Nest Member Assembly

Day 3 Industry perspective - speaker slides



14 different investment themes and speakers

1. Investing in UK businesses, including large and small firms

Lord David Pitt-Watson, Fellow, University of Cambridge, Judge Business School

2. Ensuring companies are run well and responsibly (including governance, ethics, taxation, lobbying) SLIDES NOT INCLUDED

Deborah Gilshan, Australiansuper

3. Investing in private companies - the risks and opportunities compared with public companies

Andrew Doyle, Willis Towers Watson, a financial Consulting firm

4. Investing in homes, buildings and land (including affordable housing)

Guido Verheof, PGGM, a pension scheme in the Netherlands

5. Investing to reduce the harmful impact of climate changing gases

Valentina Ramirez, Institutional Investors Group on Climate Change, a not-for-profit pensions industry collaboration

6. Investing in a move towards an economy of clean energy and jobs

Marcin Kacperczyk, Professor of Finance, Imperial College

7. Investing which considers risks and opportunities in the natural world and preserving nature

Andrew Howard, Schroders, an investment firm

8. Investing which considers if people are paid fairly (including income inequality), working conditions, decent work etc.

Tom Powdrill, Social Governance, a consultant for the pensions industry

9. Investing in a way which considers the role of defence, and the impacts of weapons-related investments

Dan Neale, Church Commissioners for England, an ethical fund

10. Investing with a consideration of technology, AI (Artificial Intelligence) and social media

Christine Chow, Appointed Advisor, Accounting and Financial Reporting Council

11. Investing with a consideration of diversity and inclusion in companies

Mitesh Sheth, a consultant for the pensions industry

12. Investing with consideration of the negative social impacts of companies and products, including human rights

Luda Svystunova, Amundi, an investment firm

13. Investing with consideration of the negative health impacts of companies and products

Gregg Garrett ATNI (Access to Nutrition Initiative) a charity that rates big food companies on how healthy and responsible they are, and uses the results to push them to improve

14. Investing in infrastructure (for example, transport, telecoms, energy systems etc.)

Phelim Bolger, IFM, an infrastructure investment firm (owned by pension funds)



Presentation for NEST

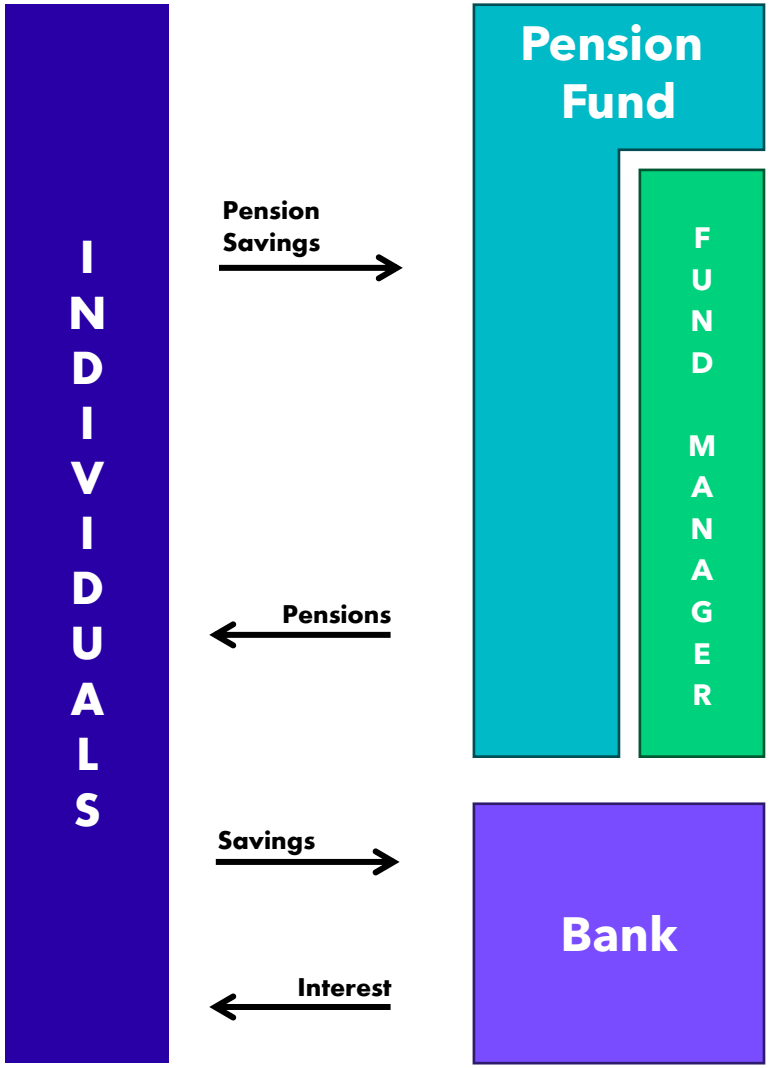
February 2026

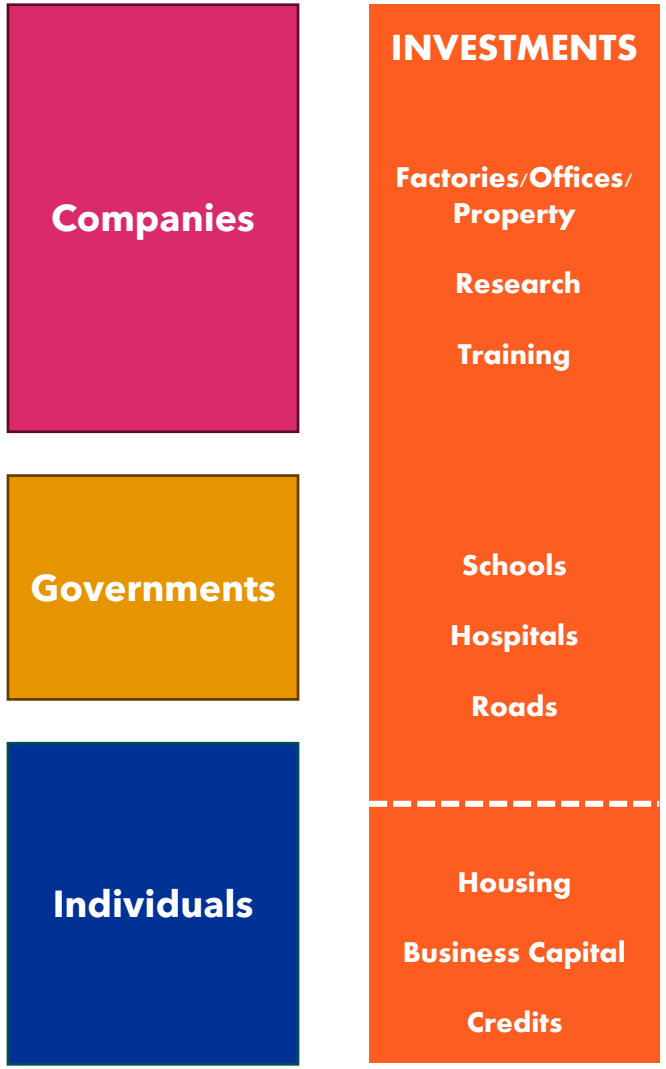
The CDC Forum CIC

Getting Money from Point A (where it is) to Point B (where it is needed)

