

Embedding sustainability across our business

Our sustainability strategy is fully aligned to our purpose: to shape and support safe, robust and well-understood pension schemes for the benefit of people and society. But we know sustainability must go beyond our purpose. It must also be embedded in our business.

Our approach to sustainability forms a major part of our corporate strategy. It is integrated into our business model so that by delivering on our mission to be leaders in pensions, investment consulting and administration, we are able to challenge our brilliant people and the wider pensions industry to improve and achieve better outcomes for members.

Celebrating our FY 2023 milestones

As part of further embedding sustainability across our business, we made good progress last year towards our targets, with a particular focus on understanding the impact of our business operations on the environment; and supporting and developing our people. Our highlights from last year include:



As we grow, our responsible business ambition is to ensure that we do so in a responsible and sustainable way. As well as advancing sustainability across our business, we are working with our clients, communities, suppliers and colleagues to do the right thing, focusing on areas that are material to our business and stakeholders.

Snehal Shah
Chief Financial Officer

Focus on governance	Focus on people	Focus on communities	Focus on our clients	Focus on our environment
<ul style="list-style-type: none"> Completed an externally facilitated Board evaluation Achieved 43% female representation on the Board Embedded sustainability considerations in Executive objectives 	<ul style="list-style-type: none"> Achieved 98% agreement that 'XPS is a good place to work' Provided cost-of-living support to everyone under Partner level in form of mid-year pay rise Achieved 31% female representation in senior management 	<ul style="list-style-type: none"> Over £58,000 donated to charity Piloted a volunteering programme near our offices Updated our supplier Code of Conduct 60 apprentice opportunities provided 	<ul style="list-style-type: none"> Re-confirmed as a signatory to new UK Stewardship Code After independent research, we have increased our designated sustainable funds to 34 We now have 23 clients in sustainable funds representing £1.9 billion AUM 	<ul style="list-style-type: none"> Increased ISO 14001 certification with 2 additional offices Increased from 2 to 8 offices with 100% renewable energy Maintained carbon neutrality for a second year in a row Launched employee electric car scheme

Strengthening our sustainability framework

We launched our sustainability framework in 2020, and over the course of 2021 and 2022, we further developed ambitions and targets for each of the five pillars. From stakeholder feedback and desk research, we believe that our sustainability framework continues to address our main material issues. Our intention is to update our Materiality Assessment at least every three years, and we will be undertaking this exercise in the next financial year.

Below you can find a high-level overview of our sustainability framework, where we have aligned our sustainability ambitions with the UN Sustainable Development Goals. We have focused on the goals which are most relevant to our business, and where we think we can have the greatest impact; they are included in the sustainability framework below.

Focusing on governance

Goal

Operate to a high standard of corporate governance

Material topics

Business ethics and value, corporate governance, cyber security and data privacy, human rights and modern slavery

SDG alignment



Focusing on our people

Goal

Create a supportive environment where employees can thrive

Material topics

Employee engagement, inclusion, equality and diversity, learning and development, employee wellbeing

SDG alignment



Focusing on our communities

Goal

Create a positive impact wherever we operate

Material topics

Community engagement, charitable giving, supply chain engagement

SDG alignment



Focusing on our clients

Goal

Help clients and scheme members achieve positive long-term outcomes

Material topics

Sustainable products and services, responsible investment

SDG alignment



Focusing on our environment

Goal

Reduce our impact on the environment and help others do the same

Material topics

Energy usage and climate change, environmentally friendly culture

SDG alignment



Our sustainability approach is overseen by the Sustainability Committee, a Board Committee established in 2021 and chaired by Non-Executive Director Sarah Ing (details of the Committee's composition can be found on pages 74 and 75). Here you can also read about the activities of the Committee, which included overseeing the implementation of the I&D and environmental strategies, reviewing our responsible investment solutions and our approach to sustainability reporting.

The executive sponsor of sustainability is Snehal Shah, Chief Financial Officer, and the entire management team drives the implementation of our sustainability framework approach across the divisions and functions of XPS Pensions Group.

It is supported by champions from every part of the business as well as dedicated professionals such as Alex Quant, Head of ESG for the investment business (details of the entire team can be found on page 75).



Focus on governance

Promoting integrity and ethical behaviour

Good governance underpins our purpose, allows us to meet the needs of our stakeholders and is the foundation for all our sustainability efforts. In FY 2023, we worked with the Board to meet evolving corporate governance expectations.

At the heart of our approach to good governance sits our goal to operate to a high standard of corporate governance. This means complying with the UK Corporate Governance Code as well as new and evolving regulations such as the new FCA Listing Rules. Compliance with our internal processes and procedures can only be achieved through ethical behaviour in line with our values and culture.

Ensuring the Board is diverse and experienced

Good governance starts with the right tone being set from the top. That's why we're pleased that in FY 2023 43% of our Board was female. With the appointment of Margaret Snowden OBE as Senior Independent Director we also meet the requirement of at least one senior Board position being occupied by a woman. You can read more about the composition of the Board on pages 60 and 61.

