange	Assets with clear targets and/or transition plans (e.g. CRREM, Better Building Partnership for Real Estate) to decarbonise. Targets are either self-declared Net Zero targets or SBTi targets
Red	High-impact sector assets or buildings with no clear targets and/or plans to transition to decarbonise
Grey	Neutral/no direct transition/sustainable contribution and non-material sectors



Climate Change & Transition continued

How our portfolio measures up

Infrastructure: Using this framework, 79 per cent of our 2025 Infrastructure book has been identified as sustainable or transition opportunities (an improvement from 75 per cent in 2024). The increase reflects our growing allocation to energy transition assets within the portfolio. This focus has been further supported through our co-investment strategy, which allows us to selectively build exposure to transition opportunities and further improvements are expected to be reflected in our analysis over the next reporting period.

Over one-third of our Infrastructure book is now classified as Green due to the nature of the assets’ operations (such as renewable energy companies) and a further 45 per cent remain in the orange category. Aligned with last year, we continue to have exposure to the Grey classification reflecting social infrastructure assets (e.g. hospitals) where there is no direct link to transition activities. However, we recognise that these assets can still have strong sustainability credentials, such as the LEED Gold Standard Certification.

UK Private Credit: Just over two-thirds of our UK Private Credit assets remain identified as sustainable or transition opportunities. Most of the assets (56 per cent) are classified as Orange, with varying degrees of maturity. Some of these assets have a Net Zero target accompanied by a transition plan, a transition strategy, or an SBTi-approved target. Twelve per cent of the portfolio is allocated to financing Green opportunities through debt, primarily in renewable sectors such as wind and solar energy, electric rail fleets, and green buildings.

Private Equity: We continue to analyse our Private Equity direct funds and holdings, but not secondary Private Equity funds due to the lack of or limited information available on these. Just under one-third of the Private Equity book continued to be identified as sustainable or transition opportunities. We have identified that 2 per cent is invested in Green opportunities, such as plant nutrition solutions using green hydrogen, smart building products and efficient water management. A further 27 per cent are transitioning, many with commitments to Net Zero, and some of these assets already have an SBTi target. The majority, over two-fifths, fall under the Grey transition category as they are primarily invested in Information Security, Healthcare and Financials.

Real Estate: Eighty-four per cent of the assessed Real Estate portfolio assets have been identified as sustainable or transition opportunities, the highest across all of our Private Markets assets assessed to date. Activity that aligns the portfolio to sustainable or transition opportunities include, but are not limited to, assets with certifications demonstrating sustainability leadership, the use of onsite renewable energy or assets with clear targets to transition aligned with industry best practice.

Alternative Credit: This year marks our first period of assessing Alternative Credit assets against our Transition & Sustainable Assets framework. Overall, 27 per cent of assets have been identified as sustainable or transition opportunities, notably those relating to renewable energy and battery storage. The majority of assets are currently classified as Grey due to insufficient sector granularity to assess their alignment with transition criteria. This coverage is expected to improve over the next reporting period as data quality and classification approaches are developed further.

PPF Private Market Assets – Transition & Sustainable Assets breakdown

Transition & Sustainable Assets classification	2025 (2024)					Total AUM £bn
	Infrastructure	UK Private Credit	Private Equity	Real Estate	Alternative Credit	
Green	34% (30%)	12% (13%)	2% (2%)	30% (28%)	3%	£1.2bn (£1.0bn)
Orange	45% (45%)	56% (55%)	27% (28%)	54% (53%)	24%	£3.0bn (£2.6bn)
Red	10% (14%)	18% (19%)	25% (27%)	9% (10%)	9%	£1.0bn (£1.0bn)
Grey	10% (11%)	14% (13%)	45% (43%)	7% (9%)	64%	£1.6bn (£1.0bn)
AUM assessed (£m)	£1.3bn (£1.5bn)	£1.8bn (£1.8bn)	£1.1bn (£1.2bn)	£1.7bn (£1.2bn)	£0.8bn (-)	£6.8bn (£5.7bn)

Source: PPF
Note: Percentages for each asset class may not total 100 per cent due to rounding.

- Next steps
- Continued implementation and enhancement of the Transition & Sustainable Assets framework across our Private Markets portfolio, embedding assessment of climate risks and opportunities to inform portfolio construction.

– Integration of enhanced transition risk and transition planning assessments into our co-investment due diligence to ensure material risks are identified and appropriately assessed.

– Increased collaboration with internal and external managers across higher-risk assets to ensure the development and implementation of credible, meaningful transition strategies.

Transition as an investment opportunity

The transition to a low-carbon economy presents not only risks to be managed, but also a significant investment opportunity for the PPF. As an asset owner, we expect varying outcomes across different sectors and companies. We therefore focus on identifying those assets best positioned to benefit from this transition and that can therefore support long-term, resilient portfolio performance. Across our Private and Public Markets portfolios we have invested approximately £6 billion in sustainable or transition-ready investments. This has been supported by Private Markets where we have invested over £4 billion in Green and Orange investments. Examples of transition opportunities we are supporting include:

Renewable energy providers

Why? Renewable energy providers support the decarbonisation of energy systems by scaling access to clean, low-carbon power, reducing reliance on fossil fuels and enabling electrification across the economy. This creates a structural growth opportunity as rising demand for renewable energy, policy support and capital reallocation can drive long-term, stable cash flow potential for investors.

Our Portfolio: We’ve invested in a company which develops and operates community solar and clean energy assets, expanding access to renewable power for households and businesses through over 1,000 megawatts of deployed capacity.

Clean energy enablers

Why? Clean energy enablers provide critical technologies and infrastructure that underpin the transition to a low-carbon global economy, supporting the deployment, storage and efficiency of low-carbon energy systems. This can position companies to capture value from accelerating investment in grids, storage and efficiency solutions, supporting scalable revenue growth and strong demand visibility.

Our Portfolio: One of our portfolio companies develops low-carbon batteries to support electric vehicles and energy storage, enabling the decarbonisation of transport and power systems. The company is scaling production through its gigafactory, with an initial capacity of 16 gigawatts of lithium ion batteries annually and plans to reach 50 gigawatts by 2030.

Low-carbon end-use and electrification solutions

Why? Assets in this category support the decarbonisation of high-emitting sectors by electrifying or reducing energy demand at the point of use, rather than generating or enabling energy supply. They benefit from structural demand driven by government policy, efficiency gains and consumer adoption.

Our Portfolio: One of our portfolio companies develops and operates electric vehicle charging infrastructure to support the transition to low-carbon transport. The company provides end-to-end charging solutions for cars, buses and trucks, with a network of over 35,000 charge points across multiple European countries.

Our corporate sustainability

Stronger foundations through expanded measurement



Across the PPF, we remain committed to operating in a responsible and transparent way, and to ensuring that sustainability is increasingly reflected in how we think, plan and make decisions across the organisation.

Our Sustainability strategy continues to focus on the areas where we believe we can make the most meaningful difference: responsible investment; our operations and supply chain; diversity, equity and inclusion; business ethics; community impact; and stakeholder engagement. These priorities remain the right ones for our organisation, and this year our efforts have evolved. As well as embedding sustainability into the business, we are focused on strengthening the building blocks that will enable us to manage it more effectively over the long term.

As a public corporation, we recognise the role we have to play in supporting the UK Government’s wider Net Zero ambition and we remain committed to reaching Net Zero for our own operations by 2035.

To ensure we have the right foundations in place, one of our key priorities this year was to measure our full operational carbon emissions footprint. This included a comprehensive review of our Scope 1 and Scope 2 reporting to date, as well as expanding a new Scope 3 emissions assessment to include our wider supply chain, dating back to our 2019/20 baseline year.

As we move to the analysis stage of this extensive data, we’re confident that this robust assessment will equip us with the necessary evidence to plan a pathway towards Net Zero. We will look to improve our understanding of where our most material impacts occur, strengthen the quality and coverage of the data we hold, and develop a more robust evidence base to inform decisions. In practical terms, we want to move beyond intent alone and build the capability to measure and achieve progress more consistently towards our 2035 goal.

We are also building on the progress already made. In recent years, we have reduced energy consumption against our baseline, lowered location-based emissions, continued to source electricity through 100 per cent renewable electricity tariffs for both of our offices, and introduced food waste collection services at each location. We have also taken steps to strengthen internal ownership of sustainability, including training for line managers and the creation of a dedicated role to help develop and implement our corporate sustainability plan. At the same time, we are seeking to improve the information available to our people and suppliers, whether through better travel data, reduced paper use, or stronger oversight of supplier alignment with our sustainability principles.

Taken together, these steps reflect an important shift in maturity. Our focus now is on building a stronger platform for action: one rooted in better measurement, clearer insight and more informed choices. This is an essential stage in ensuring that our approach to sustainability remains practical, credible and capable of supporting long-term progress across the PPF.

Jane Cumisky
Corporate Sustainability Lead

“ Our focus now is on building a stronger platform for action: one rooted in better measurement, clearer insight and more informed choices. ”

Our Corporate Sustainability continued

Turning our operational activity into insight

We recognise that delivering our core purpose responsibly means understanding, managing and reducing the environmental impacts associated with how we operate. This matters because our decisions – from how we use office space and procure goods and services, to how we travel and engage with suppliers – contribute to our carbon footprint and influence the standards we expect across our value chain.

Being transparent and accountable for these impacts is therefore an important part of good governance, operational resilience and public trust, and it remains a commitment we continue to prioritise. We also look to strengthen our data, roles and processes needed to make measurable progress.

Over the year, we have:

- Conducted a **significant assessment of our operational carbon footprint** extending measurement to include all our supply chain
- Embedded **sustainability requirements into wider workplace programme and fitout planning**, including reuse/recycling of furniture, whole-life material considerations and long-term office space needs
- Implemented a **new travel booking platform** (see right) for our business travel needs that provides detailed data for all trips as well as resulting carbon emissions
- Conducted our first-ever **employee commuting survey** capturing distance, number of days and method of transportation to better understand how hybrid working impacts our Scope 3 emissions overall
- Created and recruited for two new positions to support activities to reduce our environmental impacts:
 - A **Corporate Sustainability Lead** to drive our carbon emission reductions activities
 - A **Property and Facilities Operations Manager** working closely with the building managers for our Croydon and Cannon Street offices.

