The Prudential Assurance Company Limited
Stewardship Activities and Outcomes Report

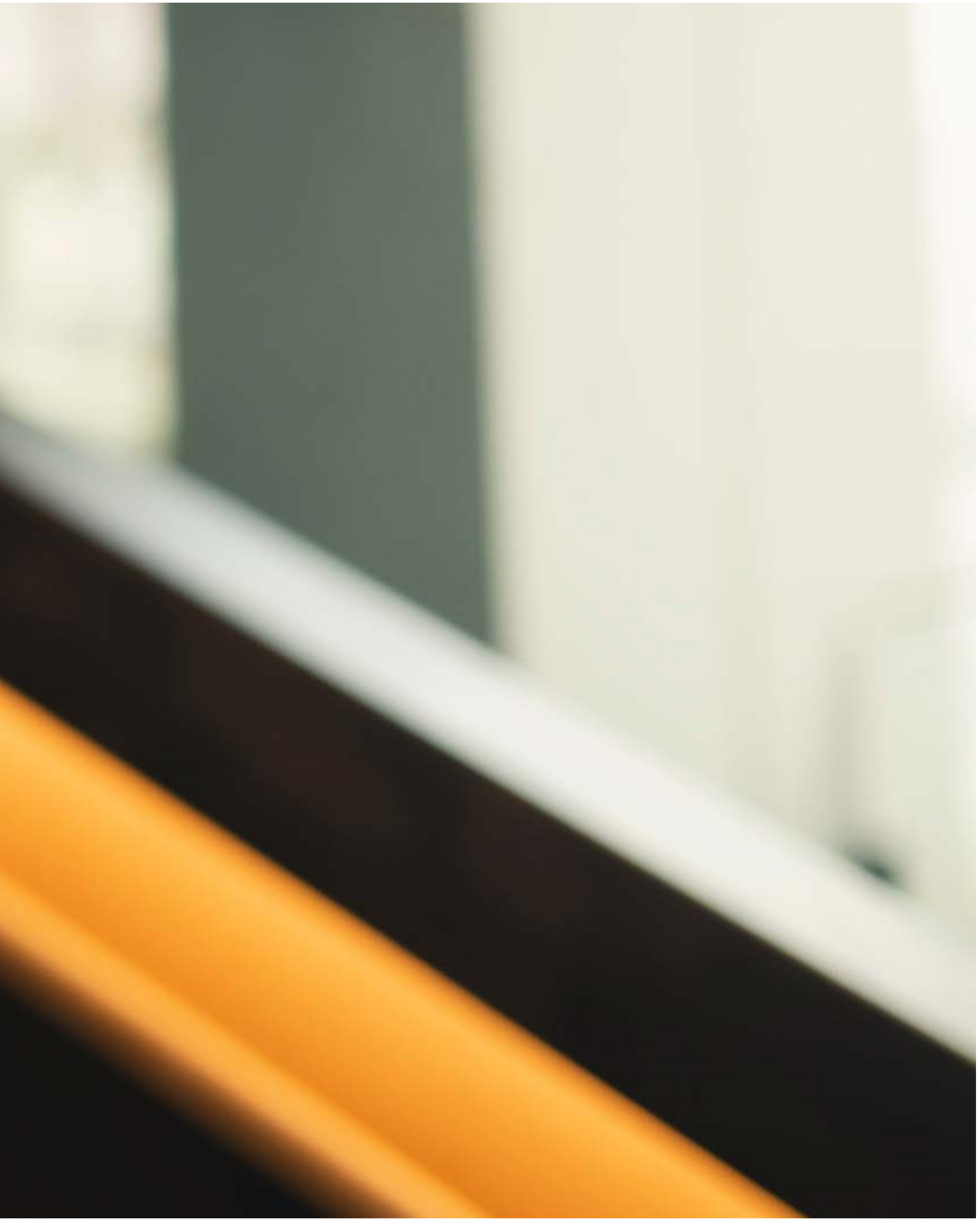
For the reporting year 2025

Pru
part of M&G plc

contents

Our main responsibilities as asset owner include looking after the interests of our clients (institutions and policyholders) and shareholders. We look after your money and make sure it is managed carefully.

Clive Bolton, Chief Executive Officer,
M&G Life on behalf of Prudential Assurance Company Limited



Welcome to this Prudential Assurance Company Limited (PAC) Stewardship Report (the Report) for the year ended 31 December 2025.

As CEO of M&G's Life business, my responsibilities include oversight of the Prudential Assurance Company (PAC), referred to as the asset owner in this Report. Our main responsibilities as asset owner include looking after the interests of our clients (institutions and policyholders) and shareholders. We look after your money and make sure it is managed carefully.

Prudential Assurance Company (PAC) is part of M&G plc and broadly corresponds to the former Prudential UK Life business which continues to trade under the Pru name. PAC decides which investments are included in our funds. We appoint skilled asset managers to manage these to suit client's needs, and we monitor that managers are meeting our expected outcomes.

Being open about how we manage your money is important to me. Through this Report, we provide you with an overview of the sustainability and stewardship activities that PAC has delivered during 2025 and what this means for our policyholders and clients.

In the context of this Report, what we mean by stewardship is the same as the Financial Reporting Council's (FRC's) definition: we responsibly allocate, manage and have oversight of capital to create long-term sustainable value for our clients.

In the Report, we describe how we continue to enhance our stewardship practices in line with the FRC's UK Stewardship Code 2026 (the Code). This is an important Code as it looks to drive better stewardship outcomes across financial services, including safeguarding the interests of clients.

We are one of over 299* financial institutions who are signatories of the Code. It establishes the core Principles of effective stewardship and sets a high standard, enabling us to demonstrate our commitment to stewardship and provide transparent reporting on behalf of our clients and policyholders.

We're a leading savings and investments business, caring for customers for over 175 years. Our With-Profits Fund with over £134.4 billion** investments, is the largest with-profits fund in the UK and is financially very strong. I'm proud of our ability to provide smoothed returns for customers, combined with investment decisions that can help people secure a life of possibilities that continue to make a real difference, aim to benefit policyholders and our wider society.

* Source: FRC 13 August 2025
** Source: M&G plc Annual Report and Accounts 2025

During 2025, PAC continued to build on our monitoring of engagement activity across our investments, conducted by our appointed asset managers who lead the conversation with the companies we invest in. Our stated purpose remains consistent across the group – to give everyone real confidence to put their money to work. As PAC, we act in the best interest of our policyholders and clients.

PAC considers the material impacts of environmental, social, and governance factors to the economy, the environment, and to society. We believe a crucial part of this is maintaining high standards of effective stewardship activity.

The structure of the Stewardship Report has changed this year, in line with the FRC's guidance on providing more streamlined reporting. We're therefore providing it to you with two parts:

1. PAC Stewardship Policy and Context Disclosure - this explains our governance and stewardship policies. You can find this **here**
2. PAC Stewardship Activities and Outcomes Report - this gives you examples of how we've applied the FRC's Principles during 2025 in the following pages.

As you would imagine our policies don't change frequently, so the 'Policy and Context Disclosure' focuses on what's happened in 2025 but also includes cross references for our policies that link to 'Activities and Outcomes Report' where relevant.

We hope you will find this Report of interest, and that it gives you some useful insights into our stewardship activities, our progress made in 2025 against our sustainability aspirations, and how we continue to put our customers and clients at the heart of everything we do.

We intend to continue to improve our reporting capabilities in response to feedback from the Financial Reporting Council, and from you. So, we'd really welcome your feedback on this Report, and you can contact us at **StewardshipFeedback@MandG.com**

Best wishes.

Clive Bolton, Chief Executive Officer,
M&G Life on behalf of Prudential Assurance Company Limited

Introductory statement

Overview

The **Prudential Assurance Company (PAC) Stewardship Report 2025**, is now in two parts, following the Financial Reporting Council's (FRC) 2026 UK Stewardship Code:

1. **PAC Stewardship Policy and Disclosure,** you can find **here**
2. **PAC Stewardship Activities and Outcomes Report** where we show you examples of our stewardship activity in action and examples of how we applied our policies and processes in practice over the year. Please see our Appendix for references to sections of this report that demonstrate how PAC complied with the principles of the 2026 UK Stewardship Code

In this Activities and Outcomes Report, we give you:

- Evidence of real-world outcomes of our stewardship activities
- Explanations for the actions we've taken during the year to oversee internal and external investment managers
- A clear view of how we manage customers' money responsibly

In future years, we'll also include in here details of minor updates to policies and disclosures if they occur.

Roles & responsibilities

Asset owner and internal asset manager

M&G plc comprises of both an asset owner, Prudential Assurance Company (PAC) and an internal asset manager, M&G Investments. Although PAC and M&G Investments are part of the same group, they have distinct roles and responsibilities. Strong governance and oversight support PAC to make all decisions in the best interests of our customers and policyholders. As a result, PAC appoints asset managers, internal or external, based on expertise and suitability for the portfolios.

M&G Investments, the internal asset manager, manages a portion of PAC's assets alongside third-party clients, with oversight and conflict management processes ensuring alignment with client and policyholder interests. More information on the relationship between asset owner and asset manager can be found in the PAC Stewardship Policy and Context Disclosure.

Our long-term investment approach

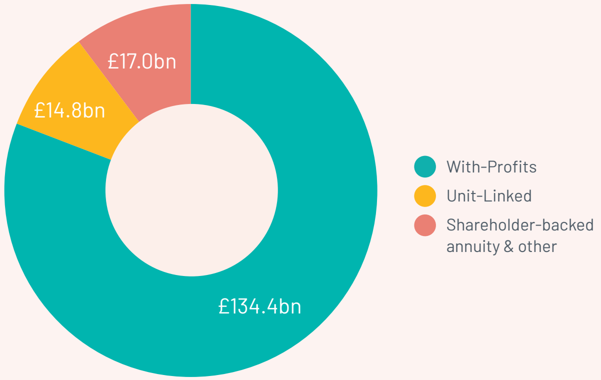
We invest with a long-term view across our with-profits, annuity, and unit-linked business areas.

We aim to invest in ways that promote our values in line with our own environmental, social and governance (ESG) investment principles (as defined within the PAC ESG Investment Policy).

Asset owner financial overview

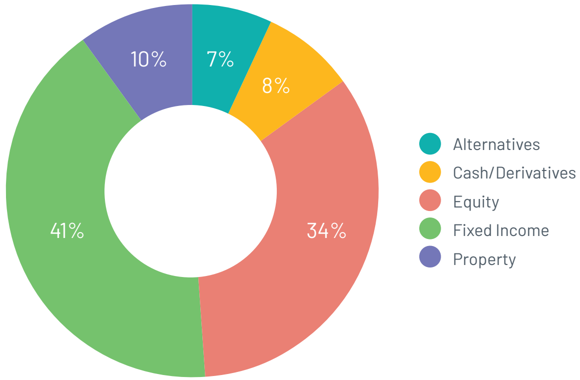
PAC oversees a diversified multi-asset portfolio managed through a combination of internal expertise and external investment managers. The majority of our products, across With-Profits, Unit-Linked and Annuities, are distributed in the UK with a minority in Europe and other regions as part of our international business.

The asset owner's funds under management break down is:



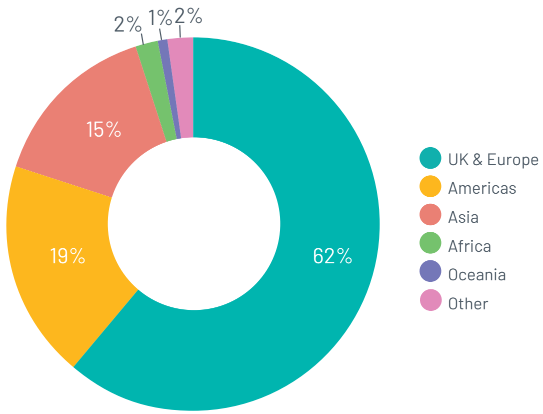
As at 31 December 2025

Asset owner funds under management split by asset class for the year ended 31 December 2025:



As at 31 December 2025

Asset owner funds under management split by region for the year ended 31 December 2025:



The breakdowns for asset class and region opposite reflect the distribution of PAC's assets managed by M&G Investments, including external managers where sub-delegated, covering approximately 95% of the asset owner total. For some holdings, the region classification may represent where the fund is domiciled rather than investment exposure. **Totals in the graphic may not sum as a result of rounding.**

As at 31 December 2025

Changes to our Policy and Context disclosures

As 2025 marks PAC's first submission under the updated FRC UK Stewardship Code (2026), there are no changes to the contextual disclosures set out in the accompanying PAC Stewardship Policy and Context Disclosure. In line with the Code's expectations, future updates to our ESG/stewardship related policies or contextual disclosures will be clearly highlighted in subsequent PAC Stewardship Activities and Outcomes Reports.

Our 2025 Highlights

We addressed market-wide and systemic risks by continuing scenario analysis and monitoring of geopolitical and macroeconomic developments

Published our Group Climate Transition Plan, setting out how we will manage climate-related risks within our portfolios and support the transition to a low carbon economy

Enhanced our annual climate scenario analysis to understand the potential impacts of various climate scenarios on PAC's portfolio, including the physical risk methodology

We enhanced manager selection and oversight through the introduction of our proprietary Sustainability Scorecard, further formalising reporting and more structured oversight

Our proprietary Sustainability Scorecard deepened ESG integration within the manager selection process supporting due diligence processes across different strategies

We identified engagement priorities for top carbon emitters and our Modern Slavery list

We asked our underlying managers to engage on our behalf with the issuers from Priority Engagement Lists, reporting regularly on progress across a range of asset classes

01.

Market and systemic risk integration

We have aligned this section to the 2026 UK Stewardship Code. The relevant principles applicable to this section include: Principle 1, 2 and 3

We take our responsibilities as a long-term investor seriously. As described in our PAC Stewardship Policy and Context Disclosure, considering the material impacts of ESG factors on the economy, society and the environment as a whole remains a key priority for the business.

PAC (as the asset owner) delegates most of the key investment activity to the Life Investment Office. The Life Investment Office is well-resourced with a team that includes over 75 investment experts with the expertise in:

- Capital market research
- Investment strategy design
- Manager selection
- Liability management
- Derivatives
- Portfolio management

This facilitates the integration of financial and non-financial factors, including ESG risks and opportunities in the investment thesis and research. Further detail on resources is available in the PAC Stewardship Policy and Context Disclosure.