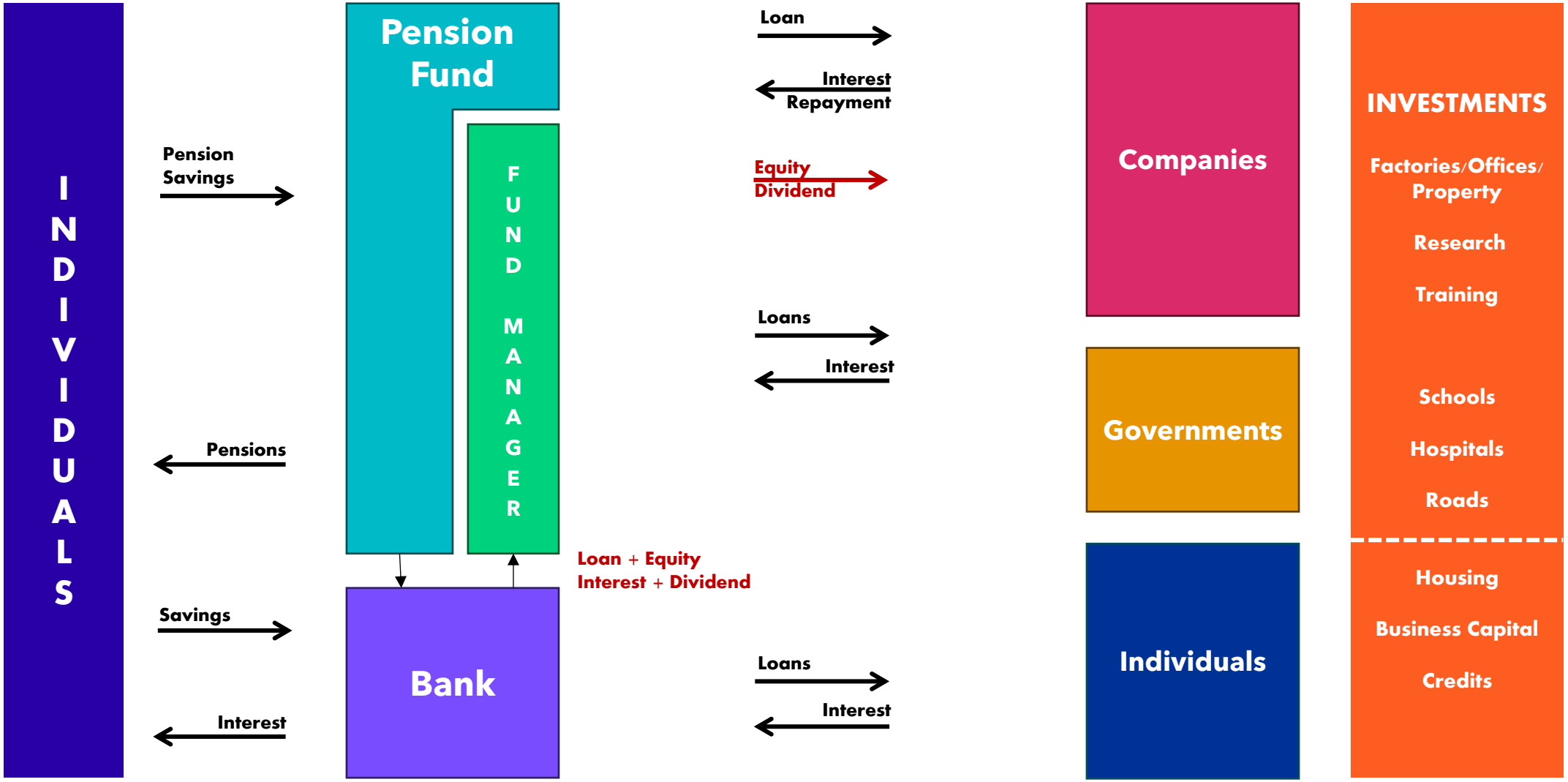


Getting Money from Point A (where it is) to Point B (where it is needed) (2)





Getting Money from Point A (where it is) to Point B (where it is needed) (3)



The Investment Choices. Pluses and minuses

- Different types of security
  - Loans/bonds. Predictable because they pay a known interest rate + are repaid. But (often) don't cover for inflation
  - Equity. Represents the value of the company in the future. But that can be riskier. But need to be careful not to have all eggs in one basket. Riskier? But can give good return and cover inflation
  - (Buying or subscribing directly in an asset. (Housing, infrastructure)). Might keep costs down. But you need expertise, investments lumpy, and difficult to sell.)
- Different types of investment
  - UK, Europe, Elsewhere. Can seek out return and spread the risk. But foreign investment doesn't help the British economy.
  - Industries – food, tobacco, defense, fossil fuels. Can seek out return and spread the risk. But are there industries we object to profiting from?
  - Etc.
- Different uses of investment
  - Buying an existing security. Straightforward. But doesn't directly finance any new investment.
  - Subscribing for new security. (e.g. venture capital). Does finance new activity. But its risky, and doesn't have a great track record for most

Glossary

- Loan or bond – Debt, on which terms of interest and repayment are contracted. Bonds often quoted on public markets
  - (Gilt – Government bond)
- Equity – Permanent funding for a company on which dividends are typically paid. Powers of equity holders enforced through governance powers (eg approving the board of directors)
- Public markets – Markets where securities are tradeable at a quoted price, allowing value to be established and investments to be realized. Quality of the security is assured, but by rules which can prove inflexible
- Private markets – Not public markets
- Direct investment – Direct investment in an asset.
- Indexation – Buying the same share of every company in a public market. Gives low cost and diversification, but limits choice.

What is Your View?

	Strongly Agree	Don't know	Strongly Agree	
I want a reasonable income which will last until the day I die.	←	- - -

What is Your View?

	Strongly Agree	Don't know	Strongly Agree	
I want a reasonable income which will last until the day I die.	⟷			I want the biggest possible pot of money which I retire. I can look after it myself.
I don't care where it is invested geographically. I want the highest return.	⟷			I'd expect at least some of it to be invested in the UK **How much?**
I would particularly like some of my savings to be financing new investment. **What proportion?**	⟷			I don't mind if it is a new or an existing investment.
I don't want my pension coming from activities to which I object. **Which ones?**	⟷			If the business of the company is legal, I see no reason not to invest in it

What other things matter to you about the way your money is invested?

Nest member assembly

Investing in private companies - the risks and opportunities compared with public companies

Andrew Doyle

February 2026

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What is the difference between public and private companies?

Public companies trade shares openly on stock exchanges

Example:	
A listed company:	ROLLS ROYCE
Traded on:	LONDON STOCK EXCHANGE
Current value:	£104 billion (Approx. 8.4 billion shares in issuance with a price of £12.37 per share)*

*as at 3 February 2026

Private companies do not trade shares publicly

Example:	
An unlisted company:	ADANOLA
Traded:	Privately
Current value:	£Estimated (In August 2025 part ownership was sold which implied an overall value of $530m)

Investing in private companies is analogous to owning a home, where the value is not readily observable

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Why invest in private companies?