As three years have passed since the last one, the year under review saw us complete an externally facilitated Board evaluation. The focus was on ensuring that the Board has the right knowledge, expertise and experience to provide robust oversight. From a sustainability point of view, we have strong capability at Board level spread across several Directors. You can read more about the results of the Board evaluation on pages 64 and 65.

Sustainability is not just the purview of the Sustainability Committee. Other Board Committees also provide oversight over matters relating to sustainability, the Audit & Risk Committee oversee the identification and mitigation of sustainability-related risks. You can read more about the Audit & Risk Committee on pages 70 to 73.

During the year, the Investment Committee (which comprises of the most senior members of the investment business and led by Ben Gold, Head of Investment at XPS and a Director of XPS Investment Limited) oversaw the overall XPS investment approach and as such took a keen interest in how ESG and stewardship are embedded in our advice to clients.

We continue to comply with the UK Corporate Governance Code 2018. Please refer to page 57 for our Statement of Corporate Governance.

Aligning performance with sustainability

Key to the success of our sustainability framework is incentivising the delivery of our ambitions. That's why in 2022 we embedded sustainability considerations in the Executive performance evaluation process. Linked to our sustainability framework, we introduced sustainability as part of the executive objectives. You can read more about how Executive performance is managed and rewarded in the Remuneration Committee report on pages 76 to 99.

43%

of Board members
are female

Completed

an externally facilitated
Board evaluation

Integrated

sustainability consideration in
Executive objectives

Sustainability is further embedded across our business by using our values and culture to promote the right behaviour.

In 2020, we introduced the Values in Practice (VIP) Programme, accompanied by our VIP Awards. Last year, the nominees and winners of our VIP Awards stood out for their commitment to sustainability. This is how we recognise the contribution that everyone can make to delivering our sustainability ambitions.

Our values

Our values and our culture drive everything we do in the business. Firstly, our culture defines our interactions with all our stakeholders

– clients, shareholders, regulators, employees, contractors, suppliers, communities, charities and the environment. The interests of all our stakeholders shape our decision

making and business model and are vital to our ongoing ability to achieve our goals. Read more about how we engage with our stakeholders on pages 24 and 25.



We are ambitious XPS is an ambitious business. We're aiming high to achieve our purpose of benefiting people and society. We have ambitious goals for our clients, our industry and ourselves. This means leading our industry in thought, action and opinion. It means we are progressive and think differently about pensions. We invite bold thinking and actions within our business, and we give each person the support they need to become their very best.



We are agile We're forward thinking, innovative and quick moving. When we see a better and more sustainable way to do something, we make change happen. We don't just stick to the way things have always been done in our industry. We take a fresh look and find new ways of achieving the best outcomes for our clients while benefiting people and society.



We are helpful We build and sustain great relationships with our clients and with each other. This means we're always ready and willing to help out. Clients and colleagues know they can trust us. We listen and we are helpful. Ultimately, we aim to make people's lives better and we play an active role across our industry and wider society to help achieve this. We work hard together, we support each other, and we have fun together.



We are experts We know our stuff and we each bring something special to our collective knowledge. We make a point of cultivating our individual expertise and diversity of thought – and we use it, share it and support each other for the benefit of our clients and colleagues every single day. We understand the responsibilities that come with our skills and abilities, so we each put them to good use and build on them with constant learning.



We do the right thing We're inclusive, approachable, honest and fair, both with our clients and each other. We value everyone's unique contribution, recognising and rewarding hard work. We act with integrity and honesty, speaking up if something doesn't meet our standards. By following these values we'll grow responsibly and sustainably, for everyone's benefit.

Secondly, our values and culture underpin our compliance with our core corporate policies and procedures. These include:

- **Business Code of Ethics:** this outlines the principles and values that we expect all our people to adhere to in relation to areas such as harassment and bullying, treating customers fairly, inclusion and diversity, financial crime and dealing with vulnerable customers. In FY 2023, 100% of our employees completed an annual programme of mandatory training. Topics include financial crime, bribery and corruption, insider trading, modern slavery, data protection, and cyber security. This training is managed and monitored by the Compliance and Information Security teams.

- **Anti-bribery and Corruption Policy:** this outlines our zero tolerance for any activities or behaviours that are not in line with our values and specifically spells out our expectations around financial dealings. This policy is supported by a whistleblowing process. In FY 2023 there were no reports of suspected misbehaviour.
- **Modern Slavery Policy:** this outlines our expectations of our business and our suppliers to value and behave in a way that is respectful of human rights. 100% of our people completed awareness training on modern slavery and how to spot it last year.
- **Supplier Code of Conduct:** this contains our commitments and expectations around human rights and social responsibilities, discrimination, freedom of association, environmental protection and health and safety in our supply chain.

- **Cyber security and data privacy:** our Information Security Management System (ISMS) was certified to ISO 27001 in 2022 and the effective deployment of our ISMS is independently verified through our Cyber Essentials Plus certification. Last year, all our colleagues undertook mandatory training on protecting client, employee and corporate information, including regular phishing awareness exercises. We continuously review and develop our controls to meet new and emerging threats.