Case study

Improving travel data and supporting lower-carbon choices

Background: For some time, we have recognised the need for more consistent and reliable data on the carbon emissions attributable to our business travel. Business travel is an important contributor to the PPF’s operational carbon footprint, yet historically data collection relied on receipts and manual reporting.

Action: This year, we introduced a new travel booking system as part of our efforts to improve the management and reporting of business travel. The system provides a single platform for booking flights, rail travel, hotels and car hire, replacing a process that previously relied on a combination of procurement cards, expense claims and multiple booking channels. It is also able to produce reports on travel activity and associated carbon emissions using DEFRA conversion factors, supporting more efficient monitoring and analysis of travel-related emissions.

Outcome: A single platform has enabled travel information to be captured in a more structured way, improving quality and completeness of data for sustainability reporting. Travellers are also able to see environmental information at the point of booking, giving them greater visibility of the carbon impact of different travel options. This helps colleagues make more informed decisions and supports the wider message of encouraging lower-carbon travel whenever possible.

Alongside the environmental benefits, the new process is expected to improve the efficiency of travel booking and reduce administrative effort associated with approvals, expense claims and record keeping.

Why it matters: Bringing travel booking and reporting into a single system is strengthening our ability to understand, manage and report business travel emissions while embedding sustainability considerations into everyday operational decisions.

This initiative forms part of our broader approach to improving the quality of our sustainability data, encouraging better decisions at every level of the organisation and identifying practical opportunities to reduce the environmental impact of all our operations over time.



Accountability for our Sustainability strategy

- We have maintained strong governance to manage sustainability and climate-related risks and opportunities across both our investments and our operations:
- Board oversight:** The PPF Board has overall accountability for the PPF Sustainability strategy and oversees how sustainability and climate-related considerations are incorporated into decision-making right across our organisation. Responsibility for overseeing the PPF’s four sustainability goals (see page 06) is allocated either to the Board directly or to a designated Board Committee, ensuring clear accountability and governance oversight.
 - ExCo implementation:** Executive accountability for delivery sits with the Executive Committee (ExCo), which is responsible for implementing the Sustainability strategy and overseeing progress against sustainability objectives. The ExCo ensures that sustainability considerations are reflected in operational risk management, strategic planning and the development of business objectives.
 - SMCR accountability:** To ensure ongoing accountability, our Sustainability strategy remains under the Chief Operating Officer’s Statements of Responsibilities (SoR) as defined by the Senior Managers and Certification Regime (SMCR). The COO is the executive sponsor of the Sustainability Strategy and is responsible for ensuring consistency across all strategies that fall under the sustainability umbrella.
 - Risk management:** Our Risk and Strategy working group supports the COO’s work by verifying that operational risks related to sustainability are identified, recorded and managed within our agreed risk appetite, and that material exposures are managed appropriately. They then report this to the Risk and Audit Committee, which oversees sustainability-related risks and monitors how these risks are being managed across the business.
 - Investment oversight:** Within the investment function, the Chief Investment Officer is responsible for applying the responsible investment framework and associated policies across asset classes, supported by the ESG & Sustainability team, which oversees implementation of our Climate Change strategy and monitors climate-related risks and opportunities within the portfolio.
- Climate risk management in our operations**
- The PPF integrates climate-related risks into our wider risk management and operational resilience framework, recognising that effective management of these risks strengthens our long-term financial and operational performance. Climate risks and opportunities are assessed through established risk management processes, with mitigation actions and emerging technologies helping to improve understanding of impacts and support efforts to reduce operational carbon emissions. Transparent reporting of climate-related risks and opportunities also helps build confidence among our stakeholders, levy payers and members.
- In line with the Greening Government Commitments (GGCs), we maintain a Climate Change Adaptation Strategy, informed by an annual Climate Change Risk Assessment to evaluate and report on the potential impacts of climate change on our operations. To minimise potential operational disruption, the PPF continuously assesses its exposure to climate-related risks, plans for challenging events and takes action to maintain operational resilience. Our Climate Change Adaptation Strategy (CCAS) was reviewed and updated this year as part of the PPF’s operational risk and resilience framework. This annual review included identifying new actions around how we evaluate climate change risk and its impact when thinking about emerging risks and how climate change risks are identified and owned within our risk universe. As part of the review process, the CCAS and risk assessment documents were assessed and signed off by the CEO and Chief Governance Risk & Legal Officer. The Risk and Strategy Sustainability working group continued to provide governance oversight with regular updates.

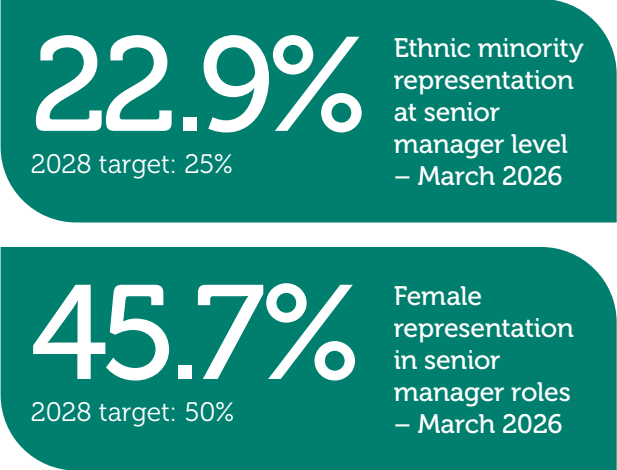
Our Corporate Sustainability continued

Our commitment to creating a diverse, equitable and inclusive organisation

Our aim is to foster a culture at the PPF where everyone can be themselves and feel respected, valued and able to contribute fully. In June 2025, we launched our Diversity, Equity and Inclusion (DEI) strategy 2025-28, building on the progress made under our previous strategy and broadening our focus to include social mobility and LGBTQ+ inclusion.

In the first year of implementation, we strengthened our capacity to deliver the strategy through the appointment of our first dedicated DEI Lead. Our focus has been on establishing the DEI Steering Committee, with representation from ExCo members, to oversee delivery of the strategy, while also increasing employee engagement, supporting our employee-led networks, improving our use of data and building DEI more consistently across our people practices.

Representation and employee engagement



We continue to go beyond statutory requirements by reporting on our ethnicity and disability and long-term health condition pay gap, in addition to gender.

We also recognise that representation is only one measure of progress. Alongside workforce demographics, we are focused on fostering an inclusive culture where colleagues feel respected, supported and able to contribute regardless of their background or identity.

Employee-led networks

Our employee-led networks continued to play a central role in delivering our DEI ambitions. Throughout the year, our employee networks and internal communications marked key awareness events, shared colleagues’ perspectives and provided opportunities for people to learn from different experiences.

Social mobility was established as a new strategic focus area through the launch of our Social Mobility Network, the recruitment of employee committee members, and work to start collecting socio-economic background data. We also strengthened our LGBTQ+ employee network Kaleidoscope, with the recruitment of new co-leads, awareness activity and external engagement.

Investing in emerging early talent

We continued our partnership with the 10,000 Interns Foundation to provide paid internship opportunities for underrepresented talent. We are actively involved in the programme for 2026, with nine internship pledges made for the year ahead.

We also renewed our membership with Investment 20/20 and developed plans for school outreach activity near our offices in Croydon and Cannon Street to help widen access to our industry. Through these partnerships, we aim to inspire future talent and help build workforces that are more reflective of the communities we serve.

Our community impact programme

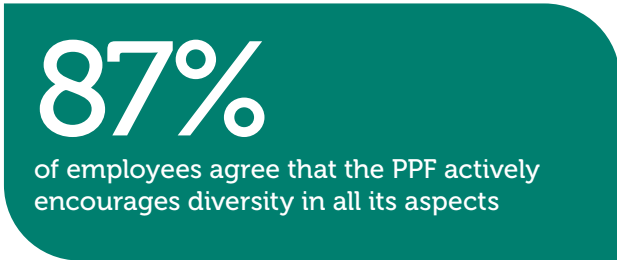
We recognise the importance of giving back to our local community. In May 2025, we began a new three-year partnership with Reedham Children’s Trust, a South London-based charity that provides support for vulnerable and disadvantaged children.

During 2025/26, colleagues contributed 306 individual volunteering days and participated in 27 team volunteering days. We also welcomed nearly 70 young people through six workplace visits to our offices.

By delivering our DEI strategy, we are fostering a more inclusive and equitable workplace where people from all backgrounds can thrive. By strengthening a culture of belonging and broadening access to opportunity, we are building a stronger and more sustainable organisation for the future.

Sandra Myers-Edwards
Diversity, Equity and Inclusion Lead

Our 2026 employee engagement survey results



Our Corporate Sustainability continued

Managing the impact of our operations

Enhancing our understanding of our operational footprint

A key priority during the year was improving our measurement of environmental impact (see case study, right). We further developed our approach to quantifying our emissions across Scope 1, Scope 2 and Scope 3, with particular focus on expanding our understanding of emissions within our supply chain and other indirect activities (excluding our financed emissions from investments, which we have been capturing for several years now and which are detailed in the previous section of this report).

This work supports a more complete and consistent view of our carbon footprint and provides a stronger foundation for tracking progress against our Net Zero ambitions.

Reducing the impact of our day-to-day operations

We continued to reduce the environmental impact of our operations through a combination of energy efficiency, responsible resource use and operational improvements.

Our offices have been 100 per cent powered by renewable electricity since October 2019, and we have sustained reductions in energy consumption compared to our baseline year through continued optimisation of building use and other efficiency measures. We also maintained initiatives to minimise waste and support recycling, alongside further reducing paper use through digital-first processes.

In addition, we have continued to optimise our technology estate, including increased use of cloud-based services, helping to reduce both physical infrastructure requirements and associated emissions.