Broaden opportunity set

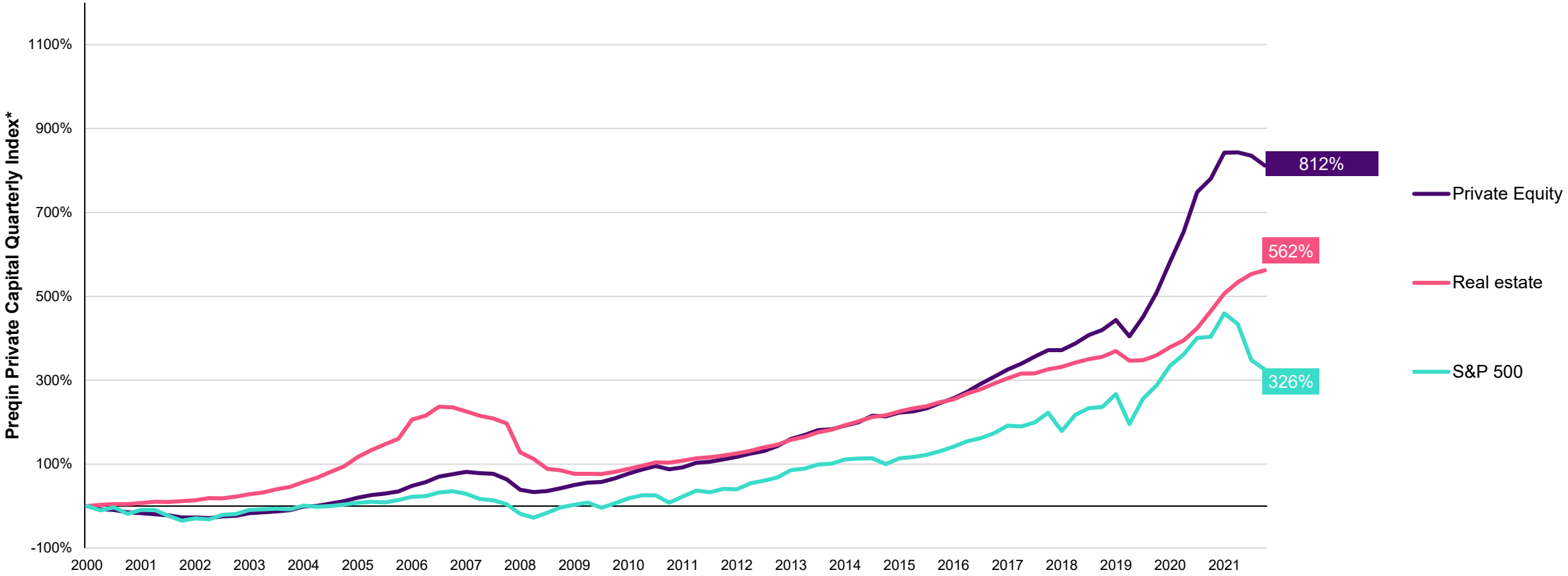
Own companies earlier in their life

Compete with fewer other investors

Higher expected returns

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…These factors have led to private equity generating strong returns



Source: Preqin quarterly index as of September 2022, rebased to 31/12/2000.

* The Preqin Private Capital Quarterly Index captures, in an index, the return earned by investors on average in their private capital portfolios, based on the actual amount of money invested in private capital partnerships. Private Equity is a broad pool of strategies including buyout. Time weighted returns.

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Some of the complexities associated with private companies

Valuations	Ability to sell assets	Fees & Costs	Information transparency
Unlike public companies, which have easily observable valuations, the value of private companies are only known with certainty at the **point of sale**. At all other times, **valuations must be estimated.**	Selling holdings in private companies **takes time.** A buyer needs to be identified and a price agreed without a public exchange. Trying to sell private companies quickly can compromise the value received.	Investing in private companies requires more involvement from the investment manager. Therefore, **reported fees are usually higher** than for investing in public companies.	Public companies must issue publicly accessible financial reports regularly, while **private companies are not required to share as much information with the public**.

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Wider industry considerations

Asset owners globally have invested in private companies for a long time

Within UK Defined Contribution schemes, investing in private companies has traditionally been less common – due to a number of factors including focus on limiting the fees paid to investment managers

However, there is now an increasing push to focus less on fees, and more on the investment returns delivered to members after fees and broadening the asset classes available to members

In line with this, 17 major providers recently signed a pledge to aim to invest 10% of default assets in private markets

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Summary

Increase diversification

Increase expected returns



Operational complexities

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Appendix

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Glossary

UK Defined Contribution: Defined Contribution (DC) pensions are schemes where the amount paid in is fixed (usually a percentage of salary), but the final pension depends on how much is contributed over time and how the investments perform. UK Defined Contribution refers to schemes based in the UK, such as Nest

Asset owners: Asset owners are the people whose money is being invested — in this case, Nest's members. Nest acts on members' behalf to invest their pension savings.

Strategic asset allocation: Strategic asset allocation is the long-term plan for how a pension scheme invests members' money across different types of assets — for example, how much to put in public companies, private companies, or property. Nest's Trustees set this plan and choose specialist managers to carry it out (see following definition).

Asset managers: Asset managers are professionals who choose the specific investments — for example which companies to buy, how much to invest in each one, and when to sell. Different asset managers specialise in different areas, such as public or private companies.

Investment management: Investment management refers to the whole process of looking after members' money — from setting the long-term strategic asset allocation to choosing specific investments and monitoring how they perform

Valuations: Valuations are estimates of what an investment is worth. For publicly traded companies, the value is easy to see because their shares trade on stock markets. For private companies, values are only certain when they are sold, which may not happen often. At other times, experts estimate a valuation — similar to how an estate agent estimates the value of a house between sales

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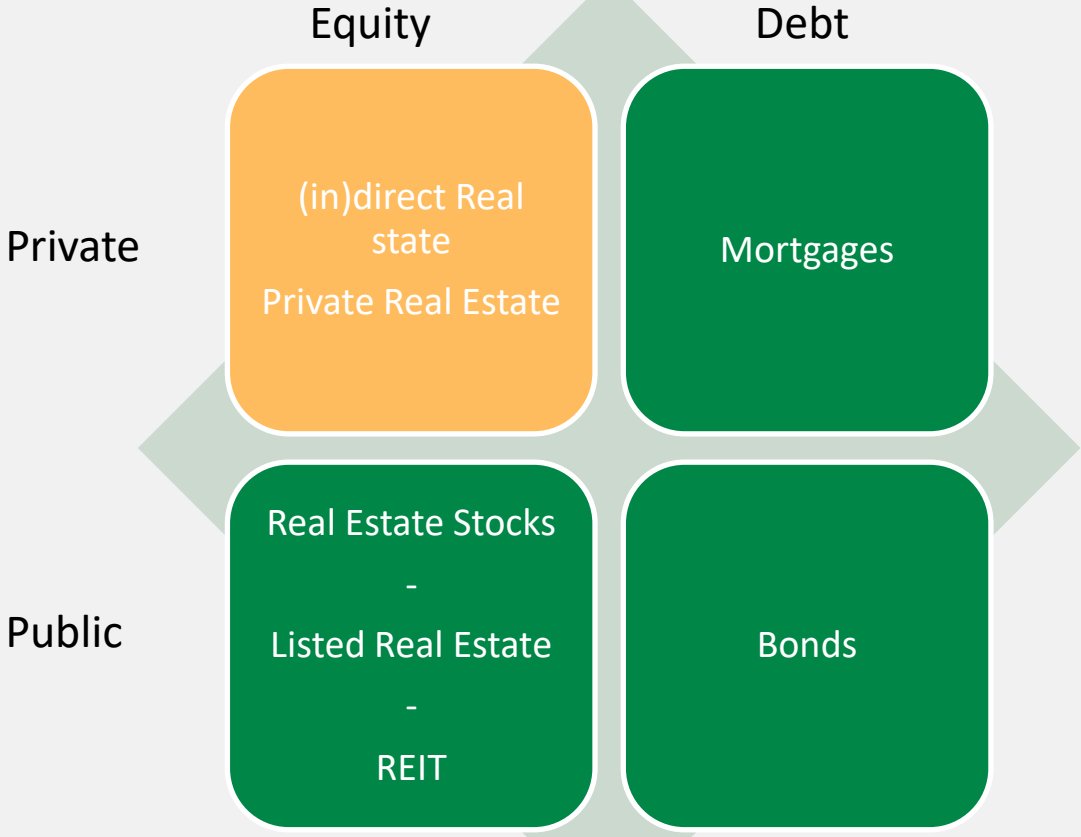
4. Investing in **homes, buildings and land (including affordable housing)**