Asset Owner thematic priorities

Whilst we consider the implications of ESG factors that have the potential to have a material financial impact, we have identified two thematic priorities as specific ESG matters that should be applied by the asset owner:

Climate Change	Modern Slavery
In line with the Paris Agreement, M&G plc set a target to achieve net zero emissions across its investment portfolios and operations by 2050. In 2025, M&G plc enhanced their Climate Transition Plan, setting a new asset alignment target and revising our engagement target to support the delivery of our net zero target. These new targets aim to help support real-world decarbonisation as we focus our attention on both corporate engagement and ensuring investee companies put in place sector-specific transition plans. **Within the asset owner**, we have continued to consider how our investment strategies align with our climate approach. We communicated with our internal and external managers the importance of supporting us to deliver on our climate targets through corporate transition plan assessments and engagement. We encouraged managers to engage with companies on our Climate Priority Engagement List. More details can be on page 29.	The M&G plc Modern Slavery Statement outlines the group-wide commitment to efforts that prevent, mitigate and, where relevant, remediate the risks of human trafficking and modern slavery, within its sphere of influence. Our approach to preventing and addressing modern slavery seeks to align with the United Nations Guiding Principles on Business and Human Rights (UNGP's), the Principles for Responsible Investment (PRI) and the United Nations Global Compact (UNGC) Principles. **In our role as an asset owner**, we recognise the increasing risk that modern slavery may be encountered within our investee companies. We have set modern slavery as a thematic priority and it is incorporated into our broader ESG monitoring and engagement processes. We expect all our appointed asset managers to be appropriately managing modern slavery risks. Since 2023, we have identified our public holdings considered to be at highest risk of exposure to modern slavery which is reviewed and communicated to appointed managers annually, to supplement their own activity.

In addition to the thematic priorities we have set, the asset owner integrates sustainability and stewardship considerations throughout the full investment analysis, decision-making process and oversight responsibilities. As referenced in the **'Policies, processes and review'** section of the PAC Stewardship Policy and Context disclosure, PAC's stewardship integration begins with a suite of ESG and stewardship policies that articulate our approach to responsible investments, shareholder voting and engagement principles.

These include:

- the PAC ESG Investment Policy
- PAC Shareholder Engagement Policy
- PAC Voting Standard
- ESG position statements
- ESG exclusion criteria

These policies set out key principles and the asset owner's thematic priorities such as Climate Change and Modern Slavery. Our policies and position statements can be found on our PAC Responsible Investing webpage **here**.

Promoting well-functioning markets through integration

As a major investor across a range of products, including the With-Profits Fund and Annuities products, we have a duty to address and prioritise the needs of all our clients and policyholders, ensuring they are protected from any material risk.

In line with the M&G plc Risk Management Framework (RMF), we have a risk identification process in place that identifies both micro/security-specific risks and macro/market-wide and systemic risks. The mechanisms through which we identify such risks include horizon scanning, frequent and regular risk reviews, and sizing of risk appetites. Where we identify macro risks, we may choose to work with industry bodies, regulators, and market participants to create a risk mitigation solution. More information can be found in the Engagement and voting section on page 27.

As mentioned earlier within the Asset Owner thematic priorities, climate change and modern slavery have been identified as key thematic priorities for the stewardship and investment integration process.

Integration of market-wide and systemic risks

Once the key market and systemic risks have been identified, these are then considered and aligned within our investment process. The Life Investment Office Long Term Investment Strategy Team recommends the asset allocation of the asset owner's fund ranges and will incorporate these risks into their assessment.

Market and systemic risks are integrated into the Strategic Asset Allocation process through the following main channels:

- **Economic and capital markets research:** Our process starts with an understanding of the structural and cyclical forces influencing the global economy, informing our forward-looking expectations for economic growth, inflation, and the fiscal and monetary policy environment. We also consider developments in the capital markets and their impacts on asset class valuations. The output of this work is documented in our monthly research publications
- **Capital market assumptions and building block framework:** Interactions between the real economy and financial markets are translated into a set of capital market assumptions using a building block approach, supplemented by volatility and correlation assumptions
- **Capital markets modelling (including scenarios modelling):** Risks to our long-term capital market assumptions are considered via tracking of emerging risks as outlined in our monthly research publications, scenario analysis and a set of stress assumptions

In addition, ESG factors are integrated into the Strategic Asset Allocation (SAA) process across three main channels:

- **Climate scenario modelling:** This is a subset of our capital markets modelling process. We use sensitivity analysis to explore a number of different themes for both short-term (for example, inflation) and longer-term (for example, climate risk). Portfolio exposures to climate risk are assessed in terms of their physical and transition impact
- **Country risk categorisation:** Within our capital market assumptions, we calibrate the required risk premia across countries and regions based on factors such as empirical volatility, market depth and economic development. We also include ESG factors in the country risk framework, which helps to ensure we consider these factors when apportioning the risk budget within the allocation
- **Benchmark considerations:** ESG characteristics vary materially across index constituents. In certain cases, we may also consider the geographical split within the benchmark and tailor to allow for ESG factors. For example, in the case of carbon exposures, a significant amount of benchmark exposure is contributed by a small number of constituents or one country, offering opportunities to reduce exposures with limited impact on the overall index composition from a return perspective

Case study on how we have monitored and mitigated market-wide and systemic risks (April 2025):

Objectives

The United States remains the world's largest economy, accounting for roughly two-thirds of global equities, over one-third of government debt, and maintaining the dominant reserve and transaction currency. Given this central role, recent announcements on sweeping import tariffs triggered significant volatility in global markets, with sharp sell-offs in growth assets and a partial move into safe havens. Even the U.S. dollar experienced initial pressure.

In response, we adopted a scenario-analysis approach to assess the potential impact of these tariffs on our portfolios.

Approach

Heightened policy uncertainty is likely to continue as trade partners weigh their responses. In this environment, maintaining a dynamic and well diversified allocation across regions and asset classes remains essential.

The new measures introduced a 10% baseline tariff on all imports, with higher, targeted rates applied to 60 countries labelled as "worst offenders." Asia was most affected, including an increase for China to a previously announced 20% rate. The EU faced a 20% tariff, while the UK was subject only to the 10% base rate.

These tariffs exceeded investor expectations and led to sharp early April market adjustments, particularly in the regions most exposed. Our analysis suggests that the effects will take time to stabilise as countries determine their responses; some may seek negotiated compromises, while others such as China have already implemented reciprocal measures on U.S. goods.

Outcome

Our response had two parts. First, we produced an analysis of the tariffs' impact on macroeconomic conditions, markets, and our portfolios, noting that our Strategic Asset Allocation was already well positioned and benefited from non U.S. market out performance. This was shared with key contacts and internal teams to support client discussions.

Second, drawing on our ongoing scenario analysis work, we refined our existing trade escalation scenarios to account for the expanded measures. This deeper analysis informs our investment strategy and broader planning, including the Own Risk and Solvency Assessment (ORSA).

Activity: Climate Risk Analysis

In 2025, we continued to embed climate risk analysis into our investment processes and strengthened our insights from both bottom-up and top-down perspectives.

From a bottom-up perspective, we worked with our internal asset manager to develop the Transition Assessment Framework (TAF). Based on the Institutional Investors Group on Climate Change Net Zero Investment Framework (IIGCC NZIF) 2.0, the framework enables us to evaluate the greenhouse gas emissions and transition plans of the publicly listed companies in which we invest. Using the TAF, we can identify corporates that are potentially most exposed to climate risk and that show limited evidence of mitigation. These assessments inform our engagement priorities and guide our actions with companies where we have the highest levels of financed emissions exposure.

From a top-down perspective, we have used climate scenario modelling for several years and continue to explore ways to enhance our forward-looking analysis. In 2025, we implemented several improvements, the most significant being the adoption of the Network for Greening the Financial System (NGFS) Phase 5 damage function for chronic physical risks. Previously, we used an alternative methodology, but the updates to the NGFS framework have given us greater confidence in applying their damage function to assess potential portfolio impacts. As with previous years, the results of our latest modelling indicate that scenarios with higher physical risk, e.g. the 'Current Policies' scenario, would have the most significant impact on our balance sheet. However, whilst we assess four scenarios, we recognise the importance of our business remaining resilient in a range of plausible scenarios and we also conduct some sensitivities in which we stress some of the key scenario assumptions. The outputs of our climate modelling inform our country risk categorisation framework and shape our strategic outlooks for asset classes.

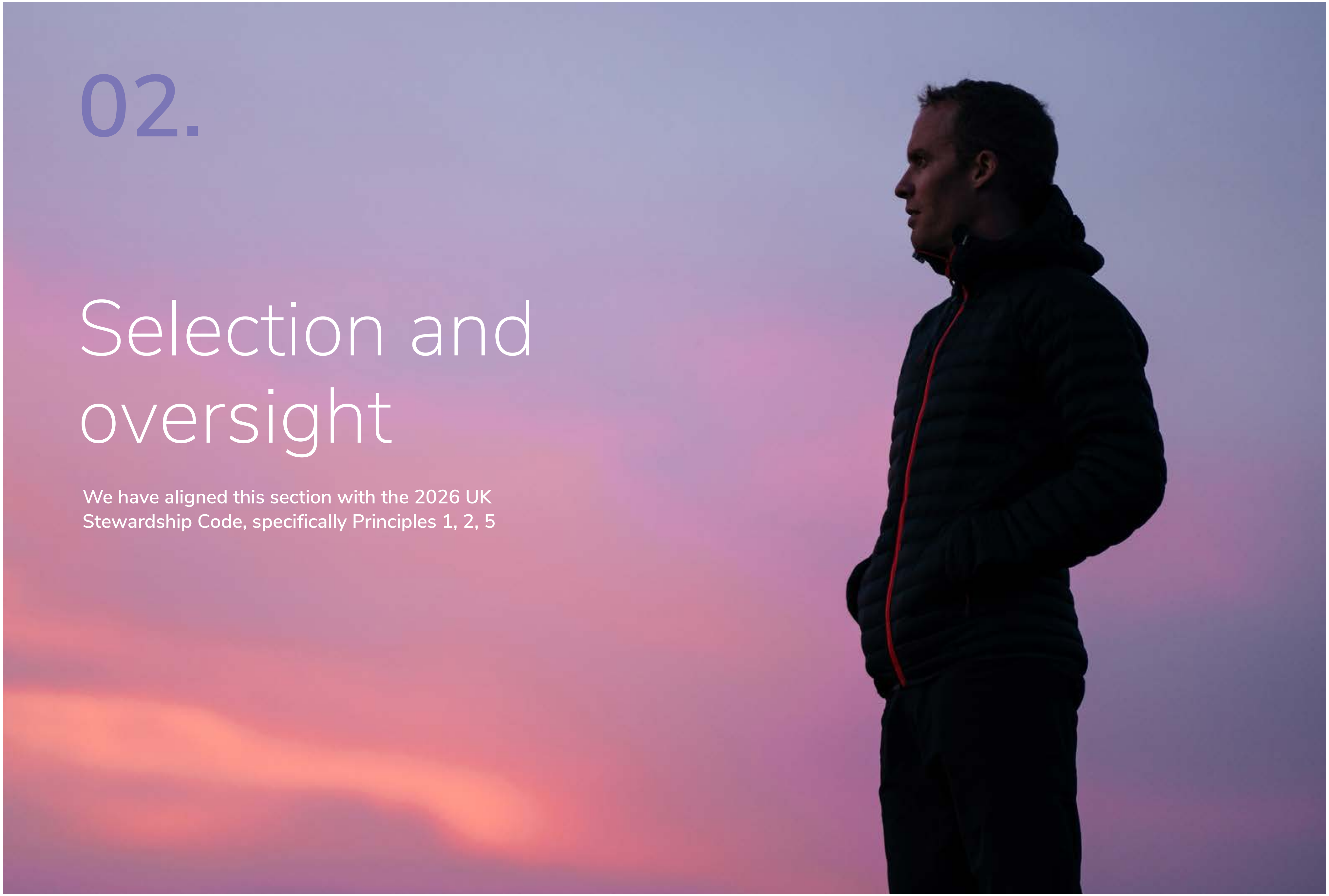
Developing our approach to Conflict-Affected and High Risk Areas (CAHRAs)

Managing market-wide and systemic risks requires us to consider not only economic and capital market drivers but also the broader instability created by rising global conflicts.

We identified an increase in risk due to the rise in conflicts around the world, highlighting a need to build on existing ESG processes and develop a specific approach to identify the human rights risk associated with CAHRAs in our investments.

The UN Guiding Principles on Business and Human Rights (UNGPs) recognise conflict-affected areas as contexts in which the risk of gross human rights abuses is heightened. We recognise that human rights impacts vary in complexity with each company, influenced by many factors including size, sector, operational context, ownership and structure. Taking this into consideration, in our annual letter of priorities to our underlying managers, we initially sought to understand how they were identifying and managing human rights impacts in conflict affected and high-risk areas.

To supplement our expectations of asset managers, we initiated a test case approach to CAHRAs, undertaking analysis on our public investments. This is a complex and evolving area. Our initial aim during 2025 was to take the appropriate steps to establish a suitable process to identify the risks associated with CAHRAs, which we will continue to build on in 2026.



02.

Selection and oversight

We have aligned this section with the 2026 UK Stewardship Code, specifically Principles 1, 2, 5

PAC Stewardship Framework

The PAC Stewardship Framework serves as the foundational framework guiding how PAC embeds sustainability and stewardship considerations into its role as an asset owner.

It outlines a structured approach of the ESG stewardship processes and approaches inherent to the ESG due diligence to be conducted on investment managers (in collaboration with the Life Investment Office Manager Oversight team).

The framework plays a crucial role in guiding the manager selection, onboarding, and monitoring process by establishing our stewardship activities in a standardised and systematic manner. The framework is managed by the Life Investment Office ESG & Regulatory team, and includes, but is not limited to, the followings areas:

- the manager selection process, with a specific focus on the ESG considerations
- the monitoring process, including the Sustainability Due Diligence Monitoring Questionnaire, Engagement and Voting templates
- the reporting expectations, with references to the FRC's UK Stewardship Code

Manager Selection

In line with our ESG and stewardship policies, the asset owner embeds stewardship considerations into manager selection. We consider the purpose of manager selection from a sustainability perspective is to identify an investment manager that has the people, processes and expertise in place to meet the requirements specified in the investment mandate.