Addressing emissions within our supply chain

Recognising that the majority of our emissions sit outside our direct operations, we put a greater focus this year on understanding our supply chain activities.

We continued to engage key suppliers to better understand their environmental performance and encouraged greater transparency in reporting. This included reviewing our supplier questionnaires and reinforcing expectations through our procurement processes and supplier standards.

Improving data quality and operational insight

Improving the quality, completeness and timeliness of environmental data remained a core focus. During the year, we strengthened our processes for collecting and validating data on energy, waste and travel, enabling more reliable reporting and better insight into trends over time.

We also worked more closely with suppliers and building managers to enhance data availability, while introducing more structured approaches to capturing business travel and other operational emissions.

Embedding sustainability into decision-making

During the year, we made further progress in embedding sustainability considerations into our governance and operational processes.

Environmental impacts are increasingly considered within decision-making across the organisation, including via updates to internal policies, risk frameworks and oversight structures. This ensures that sustainability is not treated as a standalone activity, but is integrated into how we operate.

We have also continued to build awareness and capability across our workforce, supporting colleagues to understand their role in reducing environmental impact.

Continuing our evolution to a more mature approach

Overall, our activities during 2025/26 reflect a shift from establishing foundational practices to developing a more mature, data-driven approach to managing our operational impact.

By improving measurement, strengthening engagement across our whole value chain and embedding sustainability into governance and decision-making, we are better positioned to deliver sustained reductions in our environmental footprint over time.

Case study

Developing a comprehensive Scope 3 carbon footprint

Background: The PPF worked in partnership with Mitie, a leading technology-led facilities management, transformation and compliance company, to develop its first comprehensive assessment of operational carbon emissions. This has enabled us to extend our measurement beyond Scope 1 and 2 to include Scope 3 emissions across our supply chain.

This project marked a significant step forward in our approach to operational carbon management. It builds on existing reporting by introducing a structured and comprehensive methodology aligned with the GHG Protocol Corporate Value Chain (Scope 3) Standard and ISO 14064.

Action: Working collaboratively over a three-month period, Mitie conducted detailed carbon emissions calculations across multiple years, developed a Scope 3 inventory covering key operational categories, and undertook an independent review of the PPF’s Scope 1 and 2 emissions. The project also identified the most material sources of emissions, with analysis showing that the majority of our Scope 3 footprint is driven by supply chain activities.

In addition to establishing a robust emissions baseline, the project delivered several practical outcomes to support ongoing management and reporting. These included a dedicated carbon calculation tool, a data improvement plan, and recommendations on priority areas for decarbonisation. The work also included the development of a dashboard and supporting processes to enhance data quality and enable more consistent, repeatable reporting going forward.

Outcome: The project has provided us with a clearer understanding of the drivers of our operational carbon footprint and strengthened our ability to set credible targets and track progress over time. It also supports our broader objective to achieve Net Zero across the PPF’s operations by 2035, by enabling more informed decision-making and targeted engagement with suppliers. We will look to incorporate the outputs into our emissions reporting in future years.

Why it matters: This initiative demonstrates our commitment to embedding robust, data-driven approaches to carbon management, while building internal capability and laying the foundations for more effective oversight of emissions across the value chain.

Taking action

Engaging with suppliers

We continued to connect with our suppliers to better understand the environmental impacts of our work together. As in 2024/25, we received responses from 90 per cent of our Group 1 and High Sustainability Impact suppliers to our Supplier Sustainability Report and Supplier Code of Conduct. We are building on this positive engagement with the expansion of our carbon footprint to include Scope 3 and Purchased Goods & Services. The next phase will cover the analysis and assessment of this extensive data.

Our Corporate Sustainability continued

Summary of the PPF’s organisational Scope 1, 2 and 3 emissions

Our operational carbon performance over the year was mixed with both reductions and increases in overall emissions. Most significant changes can be explained by variations in office occupancy, energy factors, business travel patterns, and the impact of the Croydon office water leak and ongoing refurbishment.

- **Scope 1 and Market-based Scope 2 emissions remained effectively zero** – This was because electricity in both offices continued to be sourced from 100 per cent renewable tariffs, which have been in place since October 2019.
- **Business travel emissions were significantly reduced** – This reflects a much lower number of both domestic and international flights than the previous year. Where international travel was required, colleagues aimed to combine multiple visits into single trips to improve efficiency.
- **We saw increases in landfill waste and water consumption** – These both resulted from a water leak in our Croydon office and the resultant damage clear-up.

PPF operations – summary of carbon emissions

All emissions units in tonnes of carbon dioxide equivalent (tCO₂e) unless stated otherwise

PPF Operations	Comment	2019/20 (baseline)	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	% Change 2019/20 baseline
Energy consumption used to calculate emissions in kWh		1,076,231	1,123,197	1,076,948	936,935	631,321	741,865	782,897	-27%
Scope 1 emissions (See footnote 1)		0	0	0	0	0	0	0	–
Scope 2 emissions (See footnote 2)	Location-based	275.1	261.9	228.7	181.2	130.2	153.6	139.6	-49%
Scope 2 emissions (See footnote 3 & 4)	Market-based	160.5	0	0	0	0	0	0	-100%
Scope 3 emissions (See footnote 5)		60.3	0.2	2.3	53.2	65.4	141.7	57.9	-4%
Total Scope 1, 2 and 3 emissions (gross) (See footnote 6)		335.4	262.1	231.0	234.4	195.6	295.3	197.5	-41%
Total Scope 1, 2 and 3 emissions (net) (See footnote 7)		220.8	0.2	2.3	53.2	65.4	141.7	57.9	-74%

Source: PPF

Notes:

- 1

Scope 1 covers direct emissions from owned or controlled sources. Our two shared-lease office buildings are already efficient, with no direct combustion facilities on-site, and BREEAM ratings of ‘Excellent’ or ‘Very Good’ respectively. So our Scope 1 Greenhouse Gas Emissions from fossil fuel combustion are zero (0).
- 2

A location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).
- 3

A market-based method reflects emissions from electricity that companies have purposefully chosen (or their lack of choice). It derives emission factors from contractual instruments, which include any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims.
- 4

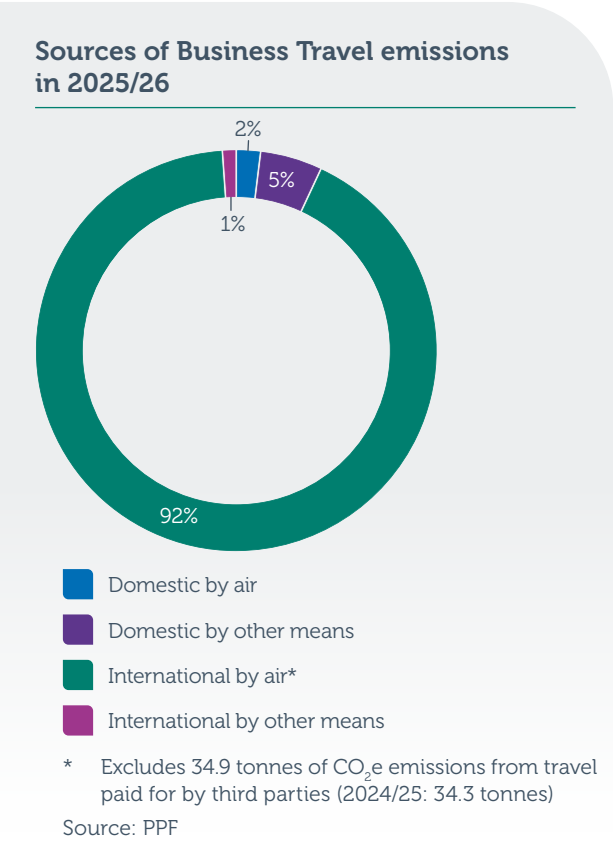
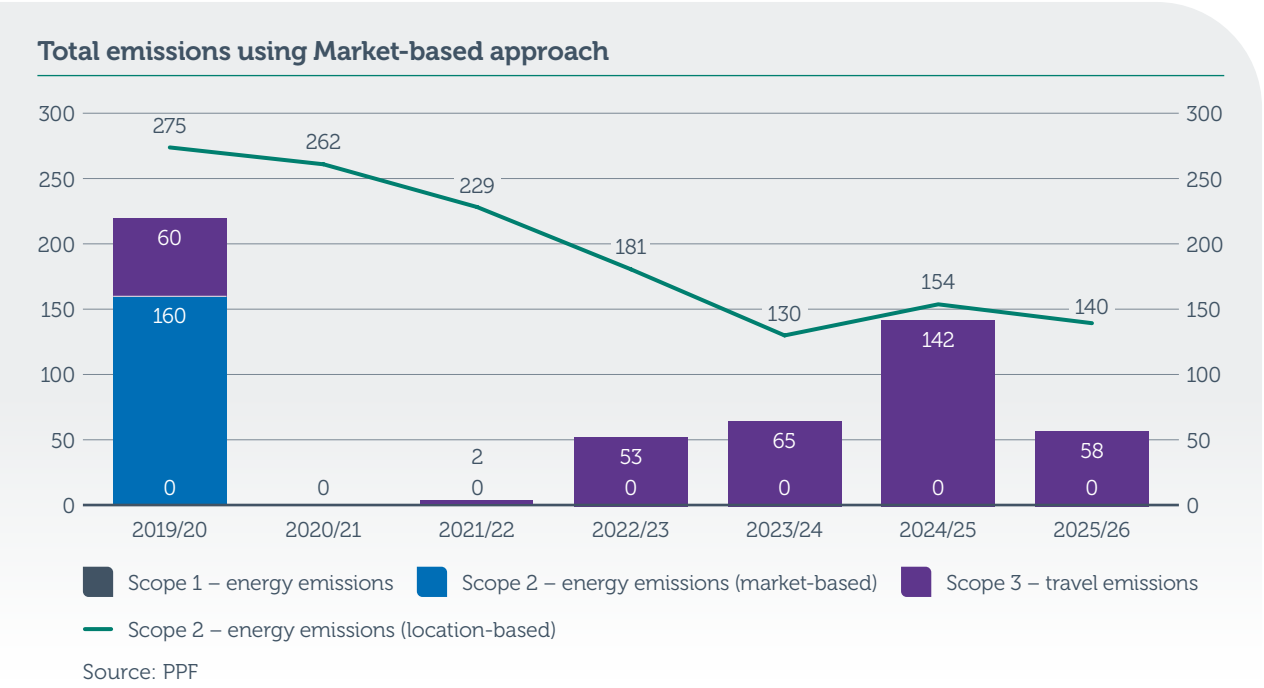
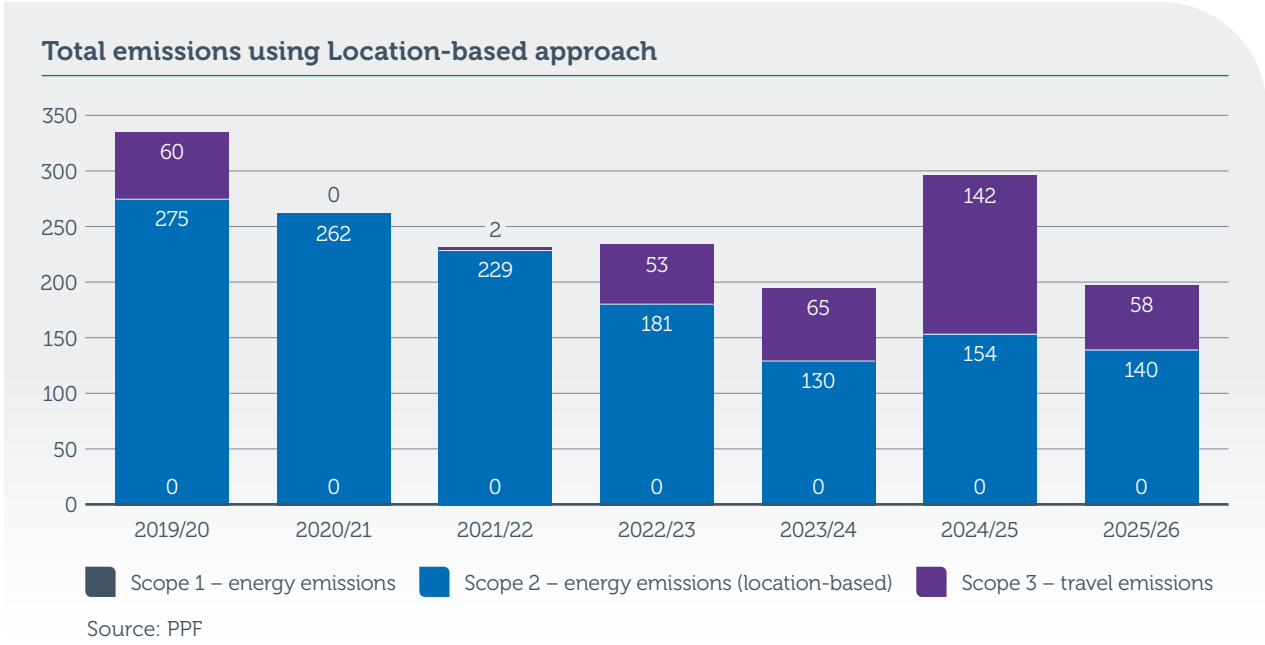
All the electricity our offices use is sourced via 100 per cent renewable electricity tariffs, which have been in place in both offices since the end of October 2019. For the seven months (April to October 2019) we have calculated our market-based emissions as: 275.10*(7/12) = 160.48 (tCO₂e), where total location-based emissions for 2019/20 were 275.10 tCO₂e.
- 5