Dutch Institutional Housing Market

Guido Verhoef Head of PGGM Private Real Estate

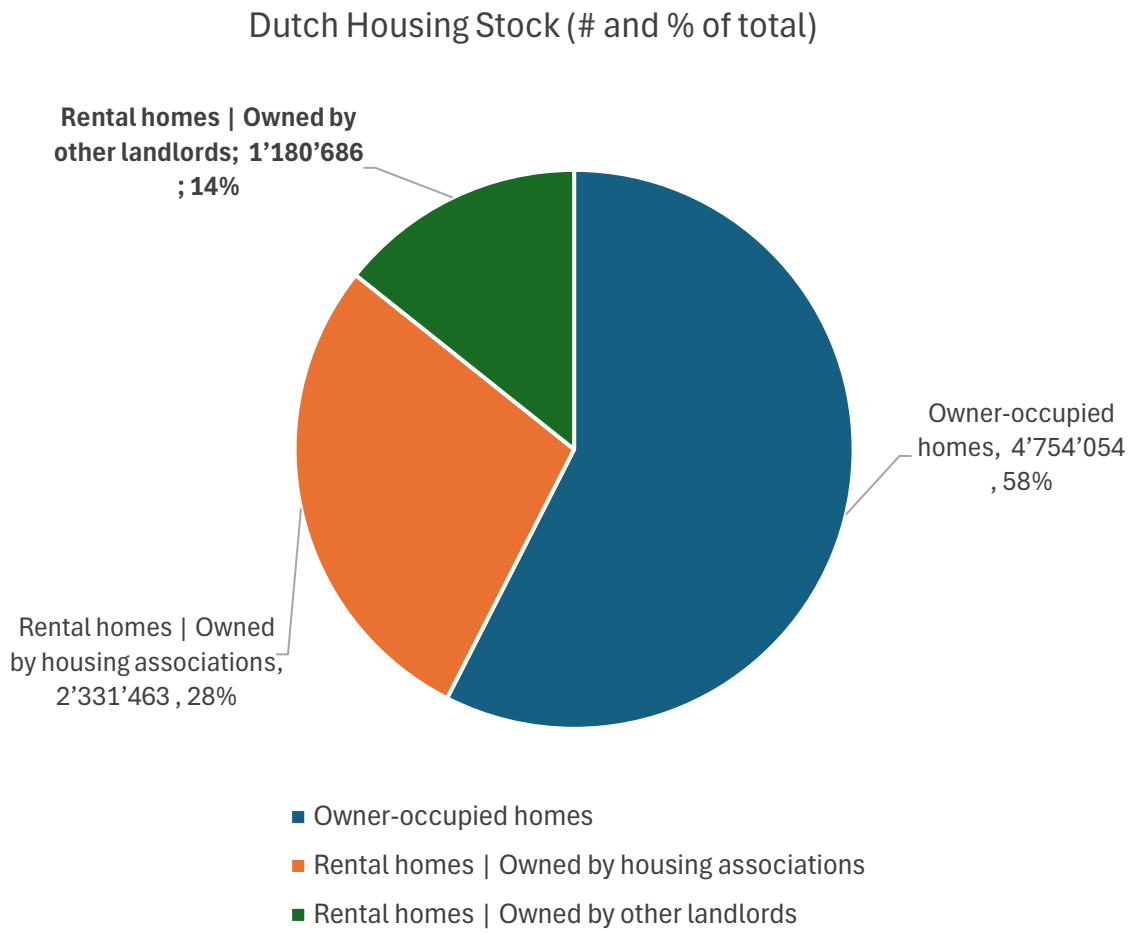
PGGM

4 options to invest in Real Estate



An example of Private Real Estate the Dutch Housing Market – Key Characteristics

- The Netherlands faces a structural housing **shortage**, especially in affordable and mid-market rental segments.
- **High demand and low vacancy rates**: Dutch rental homes are almost always occupied.
- **Institutional investors** play an important role in increasing the supply of rental housing.

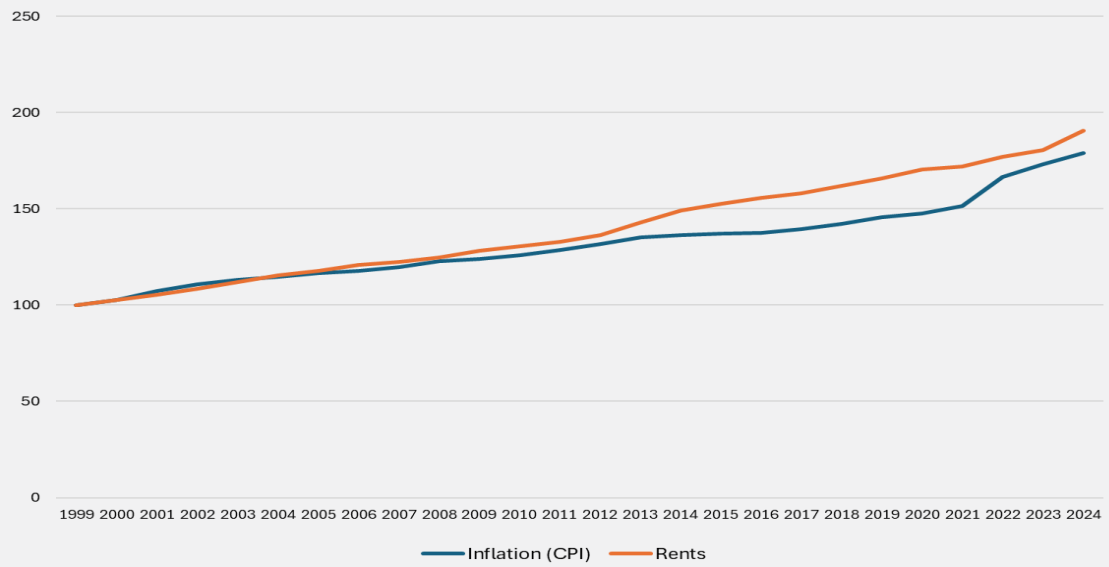


Source: CBS (Central Bureau of Statistics)

Focus on affordable housing because……..

- **Low risk** if rents = ±30% of local average household income
- **No feasable €-returns** in social housing as rents are capped and building costs high
- **Liquidity**, large investable segment of the residential market

Why Is the Dutch Housing Market Attractive for Investors?