All our policy-related training is supported by regular communications with staff to raise awareness of how we can safeguard customer information.

Focus on our people

Empowering people to thrive

Our people are our greatest asset. We want to provide them with a positive and collaborative working environment where they are members of diverse and inclusive teams. During the year, we achieved very positive employee engagement scores and set ambitious targets for gender diversity.

Our goal is to create a supportive environment where people can thrive. This means that we engage with our people on issues such as diversity, inclusion, and learning and development to ensure they have a chance to reach their potential, which in turn means we are well placed to deliver for our stakeholders.

Engaging our people

We want to provide a positive, open and collaborative working environment, with rewarding work and development opportunities to ensure our people have the chance to fulfil their potential. This is crucial to our continued business success and in meeting the expectations of our clients, because an engaged team helps us operate effectively and provide excellent client service.

Management regularly engages with our employees via an Employee Engagement Group and through a range of formal and informal channels. These include weekly all-staff messages from our Co-CEOs, senior leader webcasts, town halls, team meetings, and online publications via our intranet. We expanded our communication further in 2022, both to allow colleagues' input into decisions that may affect their interests and to share key information regularly.

Our Employee Engagement Group (EEG), chaired by Non-Executive Director Margaret Snowden OBE, continued to meet on a regular basis in FY 2023, facilitating direct

communication between employees and the Board. Our EEG duties include reviewing the Directors' Remuneration Report and Executive Remuneration Policy (reviewed every three years), providing feedback on policies and employee surveys and any other issues the Chair wishes to discuss with XPS colleagues. The group provides a channel to ensure senior management focuses on things that matter to our employees.

In summer 2022, we partnered with The Happiness Index (THI) and rolled out an employee voice tool. This is a 24/7 listening tool which provides a safe and anonymous platform that empowers our employees to give feedback on their terms. It is not designed to replace other aspects of our listening strategy but is a platform which allows the sharing of ideas and feedback. It drives engagement and allows us to be agile. It also helps us find ways to improve their experience at work and invest in our people's skills and development.

We also used THI to help us launch a new programme of group-wide employee engagement surveys. The platform was used for our annual Employee Engagement Survey last October and the results demonstrated that our employees are engaged with their roles, that they understand our values, and that they believe we have an inclusive culture where anyone can thrive no matter their background.

98%

think XPS is a good place to work

+33

eNPS

99%

are committed to helping XPS succeed

For instance, 98% said that 'XPS is a good place to work' and 99% felt 'committed to helping XPS succeed'. We also asked colleagues an Employee Net Promoter Score question, which asked 'How likely are you to recommend working here to a friend or relative?' This scored +33 which is a good indicator of our progress in creating a good place to work (2021 survey: +5).

Following the results, action plans were put in place to address some of the issues raised, namely around resourcing, career progression, recognition and wellbeing.

Each office has the ability to recognise colleagues' efforts. We use Actus, our performance management tool, to give more formal recognition for good work. We also have our Values in Practice (VIPs) Awards,



31%

of our senior management were female in 2023

In 2022, we built on our inclusion and diversity (I&D) framework, which we launched in 2021. Clear priorities have been set in each area and we have undertaken a number of key measures, including:

- publishing both our gender and ethnicity pay gap for XPS Pensions Group, providing mandatory training to managers on diversity issues and unconscious bias and participation in 'respectful behaviours' training. Last year, we introduced a gender equality plan to enable us to focus on gender inequalities and set gender-specific measures as part of our wider I&D work. Our Co-CEOs endorsed this plan to help us on our continuing journey to gender equality;
- providing internal and external mentoring programmes to encourage diversity and reviewing our family-friendly policies. We have a range of family-friendly policies to enable our colleagues to strike a good balance between work and family. We identified four key areas to improve gender equality: Institutional Governance, Sharing Knowledge to Bring Change, Work-life Balance and Professional Development. We had 29% senior management female representation last year, and this has increased to 31% this year. We have set a target of increasing the proportion of women in senior management roles to 37% by 2028; and
- evolving and reviewing our workplace policies regularly to ensure they meet the needs of our people. Our current policies include enhanced maternity, adoption and shared parental leave for employees, agile working, parental bereavement, menopause and a reasonable adjustments policy.

which provide opportunities to acknowledge our people's valued contribution to performance. Our people nominate colleagues for going above and beyond in making XPS a good place to work. The judging committee is comprised of colleagues making the whole process inclusive and employee driven.

We continue to drive business performance by incentivising colleagues through our bonus schemes and employee share plans, alongside our market-conforming remuneration and benefits package. All XPS colleagues work to an annual performance management cycle, and all have access to a performance-related bonus scheme that is based on clear objectives stemming from Group business objectives.

Promoting learning and development

Empowering our colleagues to identify career paths and access training and development opportunities helps us retain and develop our people. We continued to offer a wide range of technical training at all levels as well as management development programmes for our more senior employees. All employees can request additional training alongside anything that's been agreed upon within their performance reviews, while coaching and mentoring are also encouraged. During FY 2023, we recorded 28,956 hours of training.