Our Scope 3 organisational emissions include emissions from business travel only at present. For 2025/26, the reported business travel emissions exclude 34.9 tonnes of CO₂e emissions from travel paid for by third parties (2024/25: 34.3 tonnes).
- 6

Our total gross emissions are calculated by aggregating our Scope 1, Scope 2 location-based and Scope 3 business travel emissions.
- 7

Our total net emissions are calculated by aggregating our Scope 1, Scope 2 market-based and Scope 3 business travel emissions.
- 8

Emissions are calculated using Department for Energy Security and Net Zero (DESNZ) conversion factors.



Our Corporate Sustainability continued

Update on our organisational climate-related targets

Every year, we look to use the findings that come out of the analysis of our investment stewardship, climate change and transition, and corporate sustainability reporting to reflect how we have performed against our strategic objectives and business priorities. We consider where we might improve how we monitor, manage and reduce the carbon emissions connected to our investments and operational activities.

Our progress against climate-related KPIs for the 2025/26 financial year

1.

We have extended our measurement of our operational carbon footprint and our supply chain:

- **Developed a comprehensive carbon footprint** beyond Scope 1 and Scope 2 including a fuller assessment of Scope 3 across our value chain, using widely recognised methodologies aligned with the GHG Protocol and ISO 14064.
- **Built a clearer inventory of emissions** across key operational categories, including the supply chain activities that make up a significant part of our overall footprint.
- **Reviewed previous Scope 1 and 2 calculations** to strengthen the quality, consistency and reliability of our existing emissions reporting.
- **Developed practical tools and a data improvement plan** to support more consistent, repeatable and transparent carbon reporting over time.

2.

We are laying the groundwork for our future reporting needs:

- **By identifying the most material sources of operational emissions**, we will be able to prioritise where to focus future action plans.
- **By strengthening the evidence base for our operational Net Zero ambitions**, we can enable more informed decision-making and better oversight of emissions across our supply chain.

Climate-related objectives for the 2026/27 financial year

Our key business initiative relating to corporate sustainability for the coming year is to determine the materiality and reporting of our Scope 3 emissions across the organisation (beyond Scope 3 Category 15 investments, which we have been measuring for several years).



Aspirations for the coming year

Our ambition is to combine stronger data, stronger stewardship and stronger decision-making to help protect our members, build a more sustainable organisation and support more resilient markets and pensions.

Investment stewardship

Focus on outcomes

- Prioritise stewardship activity where we can have the greatest influence on long-term value.
- Strengthen how we measure engagement progress and real-world outcomes.

Raise expectations of managers

- Continue improving stewardship, ESG and climate reporting across Private Markets.
- Use manager oversight to drive better governance, transparency and accountability.

Strengthen stewardship oversight

- Enhance stewardship data, reporting and portfolio monitoring capabilities.
- Use better information and analytics to support investment decision-making and oversight.

Climate change & transition

Deepen our understanding of climate risk

- Further develop our assessment of physical climate risks across the portfolio.
- Strengthen integration of climate insights into investment decision-making.

Advance transition analysis

- Agree targeted action plans for our highest-risk Private Markets assets.
- Improve coverage and consistency of climate data across Private Markets.

Engage where it matters most

- Strengthen engagement with managers and assets where our impact is most significant.
- Focus on credible transition planning, disclosure and risk management.

Corporate sustainability

Turn measurement into action

- Use our expanded Scope 3 baseline to identify priorities for reducing operational emissions.
- Develop a clearer pathway towards our operational Net Zero ambition.

Strengthen our supply chain approach

- Increase understanding of value chain impacts.
- Work with suppliers to improve sustainability performance and disclosure.

Share what works externally beyond the PPF

- Contribute to industry initiatives, consultations and best-practice development.
- Support better stewardship, climate disclosure and Private Markets reporting standards.

Appendices

Appendix A

Our commitment to the TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) guidance was created by the Financial Stability Board to help companies and investors voluntarily disclose climate-related financial risks clearly, consistently and reliably to help lenders, insurers and investors make informed decisions.

We’ve formally supported the TCFD framework since 2018 and have continually implemented it across our investment process. We share our progress in our annual RI reports, which also detail our stewardship activities and work as an active owner of securities and real assets.

Considering the impacts of climate change on our investments is one of the three priorities within our RI strategy.

- We’re committed to:
- **Implementing the TCFD**
We’re continuously applying and implementing TCFD recommendations – and are always looking for ways to improve transparency and management of climate risks in our portfolio.
 - **Assessing transition risks and physical risks**
We take a phased approach to analysing how exposed our portfolio is to risk in the global transition to a low-carbon economy, optimising relevant data as and when it becomes available. We are also starting to assess the physical risks that climate change presents to our portfolio, while recognising that data on this is at a very early stage.
 - **Engaging with our asset managers**
We work tirelessly with our asset managers across all strategies, asset classes and markets to ensure they consider, manage and report to us the climate-related risks and opportunities our investments might face.
 - **Collaborating with industry**
We are committed to engaging with our industry peers, policymakers, regulators and the wider investor community to further best practice in climate-related risk disclosure – supporting not only the TCFD but also Climate Action 100+, the Paris Aligned Investment Initiative (PAII) and the work of global disclosure systems provider CDP.

A summary of where each TCFD recommendation is covered within this climate disclosure

TCFD Pillars	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term.	Climate disclosure references
Governance Disclose the organisation’s governance around climate-related issues and opportunities.	a. Describe the board’s oversight of climate-related risks and opportunities.	Pages 06 to 07
	b. Describe management’s role in assessing and managing climate-related risks and opportunities.	Pages 35 to 39
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s business, strategy and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term.	Pages 35 to 41
	b. Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning.	Pages 35 to 37
	c. Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2 degree or lower scenario.	Pages 48 to 50
Risk Management Disclose how the organisation identifies, assesses and manages climate-related risks.	a. Describe the organisation’s processes for identifying and assessing climate-related risks.	Pages 35 to 39 and 59
	b. Describe the organisation’s processes for managing climate-related risks.	Pages 35 to 41
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.	Pages 6, 36 and 59
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Pages 38 to 57 and 62
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks.	Pages 42 to 46, 54 to 55 and 62
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Pages 39 and 63

Appendices continued

Appendix B
Meeting the FRC’s UK Stewardship Code

We received confirmation from the Financial Reporting Council (FRC) of our continued UK Stewardship Code signatory status in early 2026. The FRC has published a new format for the 2026 Stewardship Code which requires signatories to submit both a Policy and Context Disclosure report and an Activities and Outcomes Report. Organisations are only required to submit a Policy and Context Disclosure every four years, or when there have been changes at an organisation such that their Policy and Context Disclosure no longer aligns with their Activities and Outcomes.