Annualized Returns

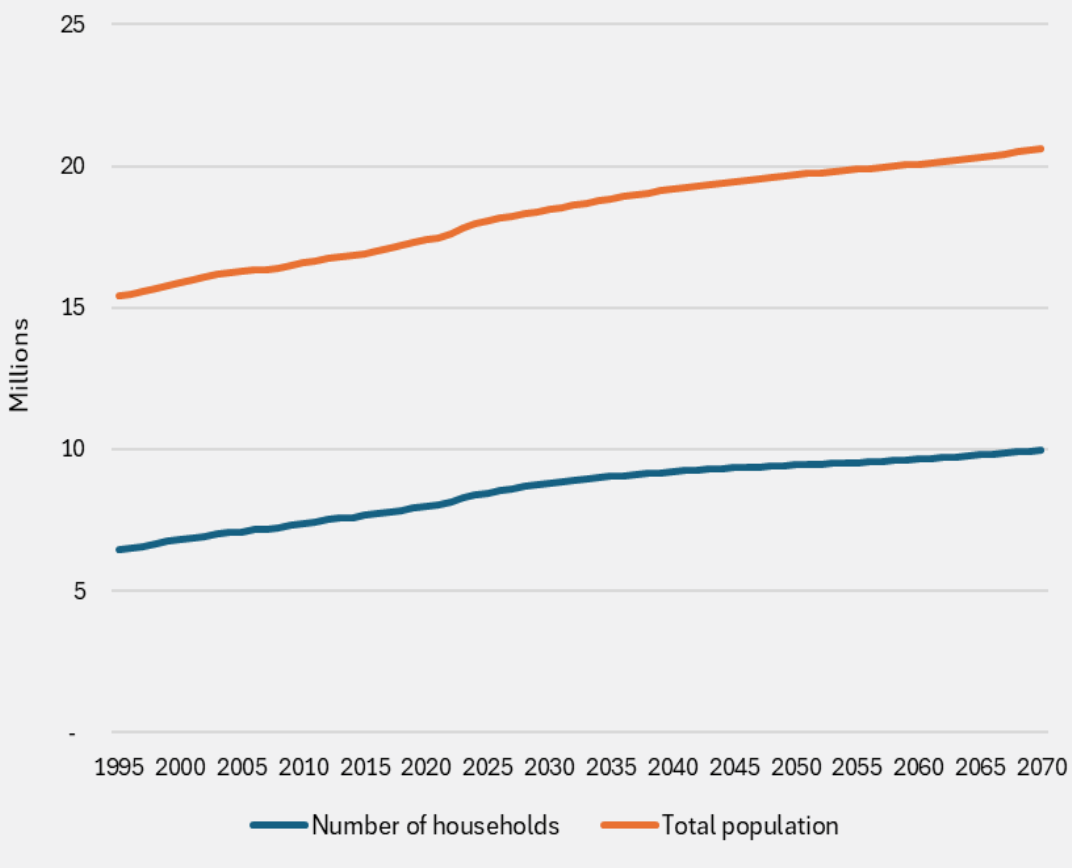
Period	Total Return (%)	Income Return (%)	Capital Growth (%)
1 Year	11.70	3.23	8.22
3 Year	2.22	2.99	-0.75
5 Year	5.94	2.95	2.91
10 Year	10.37	3.39	6.78

- Historically stable and **attractive returns**: average annual rent increases have outpaced inflation over the long term (2.6% rent growth vs. 2.2% inflation over the last 20 years).
- **Low volatility**: Rental income is stable, and long-term value development is positive.
- Investments in Dutch housing offer **diversification** benefits due to low correlation with equities and other asset classes.

Source: CBS (top), MSCI Property Level Index – Dutch Residential (bottom)

Risks and Considerations

- Main risks: **government regulation** (e.g., rent controls), possible price corrections, and policy changes.
- However, the **structural shortage** and demographic trends (urbanisation, population growth and shrinking household sizes) support long-term demand.
- Dutch housing investments are considered ‘core’ due to their **low risk and stable income** profile.



Social Impact and Societal Relevance

- PGGM invests in Dutch housing to deliver stable, inflation-linked returns for our clients, while contributing to societal needs by addressing the housing shortage.
- Recent government measures (like the Affordable Rent Act and upcoming legislation) ensure that **two-thirds of new homes must be affordable.** This matches the income levels of many of our participants.
- Hence, when renting out homes, **priority** can be given to residents with a **key profession** such as the health care sector.
- We focus on **sustainable and affordable** housing, especially in the mid-rental segment.
- Our experience: low vacancy, stable cashflows, and positive impact for both investors and society.



Amvest has allocated 358 rental apartments in the mid-market segment in *Olympiade*, in consultation with the Municipality of Amstelveen, to certain target groups. Priority was given to people with a key profession (31.3%). These are people who work in healthcare, security or education.

Summary

Four compelling reasons to invest in the affordable residential sector:

1. Competitive returns
2. Reduced risk
3. Enhanced portfolio diversification
4. Sustainable and meaningful social impact



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‘Investing in achieving Net Zero'

Valentina Ramírez, CFA - Head of
Climate Strategy Implementation, IIGCC

January, 2026



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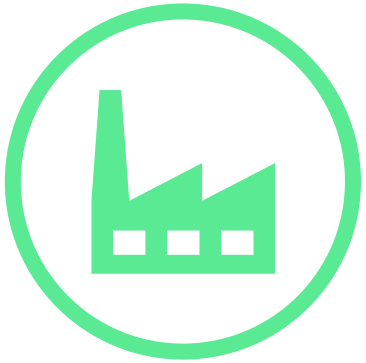
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Climate Mitigation & Adaptation

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- Transition Risk
- **Net Zero:** Less emissions intensity, + emissions capture
- Emissions sources: Energy sector (75%), agriculture/nature (12%), Industry (6%)…

Net Zero Investment Framework (NZIF)



- Physical Risk
- Resilience: Less vulnerability to heightened risk
- Hazards: Acute (floods, storms, wildfires), Chronic (heat stress, drought, sea level rise)

Climate Resilience Investment Framework (CRIF)

The cost of inaction



- Mitigation is the cheapest form of adaptation
- We cannot adapt our way out of a 4C world…

Source: Adapted from Image credit: Mike Keefe | Copyright 2015 Cagle Cartoons. The Week, 2015. Available here

Investors' levers of influence



- Governance, internal policies
- Objectives, commitments
- Scenario analysis, metrics
- **Investment decision-making (financial flows)**



- Engage with the management of the company, either individually, or collectively



- Engage with regulators, governments, initiatives, industry organisations
- Macro-stewardship: Other actors such as data providers, etc.

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Investing in achieving Net Zero

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Public Equities

Corporate Bonds & Stocks

Sovereign Bonds (Countries)

Private Markets

Real Estate & Infra

Private Companies

Alternatives (e.g. Nature)

Listed equities transitioning

- Utilities shifting from coal/gas to renewables, energy storage, and smart grids
- Auto manufacturers scaling EV production, battery supply chains, and charging networks
- Industrial firms investing in green hydrogen, low-carbon steel/cement, and circular manufacturing
- Tech companies using 100% renewable electricity (RE100), and deploying energy-efficient data centres

Bonds (corporate or sovereign)

- Green bonds, Sustainability linked bonds, other labelled bonds

+ funds that track benchmarks that aim to invest in the above

- Project finance for renewable energy projects (solar, wind, etc), energy storage
- Venture capital in climate tech: battery chemistries, carbon removal startups, grid digitalisation
- Growth equity in heat pump manufacturers, EV infrastructure providers, sustainable agriculture tech
- Net-zero new builds meeting high-efficiency and electrification standards
- Deep retrofits (insulation, heat pumps, LED, smart building systems)
- Sustainable forestry with certified management practices
- Reforestation and afforestation projects
- Regenerative agriculture improving soil carbon and reducing fertiliser emissions

Asset stewardship, assessing alignment

			Higher performance (Asset alignment target)	
NZIF/ CA100 Criteria	**Committed to aligning**	**Aligning towards net zero**	**Aligned to net zero**	**Achieving net zero**
1. Ambition	X	X	X	X
2. Targets		X	X	X
4. Disclosure		X	X	X
5. Decarbonisation strategy		X	X	X
3. Emissions performance*			X	X
6. Budget/capital allocation alignment				X

*Satisfactory, **relative to a specified country or regional decarbonisation pathway**. For 'High Income' or 'Developed Markets', a relatively more ambitious net zero pathway may be considered. For EMDEs, a 'fair share' pathway may be considered.

Source: IIGCC, Sovereign bonds & country pathways – Target-setting guidance. Available here.

Key Messages

- ✓ Institutional investors have **multiple ways in which they can help decarbonise the planet** (choose where to put their money, talk to companies about doing better, and even tell governments what rules would help).
- ✓ Across **different types of investments**, there are ways to direct money toward **greener options.**
- ✓ There are **standards and frameworks** helping investors follow best practice (e.g. NZIF/CRIF).