Support is provided for employees studying for professional qualifications via bespoke technical programmes across all areas of our business. We continued to support early career talent through our graduate Actuarial and Administration programmes and Advisory apprenticeships. We have also continued to develop our induction programme based on feedback from colleagues.

Over 28,000

hours of training delivered across a wide range of professional and technical courses

Advancing inclusion and diversity

We are committed to fostering an inclusive culture of diversity across XPS Pensions Group. This is led by our Inclusion & Diversity Committee which includes our Co-CEOs and Non-Executive Director Margaret Snowden OBE is the Board member responsible for inclusion and diversity. Membership also includes business line representatives, to ensure we engage colleagues across the business. They are responsible for ensuring decisions made by the business units take account of inclusion, diversity and equality, and the Network Chairs, who are accountable for the delivery of the objectives of their networks, ensure we have representation from different groups in the business.

Focus on our people continued

95%

feel like they belong

98%

feel that people of all
backgrounds can join and
thrive at XPS

93%

feel valued as an
individual**Advancing inclusion and diversity
continued**

All our activities and messages are aligned so that staff know they have the responsibility for actively promoting equality of opportunity and diversity, speaking up and actively listening to others and that everyone should respect each other and take the time to understand different perspectives. We have asked and trained our managers to set clear expectations, lead by example, uphold the highest of standards and ensure decisions are fair and free from bias. Each manager is encouraged to be an Ambassador for IED in wider society (as are all staff). Also, all staff have been trained on inclusion and respectful behaviours with colleagues, and this is also part of our onboarding process.

During the year, we had five thriving employee resource groups across our business including Women's,

Disability, LGBTQ+, Menopause and Multicultural. They are a key feature of our culture as an inclusive place to work. We are committed to providing equal employment opportunities and combating discrimination. Where possible, we monitor the ethnicity and gender composition of our workforce and those applying for jobs.

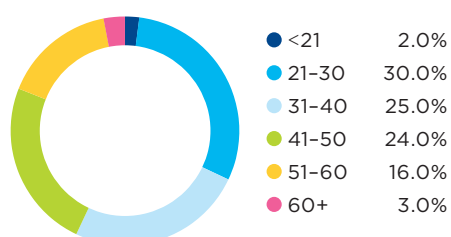
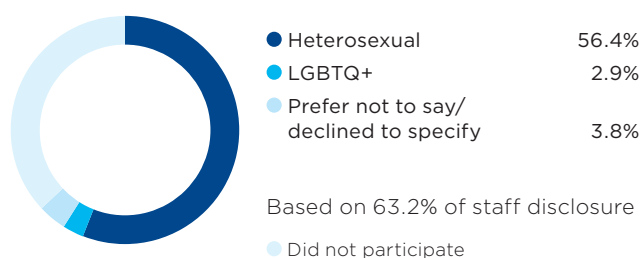
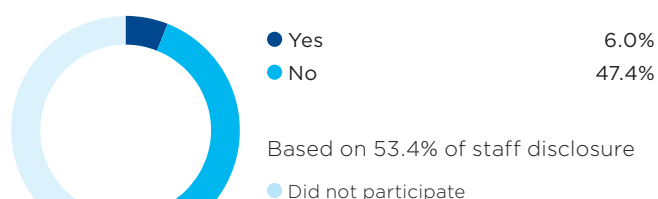
XPS continued to support I&D awareness days throughout the year with an inclusive programme of events and campaigns led by our five Employee Networks. We ran a full calendar of 21 internal firm-wide webinars hosted by multiple networks working together. Highlights this year included celebrating International Women's and Men's Days, Black History Month, Trans Awareness Week and our 'Be Yourself at Work' campaign. In our 2022 engagement survey, 95% of colleagues said they felt they "belong" at XPS (2021: 85%).

Gender split data

Group	Male		Female	
Group	811	49%	832	51%
Partners & Managing Consultants	81	69%	37	31%
Board	4	57%	3	43%
Other employees	727	48%	795	52%

Note:

Senior management is Partners and Managing Consultants

Age distribution**Ethnicity****Sexual orientation****Disability**

Since 2017, XPS has been part of the Actuarial Mentoring Programme (AMP), a cross-company mentoring programme designed to improve diversity within the actuarial profession. In 2022, our XPS Women's Network launched a mentoring programme. This is in addition to the external mentoring schemes we participate in from AMP and Mission Gender Equity, previously the 30% Club Cross-Company Mentoring Programme which focuses on accelerating women's leadership.

Facilitating flexible working

During the year we confirmed to colleagues that 'My XPS My Choice' was a permanent policy change and would be embedded as one element of our approach to flexible working. This meant that colleagues agreed with their line manager on the location where they felt they could work at their best for XPS. Most colleagues chose a "flexible" option which means they attend an office at least one day per week and for the rest of the week, they would work from home. Colleagues were delighted to be given the opportunity to select their location and we know via engagement surveys that they value this flexibility. My XPS My Choice also makes us attractive when hiring as many competitors do not offer such flexibility.