The Activities and Outcomes Report is to be published annually and focuses on the Stewardship activities and outcomes over the 12-month period. The PPF Sustainability Report 2025/26 seeks to meet the reporting expectations set out by the 2026 Code – see the table below for the pages on which the relevant Code disclosures are addressed.

Disclosures for asset owners and asset managers		Page reference
A	Describe your organisation, your investment beliefs, your clients or beneficiaries and how that informs your approach to stewardship.	01, 08 to 09, 11 to 12
B	Describe how your resources enable effective stewardship.	06, 11 to 13
C	Describe your stewardship policies and processes, and how you review them.	6 to 8, 11 to 12. Appendices C to E and J
D	Describe how you manage stewardship-related conflicts of interest to put the best interests of clients and beneficiaries first.	08, Appendix C
E	Describe how you maintain a dialogue with clients and/or beneficiaries.	09

Principles for asset owners and asset managers		Page reference
1	Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries.	10 to 33
2	Signatories identify and respond to market-wide and systemic risks to promote well-functioning financial markets.	26 to 27, 36 to 39, 41, 48
3	Signatories engage to maintain or enhance the value of assets.	13 to 27
4	Signatories actively exercise their rights and responsibilities.	28 to 33
5	Signatories integrate stewardship considerations into their selection and oversight of external managers.	14 to 16
6	Signatories monitor and hold to account stewardship service providers.	13

Appendix C
Our Conflicts of Interest policies

PPF Conflicts of Interest Policy

Our approach begins with clear governance and accountability. The PPF has a Conflicts of Interest Policy to identify where a conflict of interest may arise and how conflicts should be monitored and managed, with which all employees are required to comply. We’re committed to conducting business and our investment activities in the best interests of our beneficiaries, and have comprehensive controls across the organisation to prevent conflicts of interest from affecting these activities. We place individual accountability high up on our cultural agenda as one of our core values (see page 08). All reasonable steps must be taken to prevent potential or actual conflicts of interest, or situations that might be perceived as giving rise to a conflict of interest. Under the policy, our staff are required to disclose any interest in any company, or other entity, in which the PPF has an ownership interest.

Recording conflicts

Details of conflicts and notifications are recorded in the Conflicts Register, which is maintained by the Compliance & Ethics (C&E) team. We also have other related policies such as a Code of Conduct and Conduct Rules Policy (for both employees and our suppliers), a Handling Non-Public Information Policy, and a Personal Account Dealing Policy. Our non-executive Board members may hold other director positions, or have connections with external asset managers. We share all Board members’ outside interests on our website, where we also update any Board expenses quarterly.

Our formal Conflicts of Interest and Code of Conduct policies set out principles and procedures for identifying, assessing and managing conflicts. These policies are reviewed at least annually by our C&E team and approved by the Executive Committee.

Register of conflicts and outside business interests

The C&E team maintains a register of employees’ conflicts and outside business interests, which they review at least once a year. We also share Board members’ outside interests on our website.

Ongoing training

All employees receive training on conflicts of interest when they start and as part of ongoing development. Employees are also required to attest to the PPF Code of Conduct, which includes declaring conflicts of interest, on an annual basis.

Gifts and Hospitality policy

Our Gifts and Hospitality policy requires all employees to request sign-off from their line manager and the C&E team before accepting gifts or hospitality over the value of £25. The C&E team maintains a register of all gifts and hospitality that have been accepted and declined, with regular reviews to make sure these are within acceptable levels. We also publish Board member expenses quarterly on our website.

Personal accounts

Our Personal Account Dealing policy requires all transactions to be approved by line managers and the C&E team. If there’s a conflict between the employee, member or the PPF’s interests, we may create a list of restricted investments that our employees can’t invest in.

Senior manager fitness and propriety checks

We have implemented a version of the FCA’s Senior Managers Regime. As part of this regime, the C&E team meets annually with senior managers to discuss their roles and responsibilities. This includes assessing any potential conflicts and forms part of the annual assessment of their fitness and propriety to carry out their role.

Other checks, as part of this fitness and propriety assessment, include performance review, personal development plan, along with credit and background checks on a rolling three-year basis, with self-assessments carried out every year.

Procurement processes

When procuring new suppliers, we are subject to the Public Contracts Regulations 2015. Our Commercial Services team makes sure new contracts follow the correct procurement process and are awarded fairly, based on objective criteria.

The Commercial Services team also maintains an ongoing assurance programme for all our suppliers.

The PPF operates a compliance programme that addresses regulatory compliance for a number of topics with which we have either chosen to comply or are required to comply with. The compliance programme monitors and regularly reviews these areas to make sure we have up-to-date policies and statements in place, and that we are meeting the standards expected of us.

Appendices continued

Appendix D

Our IMA and side letter terms relating to conflicts

1.1. Conflicts

- a) The Manager and its Associates may, subject to, and in accordance with, clause 5.9 (Best Execution), effect transactions in which the Manager, any of its Associates, or any of its or their respective other clients has, directly or indirectly, a material interest or relationship of any discretion with another party which may involve a conflict or potential conflict of interest with the Manager’s duty to the Board.

(b) Without prejudice to the generality of the above, the Manager confirms as follows:

(i) in order to mitigate the risk of such conflicts of interest from constituting or giving rise to a material risk of damage to the interests of the Board, the Manager has implemented, and complies with, a conflicts of interest policy that identifies the circumstances which give rise to conflicts of interest and documents the procedures to be followed in order to manage such conflicts, and a copy of such policy is set out in SCHEDULE 8 (Conflicts Policy) (the ‘Conflicts Policy’) and the Manager will promptly notify the Board of any material changes to the Conflicts Policy;

(ii) where a conflict or potential conflict of interest is found to exist, any transaction effected by the Manager on behalf of the Board will be in the Board’s best interest and on terms no less favourable to the Board than those which would have applied had there been no conflict or potential conflict;

(iii) the Manager will promptly disclose to the Board any conflict arising which the Manager is not able to prevent or manage effectively;

(iv) the Manager and its Associates shall make investment decisions having regard to the Portfolio’s interest without regard to their own interests or the interests of their other clients, save to the extent required by the FCA Rules (or any other analogous laws, rules or regulations) only insofar as is necessary to comply with the requirements of any financial regulatory authority;

(v) the Manager and its Associates are authorised, subject to the terms of this Agreement, to include within the Portfolio or to effect transactions on behalf of the Portfolio in the ordinary shares of, and/or other Securities issued by the Manager or its Associates; and

(vi)subject to clause 4.6 (Aggregation of Deals) the Manager and its Associates are authorised in any one transaction, or series of transactions, where it is in the best financial interests of the Board, to act for more than one portfolio or client collectively (including the Portfolio) without the written consent of the Board, provided always that if the Manager has aggregated transactions for its own account with one or more client orders (including of the Board), it must not allocate the related trades in a way that is detrimental to the Board.
- Appendix E
- Our voting principles
- Voting guidelines 2026
- This document provides broad guidelines across a prioritised subset of themes, within which voting decisions will be assessed and implemented on a case-by-case basis. For clarity, the themes highlighted here are not an exhaustive list of themes that inform our voting decisions. A degree of pragmatism is required when interpreting the guidelines to reflect specific market, company, and meeting circumstances.
- These guidelines are to be read in conjunction with our Stewardship policy. Stewardship is a fundamental pillar of our responsible investment (RI) strategy, and our Stewardship policy sets out the core principles of how we consider ESG risks and engage with companies, in recognition of the best market practices supported by the UK Stewardship Code, as well as others. The guidelines will be updated for respective AGM seasons, to reflect the current priorities within our RI strategy.
1. Summary of our approach to stewardship
- As a responsible asset owner, the PPF believes that integration of material environmental, social and governance (ESG) factors can enhance the value of our investments, particularly over the long-term. We believe in engagement as a path for verifiable and tangible impact, focused on material issues. We are committed to supporting companies in building and sustaining good governance and progressing their practices on material environmental and social matters. In order to incentivise all issuers and companies, we are committed to transparent voting following a robust assessment and review of the practices of a company. We will use our voting rights to support what we consider to be in the best interests of the PPF and its stakeholders.
- We engage regularly with our asset managers and agents, and encourage them to demonstrate clear and transparent engagement and voting practices while also acknowledging our stewardship priorities. We’ll always seek to exercise our rights as shareholders to vote our ballots, unless it is operationally impractical or prohibitively expensive, for example due to share blocking markets or overly complex Power of Attorney requirements. The PPF also operates a share lending scheme. We will determine on a case by case basis whether it is appropriate to recall shares to facilitate us voting our full position at a shareholder meeting.
- For our segregated Public Equity mandates, we work with a designated stewardship provider, EOS at Federated Hermes (EOS), who we closely align with and participate actively in client discussions defining their engagement plans. We have direct oversight of the voting execution within our segregated equity mandates. This allows us to exercise our voting power and ensure consistency in our strategy. For our pooled equity funds, we have oversight of our managers’ stewardship activities and outcomes through regular review and quarterly reporting from them. Where possible, we set up split voting arrangements with managers of pooled funds, allowing us to instruct voting in a consistent manner. We monitor the consistency of our voting across mandates, in particular for any companies and issues with significant importance such as companies on our watchlists.
2. Our voting principles
- We are guided by the best practice as demonstrated by our stewardship provider, EOS, and our voting principles closely align with their global voting guidelines.
- No abstentions:** We aim to take an active position on matters open to vote and aim to either vote in favour or against a resolution and only abstain in exceptional circumstances, such as where our vote is conflicted or a resolution is to be withdrawn.
- Support for management:** We seek to be supportive of boards and to vote in favour of proposals unless there is a good reason not to do so in accordance with our voting guidelines, global or regional governance standards or otherwise to protect our interests.
- Consistency of voting:** We aspire to be consistent in our votes across our entire portfolio. We seek to provide clarity of our positions through our asset managers and designated stewardship provider, in accordance with our RI strategy and stewardship priorities. However, we recognise the limitations of investing across a range of mandates, especially the challenges of implementation within pooled funds at times, and we do this on a best effort basis.
- Engagement:** Engagement is a fundamental aspect of our RI strategy, which we apply across all asset classes. Within our Public Equity portfolio, we have identified a list of high-priority companies (‘watchlist’ companies) for which additional analysis is undertaken prior to voting. Should we determine that voting against a resolution is warranted if there is a reasonable prospect that engagement will generate further information to enable a better quality of voting decision, we will seek to do so. We’ll also seek to inform such companies of any anticipated votes against management, together with the reasons why, through our designated stewardship provider.
- On matters related to good governance such as Board independence, competent leadership or separation of key governance roles, we leverage the deep expertise and recommendations of our stewardship provider.
- Climate Watchlist:** We continue to operate a Climate Watchlist, in line with the IIGCC’s Net Zero Stewardship Toolkit’s guidelines. This has been updated in 2025 to reflect our Public Markets Portfolios’ top emitting companies in material sectors that collectively are responsible for over 70 per cent of the financed Scope 1 and 2 emissions. In addition to our high-priority watchlist companies, we will review the information provided at shareholder meetings and for these Climate Watchlist companies.
- Escalation:** Using our proxy votes effectively may form part of our formal escalation strategy, which can be leveraged where company practices have failed to improve or are improving too slowly. Ultimately, whilst threshold levels exist in relation to corporate behaviour, the variance of what is considered acceptable progress is significant due to factors such as location, company size and sector. Qualitative analysis of the shareholder meetings can result in one or more resolutions being voted against, should we consider it in our best interests.
3. Key themes for 2026
- With a specific focus on financially material issues, we identify key ESG matters that are of particular importance in a specific AGM season and highlight them through targeted engagement.
- Climate change
- As noted above, with the continued application of the Climate Watchlist, climate change is a key area of focus for the PPF when considered to be financially material to our investment in a company, and seeking to contribute to the global transition to Net Zero is a fundamental part of our approach to management of climate-related risks. Read our Climate Change policy for more details. Through our stewardship provider and participation in investor-led initiatives, we encourage tangible progress around Net Zero and work with both our managers and companies to facilitate the transition to a low-carbon economy.
- In order to track and encourage progress on climate, we utilise the management quality assessment of companies that are analysed by the Transition Pathway Initiative (TPI). We are also informed by the Climate Action 100+ Net Zero Benchmark for those companies included in this assessment. We also will be guided in our voting by the industry initiatives around Net Zero alignment for both asset owners and our asset managers.