But,

- **Public markets make it hard to invest aggressively in climate solutions.**
  A lot of institutional money is in index-tracking funds (which copy the whole market). This means investors can't easily move most of the money into climate-friendly companies, even if they want to, because they must follow the index.
- **Data on climate progress isn't perfect.**
  Much of the available information looks backwards (past emissions). Some important data (future plans, green investment strategies) isn't consistent or easy to measure, so investors don't always have a clear picture of which companies are truly transitioning.
- **Policy and incentives aren't always aligned with climate goals.**
  Governments don't always provide stable or predictable rules to support big green investments. Inside financial institutions, many people are still rewarded for short-term financial results, not long-term climate progress. This makes it harder to justify investing in climate solutions that take years to pay off.
- **Emerging markets need more investment, but investors worry about risk.**
  Countries in emerging markets need a large share of global climate investment. But investors often see these regions as riskier (due to currency issues, political uncertainty, or fewer highly rated companies) so not enough money flows there.

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Thank you

Valentina Ramírez, CFA
vramirez@iigcc.org



Your Pension in a Changing Energy World

What the Clean Energy Transition Means for Long-Term Savers

Professor Marcin Kacperczyk (Imperial College London)

The World Is Rewiring — Here's What That Means

A Structural Shift

The global energy system is moving from buying fuel (oil, gas, coal) to building technology (wind, solar, batteries). This is not a forecast — it is already underway. Global clean energy investment exceeded $2 trillion in 2024.

Why Pension Funds Are Paying Attention

This shift is redirecting enormous amounts of capital. Pension funds worldwide are reassessing their energy holdings — not out of ideology, but because the economics and the regulatory landscape are changing.

The Pattern

Think of the shift from horses to cars. Investors who recognised that transition early didn't need to have strong feelings about horses — they just needed to read the direction of travel.

Genuinely Cheaper — But Not as Simple as Headlines Suggest

The Cost Advantage Is Real

On a unit-cost basis, new solar and wind are now cheaper to build than new coal or gas plants in most of the world. The "fuel" — sunlight and wind — costs nothing once the equipment is in place.

But the Full Bill Is Bigger

The unit cost doesn't tell the whole story. You also need batteries for storage, grid upgrades to move power around, and backup capacity. These system costs are substantial and often underplayed.

THE MORTGAGE ANALOGY

Traditional energy is like renting — you pay for fuel forever and the price can rise at any time.

Clean energy is like a mortgage — heavy upfront cost, but once you've paid it off the running costs are very low.

The honest addition: you also need to renovate the house to make it work, and that renovation isn't cheap.

Doing Nothing Is Also a Risk

TRANSITION RISKS
Moving Too Fast

Intermittency Sun and wind are variable, requiring expensive battery storage and smart grids to keep supply reliable.

Upfront capital The initial infrastructure investment is very large.

Execution risk Moving too fast can mean overpaying for immature technology.

INACTION RISKS
Moving Too Slowly

Stranded assets Fossil fuel investments may lose value sharply as regulations tighten — money that doesn't come back.

Carbon pricing Governments are increasingly putting a price on emissions, directly hitting carbon-heavy portfolio returns.

Concentration risk A fund heavily weighted toward legacy energy is betting the current system persists — and that bet looks worse each year.

Both directions carry risk. The question is which risk profile better matches a pension fund's 20- to 30-year horizon.

Four Questions Worth Raising With Your Trustees

1. What is our current exposure to carbon-intensive industries, and has it been assessed for stranded asset risk?

2. How is the fund evaluating the full system costs of clean energy investments — not just the headline figures?

3. What is the plan for managing the transition — is the fund diversified across the value chain (generation, storage, grids, materials), or concentrated in one area?

4. What is the timeline, and how does the fund balance short-term costs against long-term risk reduction?

A good answer doesn't have to be "we've gone fully green." A good answer shows they've weighed both sides.

The Final Balance Sheet

The Positives (Wins)

Lowest Cost

Renewables are now the cheapest way to produce new electricity.

Local Jobs

Creates thousands of roles for tradespeople that cannot be outsourced.

Energy Security

Less dependence on volatile global oil prices and foreign supply.

The Negatives (Risks)

High Upfront Cost

It is very expensive to build the initial infrastructure.

Reliability

Sun and wind require expensive backup (batteries) to be 100% reliable.

Grid Challenges

Our current power grids are "old" and need costly upgrades.

The Trade-offs (Choices)

Short vs. Long Term

Higher costs today for much lower "fuel" costs for decades.

Speed vs. Cost

Moving too fast is expensive; moving too slow risks "stranded" money.

Returns vs. Stability

Green tech can be volatile now, but it protects the whole economy later.

Glossary

Stranded Assets

Investments that lose their value because the world has moved on. Like owning a video rental shop when everyone switched to streaming — the building is still there, but nobody is coming.

Carbon Pricing

A government charge that makes companies pay for the pollution they produce. The more carbon you emit, the more you pay — which makes dirty energy more expensive over time.

Concentration Risk

Having too many eggs in one basket. If most of your pension is invested in one type of industry and that industry declines, your savings take a big hit.

Intermittency

The "cloudy day" problem — solar and wind only produce power when the sun shines or the wind blows, so you need backup systems to fill the gaps.

System Costs

The total bill for making clean energy work reliably — not just the solar panels, but also the batteries, power lines, and grid upgrades needed to deliver electricity to your home 24/7.

Value Chain

All the different parts of an industry, from start to finish. In clean energy, that means everything from mining the materials, to building panels and turbines, to the batteries and cables that deliver the power.

Schroders



Investing which considers risks and opportunities in the natural world and preserving nature

Andy Howard, Global Head of Sustainable Investment

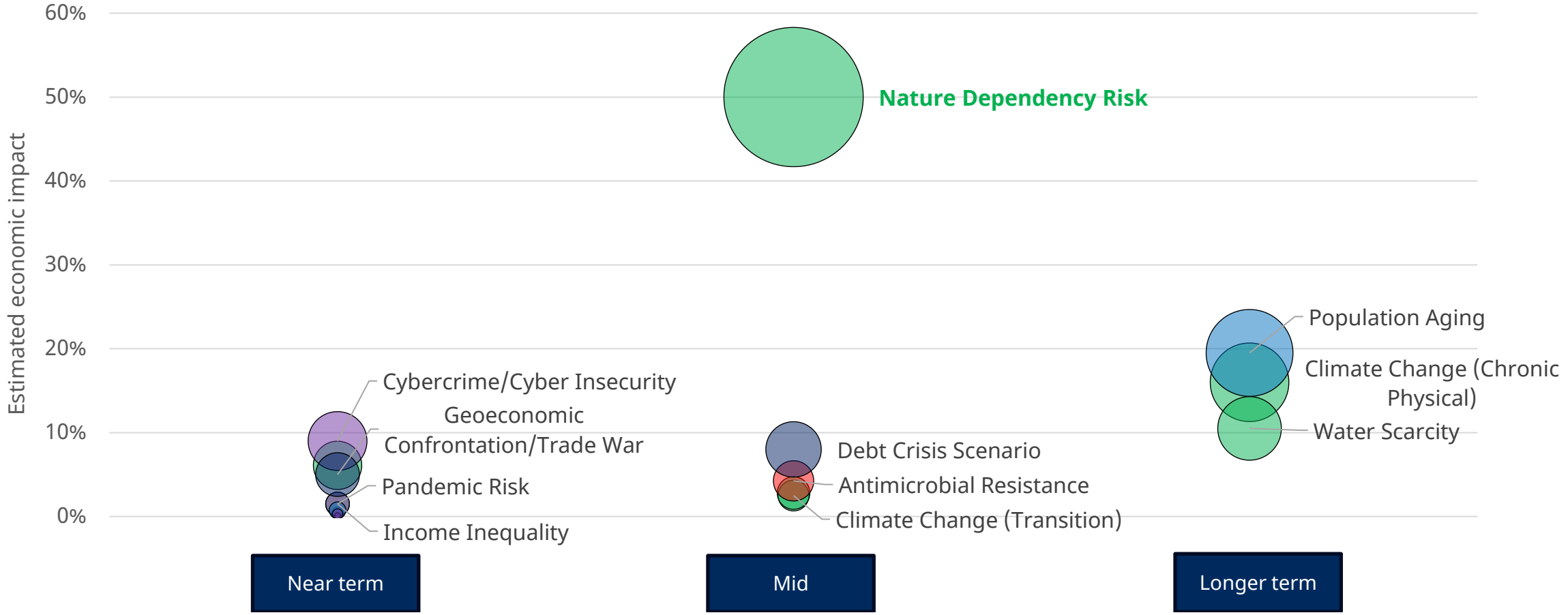
February 2026

Marketing material for professional clients only.