In our approach from a sustainability perspective, the Life Investment Office endeavours to select asset managers that:

1. Engage with companies as active owners that help foster a more sustainable economy,
2. manage assets in accordance with the PAC ESG Investment Policy, and
3. look to integrate ESG in their investment process, depending on the specific requirements of the mandate and taking into account the specific nature of each asset class.

The Life Investment Office Manager Oversight team holds responsibility for identifying high quality asset managers that they have conviction will generate financial returns for the asset owner over the long-term. This is achieved through:

- rigorous investment due diligence as part of the selection and ongoing oversight process
- ongoing due diligence on managers who are employed in running mandates for the wider multi-asset class client funds

Investment Due Diligence

Investment Due Diligence on underlying investment managers ensures that they not only meet a high threshold from an investment perspective but also in terms of our ESG expectations. This initial process takes into account various factors, including but not limited to: investment philosophy, key risks, key employees, investment process and execution, stewardship process, investment performance, risk management, reputation, integration of ESG issues, and the infrastructure supporting the investment teams.

As part of selection, the Manager Oversight team issue a detailed Investment Due Diligence Request for Proposal (RfP) to deepen their understanding of the managers' investment credentials.

Embedding stewardship in manager selection

ESG Request for Proposal (RfP) Due Diligence Questionnaire

Recognising the importance of integrating our sustainability priorities in the manager selection process and to ensure we have adequate oversight of prospective managers to mitigate any potential risks, a separate ESG RfP is also sent to all managers alongside the Investment Due Diligence RfP.

This dedicated ESG-specific RfP informs the selection process, whereby the ESG & Regulatory (ESG&R) team will evaluate managers on their ESG credentials based on their responses, to enable an appropriate review of prospective managers' alignment against our values and our sustainability priorities outlined in our PAC ESG Investment Policy. As such, during manager selection, we translate our policy commitments and principles into clear due-diligence criteria.

The review by the ESG&R team often helps to identify whether there are any specific areas of concern or issues that should be flagged for more detailed due diligence and alignment to the asset owner's priorities and overarching sustainability strategy, targets and commitments.

Meeting minimum expectations for selection

As the Manager Oversight team appoint new investment managers, these are aligned to suit the needs of the asset owner by actively working with the asset managers.

All asset managers are anticipated to have appropriate ESG and stewardship approaches which are assessed for alignment with the PAC ESG Investment Policy, as well as the initiatives of which the asset owner is a signatory of (e.g. PRI). Any clear misalignments are reviewed accordingly by the ESG&R team through the ESG RfPs.

Exact alignment may not always be realistic (due to nuances required for different asset classes and regions) but the review provides a more detailed understanding of where there may be discrepancies, which can be addressed with managers as part of the selection process.

In past selections, there have been cases where managers have been removed from consideration due to insufficient rigour when integrating ESG into their investment process.

Activity: Supporting stewardship through the Sustainability Scorecard

PAC's Sustainability Scorecard is a proprietary scorecard through which we integrate sustainability and stewardship considerations into both the manager selection process and will support ongoing oversight of appointed managers:

Developed initially to enhance the ESG RfP stage, the approach was strengthened in 2025 to provide a more consistent and outcome focused sustainability assessment framework across all strategies.

Structure and approach

The scorecard embeds four key pillars

1. General firmwide
2. Integration
3. Engagement and Voting
4. Outcomes

This allows the ESG&R team to systematically evaluate how well prospective managers

- incorporate sustainability risks
- conduct stewardship
- deliver real world outcomes, if applicable

It allows for a focused evaluation of the strategy's practices and activities through a clear distinction between firm and strategy-level questions.

Our continuing oversight of managers aligns to the areas captured in the Sustainability Scorecard through our Sustainability Due Diligence Monitoring Questionnaire, Engagement and Voting templates, and insights from the Quarterly Manager Oversight meetings. This enables PAC to:

- identify examples where stewardship activities have influenced investment decisions
- highlight integration practices
- escalate concerns where gaps in engagement or sustainability outcomes emerge

We currently plan to roll out the scorecard in the future for the full manager lifecycle. Since its introduction, the Sustainability Scorecard has been applied across a number of manager selection processes, demonstrating its practical role in integrating stewardship considerations into selection decisions. In 2025, the Scorecard was used to assess several new strategies, including within private market and private debt mandates.

2025 appointed asset managers

Reflecting our approach to manager selection, the following table outlines the appointed asset managers for the With-Profits Fund for 2025:

Appointed asset managers for the With-Profits Fund 2025	
Artisan Partners	Manulife Investment Management
BlackRock Investment Management	Matthews Asia Investment Management
Columbia Threadneedle	MFS Investment Management
Coronation	Morgan Stanley
Earnest Partners	Ninety-One
Fitzwalter Capital	Pemberton
Franklin Templeton	Pictet Asset Management
Goldman Sachs Asset Management	Robeco Sustainable Asset Management
Granahan Investment Management	Sixth Street
Lazard Asset Management	Searchlight
Lombard Odier Investment Management	Wellington Management
M&G Investments	William Blair

Investment mandate design

Once managers are appointed, the Manager Oversight team formalises these relationships through investment mandates.

In a number of cases, the team may have a preference to develop bespoke mandates with the appointed underlying manager, rather than investing in off-the-shelf funds. To achieve this, the team develops mandates that align with the objectives of the allocation and the skillsets of the managers.

The team considers various factors, including:

- risk and return considerations
- liquidity, implementation
- regulatory factors
- ESG considerations, among others

Additionally, the Manager Oversight team conducts regular reviews of the investment guidelines with the underlying asset managers. This ensures that the mandates remain up-to-date and in line with the desired investment parameters.

They collaborate with the underlying asset managers to develop strategies that align with the requirements and objectives of portfolios managed by the asset owner. This close working relationship allows for the design of tailored investment approaches that cater to the specific needs of the asset owner.

In the case of segregated mandates, the Life Investment Office has the flexibility to incorporate the PAC ESG Investment Policy, in addition to the customised investment guidelines. This allows for the inclusion of specific provisions and by doing so, the mandates are designed to fully reflect the asset owner's priorities and considerations.

Awarding investment mandates

Through these investment mandates awarded, our expectations of ESG integration can be clearly communicated.

The investment mandates specify

- the time horizon
- target return
- desired risk levels for each asset manager

Key ESG and stewardship requirements and restrictions are also specified and embedded within the investment mandates for which we have control, especially where a product may have an explicit ESG focus or strategy.

Defining our expectations to appointed managers

Asset Owner Annual Letter of ESG Priorities

To outline and clearly communicate our areas of ESG focus for the upcoming year and the support we require from all appointed asset managers in achieving our ESG ambitions and goals, we issue an Annual Letter of ESG Priorities. **For 2025**, this letter communicated our areas of focus on modern slavery, nature and climate change and was distributed to all managers, along with the Engagement and PLSA Voting template (more details can be found on pages 23 and 28).

Ongoing Oversight and monitoring of asset managers

Once a manager has been selected, monitoring, maintaining oversight and ensuring asset managers are in alignment with our purpose and values is a fundamental aspect to our stewardship ambitions.

Although an established process for monitoring asset managers is used, we may adapt our stewardship approach for different asset classes, and our views will continue to evolve as we learn more about each asset manager whilst the market environment changes.

The Manager Oversight team conducts ongoing due diligence reviews of existing asset managers to assess their ability to continually provide expected investment and sustainability outcomes. Stewardship-related issues are raised within these reviews. Ongoing due diligence comprises of:

- Regular face-to-face meetings or conference calls
- Deep-dive meetings and site visits (when appropriate)

Regular Oversight Meetings

Oversight meetings, which occur quarterly or at agreed intervals, are conducted with most of the appointed asset managers that we invest in to discuss performance, attribution and market outlook. ESG is also a standing item on the formal agenda of the meetings, ensuring consistent focus and attention.

Investment performance monitoring

The Manager Oversight team continuously monitors asset managers against agreed benchmarks. Where significant concerns arise about a manager's ability to deliver future returns or manage sustainability risks, the team conducts a thorough investigation.

The Manager Oversight team strives to foster strong relationships with asset managers to facilitate comprehensive reviews and gain insights into their performance profiles. This includes

- assessing the level of alignment with our expectations, including performance benchmarks
- as well as understanding the investment style adopted by the managers

By building this deep understanding, the team can effectively evaluate and monitor the performance of asset managers.

Reporting expectations

Relationships with appointed managers are further managed through quarterly or bi-annual reporting, where managers are also required to submit investment reports.

To effectively monitor the asset managers' ongoing stewardship activities against the asset owner's ESG principles and priorities, a two-step process is utilised to inform the Manager Oversight team's monitoring approach.

In these efforts, we request that all external and internal appointed managers submit an **Engagement Template, PLSA Voting Template and Sustainability Due Diligence Monitoring Questionnaire** on a quarterly or bi-annual basis.

Engagement Template

The Engagement Template collates quantitative and qualitative data with respect to the engagements conducted by our appointed asset managers (both internal and external) across the year.

PLSA Voting Template

To collect information about our managers significant voting decisions, we utilise the PLSA voting template as a standardised format for managers to report details of their voting decisions.

Sustainability Due Diligence Monitoring Questionnaire

Our Sustainability Due Diligence Monitoring Questionnaire requires managers to disclose any material changes in their ESG activities.

Ahead of the regular Oversight meetings, the reporting submission from our managers are reviewed by the ESG&R team. Any changes made to the asset managers ESG activities or priorities are flagged and will help inform the Manager Oversight teams monitoring approach. The approaches taken differ by asset class due to the nature of the underlying assets as shown below:

Equity

Asset managers appointed to run equity mandates are required to share voting records, including case studies of when they have voted against management. In addition, asset managers need to provide examples of engagement, where they have worked with an investee company to influence its activity/behaviour and have created an improved ESG outcome as well as their responses to the Sustainability Due Diligence Monitoring Questionnaire.

Appointed asset managers are asked to demonstrate action in areas that they have been asked to engage on by the asset owner. These data points enable the Manager Oversight and ESG&R teams to assess the degree of effectiveness of the asset manager's stewardship and ESG risk practices and alignment with our expectations of sufficient stewardship activities on an ongoing basis.

Fixed Income

We are aware that for fixed income, opportunities for effective stewardship may be more challenging given the lack of engagement channels such as shareholder voting. However, we do expect our managers to enact engagement and integrate ESG, providing regular reporting as appropriate.

Alternative and Private assets

For other asset classes such as property and alternative assets, standardised methods for exercising stewardship are replaced by a more nuanced approach of engagement given the nature of the asset class. While we also continue to hold regular oversight meetings which have an ESG agenda item, the format and focus of discussions may differ from those used for listed assets.

ESG Oversight Reporting

To regularly assess how our appointed managers take into consideration our key ESG priorities and manage our assets, the ESG&R team produce a Quarterly ESG Oversight Analysis Report. This pack provides an overview of our asset managers' engagement and voting activity, including updates on their ESG practices and any material changes in approach. It also enables comparison of the effectiveness of their engagement and voting activity and the engagement methods they use.

To achieve this, the ESG&R team review each of the manager's Engagement Template, PLSA Voting Template and Sustainability Due Diligence Monitoring Questionnaire submission.

We recognise that the assessment of our managers activities may not be directly comparable due to the nature of the strategies they employ and the specific asset classes they manage. Managers are evaluated based on their specific mandate and context in which they operate. Overall, the information gathered from the ESG Oversight Analysis Report helps to further inform the monitoring of asset managers and flag any updates or areas of concern to be raised with the manager.

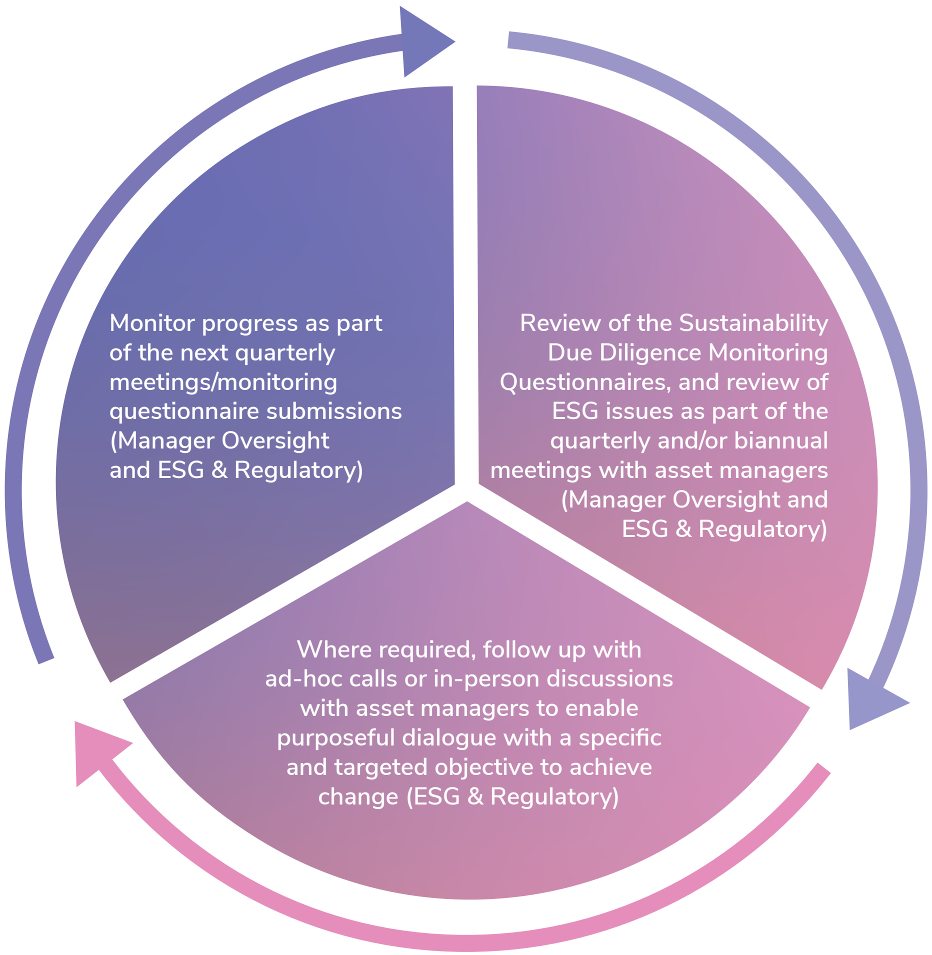
Assessing ongoing suitability and actions

The Manager Oversight team, supported by the ESG&R team where relevant, ensures that quantitative and qualitative factors are assessed to ensure the ongoing suitability of managers.