In addition to My XPS My Choice, we also updated our Agile Working Policy: this means that colleagues can ask for a variation to their contractual hours due to an unforeseen event, for example, caring for an elderly parent or if they are struggling with a health issue such as the menopause. This approach reinforces one of our values, "doing the right thing", because it means that as an employer we can adapt to change quickly and support colleagues when they need it the most.

Enhancing employee wellbeing

We have a multi-generational workforce, and it is vital that our people are provided with the support and opportunities they need to optimise their health and wellbeing. All our colleagues benefit from a wide range of wellbeing and mental health supports. These include options for private medical insurance, permanent health insurance, critical illness and life cover, occupational health, access to counselling and other support via an Employee Assistance Programme (EAP). This programme includes a confidential 24-hour helpline for colleagues to share problems and receive actionable advice, and legal information services including debt and financial information. We also provide a comprehensive calendar of monthly wellbeing events for our people across four key areas: emotional, physical, financial and spiritual. There is also extensive resilience and mental health training embedded within our learning and development programmes.



We have been actively working with Mental Health at Work (MHaW) since 2020 and have developed a robust and well-thought-through approach to supporting mental health at every level within XPS. Leadership visibility has been key, and there is an overarching cultural driver for managers and employees to do all that they can to support one another. We have trained over 70 MHaW Allies®, all of whom have become integral to our wellbeing offering at XPS.

Employees have felt the impact of the cost-of-living crisis, and we have provided support in the form of a mid-year pay rise to everyone below Partner grade (£3.2 million annualised). We have also supported colleagues with financial wellbeing webinars covering topics such as financial resilience, budgeting, credit borrowing and debt savings.

Our memberships

- Business Disability Forum
- Business in the Community
- Diversity Project
- Menopause in the Workplace
- Stonewall
- Valuable 500



Focus on community

Expanding our community investment

Our continued success depends on the talent present in our local communities; without a thriving society we are unable to build a successful team. At the same time, our teams can contribute meaningfully to the health of local communities. This year we launched our volunteering programme to expand our commitment in the communities in which we operate.

Our goal is to create a positive impact wherever we operate. It also means enabling our people to donate their time, their skills and their enthusiasm to achieve things that a financial donation cannot. We extend this partnership approach into our supply chain too.

Enabling our people to give back

Last year, we continued to support school students and individuals in their early careers. We provide work placements to 75 students to undertake work experience at XPS Pensions Group. As well as offering work experience to secondary school students within our Administration

business, we also offered the opportunity for university students to join our Investment team for a week to gain valuable insights into the workplace. This was undertaken, as part of the UpReach Investment Springboard Project, which supports high-potential students from less-advantaged backgrounds, who may not otherwise be able to access high-quality work experience within professional environments. In addition, 60 apprentices joined XPS Pensions Group during the year. Apprenticeships provide a valuable route for those with different educational qualifications to start their career at the Group.

XPS Pensions Group wants to encourage employee involvement in fundraising and hands-on activities which benefit our local communities. That's why we trialled a new volunteering approach in 2022. We partnered with The Conservation Volunteers and The Wildlife Trust community groups to organise conservation work in nature near our offices. Our Environmental Network worked with these charities to organise conservation days. In addition, we are working with Business in the Community to find other volunteering opportunities such as job coaching.



Financially supporting our communities

We are proud to support the communities in which we operate and actively encourage our employees to do the same. The Group offered both financial support and paid leave to any employee whose family has taken Ukrainian refugees into their homes. In FY 2023, several colleagues extended heart-warming hospitality to people fleeing this war.

Over the past year, XPS Pensions Group continued to support some of our key charity partners – Tax Help for Older People, Crisis for Christmas and TeamPolice.

We also have a Charity Matched Fundraising Policy. All our people can apply to get matched funding from the Company when they raise money for an eligible registered charity. Staff have participated in many events supporting charities such as Alzheimer's Society, Macmillan Cancer Support and the Mental Health Foundation. We have also supported several food banks this year across the UK. In total, the group contributed over £58,000 in charitable donations in the year.

Partnering with our supply chain

We have extended our sustainable ambitions in our supply chain. In the year, we updated our Supplier Code of Conduct, which sets out the high standards and behaviours that we expect from them, including safe working conditions, fair and respectful treatment of employees (including modern slavery and human rights expectations), consideration for the environment and ethical practices.



Focus on clients

Targeting responsible outcomes

We are trusted advisers of pension funds on which millions of people depend. To support our clients best, we aim to develop long-term partnerships with them. Increasingly, ESG integration and stewardship play an important role in these partnerships. During the year, we made significant steps to further integrate ESG and sustainability into our service offering.

Our goal is to help clients and scheme members achieve positive long-term outcomes. We do this through our culture and values to help us promote sustainable services for our clients. We incorporate sustainability into our investment strategy solutions as well as making ESG considerations part of all our investment research and advice. We also focus on keeping all our clients' money safe from scams and fraud.