Appendices continued

For 2026, expectations for climate-related voting guidelines have been developed, taking the below factors into consideration:

Climate Action 100+ Net Zero Benchmark

- Companies identified as lacking comprehensive medium-term greenhouse gas emissions reduction targets and/or alignment with TCFD recommendations (now absorbed into IFRS S1 and S2 guidance) by the Climate Action 100+ (CA100+) Net Zero benchmark, or those scoring poorly across the benchmark.
- Companies identified as failing to appropriately reflect, or demonstrate consideration of, material climate-related risks in their financial statements by the CA100+ Net Zero benchmark or other sources.
- Companies identified as laggards in the general management of climate-related risks and opportunities through a proprietary aggregate score derived from the CA100+ Net Zero benchmark.

Transition Pathway Initiative

- Any company scoring below Level 3 on the Transition Pathway Initiative (TPI) Management Quality Score. Companies in the oil and gas, coal mining, electric utilities, mining & materials, or automotive sectors, and/or European, UK, Australian or New Zealand companies scoring below Level 4 will also be flagged, or those not achieving indicator 16 requiring scenario planning.

Banks

- Banks without a medium-term target for reducing emissions associated with its financing activities and/or those that do not recognise climate-related risks as a key risk category or explain the exclusion.

Coal

- Companies included on the Global Coal Exit List without Paris-aligned coal phase-out plans and those listed as expanding coal-related infrastructure.
- Banks with significant exposure to thermal coal in the absence of a coal policy, drawing on the Still Banking on Coal dataset.

Paris Alignment

- Companies identified by the Global Oil & Gas Exit List as significantly expanding tar sand and extra heavy oil assets without the necessary investment guardrails. We deem these assets as the most unlikely to be Paris-aligned and, therefore, to pose the greatest financial risk.
- Upstream oil & gas companies with a methane emissions intensity above 1 per cent of volumes, as assessed by the ERM.

Shareholder proposals: With the rise of ‘anti-ESG’ proposals and increasing volumes, increased scrutiny is given to proposals and proponents to ensure voting aligns with our beliefs. We will continue to review shareholder proposals related to climate change internally where appropriate.

Biodiversity

Deforestation: There will be a continued focus on companies scoring poorly on Forest500. This is defined as companies that score below 10 on the Forest 500 ranking (assesses companies’ disclosure and management of deforestation risks), and Financial Institutions that score 0 on the Forest 500 ranking.

Antimicrobial resistance (AMR): We will generally seek to support shareholder proposals on the topic where they are relevant and aligned to our interests.

Assessing human rights laggards

Following significant development in recent years targeting laggards across several focus areas, the approach for 2026 will remain largely unchanged.

We may recommend a vote against responsible directors if:

General failings: a company is in clear breach of its applicable regulatory responsibilities (e.g. UK’s Modern Slavery Act), or has caused or contributed to egregious, adverse human rights impacts or controversies, without providing appropriate remedy. Also, as evaluated by the engagement manager and/or severe controversy scores by third-party ESG data providers. See more on Modern Slavery below.

Benchmark laggards: a company scores significantly lower than industry peers (bottom 15-20%) within credible external benchmarks of companies on human rights, without providing a sufficient explanation or a commitment to improve:

- 2023 Corporate Human Rights Benchmark (ranks some of the world’s largest companies on the policies, processes and practices they have in place to systematise their human rights approach and respond to serious allegations)
- 2022 Ranking Digital Rights Index (ranks some of the world’s largest technology companies on their commitments and policies affecting users’ freedom of expression and privacy rights)
- 2022 BankTrack Human Rights Benchmark (ranks some of the world’s largest banks on their progress towards fully implementing the UNGPs)
- 2025/2026 Know the Chain Index (ranks some of the world’s largest companies on their current corporate practices to identify and eradicate forced labour risks in their supply chain).

Modern Slavery

Modern Slavery will continue to be a topic of key focus in the UK. Given the systemic nature of Modern Slavery and the serious risk it poses to businesses and investors, we expect all UK businesses covered by the Modern Slavery Act (the Act) to meet the reporting requirements of the Act. We further encourage the members of the FTSE 350 to be leading in this area, and to take substantial action to address the prevalence of slavery within their supply chains.

The quality of reporting delivered under Section 54 of the Act can act as an important marker for how seriously senior management are taking this risk. It improves accountability and enables companies to identify the areas of their business most at risk. Companies that meet the reporting requirements and clearly disclose the areas of their businesses most susceptible to Modern Slavery benefit from increased investor confidence. Conversely, non-compliance with the Modern Slavery Act poses a serious risk to long-term investors.

In 2026, we will continue as members of the PRI collaboration initiative Votes Against Slavery. The purpose of this initiative historically has been to engage with FTSE 350 companies around their public disclosure in compliance with the Act, by writing to the board of each non-compliant company with a targeted letter explaining the nature of non-compliance, and the steps needed to achieve compliance. In 2024, this was expanded to cover AIM companies that fall under the remit of the Act.

We will again consider withholding our support for the approval of the annual report & accounts at the company’s next annual general meeting, should the required changes to achieve compliance not occur prior to the annual general meeting. All non-compliant companies have been contacted and details of perceived non-compliance communicated.

Diversity & inclusion

Board diversity

We believe that board members should broadly reflect the diversity of society and that there is value in diversity of thought, skills and attributes.

We will consider voting against relevant directors and/or the chair where we determine that board diversity (by gender, ethnicity, age, relevant skills and experience, or tenure) is below our minimum expectations and we determine the company is making insufficient progress to improve. Thresholds may be set at a market level to recognise best practice in the region (for example around gender and ethnicity) or may be applied globally (for example around skills and experience).

In 2026, we consider the following to be minimum expectations and will likely oppose the chair or other responsible directors if not met:

UK: In the UK, we support the changes to the FCA’s listing rules for board diversity and encourage companies to disclose whether they comply – or, if not, why not – with the following targets: at least 40 per cent of board seats and at least one senior board position (chair, CEO, CFO or SID) held by a woman, and at least one board seat held by someone from an ethnic minority background. FTSE 350 companies will receive stricter voting outcomes for being non-compliant with FCA Listing Rules approach to gender/ethnic diversity (40 per cent female, one ethnic minority, one female at exec. level).

Europe and Australia: Matching diversity/independence thresholds with local best practice (e.g. min. 30 per cent female in all markets) and continued focus on below board-level diversity. German MDAX constituents are encouraged to meet the 40 per cent diversity target in addition to DAX companies.

Asia/GEMs markets: Following the introduction of minimum gender targets of 15 per cent female directors across all markets, this guideline has been developed into market-specific minimum aspirations for board and management diversity. These aim to strike a balance between market context and international good practices.

In most Asian markets and emerging markets, we seek for the board to be comprised of at least 30 per cent women by 2030 and in some markets, we encourage boards to achieve this level well in advance of 2030. Ten Asian and emerging market countries are now expected to meet the 30 per cent gender diversity guideline.

Other Board governance/remuneration and Audit Voting policy changes

For 2026 we are maintaining the below in relation to wider corporate governance issues:

Board Independence in Developed Markets (ex-US)

We have amended the director independence criteria, introducing a five-year ‘cooling off’ period for executives being appointed to key board positions, compared to a two-year period required in 2024.

Remuneration

We will harmonise standards across regions to improve consistency (e.g. increased focus on disclosure at all Asia/GEMs and European markets); ‘common rules approach’.