Risks on the horizon

Nature loss stands out for the scale of its potential risk

Estimated economic risk (as % GDP) of selected risks

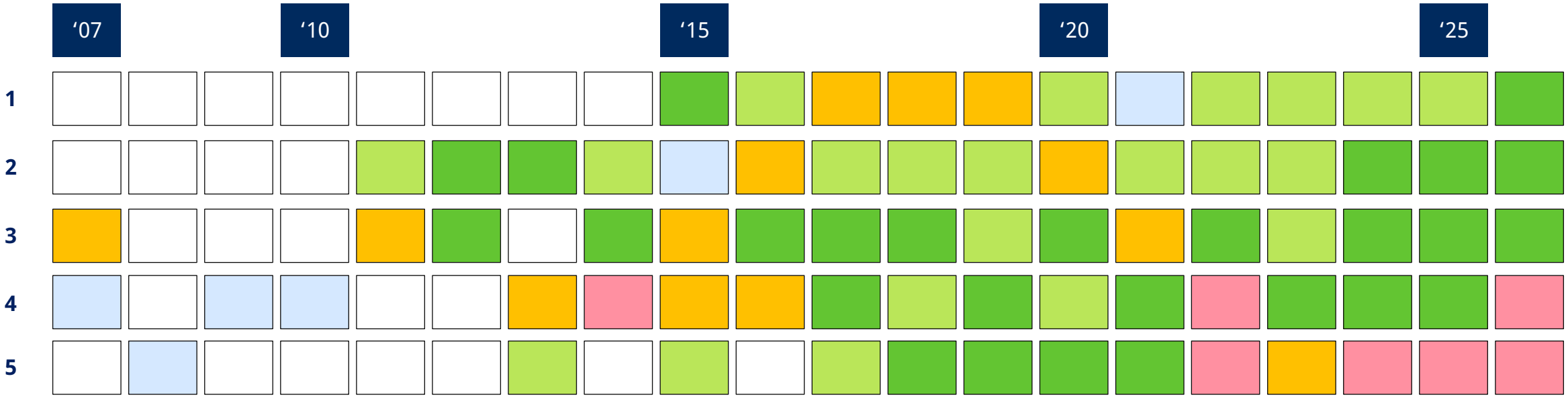


Source: Schroders analysis based on >40 industry and academic reports, to establish average/ consensus estimates. The size of each bubble is proportionate to its estimated potential economic impact

Schroders

Environmental and social risks have moved up corporate agendas; nature related risks in Boardrooms' focus

Top five most impactful long-term risks identified by global executives



Nature-related: Water crises, Food shortages, Natural disasters, Biodiversity loss

Climate-related: Mitigation failures, Adaptation failures, Extreme weather

Health-related: Pandemics, Chronic disease, Infectious disease

Conflict-related: Interstate wars, Geopolitical conflict, Weapons of mass destruction

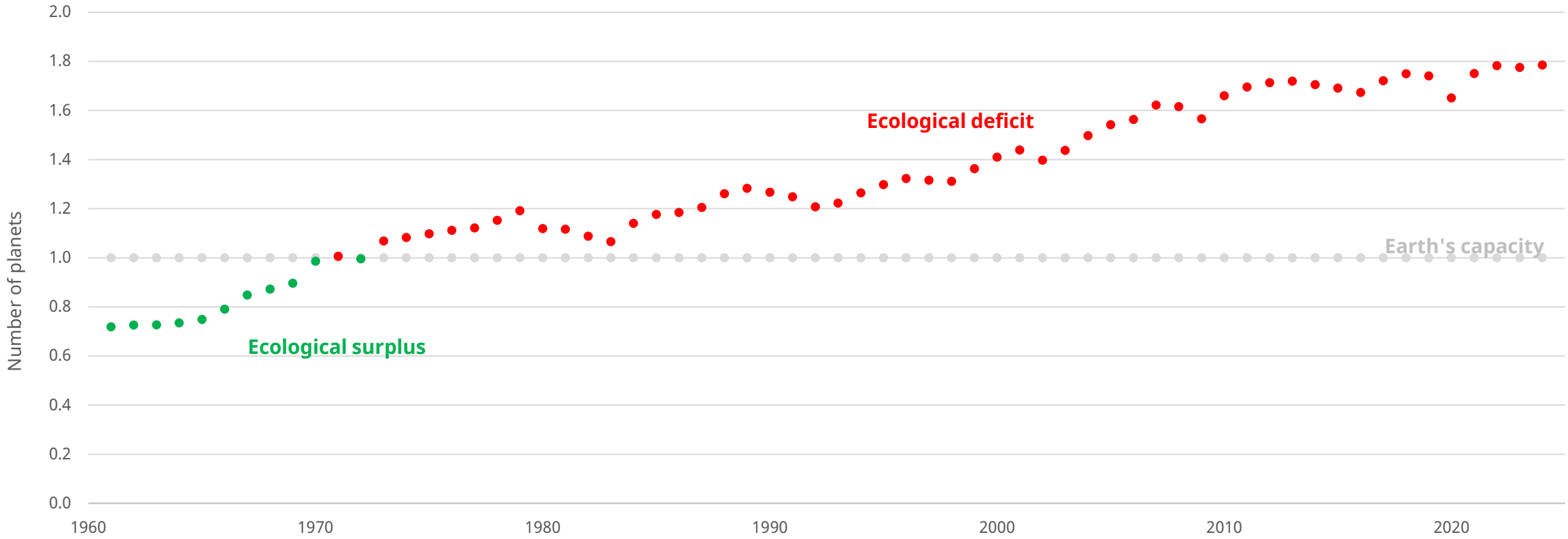
Social cohesion: Misinformation & disinformation, Adverse AI outcomes, Livelihood crises, Unemployment

Source: World Economic Forum annual risk reports, Schroders analysis. Terminology and classifications have changed over time; we have focused on long term (typically 10 years) risks and those considered to be most impact or severe. Classifications are Schroders own, with common risks listed for each category

Schroders

Human activity is putting ever more pressure on nature

Global ecological footprint; “number of planets” required to support global societies