In the event that the Manager Oversight team identifies significant concerns regarding the ongoing suitability of an existing asset manager, appropriate mitigating actions are recommended. These may include amending investment guidelines to introduce additional constraints on the mandate, more in depth due diligence and discussions with the manager to re-establish the expectations and timelines for improvement, or, as a last resort, divestment and reallocation of assets. Such proposed changes are presented through the relevant governance channels for consideration and decision-making.

Regular performance reports are also provided to the PAC IC and PAC Board. Ongoing monitoring and due diligence identify any material breaches of mandate requirements.

Clear expectations on ESG, stewardship, and financial performance enable the Manager Oversight team, supported by ESG&R, to flag if managers do not meet our expectations. If engagement does not lead to sufficient improvement, withdrawal of the mandate may be considered. Material breaches and updated due diligence views are reported through appropriate governance channels.



Activity: Developing our observations from the Oversight meetings and reporting

Since formally embedding ESG considerations into investment mandates, the ESG & Regulatory team has been able to track manager practices in a more consistent and systematic way. Overtime, the team's insights have evolved into a set of formalised observations that inform our ongoing oversight, due diligence assessments, and engagement priorities.

Observations and results

We've identified recurring themes, strengths and areas for improvement across our appointed managers such as:

- In Q2 2025, we identified managers, across equity and fixed income, whose treatment of ESG topics was inconsistent or where responses in oversight meetings were generic or lacked sufficient clarity. The ESG & Regulatory and Manager Oversight teams took steps to address these gaps. These ongoing concerns were reported to the PAC Investment Committee to ensure transparency and provide key stakeholders with clear oversight of manager performance against our stewardship expectations
- To address these gaps, the ESG & Regulatory and Manager Oversight teams are working towards reiterating their sustainability priorities and initiating direct engagement with the managers to request improvements

ESG Analysis

At an individual portfolio level, the Manager Oversight team reviews the asset managers' strategies in accordance with the Life Investment Office ESG Product Framework. On an annual basis and with support from the ESG&R team, a thorough assessment is conducted on funds across the multi-asset portfolios, and annuity funds.

The analysis allows us to take a proactive approach in assessing the delivered ESG outcomes of underlying funds and their individual holdings and helps to ensure that each fund manager is held accountable to the intentionality and scope of their suggested outcomes.

The ESG analysis against the Life Investment Office ESG Product framework is categorised by two activities:

- **ESG Top-Down Analysis** – the assessment of each of the underlying funds to understand its investment objectives from an ESG perspective and to verify each fund's investment objective. The categorisation for each fund was determined at the point of selection and regularly re-assessed, against the Life Investment Office ESG Product Framework
- **ESG Bottom-Up Analysis** – the assessment of each individual portfolio against the investment objectives to ensure that each fund manager is held accountable to the intentionality and scope of their suggested outcomes

Activity: 2025 ESG Bottom-up Analysis

A total of 120 funds were assessed and the analysis allowed us to retain our in-depth understanding of the ESG considerations of our managers and maintain in good stead to evidence the depth of our oversight and monitoring processes. In previous reviews, we have identified cases where a change in categorisation is recommended but for 2025, the large majority of the funds incorporate ESG considerations and no further actions were required.

Quantitative Sustainability Screenings

To ensure the appropriate review of broader ESG issues and risks within our investment portfolios we have implemented a quarterly Quantitative Sustainability Screening process. This is characterised by reviewing our holdings, where look-through is available to us, and monitoring their exposures against ESG-specific areas and metrics, including but not limited to: Defence, Animal Welfare and Deforestation. We review for appropriate action to take if necessary and provide material updates to the PAC IC.

03.

Engagement and voting

We have aligned this section to the 2026 UK Stewardship Code. The relevant principles applicable to this section includes: Principle 1, 2, 3, 4 and Principle 5

Approach

We believe active ownership that furthers positive corporate behaviour is most likely to contribute to favourable investment performance in the long-term for our clients.

We rely on our appointed asset managers to carry out the majority of active engagement (either bilaterally or collaboratively) and shareholder voting with investee companies on our behalf, using our financial ownership across both active and passive mandates to influence their behaviour in order to achieve sustainable business models and outcomes, and strengthen sustainability-related disclosures. Consequently, we purposefully appoint asset managers who we believe will seek to positively influence corporate behaviour.

PAC may also undertake its own engagement activities where appropriate, to raise stewardship expectations with managers.

Our engagement and voting expectations

Through continuous dialogue with our asset managers, we monitor that our standards and expectations of stewardship activities are well-aligned and implemented accordingly. As mentioned in earlier sections, we expect our appointed managers to report on progress and results of their engagement activities and voting records (through the Engagement and PLSA Voting template), and to escalate where appropriate to enable further assessment.

Engagement

The asset owner sets expectations for our asset managers to engage on our behalf. Our appointed managers are expected to establish a clear engagement objective for the engagement and consider any internal escalation which may be required if initial engagement efforts are unsuccessful. Additionally, managers are expected to communicate with shareholders and any other relevant stakeholders of investee companies to effectively manage any conflicts of interests or issues arising from their engagement.

PAC offers further information and support for any significant conflicts of interest cases.

Voting

We expect asset managers to actively participate in shareholder voting, on our behalf (in line with the PAC Voting Standard) in keeping with their respective policies and regularly report the results of their voting to us. This is to ensure that asset managers are acting in line with our expectations, outlined in our Voting Standard guidelines, across the range of shareholder issues.

We expect asset managers to make voting decisions in the best interests of our clients. During the voting process, asset managers should consider and assess the impact on the value of the investment and the long-term interests of our clients. This voting approach should focus on supporting real world positive outcomes, as systemic risks, such as climate change and inequitable social structures, threaten the long-term performance of the investment portfolios and carry broader environmental and societal implications.

We would expect asset managers to have a detailed voting policy or standard in place and declare any Proxy Voting Service providers used.

Active strategies

For active investment strategies, our chosen asset managers' investment processes are designed to select companies expected to outperform the relevant benchmark indices over the long-term. We expect our appointed managers, at a minimum, to conduct effective monitoring of a company's business strategy, financial performance, capital structure, non-financial performance and any other associated risk factors. Moreover, we also expect our appointed managers to monitor ESG risks and opportunities, in line with their respective policies and our priorities and expectations where possible, establish constructive dialogues, drive active engagement and responsible stewardship and also exert influence where appropriate.

Passive Strategies

In select cases, we also use passive investment strategies, where the asset manager is required to manage the portfolio to closely replicate a specific benchmark index. Here, we would expect the appointed managers' Engagement and Voting policy to continue to apply and vote responsibly, and we would expect the asset managers to vote responsibly on our behalf. While the purpose of the portfolio is to recreate the financial return arising from the benchmark index at a minimum cost, we believe that effective stewardship improves companies' financial performance and hence investment returns, for both passive and active portfolios.

Developing our Priority Engagement List

To effectively fulfil our fiduciary and stewardship duties, we believe it is our responsibility, to work closely with asset managers that engage with investee companies, including ESG-related issues.

Over 2025, the ESG & Regulatory team established PAC's corporate engagement priorities, setting out two thematic areas (climate change and modern slavery) where the asset owner requests its managers to focus their stewardship activities. These priorities are operationalised through a Priority Engagement List which outlines a targeted set of issuers identified for focused ESG-related engagement each year.

Climate: In 2025, as part of our sustainability strategy review, we have evolved our climate approach and set a new asset alignment target and revised engagement target. Our engagement target is for 70% of our financed carbon emissions to be either classified as "Aligned", as per our assessment, or under climate-related engagement. As a result, the ESG & Regulatory team developed our Climate Priority Engagement List which identified around 100 companies in 2025 that we believe should be engaged on several climate themes, such as aspects of their transition plan, emissions performance or climate targets.

Modern Slavery: To support the group commitment to address modern slavery within our business, supply chain and investments, the ESG & Regulatory team undertook analysis, incorporating internal data and external benchmarks, such as Know the Chain and Corporate Human Rights Benchmark (CHRB) to identify public holdings considered to be at highest risk of exposure to modern slavery. 22 companies were identified across high-risk sectors including, but not limited to, Information, Communications and Technology (ICT), Automotives and Food & Beverage. The Modern Slavery Engagement List is reviewed, updated and communicated annually.

This builds on, and is complementary to, our appointed managers' own processes on modern slavery monitoring and engagement. Supplementary information was provided with the priority list, encouraging underlying managers to reference the CCLA's 'Find It, Fix It, Prevent It Engagement Expectations', as guidance on how to conduct engagement on modern slavery issues.

Approach to the Priority Engagement List

We then informed each of the managers with exposure to an issuer on the lists, detailing our expectations, and which companies we believed they should engage with as per our assessment. The ESG&R team also offered meetings for further details, with several asset managers taking up the opportunity.

To monitor progress, we have updated our Engagement Template to allow our managers to provide details of engagements so that we can monitor progress against our target. It also provides an opportunity to understand where managers are leading in engagement activities against those who may require additional support.

Updates from our appointment managers

Since informing our underlying managers in Q3 2025 of our corporate engagement priorities and Priority Engagement List, we were pleased to see that several have already begun providing engagement updates on issuers they hold that flagged against the Priority Engagement List.

Engagement activity in practice

The following case studies highlight examples from our appointed asset managers, who undertake engagement activities on PAC's behalf in line with our stewardship expectations. These demonstrate the actions take and the outcomes achieve across ESG themes:

Engagement theme: Environmental

Source: Internal Manager

Context

In 2025, the internal manager decided to develop its engagement approach for the energy sector and focus more attention on emissions within the control of the companies. Working with the Climate and Net Zero team, within the Stewardship & Sustainability team, the internal manager agreed a new framework with its stakeholders covering the following topics: resilience of business model and capital flexibility going through the transition; scope 1 & 2 emissions management and within that specifically management of emissions from methane; transition plan disclosure and lobbying.

Objective

The internal manager requested that a British multinational oil and gas company disclose how it was going to manage the energy transition and survive oil price volatility in various demand scenarios, and supplement disclosures by explaining how the company's strategy, disbursements and capital allocation could pivot in the case of a sudden acceleration of the energy transition; disclose what happens post 2030 for scope 1 & 2 emissions; and quantify the emissions reduction impact of each action or potential action and specify the investment or cost of each action in the transition plan, which would make the plan more credible by 2027.

Action

The internal manager had a virtual meeting with the Head of Investor Relations and Investor Relations & ESG.

Engagement activity in practice continued

Engagement theme: Environmental

Source: Internal Manager

Outcome & next steps

The company did not confirm the internal managers' assumptions on cost and intensity set out below or agree to disclose more on scope 1&2 reduction post 2030. However, their capital expenditure budget appears to be flexible and they continue to reduce methane emissions although already well ahead of target. On resilience, the company looks at the science Intergovernmental Panel on Climate Change (IPCC) report and publishes its own annual global energy outlook; it tries to understand the uncertainties and looks at its own contribution to the Paris goals. In 2027 there will be a carbon price for oil and gas built into its projects.

The multinational oil and gas company expects an Internal Rate of Return (IRR) of at least 15% for upstream projects, but tries to balance all criteria when considering new projects, including scope 1 & 2 emissions as well as energy demand scenarios and pricing – with oil price being the biggest factor. Each project is different but, broadly, production costs are $6/barrel of oil equivalent (boe) and development $10/boe. Finding cost varies and isn't disclosed. In terms of guidance, the company used to disclose a 'dividend balancing point at $40' but this has moved to 4% annual dividend growth.

Scope 1 & 2 and transition plan disclosure: the target for 2025 was a 25% reduction and hit 38% in 2024. For 2030, this trends to 45% reduction, with the main levers being sourcing lower emission power (e.g. electrification in the Permian basin) and some from portfolio changes – but portfolio change is a lower opportunity going forward. Carbon capture and storage will play a role in Indonesia with gas development and sequestration, but more to the end of the decade. Beyond 2030, nothing is disclosed. Production is likely to be in the 2.3 -2.5m boe per day. The focus is more near term. With a new chair in place, the company is conducting a full portfolio and cost review, and any news will typically come with the Q4 results.

Methane: the company has the Oil and Gas Methane Partnership (OGMP) gold status 2.0. The public target is to achieve a leakage intensity of 0.2%, and currently it is far ahead of that at 0.07% with a goal to be near zero. The target is to eliminate flaring by 2030.

The internal manager will follow-up in 2026.

Source: External Manager

Advancing ESG Disclosure and Climate Commitments at a Global Communications Infrastructure Provider

Issue

A global communications infrastructure company, held within the external manager's Global Impact Bond fund, exhibited ESG disclosure that lacks transparency and completeness, particularly in renewable energy sourcing data, Scope 3 emissions reporting and 2030 emission target setting.

Objective

To assess the progress across key sustainability areas, including renewable energy sourcing, emissions reporting, infrastructure strategy, and social impact. The engagement aimed to encourage enhanced ESG disclosure and long-term climate commitments aligned with global best practices.

Approach

In Q2 2025, the external manager engaged with the company via email communication to raise specific ESG-related queries. The external manager's Sustainability team initiated the outreach to the company via the company's Investor Relations function, which then connected it directly with its ESG team. This ensured the discussion was held with the stakeholders most closely involved in sustainability strategy and reporting. Discussions focused on the inclusion of renewable energy percentages in future reporting, the need for Scope 3 emissions disclosure, and the company's net-zero commitments for Scope 1 and 2 emissions. The engagement also explored the feasibility of integrating solar and battery systems into infrastructure design to reduce carbon intensity and improve energy resilience.