Japan

Given the continued issues relating to capital inefficiency in the Japanese market, the policy will be further developed to focus on promoting wind down of cross-shareholding >5 per cent of net assets via vote recommendations against directors.

Appendices continued

Appendix F

Stewardship section of our ESG questionnaire

Our ESG questionnaire is a scored mandatory list of questions that prospective asset managers must answer on a pass/fail basis to progress through the tender process. Below is a sample list of questions within the Stewardship section of the questionnaire.

1. Are you a signatory or do you intend to apply for signatory status to the UK Stewardship Code, or other national stewardship codes? Yes/No

a) If you are not a signatory to the Stewardship Code, please provide rationale.
2. Please explain how active ownership practices, such as company engagement, are integrated into investment decisions.
3. How do you set objectives, measure progress and report on the outcomes of your engagement with issuers on ESG issues?
4. How do you encourage better disclosure from corporates, especially regarding climate risks?
5. For what percentage of investments (by value, over the last year) have you undertaken engagement on climate change, environmental, social and governance issues?

– If percentage > 0, please provide detail on processes (e.g. on monitoring processes, engagement strategy) by engagement topic.

– Please provide recent examples of such engagement and your assessment of the effectiveness of your stewardship activities, e.g. instances of positive change at issuers versus the level of influence you had on the issuer.

– If percentage = 0, please explain why engagement was not undertaken.
6. What escalation processes do you have in place for situations of continued underperformance on the engagement objective? Please give two recent examples of where this has occurred in practice.
7. Please also describe in detail your approach to voting shares, and whether your voting actions are determined internally or outsourced to a proxy voting agency. If the latter, do you ever override the agency's recommendations? Please give a recent example.
8. How do you approach ESG and climate-related ballot items in your voting decisions? Have you voted against management and/or filed or supported shareholder resolutions on ESG or climate issues? If so, please give an example of where you have done this, and your rationale for doing so.
9. How do you overcome challenges such as share blocking markets or stock lending procedures when looking to exercise your votes?
10. What customisation do you offer to clients on voting decisions – can clients retain votes to determine in line with their own policies? Please also describe the fund-specific reporting on all voting that you provide.
11. Please describe what engagement activities you carry out from a policy, market-functioning or industry perspective.

Appendix G

Our standard RI external manager contract terms

A1. Responsible investment

A1.1 The Fund Parties acknowledge the importance that the Board places on principles of corporate governance and responsible investment. The Fund Parties agree to give appropriate consideration to the relevant principles which may include the Principles for Responsible Investment, to which the Board is a signatory. The Fund Parties acknowledge that they have received, read and understood the Board's Statement of Investment Principles. The Fund Parties acknowledge the Board's need to consider long-term and systemic risk factors in order to manage risks which are relevant to its long-term investment horizon and its statutory responsibilities.

A1.2 The Fund Parties will have a process for monitoring current or potential investments in relation to relevant long-term factors including environmental, social and governance (ESG) and climate-related concerns. The Fund Parties will ensure that their staff apply due care and diligence to implementing this monitoring process, including considering the extent to which such factors generate investment risks or opportunities.

A1.3 The Fund Parties will, in accordance with the Board's commitment to responsible ownership set out in its Statement of Investment Principles, engage in such activities as are appropriate in the circumstances to monitor and influence the management of the issuing entities and other underlying assets, where such activity is considered by the Fund Parties to be likely to enhance the value of such securities and in the best financial interests of the Fund.

A1.4 The Fund Parties will procure the exercise of any voting rights attached to the Portfolio investments on the Board's behalf, in accordance with the Fund Parties' voting policy and any market-specific guidelines approved by the Board. The Board reserves the right to rescind, upon one day's advance written notice, the Fund Parties' authority to make voting decisions for specific companies, issues or time periods. The Fund Parties will use best endeavours to facilitate such Board voting decisions to be implemented. The Fund Parties will have in place appropriate policies to manage any conflicts of interest in relation to voting matters and shall report at least quarterly on all votes involving companies where the Fund Parties or an affiliate has a contractual relationship or other material financial interest.

A1.5 The Board has put in place a responsible investment policy, addressing controversial weapons, company conduct and sovereign bond exposure detailed further below:

A1.5.1 The Board will expect companies that are directly involved in the production of anti-personnel landmines, cluster weapons, chemical weapons and biological weapons and of essential components of these weapons to be excluded from its investment universe.

A1.5.2 The Board will expect the Fund Parties to exclude from the investment universe: (A) sovereign bonds issued by countries subject to complete UN arms embargoes which the UK supports; and (B) investments in companies involved in the cultivation, production, manufacture, sale and/or distribution of cannabis and cannabis-related products, the proceeds of which would contravene the UK's Proceeds of Crime Act 2002 which is binding on the Board.

A1.5.3 The Fund Parties acknowledge the Board's interest in investee companies making all reasonable efforts to abide by the UN Global Compact and the OECD Guidelines for Multinational Enterprises and that the Board expects its managers to assess the significance of risks and opportunities in relation to their fund's investments. Such assessment may include, where applicable and appropriate, the consideration of the above guidelines. The Fund Parties will assist the Board as is reasonably necessary to manage reputational risks and/or investigations that may arise from individuals' investments made where investee companies fail to abide by the above guidelines. Such assistance may include the sharing of the investment research or, in the extreme, divestment or future segregation of profit or loss relating to any investment for which material reputational issues arise.

A1.6 In respect of clauses A1.5.1 and A1.5.2 above, the Fund Parties will be provided with a list of excluded companies and countries which may be updated by notice given in writing from time to time using the form specified in Annex A, signed in accordance with the Board's signing authorities. Such notifications may be sent via email containing a scanned PDF copy of the instruction, sent to Fund to confirm (or such other email account as is notified by the Fund Parties to the Board in writing).

A1.7 In addition, the Board will provide the Fund Parties with an Excel document confirming the constituents of the Exclusion List as provided in the scanned PDF copy. Following receipt of such instruction, the Fund Parties shall use reasonable endeavours to effect such exclusions within a reasonable timeframe and will confirm to the Board that the portfolio has been brought in line with the requested exclusions.

If it becomes clear to the Fund Parties that for any reason it will not be possible to bring the portfolio in line with the requested exclusions, the Fund Parties will notify the Board.

A1.8 The Fund Parties shall prepare and send to the Board and such other person or persons notified from time to time to the Fund Parties in writing on behalf of the Board as soon as reasonably practicable and in any event no later than eight (8) Business Days after the end of the relevant quarter, quarterly reports on:

A1.8.1 compliance with the policies and standards set out in the Statement of Investment Principles and Principles for Responsible Investment, including any instances where those policies and standards were set aside in order to achieve investment objectives;

A1.8.2 the key material ESG and climate-related concerns and relevant metrics associated with Portfolio investments and an explanation of how the Fund Parties have sought to identify, monitor and manage them;

A1.8.3 the stewardship activities – including issuer engagement – during the reporting period, including evidence of the effectiveness of those activities; and

A1.8.4 voting activities over the reporting period, including full disclosure of any votes and an explanation of any exercises of discretion under the Fund Parties' voting guidelines and conflicts of interest.

Appendices continued

Appendix H

RI criteria and ESG considerations within our investment process

RI criteria and ESG considerations as part of our investment process

Stage	1. Request for proposal/ identification	2. Selection/ due diligence	3. Appointment	4. Post funding
ESG requirement	Evidence of firm-level and strategy-level ESG policy, PRI support, and capabilities or resources for ESG integration	Ensure ESG processes are in place, appropriate industry guidelines are followed and reporting is available	Binding ESG and climate risk clauses inclusion in legal documentation (e.g. IMAs and side letters)	Ongoing monitoring and engagement with external managers, regular fund-level ESG, carbon and stewardship reporting; commitment to continuous improvement

Appendix I

Disclaimers

Use of artificial intelligence

Disclaimer: This report utilised artificial intelligence tools during some stages of the drafting process in order to support clarity and efficiency. No data or underlying evidence has been generated utilising artificial intelligence. All content has been reviewed and approved by the authors to ensure it meets the PPF’s standards of integrity and accuracy.

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Appendix J

PPF Climate Change policy

Ambition: We’re committed to supporting the UK Government’s Net Zero by 2050 target and are taking all reasonable steps to achieve this for our own operations by 2035 or sooner. For our investments, we seek to contribute to the global transition to Net Zero through our portfolio and engagement activities.

Beliefs: As a long-term investor, the PPF has a duty to consider all financially material risk factors in our investment decisions, including climate-related. We believe climate change can materially impact businesses, markets and economies globally in a number of ways, from a societal perspective as well as environmental.

The PPF has developed a specific Climate Change policy, as we see climate change as a systemic and non-diversifiable concern that has the potential to significantly affect the value of our investments across the short, medium and long term, throughout the global economy. We also believe that opportunities can exist and be exploited for companies and assets well-positioned for the transition to a low-carbon economy and for adaptation in relation to increasing physical risks. Through sharing our experiences, we can encourage others to increase investment focus in these areas to drive forward the transition.

Assessment: We recognise the complexity and barriers to identifying and assessing the forward-looking financial materiality of climate-related impacts on our investments. However, we seek to assess the exposure of our investments to climate-related risks and opportunities through a range of metrics and analysis, as the tools available to measure these evolve.

Consideration is given to the potential impacts on asset prices and return expectations across both short and longer-term time horizons, and how this could inform our decisions around Strategic Asset Allocation and portfolio construction.

We oversee all new and existing investment arrangements in a way that takes account of climate transition and adaptation risks, as well as resilience, opportunities and inclusivity, in line with the 2015 Paris Agreement commitment to keep the average global temperature rise this century to well below 2°C above pre-industrial levels and aim to limit the increase to 1.5°C through an orderly transition.

Manager Expectations: We expect our external asset managers to understand and integrate material climate-related risks into their analysis and investment process, including undertaking carbon footprinting and scenario analysis, assessing asset exposure to physical risks, and engaging with issuers, where relevant for their asset class. We expect our managers to exercise their voting rights and engagement resource to positively influence the companies in their portfolio to transition to a low-carbon economy.