Strengthening our responsible investment strategy

Our Responsible Investment Policy makes it clear that consideration of ESG is a critical aspect of good investment management both from a risk as well as an opportunity perspective. We believe that proactively considering sustainable themes, such as climate change or positive social outcomes, will lead to better long-term positive outcomes, and we encourage our clients to adopt this approach. This supports how we integrate ESG and stewardship throughout our processes and in our interactions with our clients, investment managers and at firm level. We now have 23 clients in sustainable funds representing £1.9 billion in assets under management (AUM).

We recognise that one size does not fit all when it comes to ESG and stewardship. We have a clear framework to help our clients to understand their specific priorities in relation to ESG to ensure our advice

Our Scam Protection Service has helped protect over **8,500** members' transfers, totalling over **£1.85 billion**

We now have **23** clients in sustainable funds with **£1.9 billion** assets under management

and solutions are tailored to their unique needs and wider objectives. XPS Pensions Group developed its own ESG fund rating system to ensure full consideration of ESG factors is embedded into investment management. This entails using a detailed questionnaire and face-to-face meetings to assess a manager's overall philosophy, how ESG is integrated into investment decisions within the given fund, climate change risk management and stewardship. ESG and sustainability considerations are embedded into all our investment recommendations and client advice, covering £96 billion of assets under management.

During the year, we achieved the following:

- following the Russian invasion of Ukraine we conducted a review of our sustainable funds (see below) to understand what exposure they had to Russian entities. We found that where there was any exposure this was very low and the majority of managers looked to remove this exposure;
- the LDI gilts crisis was a challenging time for pension schemes everywhere. We were able to quickly help our clients during the gilts crisis in September/October and this is evidenced by our many client testimonies. Ultimately, although this was a difficult time for them, the vast majority of our clients' liability hedges were not materially affected by the LDI crisis, which is mainly a testament to their preparedness and the advice they received in the months and years leading up to the crisis;
- in 2022, we undertook our biggest ever annual ESG ratings exercise, involving 255 funds across 63 managers. In the interests of transparency and raising the bar for the industry, we provided feedback to all of those managers who submitted. We also held follow-up face-to-face meetings with all those managers who received a red rating, as well as many others, to discuss areas for improvement;



Signatory of:



- we carry out independent research of available funds and have designated a number of these to be sustainable funds that target environmental and social outcomes alongside their financial objectives, including for example, a net zero target. We have now designated 34 sustainable funds available across all asset classes to help our clients meet their financial objectives whilst targeting long-term social and environmental outcomes; and
- we provide detailed ESG reporting to all clients. In addition to feedback on the ESG ratings, we include detail on wider sustainability factors (such as exposure to sin industries, climate transition alignment, and engagement on ESG across the portfolio) as well as carbon emissions reporting (which we introduced in 2021). This year we have also partnered with a market-leading climate change data provider which will further enhance our reporting and analysis of climate change risks.

By continuously improving the practices of investment managers to support effective ESG risk management and directing finance towards positive environmental and social sustainability outcomes, XPS Pensions Group is well positioned to make a positive impact on wider society.

Keeping clients safe

Our Scam Protection Service continues to support trustees and our clients' members by identifying and managing suspicious activity in relation to transfers. In particular, our Scam Protection team uses a phone call with scheme members to obtain robust information about their transfer and uses it to identify any suspicious activity, including the red and amber scam warning flags set out in the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021. Our service goes beyond what is in the regulations and we continually look out for new potential scam warning signs and how scammers may be changing their behaviour.

In order to protect our clients' funds further, 2022 saw us participate in the Department for Work and Pensions' 18-month review of transfer regulations. Last year, we also actively contributed to industry forums including the Pension Scams Industry Group and the Pension Scams Industry Forum to improve outcomes across the industry as a whole in relation to scams.

Protecting vulnerable customers

We recognise that many pension members we deal with may be experiencing one or more vulnerabilities, and that we must take care to listen to our customers' needs and identify when we should apply an extra duty of care. Our Dealing with Vulnerable Customers Policy provides guidance to all employees around vulnerabilities our customers may experience, barriers they may face when dealing with professional service providers such as us, and what we can do to make our services as accessible and inclusive as possible, adapting to customers' specific needs wherever possible.

In FY 2023, all customer-facing employees completed annual online training to embed their knowledge and skills in this area further. The new FCA Consumer Duty Rules, introduced last year, shine a further spotlight on how retail clients with characteristics of vulnerability should be considered at every stage of their interaction with FCA regulated firms and we are implementing the requirements in the relevant XPS business areas from 2023 onwards.

Focus on environment

Our commitment to net zero

As a large employer, we recognise that we have a responsibility to address the environmental impacts of our operations and our investments. Reflecting the importance our stakeholders and the Group itself attach to this responsibility, we strengthened our environment strategy, targets and programme in the year.

Our goal is to reduce our impact on the environment and help others to do the same – even making a positive contribution where we can. This means identifying our climate (such as emissions) and environmental impacts (such as our use of water, paper and production of waste) and taking steps to reduce, reuse and recycle where possible.