Outcome

The company expressed openness to improving ESG disclosures and confirmed a target to reduce Scope 1 and 2 emissions intensity by approximately 33.6% by 2026 (baseline 2021). While Scope 3 disclosure remains a gap, data collection is ongoing, though near-term reporting is not planned. The company acknowledged the feasibility of solar and battery systems and confirmed that these are being integrated into new sites in Africa where suitable, despite physical and operational challenges.

Overall, the engagement highlighted meaningful progress of the company, with net zero commitments and transparency of reporting whilst also identifying areas for future disclosure and strategic development. The engagement example was included in client's RFI responses and has been briefed into portfolio review meetings for its clients and prospects. The external manager maintained their exposure to the company.

While the company's replies were concise, it continues to provide relevant information through its annual Sustainability Report.

To monitor potential climate related progress and any enhancements to disclosure, the external manager is planning a 12 month reevaluation and therefore expects to resume the dialogue in Q2 2026.

Packaging Disclosures at a US consumer staple company

Objective

The US consumer staples company was identified for engagement under the external manager's biodiversity and nature - plastics engagement initiative to share perspectives with the company on the disclosure of packaging metrics in line with Sustainability Accounting Standards Board (SASB) standards. The external manager has identified and seeks to engage companies for whom plastic packaging represents a potentially material investment risk.

Approach

Members of the external manager's stewardship and investing teams engaged with the company's Investor Relations and Sustainability teams to discuss packaging-related disclosures. The external manager has a classification system to track thematic engagements.

Outcome & next steps

During the engagement, the company explained its decision to stop reporting total packaging weight in metric tons due to litigation risks, as such disclosures had previously been used in lawsuits. The company highlighted its collaboration with the Ellen MacArthur Foundation to shift focus toward improving the quality and circularity of its plastic footprint rather than weight-based metrics.

The company outlined its plastics strategy, which prioritises reducing overall packaging and eliminating problematic plastics wherever possible. It conducts item-by-item reviews to assess packaging necessity and explores alternative materials when plastic use is unavoidable. The company acknowledged that it is unlikely to meet its 2025 plastic reduction targets due to factors such as increased sales volumes, slower policy progress on single-use plastics, and delayed innovation in alternative solutions. As a result, it is considering a transition to intensity-based metrics. Looking ahead, the company plans to better communicate its achievements in reducing packaging and substituting plastic with paper/cardboard in its public reporting. The external manager will seek to continue engaging with the company to share views on disclosure practices and monitor progress on packaging sustainability initiatives.

Source: External Manager

Engagement for commodities

In general, approaches to engagement on commodities typically do not incorporate active engagement with portfolio companies in the investment process given the lack of direct equity or bond exposure. However, our external manager for a commodities strategy does seek to engage with commodity exchanges to support the development of the asset class.

Our external manager engaged with the CME Group to suggest that they require all the brands delivering into the COMEX copper future adopt the Copper Mark. Copper is the only metal that has an industry standard around sustainability and currently 32 out of 39 of brands that deliver into the exchange have signed onto the mark. Therefore, the external manager believed that the CME should consider requiring it for the remaining seven brands.

The CME shared that they are currently not comfortable making the Copper Mark a requirement, as they believe there is a natural adoption rate. The CME is also mindful that there is a monetary cost (and an audit requirement) to adopt the Copper Mark, which further supports their desire not to make the Mark a formal requirement of all brands delivering into COMEX. The external manager will continue to engage on this topic.

They also engaged with the CME to encourage them to publish the carbon intensity for row crops and livestock. The CME highlighted that they are working on publishing metrics that outline their best practices for calculating carbon intensity. They are rolling out these metrics/practices on a bespoke, commodity-by-commodity basis through white papers. While they have published their thoughts on corn and cattle, they also have plans to extend these efforts to soybeans over the next year.

Engagement theme: Social

Source: Internal Manager

Context

This is an update to the original engagement in December 2023 in response to the media report in the UK Telegraph (7 December 2023) alleging a Malaysian bicycle accessories supplier, that produces components for a Japanese multinational cycling components company, exploited migrant workers. The internal manager had a call with management in December 2023 to discuss the media report and, at the time, the company confirmed an internal investigation was underway. As 18 months had passed, the internal manager took the opportunity to speak with management for an update on the internal investigation.

Objective

To ask the Japanese multinational manufacturing company to publicly address the allegations of modern slavery in its supply chain.

Action

The internal manager had a call with the Chief Executive Officer and ESG Manager.

Outcome

The company confirmed that an internal investigation had taken place. In the first instance, the company visited the implicated supplier site in Malaysia to establish the facts relating to the allegations. An independent third party was appointed to conduct a series of face-to-face interviews with the impacted Nepalese workers and it transpired that a human rights infringement had taken place. Workers' passports had been confiscated and payments withheld. The supplier has conceded and completed payments to the impacted workers. The approach to remediation is set out in the company's Human Rights Policy, reviewed and updated in July 2024. The company confirmed that where it identifies that it has caused or contributed to adverse human rights impact, it will work to remedy it through appropriate means such as by consulting with the impacted stakeholders. If a supplier has caused or contributed to adverse human rights impacts the company will use its leverage over the supplier to ensure an effective remedy is given. Using the example of the supplier's site, passports were returned to workers and the supplier completed payments to the impacted workers. The company confirmed that where possible it will seek to work with suppliers to remediate harm and improve standards in the first instance. Terminating a contract is viewed as a last resort. The company confirmed that it is still using the Malaysian supplier. An additional audit of the supplier found that it has improved its conduct and the individuals responsible for the harassment no longer work for the business. As a result, the engagement has been closed.

Improving Labour Management and Guest Experience at an American mountain resort company

Issue

A ski patrol union at a Park City resort of an American mountain resort company staged a 12 day strike demanding higher wages and greater resourcing for ski patrollers to ensure mountain safety. The strike significantly disrupted mountain operations — reducing open trails, creating long lift lines, and negatively affected the guest experience. The disruption also led to a class action lawsuit filed by a skier who claimed the company failed to inform guests of the impact of the strikes.

Objective

The desired outcome was to see improvements in labour management and understand how the company plans to handle these events going forwards to avoid similar events.

Approach

The external manager's investment team engaged with the company through virtual dialogue and meetings with the CFO. Discussions focused on labour negotiations, wage concerns, and measures to improve employee conditions.

Outcome & next steps

The company has implemented several initiatives to improve customer experience. The strike concluded with a new labour contract that increased base pay, improved working conditions, enhanced health benefits, and guaranteed overtime pay. The company also offered discounts to affected guests and launched initiatives to rebuild community trust and improve employee satisfaction, resulting in better retention and service quality.

The external manager will maintain shareholding and continue monitoring progress on labour management and guest experience improvements through ongoing engagement. Particularly, the investment team will monitor the company's advancements in talent investments, specifically: increased employee retention rates, employee training standards and benefits enhancements as an indication of the company's commitment to investment in skills rather than hiring volumes, and will continue to encourage increased disclosures around engagement scores and participation rates.

Source: External Manager

Enhancing Social Finance Framework of a Japanese multinational financial services group to support their digital inclusion products and services in emerging Asia

Objective

Since the external manager has established itself as an active investor in Asia's sustainable bond market, the external manager was invited by the bookrunning bank to the Japanese multinational financial service group's non-deal roadshow. The external manager used the session to provide direct feedback to the issuer on its Social Finance Framework and planned social bond—specifically on broadening digital inclusion and enhancing transparency for data centre environmental metrics. The objective is to improve impact measurement, transparency, and alignment with best practices for addressing social and economic inequalities in emerging markets like Indonesia and India.

Approach

The group held in the external manager's Sustainable Asia Bond fund, was engaged during a non-deal roadshow, to review its Social Finance Framework. The framework focuses on digital inclusion to improve financial access in markets such as Indonesia and India. Feedback included broadening the definition of digital inclusion beyond financial access to incorporate digital literacy, skills development, and cybersecurity measures. The external manager also recommended using indicators from the Digital inclusion Benchmark for future reporting and stressed the importance of transparency in environmental metrics for data centres.

Outcome & next steps

The engagement helped to encourage the group to refine their framework and clarified the group's social value initiatives and identified areas for improvement in impact measurement and reporting. The company reaffirmed its commitment to sustainable finance, with the social bond complementing green finance activities and focusing on digital inclusion. The external manager will monitor enhancements to the Social Finance Framework, including clearer definitions of target populations, improved post-issuance reporting, and integration of recommended indicators for digital inclusion.

Source: External Manager

Enhancing Cybersecurity and Risk Management at an American health insurance and healthcare services group

Issue

The cyberattack caused significant operational disruption and financial strain. Core systems were taken offline, resulting in major service interruptions and substantial recovery costs. The incident also affected key stakeholders: healthcare providers faced cashflow pressures and required temporary financial support, while patients potentially impacted by data exposure needed dedicated assistance and protection services. Overall, the breach highlighted vulnerabilities in the company's cyber resilience and imposed notable operational, financial, and reputational consequences.

Objective

To understand the root causes of a major cybersecurity breach that disrupted the U.S. healthcare system and ensure that one of the largest healthcare companies implements robust measures to protect customer data, mitigate the impact of the breach, and prevent similar incidents in the future. The engagement also aimed to assess transparency, governance, and operational resilience following the incident.

Approach

The external manager initiated engagement through email and follow-up meetings to address concerns related to the Change Healthcare data breach. The engagement was carried out by members of two investment teams, together with the ESG team's Engagement Specialist. Discussions were held with several members of company's management, including Chairman/CEO, Board Directors, Chief Legal Officer, as well as representatives from Investor Relations

- September 2024: In the first meeting, the group acknowledged its low ESG controversy score from Sustainalytics due to the breach and outlined steps to strengthen cybersecurity. These included implementing mandatory multi-factor authentication (MFA) and appointing Mandiant as a permanent advisor to the Board. The group addressed investor concerns around transparency, human rights implications, and regulatory compliance but remained undecided on disclosing specific cybersecurity investment metrics. The audit of the breach was still ongoing, and the company confirmed active engagement with rating agencies and authorities to address the incident and prevent future breaches.

- May 2025: In the second meeting, the group discussed the significant financial impact of the cyberattack, projecting $3.1 billion in total costs for 2025. Audits into the breach were still ongoing with no public results yet released. The group also highlighted broader business challenges, including unexpectedly high care utilisation in Medicare Advantage and lower-than-expected risk scores for new Optum Health members, which contributed to a downward revision of 2025 earnings guidance. The group emphasised its commitment to improving transparency and operational resilience while acknowledging ongoing legal and regulatory uncertainties related to the breach and industry pressures.

Outcome & next steps

The external manager will continue to monitor the group's implementation of cybersecurity measures and its efforts to mitigate the impact of the breach on customers. Future engagement will focus on ensuring transparency in reporting, strengthening governance around cyber risk, and advocating for disclosure of progress on resilience initiatives.

Engagement theme: Governance

Source: External Manager

Increasing Board Independence at an Online Travel Service Company

Issue

An online travel service company, held in the external manager's **India Equity Fund** had a low share of independent directors as part of the company's management. Limiting the ability to objectively evaluate the CEO and executive team's performance. This lack of independent oversight heightens risk of conflicts and interest.

Objective

The engagement aimed to highlight concerns on the low share of independent members on the company's board, understand the reasons behind the current board composition and how this could be changed. By increasing board independence, this would help ensure decisions are made in the best interest of shareholders.

Approach

The external manager's investment team raised their concerns during an initial meeting with the company's CFO and Head of Investor Relations, followed by a subsequent meeting with the CEO and CFO. The discussions focused on the importance of board independence and the potential steps the company could take to improve its governance structure.

Outcome & next steps

The company management discussed that the reduction of stake by one of their major shareholders would pave way for lower board seat for them and therefore lead to opportunities to reconstitute the board with more independent members. Subsequently, post a partial stake sale by the major shareholder, the online travel services company has reconstituted its Board. It now has four independent members out of ten versus three earlier. The company has also set up a nomination committee comprising two independent members out of three and reconstituted the audit committee to have all three independent members. The engagement is deemed ongoing as the external manager plans to monitor progress on raising the share of independent directors on the Board to at least half.

Source: External Manager

Board Independence and Governance Practices at a Hong Kong technology and communication services company

Objective

The Hong Kong technology and communication services company was identified for engagement under the external manager's governance best practices engagement initiative to share perspectives with the company on board composition, independence, and compliance with evolving regulatory requirements.

Approach

Members of the external manager's stewardship and investing teams engaged with the company's Investor Relations team on its progress towards complying with the latest regulatory requirements and adopting market best practices.

Outcome & next steps

The external manager has been engaging with the company since 2022 on key sustainability issues, including the importance of transparency in data privacy management and on board structure. In the most recent engagement, the company acknowledged the need to review its long-serving independent directors in light of recent amendments to the Hong Kong Stock Exchange Corporate Governance Code, which introduced a nine-year tenure limit for independent directors. The engagement also addressed the independence of the nomination committee, currently chaired by the founder of the company. The company emphasised that independent oversight is ensured through a majority of independent directors and that the founder's insights are valuable for director selection. The external manager shared its view on director independence and will seek to continue engaging with the company on board composition and independence.

Example of active ownership

This example demonstrates how our internal asset manager, specifically M&G's specialist private markets Crossover and Catalyst teams exercised active ownership through close, collaborative engagement:

Issue

An AI-powered traffic management system company was preparing for a Series C growth equity raise in 2025 to fund the next phase of rapid scale-up. While operational execution and growth momentum were strong, the company management had limited experience of leading a large, institutional fundraising process, particularly in relation to valuation calibration, investor targeting, and the softer execution skills required to run a competitive process. There was a risk that insufficient preparation or poor sequencing could lead to sub-optimal pricing, delayed execution, or reliance on costly external advisors.

Process

M&G's Crossover and Catalyst teams, working together, engaged early with management to support preparation for the Series C well ahead of any funding pressure, ensuring the process was run from a position of strength. M&G provided hands-on support on timing and sequencing, valuation expectations, and the development of the investor presentation, including articulation of a complex financial and business model.