These expectations are a requirement of our manager selection process for new investment mandates. Managers that cannot demonstrate their commitment to meeting these expectations will not be appointed.

In monitoring the exposure and performance of our external managers, we review how they are managing climate-related risks and opportunities, including voting and engaging with issuers on climate-related issues, and how they are reporting to us on their actions. We share examples of best practice to promote consistency and alignment of approaches across our investment mandates.

Engagement & Collaboration: A significant part of our climate strategy to support the transition is implemented through our Climate Watchlist. This serves as an engagement focus list of companies that are responsible for over 70 per cent of our Public Markets Scope 1 and 2 financed emissions. We not only engage directly with selected companies, but also utilise our external managers and engagement service provider to achieve engagement objectives. Where sufficient progress is not considered to be taking place, we have developed an escalation policy, which provides a framework to drive change at these companies.

We seek to encourage greater climate disclosure by supporting disclosure frameworks such as the CDP and the Task Force on Climate-related Financial Disclosures (TCFD), and by engaging with companies identified by Climate Action 100+ and the Net Zero Engagement Initiative, so that exposure to climate risks (and opportunities) can be better understood and managed.

We also collaborate with the wider investment community on climate change issues, as a signatory to the Principles for Responsible Investment (PRI) and as a member of the Institutional Investors Group on Climate Change (IIGCC).

Policy Engagement: As stated in our Sustainability strategy, we support the UK Government’s Net Zero commitment and aspiration to make the UK the world’s first Net Zero aligned financial centre. We seek to actively contribute to public debate on climate change risks and opportunities and use our influence to promote the growth of a sustainable pensions industry. We consider collaboration through industry groups such as the IIGCC to be valuable platforms for driving change.

Reporting: We will communicate and engage on the actions and progress that have been taken around our climate change strategy to relevant beneficiaries and stakeholders, reporting in line with TCFD guidance for asset owners.

Appendices continued

Appendix K
Disclosure metrics from the 2025/26 Annual Report and Accounts

PPF carbon footprint Public Equity Scope 1 & 2 metric ¹	2025	2024	2020 (baseline year)	Changes from 2024 to 2025 (%)	Changes from baseline 2020 to 2025 (%)
Metrics based on investor allocation (EVIC)					
Total financed carbon emissions (tCO ₂ e)	197,613	168,806	797,637	17%	-75%
Financed carbon emissions (tCO ₂ e/\$m invested)	52	49	122	6%	-57%
Metrics based on portfolio weights (WACI)					
Weighted average carbon intensity (tCO ₂ e/\$m revenues) ²	90	87	243	3%	-63%
Equity benchmark weighted average carbon intensity (tCO ₂ e/\$m revenues)	61	73	300	-16%	-80%
Market value of the fund's equities covered by carbon data (\$m)	3,969	3,470	6,528	14%	-39%
Proportion of the fund's equities for which data is available (%)	96%	97%	97%	-1%	-1%

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PPF carbon footprint Corporate Credit Scope 1 & 2 metrics ³	2025	2024	2020 (baseline year)	Changes from 2024 to 2025 (%)	Changes from baseline 2020 to 2025 (%)
Metrics based on investor allocation (EVIC)					
Total financed carbon emissions (tCO ₂ e)	230,801	244,628	361,360	-6%	-36%
Financed carbon emissions (tCO ₂ e/\$m invested)	26	31	58	-16%	-56%
Metrics based on portfolio weights (WACI)					
Weighted average carbon intensity (tCO ₂ e/\$m revenues)	80	71	328	12%	-76%
Credit benchmark weighted average carbon intensity (tCO ₂ e/\$m revenues)	196	193	257	2%	-24%
Market value of the fund's Corporate Credit covered by carbon data (\$m)	9,393	8,004	6,214	17%	51%
Proportion of the fund's Corporate Credit for which data is available (%)	96%	98%	90%	-2%	7%

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- 1 For our aggregate Public Equity holdings, we continue to include the equities from our Public Equity and Absolute Return portfolios (long positions only).
- 2 Equity benchmark changed from FTSE All-World Minimum Variance Index to FTSE Custom All-World Climate Minimum Variance 100% GBP Hedged Index on 1 August 2021.
- 3 For our aggregate liquid Credit holdings, we continue to include the corporate bonds from our Strategic Cash, investment-grade Credit (including Sterling short-duration Credit), Emerging Market debt and Absolute Return portfolios (long positions only). The Credit benchmark is Bloomberg Barclays Global Credit Index 100% GBP Hedged.

PPF carbon footprint UK Credit Scope 1 & 2 metrics ⁴	2025	2024	2020 (baseline year)	Changes from 2024 to 2025 (%)	Changes from baseline 2020 to 2025 (%)
Metrics based on investor allocation (EVIC)					
Total financed carbon emissions (tCO ₂ e)	50,505	75,725	102,249	-33%	-51%
Financed carbon emissions (tCO ₂ e/\$m invested)	29	36	51	-19%	-43%
Metrics based on portfolio weights (WACI)					
Weighted average carbon intensity (tCO ₂ e/\$m revenues)	113	121	156	-7%	-28%
Market value of the fund's UK Credit covered by carbon data (\$m)	1,825	2,087	2,012	-13%	-9%
Proportion of the fund's UK Credit for which data is available (%)	95%	95%	67%	0%	41%

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4 For our UK Credit holdings, we continue to include the corporate bonds from our public Hybrid Assets (HAIL) portfolios.

Metric definition:
1. Financed carbon emissions (tCO₂e/\$m invested)
Measures the Scope 1 + Scope 2 tonnes of CO₂ equivalent emissions, for which an investor is responsible, per US\$ million invested, by their total overall financing. Emissions are apportioned across all outstanding shares and bonds (% enterprise value including cash).
2. Total financed carbon emissions (tCO₂e)
Measures the Scope 1 + Scope 2 tonnes of CO₂ equivalent emissions for which an investor is responsible by their total overall financing. Emissions are apportioned across all outstanding shares and bonds (% enterprise value including cash).
3. Weighted average carbon intensity (tCO₂e/\$m revenues)
Measures a portfolio's exposure to carbon-intensive companies, defined as the portfolio weighted average of companies' carbon intensity (Scope 1 + Scope 2 tonnes of CO₂ equivalent emissions per million \$ of revenues).
4. Enterprise value including cash (EVIC)
Market capitalisation at fiscal year-end date + preferred stock + minority interest + total debt + cash and cash equivalent.
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Appendices continued

Appendix L

Our carbon footprint calculations

We report a range of carbon emissions-based metrics for our listed global Equity and Credit investment holdings to align with both TCFD and the [Partnership for Carbon Accounting Financials](#) (PCAF) guidance. We are also guided by the Department for Work & Pensions’ work around proposed metrics for pension funds.

Although our year-end is 31 March, we review our climate exposure metrics to 31 December. This allows for the greatest coverage of climate data, such as the annual corporate CDP responses made available to investors each autumn.

Our preferred metric for assessing carbon risk exposure on a day-to-day basis is Weighted Average Carbon Intensity (WACI). We feel it gives us the greatest coverage in Fixed Income where we have more significant exposure and allows us to compare similar types of assets and portfolios, regardless of investment size.

Total financed emissions

For absolute carbon emissions, we measure the total operational Scope 1 and Scope 2 carbon emissions (based on the definition set by the [Greenhouse Gas \(GHG\) Protocol](#)) using data from MSCI ESG Research. To calculate our apportioned ‘ownership’ of each investment, we’ve used Enterprise Value Including Cash (EVIC) as recommended by the PCAF.

Relative carbon intensity

To give the fullest picture of the carbon intensity of our portfolio, and so we can compare different portfolios on as close to a like-for-like basis as we can, we use two relative measures:

- **Financed carbon emissions per \$million invested:** Measuring the Financed Carbon Emissions per \$ million invested helps us understand the carbon emissions being financed by the size of our investment portfolio.
- **Weighted Average Carbon Intensity (WACI):** As recommended by the TCFD, we use the WACI footprint to monitor our portfolios’ exposure to carbon intensive companies. It’s flexible enough to use across asset classes and gives us greater coverage in Fixed Income portfolios. EM Sovereigns have their own WACI calculation – see right.

1. Absolute financed emissions metric

Total Financed Carbon Emissions in tonnes CO₂e:

$$\sum_n^i \left(\frac{\text{current value of investment in entity}}{\text{entity's Enterprise Value including cash}} \times \text{entity's GHG emissions} \right)$$

2. Relative carbon intensity metrics

Financed Carbon Emissions per million dollars invested

metric (may be shown in other currencies too):

$$\frac{\sum_n^i \left(\frac{\text{current value of investment in entity}}{\text{entity's Enterprise Value including cash}} \times \text{entity's GHG emissions} \right)}{\text{current portfolio value (\$m)}}$$

Sources: Sovereign GHG without LULUCF from United Nations Framework Convention on Climate Change (UNFCCC) and PPP-Adjusted GDP from World Bank. Sovereign Emission Intensity Formula based on PCAF standard (see page 116 of [Financed Emissions by The Global GHG Accounting & Reporting Standard Part A](#)).

Weighted Average Carbon Intensity

metric (where normalisation factor is entity’s revenues, but other normalisation factors can be used):

$$\sum_n^i \left(\frac{\text{current value of investment in entity}}{\text{current portfolio value}} \times \frac{\text{entity's GHG emissions}}{\text{normalisation factor}} \right)$$

Weighted Average Carbon Intensity for Sovereign Constituents (tonnes CO₂e/\$M GDP nominal)

Measures a portfolio’s exposure to carbon-intensive economies, defined as the portfolio weighted average of sovereigns’ GHG Intensity (emissions/GDP):

Sovereign constituents tonnes CO₂e/\$m GDP nominal

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{current portfolio value}} \times \frac{\text{sovereign issuer's GHG emissions}_i}{\text{sovereign issuer's \$m GDP}_i} \right)$$



Statement

We confirm that we have taken appropriate measures to ensure that our stewardship and sustainability reporting is fair, balanced and understandable.

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