Putting the environment on the agenda

XPS Pensions Group considers climate change a long-term risk to our industry, the economy and the world. But we believe that, in the short term, we currently have a low risk in relation to environmental matters. The Audit & Risk Committee oversees risk identification and management across the Group and reports to the Board on risk prioritisation and mitigation. You can read more on pages 46 to 51.

We also see the transition to a low-carbon world as presenting opportunities for XPS Pensions Group. We have identified growing demand from our clients for ESG-related services ranging from ESG research to advisory and this presents climate-related opportunities for XPS to grow.

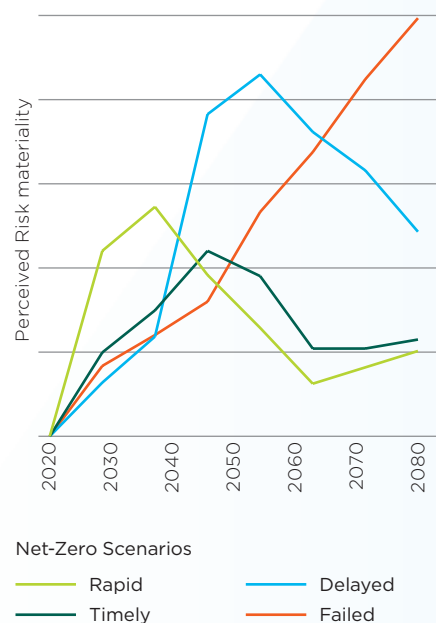
At management level, climate risk is overseen by the Information Security & Environmental Management Steering Committee. The Committee met quarterly in FY 2023 to review aspects, impacts, legislation updates and provided management with a regular opportunity for review. Outputs are then fed into both the Sustainability and Audit & Risk Committees for review and approval of any actions, objectives or policy, which then feed back to our Board. This is how environmental risks and opportunities are kept on the agenda at XPS.

Developing a comprehensive strategy

In order to develop a comprehensive climate and environmental strategy, XPS Pensions Group completed an exercise to assess and identify the most significant risks in the short, medium and long term. The most significant transition risks for our Group are:

- **Energy prices:** as with all professional services, we have a reliance on electricity to supply services to our clients. The energy transition, exacerbated by the pandemic and the war in Ukraine, has driven up energy prices and posed a risk of energy shortages.
- **Supply chain:** many of our key climate and environmental impacts are in our supply chain. Rising costs, lack of supply and other supply chain issues around waste, water, paper and business travel pose a risk to the Group.

Results of our scenario analysis





50%

carbon emission reduction
aimed for by 2030

2

additional offices that have
ISO 14001 certification

8

offices with certified
renewable energy

2

years of XPS being
carbon neutral

In last year's Annual Report, we disclosed our perception of our risk and preparedness in relation to a number of possible climate scenarios. These included four potential net zero trajectories including a rapid, timely, delayed and failed transition. In all four scenarios, we are confident that XPS Pensions remains a resilient and sustainable business. We develop our climate and environmental strategy based on our analysis which suggested a timely transition to be preferential, allowing for a smooth transition to a low-carbon economy while limiting global warming to below 2°C.



In response to these climate risks and opportunities, XPS Pensions Group developed, alongside its 2020 comprehensive sustainability framework, the detailed climate and environment strategy, outlined below, and identified where sustainability feeds into business planning and investment decisions. A good example is the Group's strategy and decision making in the selection of suppliers, facilities and acquisitions now incorporate sustainability considerations.

Building our net zero pathway

In line with the Paris Agreement, this reporting period XPS Pensions Group formally committed to a science-based net zero strategy that limits our operational emissions to a level consistent with or below a 1.5°C global temperature rise. On the way to net zero by 2050, we identified the following interim targets:

- we will reduce operational emissions by 50% by 2030;
- we aspire to reduce residual Scope 1 emissions to zero in the 2030s; and
- we will reduce our supply chain emissions by 40% by 2035.

Last year, we developed an initial transition plan to achieve our net zero and interim milestone targets. At its heart sits the effective implementation of our Environmental Management System (EMS). The EMS allows us to measure our climate and environmental impacts, manage and, where possible, reduce them. Covering our entire Group, the EMS is supported by an Environment Policy that outlines the steps to take to achieve net zero:

- to enhance our environmental management, we will pursue the certification of the EMS with ISO 14001 for environmental management for all our locations. This will help us implement our Environment Policy consistently. In FY 2023, we added ISO 14001 certification for another two offices;

Focus on environment continued

Building our net zero pathway continued

- to reduce our biggest source of emissions (heating, cooling and powering our offices), we will source 100% renewable electricity by the turn of the decade for all our locations or, if not possible, seek alternative locations where this can be sourced. In FY 2023, the number of offices with 100% renewable energy increased by six to eight;
- to increase our energy efficiency, we will implement energy-efficient hardware and software where possible. In 2022, we made headway on the retirement of inefficient light bulbs and equipment. New starters are now issued with greener technology hardware; and
- to tackle the indirect impacts in our supply chain, we deployed a range of projects. In FY 2023:
 - we rolled out campaigns to drive down internal printing. For instance, we've initiated a project to centralise and digitise our postal services which offers cost-saving and environmental benefits;
 - we raised awareness of the impact of business travel and introduced an electric car scheme for our colleagues; and

- we completed the sustainability-focused refit of our Newcastle office using sustainable materials and repurposed furniture.