M&G also supported company management in preparing for investor meetings, made introductions to potential investors, and participated in reference and information calls, presenting the business from an investor perspective. This level of high-touch engagement enabled management to run the fundraising process in-house, avoiding the use of an investment bank, reducing advisory costs, and retaining control over the narrative and execution.

Outcome

Following a lengthy but well-managed process, the company successfully attracted a high-quality, brand-name private equity fund to lead the Series C round in Q4 2025. M&G's involvement contributed directly to investor engagement and momentum, supporting the rapid onboarding of a high quality lead investor. The company secured significant growth capital, positioning it strongly to accelerate its growth strategy. At the time of writing, final investment documentation is being completed, with M&G participating in the round.

Collaborative engagements

We expect managers to use the most effective form of engagement, which may mean doing so collectively where appropriate. Whilst not a requirement, we encourage our managers to use different tools of engagement to drive positive change and view collaborative engagement as a useful method. The ESG & Regulatory team uses the Engagement Template to assess and differentiate which engagements have made use of collective or collaborative initiatives.

Below is a collaborative engagement example, drawn from one of our appointed external managers:

External manager participation at a UK Water Roundtable

One of our appointed external managers had the chance to speak to numerous UK Water companies to encourage them to issue labelled bonds and speak about current issues facing the sector. The aim was to encourage more labelled bond issuance for specific use of proceeds to help fund improving the infrastructure and supporting better outcomes for people.

The external manager participated in a roundtable event hosted by Barclays on the UK Water Sector. A number of UK water companies were present and they were able to speak to them about the importance and value of labelled bonds within the sector. The external manager had a positively constructive conversation and were able to emphasise that labelled bonds can remove some investor risk as use of proceeds can be tracked to specific projects. They noted how proceeds can be ringfenced to improve the infrastructure and support vulnerable customers.

Collaborative engagments continued

Context

The internal manager joined a new collaborative investor engagement programme, the PRI Spring initiative programme, to halt and reverse biodiversity loss, focusing on areas including deforestation and land degradation, systemic policy alignment and responsible political engagement. A high technology Chinese electronics and auto company declined to meet with the PRI group, preferring to communicate with us in writing, so the internal manager submitted a letter setting out their objectives as above and received a written response.

Objective

For the Chinese electronics and auto company, to disclose more on its supply chain and location of raw materials; upstream targets for climate and biodiversity; and what the group is doing in terms of policy advocacy and trade associations.

Action

Our internal manager sent a letter to Investor Relations

Outcome

In terms of prioritising engagement in the supply chain, the company integrates a number of factors, namely regulatory and market drivers (e.g. the EU New Battery Regulation, CBAM), specific raw materials (lithium, cobalt, nickel, graphite, etc.), geographical risks of origin (e.g. cobalt mining areas in the Democratic Republic of the Congo), and the scale of business impact. The company's Supplier Code of Conduct already requires suppliers to conduct product carbon verification, adhere to zero deforestation policies, protect water resources, and properly dispose of waste. Regarding ESG target-setting, the company is driving certain core suppliers to establish specific greenhouse gas emission targets, which are expected to be disclosed in ESG reports within the next two years. The company completes on-site audits of all suppliers every three years, covering environmental and social aspects: hazardous substance free management, climate change, energy management, three-waste management, environmental administrative penalties, employee wages, working hours, forced labour, child labour, and, for conflict minerals, verification of due diligence systems. The assessments cover key raw materials such as lithium, cobalt, nickel, and graphite. On policy advocacy, the company is collaborating with UNESCO's Man and the Biosphere Programme (MAB) to promote corporate biodiversity cases at the 5th World Congress of Biosphere Reserves (5th WCBR) in late September. Additionally, the company is working with UNESCO's East Asia Office to publish a white paper on biodiversity collaboration practices based on the company's CLUB Chaser 3.0 Program (a three-year biodiversity initiative) by the end of the year. These points have either been recently disclosed or will be in the next two years.

Next steps

Further to the company's response to our internal managers' first letter, the Spring Initiative Group is awaiting a response to its second letter. The main objectives in the second letter are: improved disclosure granularity on nature assessments, targets, action plans and impacts with some suggested KPIs in the letter; systematically identify and categorise suppliers according to varying levels of ESG risk and materiality to business operations and adopt TNFD reporting in addition to European Sustainability Reporting Standards (ESRS). The Spring Initiative Group will follow up to gain a response to this letter in 2026. Our internal manager will review the next set of disclosures.

Whilst the asset owner relies on the engagement efforts of its appointed managers, the asset owner is still responsible for effective stewardship and may provide guidance where necessary or appropriate.

The table below reflects some of the initiatives we (as an asset owner) engage with, including some of those supported or led by M&G plc or the internal asset manager, which have a direct influence on the asset owner.

Collective Engagement/ Initiative	Summary	Involvement
Bulk Annuity Sustainability Principles Charter	The asset owner is signatory of the Bulk Annuity Sustainability Charter since January 2025. The Charter seeks to align expectations around sustainability within the bulk annuity process by setting clear principles to drive greater transparency, reporting and engagement. The asset owner has also participated in the working and steering groups as part of the Charter.	**Signatory**
UN-convened Net-Zero Asset Owner Alliance (NZAOA)	The asset owner joined the UN-convened NZAOA in 2021. The global institutional investor group supports members with their own commitments to transitioning investment portfolios to help limit global warming to 1.5°C in line with the Paris Agreement. **In 2025**, we contributed to various working groups and joined NZAOA member calls to discuss best practise with peers. More information on our involvement with the NZAOA can be found in the case study on page 45.	**Member**
Principles for Responsible Investing (PRI)	The asset owner is a member of PRI to provide transparency for responsible investment and gather best practice to drive forward the agenda. **In 2025**, we joined the PRI Nature Reference Group to help both support our approach to nature as well as to work with our peers to understand how to address biodiversity loss and other nature-related risks within our investment activities.	**Member**
Institutional Investor Group on Climate Change (IIGCC)	In 2024, M&G plc became a member of the IIGCC, an organisation that works closely with the investment community to provide guidance, frameworks, tools, and support to progress towards a net zero and climate resilient future. Their work includes supporting corporate engagement, guidance on integration of climate risk and opportunities into investment decisions, and engaging with policymakers on sustainable finance and climate policy regulation. **In 2025**, M&G plc joined several IIGCC working groups such as the External Fund Manager and Deforestation Investor Group. This was supported by attending IIGCC run conferences and events.	**Member**
United Nations Global Compact (UNGC)	M&G plc became a signatory of the UNGC in March 2021. The UNGC is a non-binding United Nations pact to encourage businesses and firms worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. M&G plc annually submits a Communication of Progress (CoP), explaining how M&G as a corporate entity (plc), long-term savings and annuities business (asset owner) and an asset manager is seeking to play its part as a UNGC signatory.	**Signatory**
Powering Past Coal Alliance (PPCA)	The PPCA is a coalition of national and sub-national governments, businesses and organisations working to advance the transition from unabated coal power generation to clean energy. M&G plc is a member of the PPCA since March 2021. **In 2025,** M&G plc updated its approach to thermal coal, refreshing our M&G plc Thermal Coal Position Statement and M&G Investments updated its M&G Investments Thermal Coal Investment Policy. This included our attestation against the PPCA Finance Principles. PAC's approach to thermal coal is aligned to the **M&G plc Thermal Coal Position Statement**.	**Member**
Carbon Disclosure Project (CDP)	CDP is a global non-profit that leads an independent environmental disclosure system for companies, capital markets, cities, states, and regions to manage their environmental impacts. **In 2025**, M&G plc responded to the CDP annual questionnaire for the sixth time.	**Signatory**

Activity: Working with NZAOA towards our climate change priority

In 2025, we continued to work alongside 87 institutional investors, with $9.25 trillion AuM, towards the joint goal of aligning portfolios with a 1.5°C scenario in accordance with the Paris Agreement. The Net Zero Asset Owner Alliance (NZAOA) aims to drive the development of industry best practices and the catalysation of global economy decarbonisation. The NZAOA Target Setting Protocol provides guidance for asset owners to set climate targets, covering portfolio and sector-specific GHG emissions, corporate engagement and climate solutions. In 2025, we continued to report our progress against our targets to the NZAOA through the annual disclosures process.

To support our membership of the NZAOA, several members of the ESG & Regulatory team have joined NZAOA working groups to further engage with the alliance and have contributed to the development of guidance or participated in industry engagement sessions during 2024. Working groups that we have participated in include:

- Monitoring, Reporting and Verification (MRV)
- Corporate Engagement
- Sovereign debt
- Financing the transition

Working with the PRI to address Nature-related Risk

In 2025, we joined the PRI Nature Reference Group to help both support our approach to nature as well as to work with our peers to understand how to address biodiversity loss and other nature-related risks within our investment activities.

As an active member of the PRI Nature Reference group, we have worked with peers to understand how we can advance awareness of nature-related impacts, dependencies, risk and opportunities. We have also fed into consultations and shared our practice with members to help support investors addressing nature risk within their own processes.

We hope that through our continued participation in this group we can contribute to investors developing investment practices and policies that address nature-related issues.

Escalation

We understand escalation to mean the need to intensify engagement efforts (for example, using more than one type of engagement and/or using different types of engagement) or to take stronger action in the form of voting and exclusions to reach our desired outcome. Ensuring alignment with our policies and processes can involve the use of escalation measures. We also expect our managers to escalate issues where appropriate.

Driving accountability with an external manager

This example demonstrates how the ESG & Regulatory team (ESG&R), actively escalated concerns by challenging an appointed external manager's interpretation of the U.S. Securities and Exchange Commission (SEC) regulations and seeking assurance that their engagement approach continued to meet PAC's stewardship expectations:

After attending a UK Stewardship Day hosted by one of our external managers where they highlighted how recent SEC regulations may constrain how asset managers conduct engagements. The ESG&R team used a follow-up meeting, originally arranged to discuss our Priority Engagement List, to also raise and challenge the points raised on the SEC regulations they referenced at the Stewardship Day event.

At the follow-up meeting, the ESG&R team questioned how the external managers' cautious interpretation of the SEC rules affects the depth of their engagements. The manager reiterated that they engage through constructive dialogue with investee companies and avoid dictating company strategy, explaining that the SEC guidance reinforces this approach. The manager confirmed that inadequate company responses may trigger escalation through follow-up questioning and potential votes against directors responsible for oversight.

The ESG&R team will continue to monitor the manager's engagements to ensure that they're carrying out the level of stewardship that we would expect under the revised SEC rules.

The following case study illustrates how our internal asset manager addressed governance and conflicts of interest concerns at a private company through escalated stewardship influence:

Issue

In December 2024, M&G led an investment round in a UK biotech company, and in December 2025 M&G led another late-stage funding round (Series C financing). During this period, a core stewardship issue was that governance was suboptimal and fell short of the standard expected for an institutional-quality scale-up, with multiple conflicts of interest among directors and inappropriate involvement in remuneration oversight. This created a risk that pay-setting and key oversight decisions would not be demonstrably independent, undermining accountability and potentially constraining access to high-quality long-term capital.

Process

Following the investment round in December 2024, M&G restructured the Board, assumed the chairmanship, and reworked top management to stabilise the business, clarify accountability, and reset the company for growth. This governance and leadership reset allowed the UK biotech company to execute through the year and prepare for further financing from a stronger footing.

Ahead of the December 2025 Series C, M&G conducted a full governance assessment and implemented further changes to align the company with institutional expectations. These included appointing an independent chair (a recognised healthcare expert) and establishing formal Remuneration and Audit Committees to strengthen independent oversight and controls.

Outcome

The combined actions materially improved governance quality, independence, and credibility, reducing risks associated with conflicted decision-making and strengthening investor confidence. The Series C financing completed in December 2025 alongside these governance enhancements positioned the UK biotech company to enter 2026 with a more scalable governance model and a stronger platform for sustained growth.

Our asset owner PAC Voting Standard details the use of shareholder voting to achieve an ESG target as part of an escalation strategy where other engagement is not achieving the required outcome in the set timeframe. For example, if various other forms of engagement have not been successful over a prolonged period, the asset manager may vote against a company's management at a general meeting to help drive the required change.

Where appropriate, we may work closely with the relevant asset manager to exert influence on a particular issuer to elicit a desired behaviour. This is done only where deemed appropriate and where our involvement is deemed to be beneficial to help achieve the desired outcome. In addition, if one of our appointed asset managers is not carrying out responsible stewardship in line with our expectations, then we would employ our own escalation measures to reach a desired outcome.

Escalation in practice:

With respect to our UN Global Compact (UNGC) exclusion, the asset owner, in conjunction with the internal asset manager have created a centralised list of companies that are deemed to be in violation of UNGC for funds with this exclusion within M&G. The list is monitored on an ongoing basis by the Global Norms Committee at M&G, who review the list of companies and discuss any proposed changes, escalations, or resolutions. An escalation decision by the Global Norms Committee could result in engagement or divestment.

Exercising Rights and Responsibilities

We demonstrate rights and responsibilities exercised by conducting effective due diligence on our appointed asset managers. As disclosed earlier, key findings from our annual Shareholder Rights Directive II review demonstrates evidence of our review of manager voting activity, how we monitor our asset managers' governance practices, and our managers shareholder voting activity on our behalf.

- The annual SRDII reporting questionnaire also reviews stock lending and reviews if securities are lent, and if so, the respective firms' engagement policy for lent stocks. These responses form a scored sub-area within our wider analysis, and if we view these policies as misaligned to our own policies, engagement will be sought with asset managers as appropriate

- Across segregated or pooled mandates, we expect our managers to vote on our behalf in line with our clients' best interests, of which we have regular oversight. We may request that our asset managers vote in a particular way to improve a particular aspect of corporate behaviour and further our ESG priorities and targets

- We rely upon our chosen asset managers to engage in relation to term and condition amendments, trust deed information requests, impairment rights and documentation review. We expect our managers to conduct effective monitoring, establish constructive dialogues, drive active engagement and responsible stewardship and exert influence where appropriate for fixed income holdings. Where appropriate, the asset owner may work closely with the relevant asset manager to exert influence on a particular issuer to elicit a desired behaviour

Shareholder Rights Directive (SRD II)

The SRD II sets requirements to strengthen shareholder engagement and transparency. Under the PAC Shareholder Engagement Policy, PAC as the asset owner works closely with asset managers to ensure effective engagement with investee companies. The Manager Oversight team reviews asset managers to ensure alignment with PAC's Shareholder Engagement Policy.

The 2025 SRD II review is the sixth annual review through which PAC With-Profits plus PAC, PPL and PIA Unit-Linked funds were reviewed. This process included all equity managers of segregated and pooled accounts, where policies, voting record, engagement and incentivisation are scrutinised.

The questionnaires covered both company and fund specific disclosure required under the SRD II. As we expect our asset managers to engage on our behalf, we evaluate shareholder engagement policies in addition to their ESG policies and review their voting practices against our own voting standards as part of our SRD II reporting. This ensures alignment with our key policies and standards.

Use of Artificial Intelligence (AI)

For the 2025 SRD II process, we designed and implemented a 1–4 rating scale, while AI was used to support the assessment by enhancing the consistency and objectivity of how fund-manager responses were evaluated.

In addition, AI supported the redesign of the SRD II questionnaire, incorporating feedback from the prior year's survey that highlighted the need for a more concise and focused approach. As a result, the number of firm level survey questions reduced from 60 to 51.

Importantly, all AI supported outputs, including scoring suggestions, were subject to manual oversight by the reviewing team and were benchmarked against prior year responses to ensure outcomes remained reasonable and to guard against any unintended deviations. All AI tools in use at M&G have been reviewed through our AI governance process and have security and contractual controls that protect our data.

Case study: Key findings from the 2025 SRD II Annual Review

The 2025 SRDII review included 136 funds with direct equity holdings that are managed by 34 different fund managers. In general, the review confirmed that responses were aligned with expectations and previous submissions for most in-scope managers

Each manager is awarded scores across several areas as well as given an overall score. All managers received either a score of '2 – Positive' or '3 – Neutral', with no manager scoring outside this range, demonstrating that they all met or exceeded the base line requirements.

Two managers that were highlighted in the previous review have since shown improvement:

- Responses from one manager in the previous two years fell short of expectations but through sustained engagement and meetings with senior management by the Life Investment Office contributed to clearer transparency around stewardship activities, including voting records
- Another manager showcased greater transparency and the right level of stewardship compared to its last review

1. **Policies** - Most managers had well established ESG and Shareholder Engagement Policies, though the level of detail and recency of updates varied. The majority were rated Positive or Neutral, with no Negative ratings.
2. **Climate Voting Policy** - Managers generally demonstrated appropriate climate related voting approaches. One manager stood out with a 'Very Positive' rating for a robust, long running climate stewardship framework. No managers were rated Negative.
3. **Voting Record** - Voting participation remained very high across managers, with almost all voting on more than 90% of eligible items.
4. **Engagement** - Managers provided strong and wide ranging examples of corporate engagement across environmental, social and governance themes. However, collaboration with other shareholders was mixed, and a few managers were rated lower due to limited evidence of collaborative or policy level engagement. Conflict of interest disclosures were generally good, with only isolated gaps.
5. **Incentivisation** - Remuneration structures were broadly aligned to long term client outcomes, with deferred elements and performance linked incentives.
6. **Fund Specific Disclosures** - Across investment strategy, risk management, portfolio composition, turnover and transaction costs, managers generally operated in line with mandate expectations.

Looking ahead and building on the positive outcomes achieved through AI, further areas will be explored for expanding the use of AI in the process, including scope list preparation and questionnaire development.

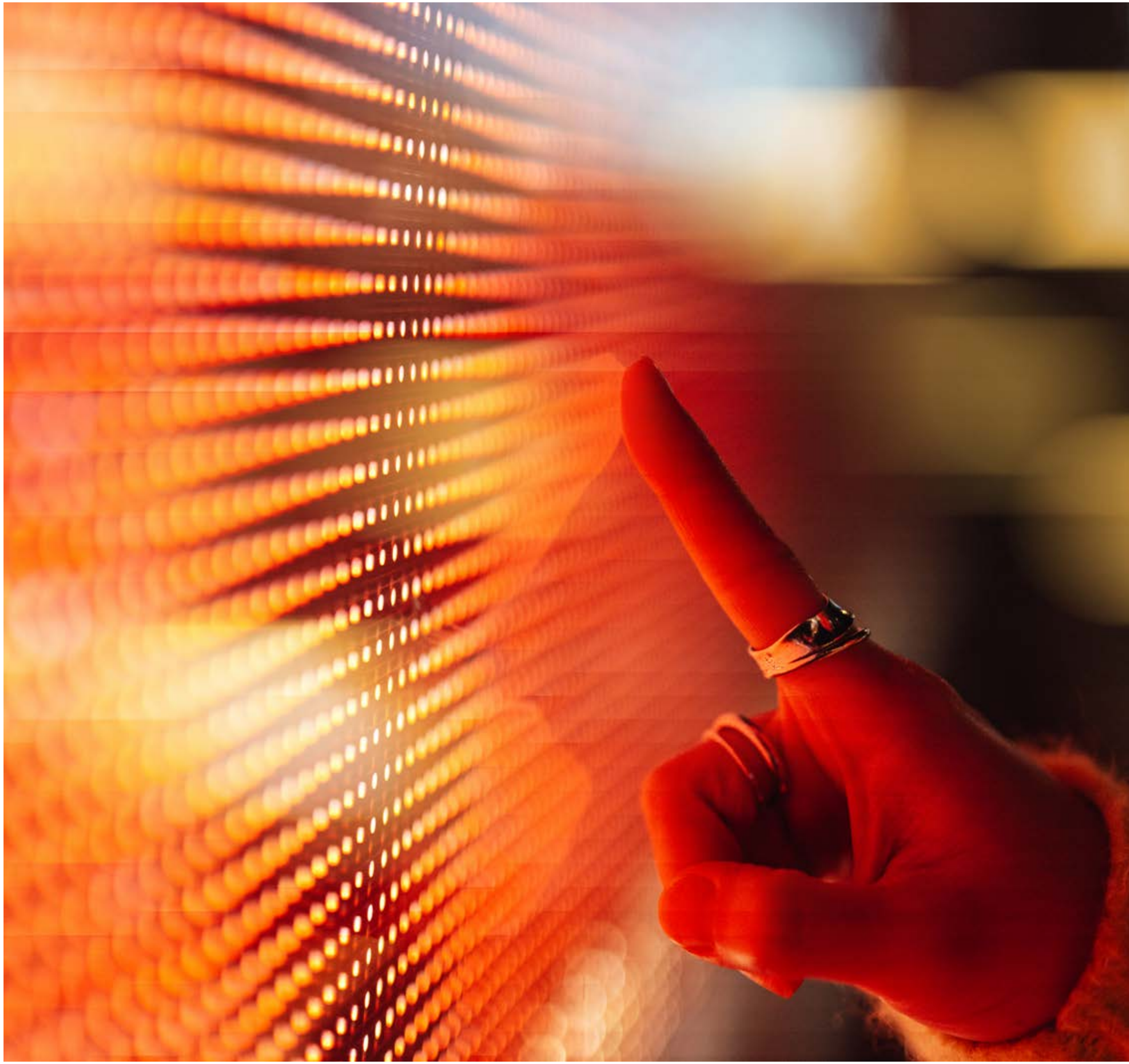
Proxy voting service providers

The appointment and use of a proxy voting service provider is accepted. However, where managers have chosen to use these services, this should be clearly set out in the asset manager's Voting Policy.

We also expect managers to conduct appropriate oversight to ensure that voting occurs in a manner that achieves the best long-term value for our customers and aligns with the investment manager's position on sustainability, which in turn should support the asset owner's ESG priorities and targets.

Additionally, investment managers should be able to take an independent view, dissimilar to the Proxy Voting Service Provider if necessary. Use of proxy services are reviewed as part of our annual SRDII reporting, with data collected regarding use of proxy advisers for corporate engagement, the services provided and the impact of the adviser on voting decisions.

In the case of proxy advisers not being used, detail is requested on the reasoning behind this.



Rights and responsibilities exercised in practice

Source: Internal Manager

Resolution matter: Approve Climate Report

Context and rationale for voting decision

At an Annual General Meeting for a sustainable construction manufacturer and supplier. The internal manager voted with management on proposal 14 “approve Climate Report” on the back of the multi-year climate engagement with the company. In 2020, the company was the first cement company to sign the “Business Ambition for 1.5°C” pledge with intermediate targets approved by the Science-Based Targets initiative (SBTi). As announced before COP26 in 2021, the company was among the first companies worldwide to set 2050 net-zero targets, establishing a new milestone for its industry as the first with 2030 and 2050 net-zero targets validated by the SBTi and covering all three scopes of carbon emissions. To demonstrate its commitment, the company’s 2030 and 2025 targets are financially attached to sustainability-linked bonds. The company’s decarbonisation roadmap is laid out in its Climate Report and includes details such as the expected evolution of the clinker factor in the product portfolio, the development of its fuel mix, the contribution of alternative raw materials, power purchase agreements, waste heat recovery systems, and new technologies such as carbon capture, usage and storage beyond 2030. The company’s Climate Report aims to further align with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Outcome

The resolution passed with an 89.75% vote in favour.

Source: External Manager

Resolution matter: Report on AI Data Sourcing Accountability

Context and rationale for voting decision

A resolution was held on an American multinational technology conglomerate to report on AI Data Sourcing Accountability. The external manager voted for the resolution as it was determined that the company is facing increased risks related to copyright infringement. Although the technology company discloses information about its assessment of AI risks generally, the external manager judged that shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models.

Outcome

The resolution did not pass, receiving 36.2% dissent support and the company has not yet introduced new commitments in direct response to the vote. As a result, the external manager intends to monitor and engage with the company. Where material ESG concerns persist, the external manager may consider actions as part of their escalation strategy, including further voting decisions.

Source: External Manager

Resolution matter: Advisory Vote to Ratify Named Executive Officers' Compensation

Context and rationale for voting decision

An external manager voted against a resolution at a Dallas-based commercial bank due to significant concerns over executive pay practices and weak pay-for-performance alignment. The concern was the CEO's short-term incentive opportunity was elevated relative to peers, with performance targets set at or below the prior year's results. Additional concerns included the compensation committee's decision to grant retention equity awards to the CEO and certain Non-Executive Officer's, contradicting prior commitments not to issue material one-time awards and the fully time-based structure of these grants. The CEO's amended employment agreement, which increased his overall compensation, added to the governance concerns, though this will be analysed in 2026. Collectively, these factors warranted a vote against to signal dissatisfaction with the company's compensation oversight.

Outcome

The proposal faced shareholder dissent and the resolution failed, highlighting shareholders demand for stronger disclosure and justification of performance target setting and benchmarking practices. The external manager is supportive overall of company management since the hiring of the CEO has been instrumental in the improved performance from the company over the past several years. However, the manager voted against the say-on-pay proposal because the CEO's pay remains elevated versus peers and long-term performance goals are not disclosed. The manager may support future say-on-pay proposals if the committee demonstrates tighter alignment between STI opportunity and goal difficulty especially goals with measurable improvement.

Source: External Manager

Resolution matter: Director Elections

Context and rationale for voting decision

The external manager supported the resolution on director elections of a global manufacturer of highly engineered equipment based on the company's strong board composition and diversity profile, which includes 40% female representation and 20% racially/ethnically diverse directors. This aligned with the external manager's stewardship priorities around inclusive leadership. This vote was also considered as a significant vote due to the relevance of board diversity to forward-thinking governance and long term value creation.

Outcome

The resolution passed. No immediate or discrete governance changes were triggered as a direct result of the vote. However, the outcome reinforced shareholder endorsement of the current board structure and diversity framework. The strong level of support signals market confidence in the board's ability to oversee strategic execution and manage governance risks as the company continues to scale its exposure to clean energy and industrial gas markets. The external manager will continue to monitor board succession planning, ongoing refreshment, and maintenance of diversity standards in future proxy seasons.

Source: Internal Manager

Resolution matter: Request a British multinational oil and gas company to disclose whether and how its demand forecast for Liquefied Natural Gas (LNG), LNG production and sales targets and new capital expenditure in natural gas assets are consistent with its climate commitments, including the target to reach net zero emissions by 2050.

Context and rationale for voting decision

None of the European oil majors put forward a vote on their transition plans in 2025, but the company received a shareholder resolution to explain how its growth in LNG is in line with its climate commitments to reach NZ by 2050. The internal manager put together a paper with views from key internal stakeholders. The internal managers' view is that they want the oil & gas majors to tread the fine line between maximising profits now from oil and gas and be flexible enough to be able to pivot their business model if/when the world transitions and the demand for oil and gas decreases. The shareholder resolution ask was not particularly onerous and in the company's response to the resolution it stated that a lot of the information requested is already in the public domain and the company management promised to disclose it all in one place on the website. As a result, the internal manager supported the resolution, the resolution received over 20% support and at the company's request, the internal manager subsequently engaged with the company to give their view as to what would constitute useful disclosure.

Outcome

The resolution failed with a 79.44% vote against.

Source: External Manager

Resolution matter: Disclose Greenhouse Gas Emissions Reductions Targets

Context and rationale for voting decision

The external manager voted for the resolution proposal for an American apparel and fashion manufacturer to disclose its greenhouse gas emission reduction targets. Reporting on and setting greenhouse gas emissions as well as short, medium and long-term targets would help the company better address risks related to climate change. This vote was in alignment with shareholder interests and rights.

Outcome

The resolution failed as it only received 16% of proxy voter support.

Work with other stakeholders to improve the functioning of financial markets

We recognise the critical importance of economy-wide transformation to support the transition to a low carbon economy. The right policy and regulatory signals are required to enable key sectors and regions of the economy to transition. M&G can play its part by engaging policymakers and regulators on key topics such as sustainability disclosures, sectoral decarbonisation roadmaps, and enabling environments for investment in low carbon solutions. This was emphasised under the 'Align' lever of M&G plc Climate Action Framework, set out in our 2025 Climate Transition Plan. We also recognise the importance of collaborating with peers and industry associations to develop best practice tools and methodologies and support practical implementation across the financial services industry, which we have done through the NZAOA 'Financing the Transition' working group in 2025.