We recognise that it will take time to achieve net zero and that urgent action is required on climate change right now. That's why XPS Pensions Group again renewed its carbon-neutral status in FY 2023.

We offset the previous financial year's emissions for our entire value chain, including supply chain emissions. Carbon credits were sourced and retired from trusted carbon marketplaces Gold Standard and the UNFCCC's Climate Now platforms. XPS Pensions Group invested in two projects during this reporting period, notably investing in a biodiversity and reforestation scheme in Panama. The projects ensure vital existing habitats are protected whilst facilitating the growth and development of new ones. In addition, the projects provided work opportunities for the local community and sustainable cocoa production, promoting self-sufficiency within the community.

Embedding sustainability in our culture

We believe our people sharing our ambition is fundamental to the success of our environmental strategy. Engaging with our teams not only helps the business achieve its environmental objectives but promotes greener habits in and out of the workplace for the benefit of us all. To accelerate this behaviour change, we are exploring the benefits of deploying an internal carbon price in the accounting for our business decisions in 2023.

Local volunteers act as environmental champions across the Group representing a visible focal point for our environmental strategy. The champion's role includes engaging with their local team on environmental matters and identifying local opportunities to improve. As part of this initiative, environmental champions were involved in organising the first of the Group's corporate volunteering events to benefit our local communities in FY 2023. Volunteers local to the Reading and Birmingham offices enjoyed getting stuck in with forest maintenance, tree coppicing and biodiversity tasks.



Sharing our performance transparently

In order to monitor the progress on our net zero journey, we measure relevant key performance indicators in the EMS. This allows the Group to quantify its carbon footprint, effectively monitor risks and continually reduce its environmental impact. In FY 2023, we completed an ISO 14064 gap analysis with an external provider to enhance the accuracy, reliability and completeness of our carbon inventory. We will implement the recommendations in 2023 in order to share our performance better with all our stakeholders and to meet our duties under the Streamlined Energy and Carbon Reporting Regulations.

We were successful in decoupling our emissions from our growth. Against an increase in business in the FY 2023 we reduced our direct (Scope 1) emissions. This is the result of our work on rationalising our office estate and requiring less heating as a result. In addition, we reduced our Scope 2 absolute emissions despite our teams returning to the office after the pandemic. Our increase in renewable energy has ensured we continued the downward trend of our emissions. Our Scope 3 travel emissions have increased as office working and in-person client meetings resumed. The associated volume and emissions relating to business travel remain below that of the pre-pandemic level, despite growth in revenue and personnel in the time frame. Consequently, the return to office working decreased our remote work-related emissions, which outweighed those produced by the additional commuting. This resulted in an absolute reduction in Scope 3 emissions in the period.

Annual greenhouse gas emissions and energy use data for the period 1 April 2022 to 31 March 2023

	FY 2023	FY 2022	FY 2021
Scope 1 emissions (tCO ₂ e)	157	215	212
Scope 2 emissions – DEFRA location based (tCO ₂ e)	215	244	350
Scope 2 emissions adjusted for renewable energy ¹	185	230	350
Energy consumption used to calculate above emissions (kWh)	1,976,286	2,334,261	2,655,443
Scope 3 emissions (tCO ₂ e) ²	1,189	1,522	1,928
Total emissions	1,531	1,967	2,490

	FY 2023	FY 2022	FY 2021
Revenue intensity Scope 1 & 2 (tCO ₂ e/£m)	2.1	3.2	4.4
Revenue intensity Scope 1, 2 & 3 (tCO ₂ e/£m)	9.2	14.2	19.5
FTE intensity Scope 1 & 2 (tCO ₂ e/FTE)	0.2	0.3	0.4
FTE intensity Scope 1, 2 & 3 (tCO ₂ e/FTE)	1.0	1.4	1.9

Notes:

All activities are UK based. tCO₂e = tonnes of CO₂ equivalent. Unless otherwise noted all conversion to carbon is based on current Department for Education, Food and Rural Affairs (DEFRA) factors. Calculations are made in accordance with the SECR guidance and the GHG Protocol. FTE = full time employees as at 31 March 2023.

1 XPS has transitioned to certified renewable energy in a number of its locations enabling the Group to claim zero-emissions relating to associated energy consumption, as per the market-based accounting method. It has been determined the Company's transition to renewable energy avoided 30 tonnes of CO₂e in the period based upon DEFRA kWh location-based accounting.

2 Scope 3 emission figures for FY 2023 include business travel, employee commuting and domestic energy usage to support staff working from home.