Public policy advocacy

M&G continues to engage constructively and responsibly with UK and international policymakers on a wide range of public policy topics. As a politically neutral organisation, we engage with policymakers both individually and through a variety of membership bodies in the markets where the Group operates.

By sharing our expertise and insights with policymakers, M&G contributes to the design of public policy, legislative and regulatory frameworks, which support our ability to better serve our customers, clients, and shareholders.

Our focus in 2025, was on sustainable finance policy and regulation, and broader market frameworks. We responded to the UK Government's consultation on transition plan disclosures (please see the case study), sat on the Transition Finance Council 'Working Group 3', and held a position on the UKSIF Policy Committee.

Activity: Policy engagement– UK Transition Planning Policy

In Q3 2025, M&G plc responded to the **UK Government's consultation on transition plan requirements**. The consultation sought views from stakeholders on a range of possible implementation routes and options for the UK Government to meet its manifesto commitment to mandate the largest UK companies and financial institutions to develop and implement credible transition plans that align with the 1.5°C goal of the Paris Agreement. M&G was clear in our **2025 Climate Transition Plan** that we see value in companies developing and disclosing credible transition strategies, and through our Climate Action Framework we are committed to strengthening our engagement with companies to prepare these disclosures.

As such, we welcomed the opportunity to engage with the UK Government on this issue, and set out a positive view of how we use transition plan disclosures from investee companies to manage climate-related risks and opportunities; our experience of developing our own transition plan; and the importance of effective transition planning policy if the UK is to its objective of becoming the global green finance capital.

We advocated for the introduction of mandatory transition plan disclosure requirements for the largest UK companies, and will continue to work with relevant departments as they refine the policy. In addition to submitting our own response, we engaged with key trade bodies including the IIGCC, UKSIF and the ABI on their responses.

We also recognise that closing the climate financing gap requires direct deployment of capital towards solutions. As such, we have worked with UK policymakers on ways to increase institutional investors' allocation to private assets. M&G was a co-founding signatory of the Mansion House Compact, which is a voluntary industry-led initiative aiming to secure better financial outcomes for Defined Contribution (DC) savers by increasing pension investment into unlisted equities.

Industry collaboration

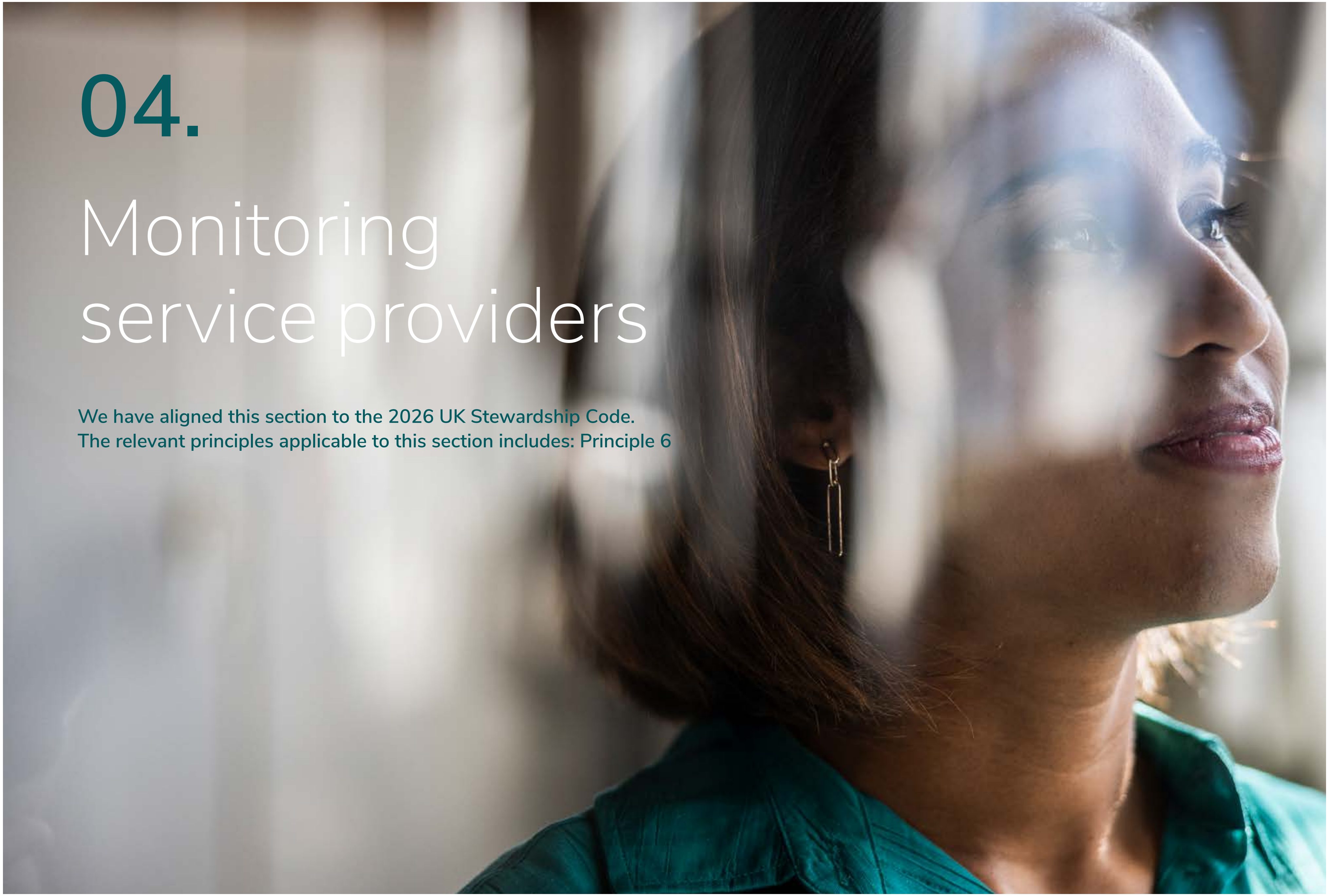
Through collaboration, membership of and engagement with various industry initiatives, we believe that we can gain a better understanding of the wider industry events and issues that we are facing. M&G plc and its business units engage with, participates in, and in some instances chairs, a number of different trade bodies and third-party associations:

Trade bodies & Third-party Associations	
Chief Risk Officer (CRO) Forum	The CRO Forum is a high-level discussion group formed and attended by Chief Risk Officers of major European listed, and some non-listed, insurance companies. M&G plc is part of the CRO Forum, contributing to ongoing policy discussions.
Association of British Insurers (ABI)	The ABI is the leading trade association for insurers and providers of long-term savings in the United Kingdom. M&G has a seat on the ABI Board, participates in relevant committees, and actively contributes to the ABI's public policy thinking.
International Regulatory Strategy Group (IRSG)	The IRSG is a body comprising of leading UK-based figures from the financial and related professional services industry. It is one of the leading cross-sectoral groups in Europe for the industry to discuss and act upon regulatory developments.
The Investing and Saving Alliance (TISA)	TISA's ambition is to improve the financial wellbeing of UK consumers by bringing the financial services savings industry together to promote collective engagement, to deliver solutions and to champion innovation for the benefit of people, our industry, and the nation. M&G sits on their various committees and feeds into their policy thinking.
The Investment Association (IA)	The IA is a trade body that represents asset managers and asset management companies in the UK. M&G Investments has a seat on the IA Board and participates in a large number of committees and actively contributes to the IA's public policy thinking.
TheCityUK	TheCityUK is an industry advocacy group that champions UK-based financial and related professional services industry. M&G are part of the Leadership Council of TheCityUK and actively participate in relevant committees and meetings with policymakers.

04.

Monitoring service providers

We have aligned this section to the 2026 UK Stewardship Code.
The relevant principles applicable to this section includes: Principle 6



M&G plc

Third-party service and research providers

M&G ensures that third-party service and research providers are engaged to support ESG integration. As outlined in the PAC Stewardship Policy and Context Disclosure, at M&G, and within the asset owner, we use third-party service providers including Bloomberg and MSCI to help inform the investment teams' activities and to help us carry out ESG and stewardship activities. M&G has regular communication with our service providers to ensure that they deliver appropriate services, in line with our expectations.

Monitoring of third-party service and research providers

The Market Data team within M&G Investments is responsible for monitoring the ongoing relationship with the service and research providers and for reviewing the overall quality of service provided. Research providers are monitored and scrutinised for accuracy and regular meetings are held to suggest new areas of improvement.

Any issues raised by the business will be followed up by the Market Data team until an appropriate resolution has been achieved. M&G have divided providers into Strategic and non-Strategic partners. Those that are strategic and of high value are monitored with regular service reviews on a monthly and/or quarterly basis due to the nature of the data and the demand to monitor the services.

Those that are not considered strategic, the Market Data team continues to oversee them and are the point of escalation for the business should any questions or issues with the service or data arise. The Strategic partners include MSCI, ISS, Morningstar, Refinitiv and Bloomberg.

Monitoring Process

For strategic vendors, M&G conducts monthly or quarterly service reviews. These sessions cover outstanding issues, assess service quality over the previous period, and discuss any new developments or changes to existing services. To enhance consistency in evaluating providers, we have recently introduced a scorecard for MSCI, which measures performance across key areas such as governance, pricing, data quality, and timeliness.

We plan to extend this approach to other providers in the coming year. In addition to regular reviews, when contracts are due for renewal, we work closely with the business to reassess the service's criticality and suitability—considering factors such as coverage, methodology, and commercial terms. These discussions also address whether the vendor has met expectations during the contract term, as well as decisions on retaining, adding, or removing products based on their relevance and fit for purpose.

Comparatively, for non-strategic providers, periodic check ins are more suited depending on the business requirement. Any issues raised are dealt with, by the M&G plc Market Data team as they aim to ensure that the data provider is monitored for escalation/service level review. Non-strategic contracts are renewed on an annual basis, to understand what progress has been made in terms of data quality and service. The team also hosts meetings with non-strategic data providers to discuss feedback and next steps, if any amendments are required to the existing contract.

Case study: M&G's Data Assurance team run daily tolerance checks over a series of a data provider data points that are critical to M&G (either for regulatory, investment or framework purposes).

For one issuer in particular, the team's daily check revealed a large day on day movement on a particular metric. When queried with the data provider, they confirmed that due to technical issue with their system, the value displayed to us the day before was incorrect and was subsequently updated. The business was then notified of the error and mitigating steps taken to ensure the corrected value was used.

This issue has been noted and will be discussed at M&G and the data provider's next quarterly review so that we can have assurances that this issue will not happen again.

Conclusion

Our progress this year

- Through enhanced scenario analysis, deeper climate risk modelling and monitoring of macroeconomic developments, we've made progress on strengthening our ability to identify and respond to market wide and systemic risks
- This has helped us to better understand our vulnerabilities and strengthen the resilience of PAC's investment process. As such, we continued to integrate climate considerations into our SAA

Improving manager selection

- We developed and introduced our proprietary Sustainability Scorecard to assess managers across four key pillars: General Firmwide, Integration, Engagement & Voting and Outcomes and the evidence of sustainability-related outcomes
- The scorecard has supported due diligence across a variety of strategies, including India Fixed Income and Private Markets
- It has deepened ESG integration and strengthened consistency in how we evaluate investment partners

Enhanced oversight of managers

- Insights from Quarterly Oversight Meetings have evolved into a clearer set of observations and findings, allowing us to address gaps more systematically and strengthen accountability across appointed managers

Strengthening engagement with key companies

- We identified our Climate Engagement Priority List and updated our Modern Slavery List
- Our underlying managers began to engage with these companies on our behalf and report progress
- We created a more structured and accountable approach to engagements

Looking ahead

- These 2025 highlights reflect our commitment to responsible investment, stewardship, and continuous improvement
- We remain focused on supporting better outcomes for our clients, our stakeholders, and the markets in which we operate

We hope you find this report insightful and reflective of the progress we are making. We look forward to continuing to share our journey and engaging with you as we advance our stewardship and sustainability ambitions.

Appendix

The table below includes links and page references to sections of this report that demonstrate how PAC complied with the six principles of the 2026 FRC UK Stewardship Code:

Code Principles	Disclosure Requirement	Relevant Sections in this Report	Page Numbers
Principle 1	Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries	Section 1. Promoting well-functioning markets	Page 11
		Section 2. Selection and oversight	Page 17
		Section 3. Engagement and voting	Page 27
Principle 2	Signatories identify and respond to market-wide and systemic risks to promote well-functioning financial markets	Section 1. Market and systemic risk integration	Page 11
		Section 2. Selection and oversight	Page 17
		Section 3. Engagement and voting	Page 27
Principle 3	Signatories engage to maintain or enhance the value of assets	Section 3. Engagement and voting	Page 27
Principle 4	Signatories actively exercise their rights and responsibilities	Section 3. Engagement and voting	Page 27
Principle 5	Signatories integrate stewardship consideration into their selection and oversight of external managers	Section 2. Selection and oversight	Page 17
		Section 3. Engagement and voting	Page 27
Principle 6	Signatories monitor and hold to account stewardship service providers	Section 4. Monitoring service providers	Page 59

Acronyms & abbreviations

AO Asset Owner

CA100+ Climate Action 100+

CDP Carbon Disclosure Project

CFRF Climate Financial Risk Forum

D&I Diversity & Inclusion

ESG Environmental, Social, Governance

ESG&R ESG & Regulatory

FRC Financial Reporting Council

GHG Greenhouse gas

IA The Investment Association

IDD Investment Due Diligence

IGC Independent Governance Committee

IIGCC Institutional Investor Group on Climate Change

Internal asset manager M&G Investments

IRSG The International Regulatory Strategy Group

NA100 Nature Action 100

NZAOA Net-Zero Asset Owner Alliance

ORSA Own Risk and Solvency Assessment

PAC IC Investment Committee

PAC The Prudential Assurance Company Limited

PIA The Prudential International Assurance plc

PRA Prudential Regulation Authority

PRI Principles for Responsible Investment

RAG Red, Amber, Green

RfP Request for Proposal

RMF Risk Management Framework

SAA Strategic Asset Allocation

SRDII Shareholder Rights Directive II

TCFD Task Force for Climate-Relate Financial Disclosures

TISA The Investing and Saving Alliance

ToR Terms of Reference

UNGC United Nations Global Compact

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