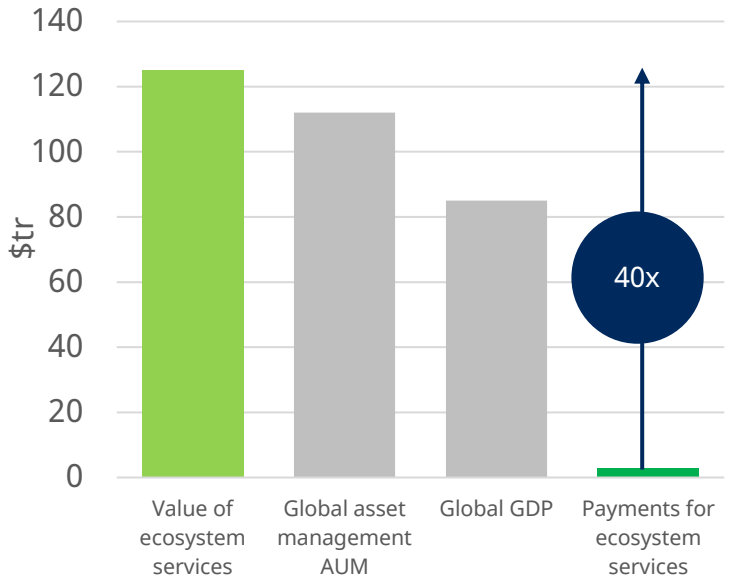


Source: Global Footprint Network, Schroders

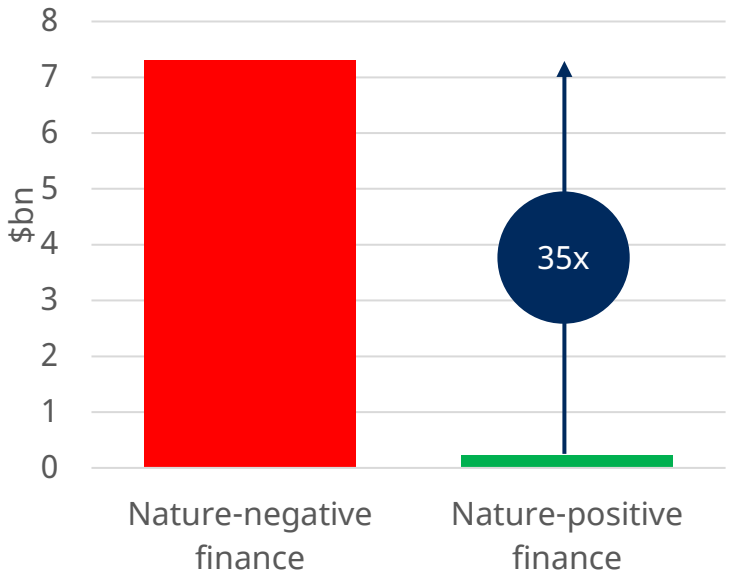
Schroders

A failure of economics has led to unencumbered nature loss, boosting economic growth unsustainably

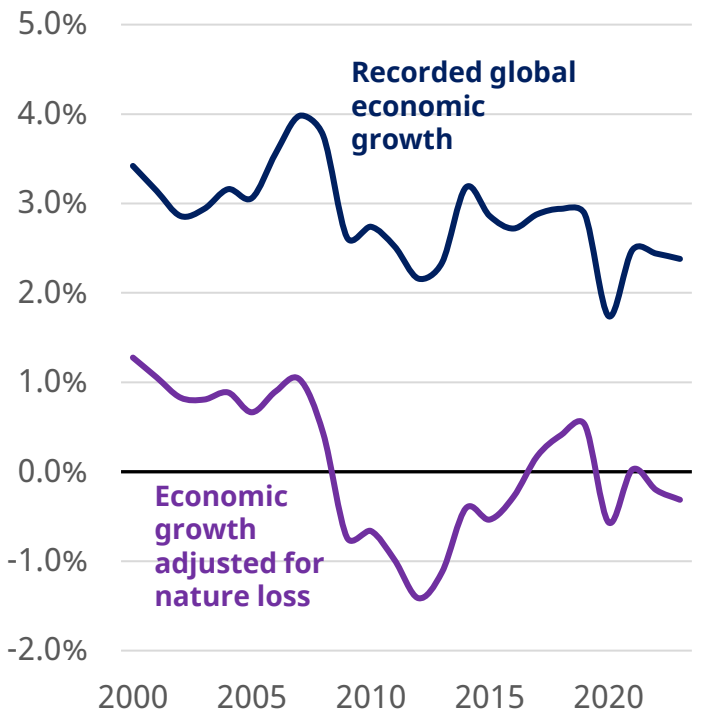
The price put on nature falls far short of its value…



…damaging activity financing far outpaces beneficial…



…boosting economic growth beyond sustainable levels

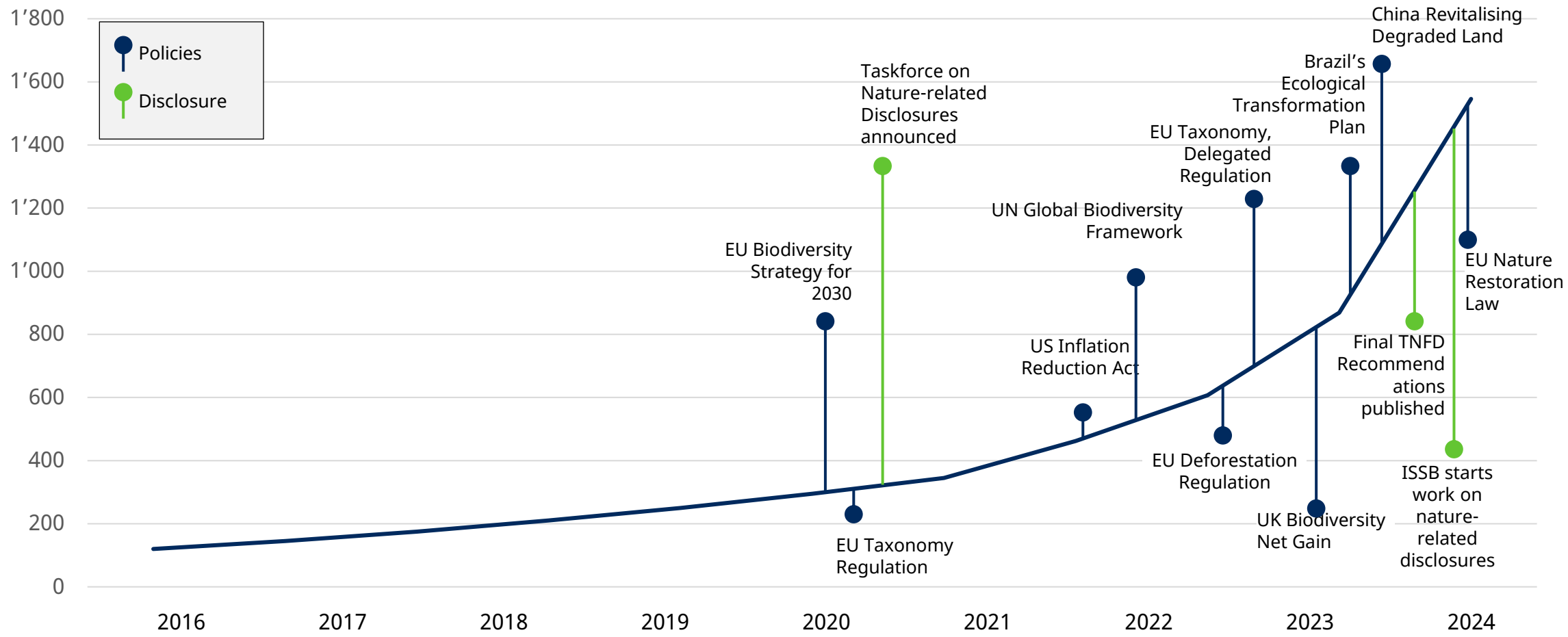


Source: World Bank, UN's State of Finance for Nature report, OCED's Green Growth and Sustainable Development report, Schroders analysis based on data from "Changes in the global value of ecosystem services", Costanza, de Groot et al. Asset management AUM from BCG. Global GDP from World Bank.

Schroders

Policy makers are responding; growing regulation

Number of nature-based policies introduced annually (selected key initiatives highlighted)

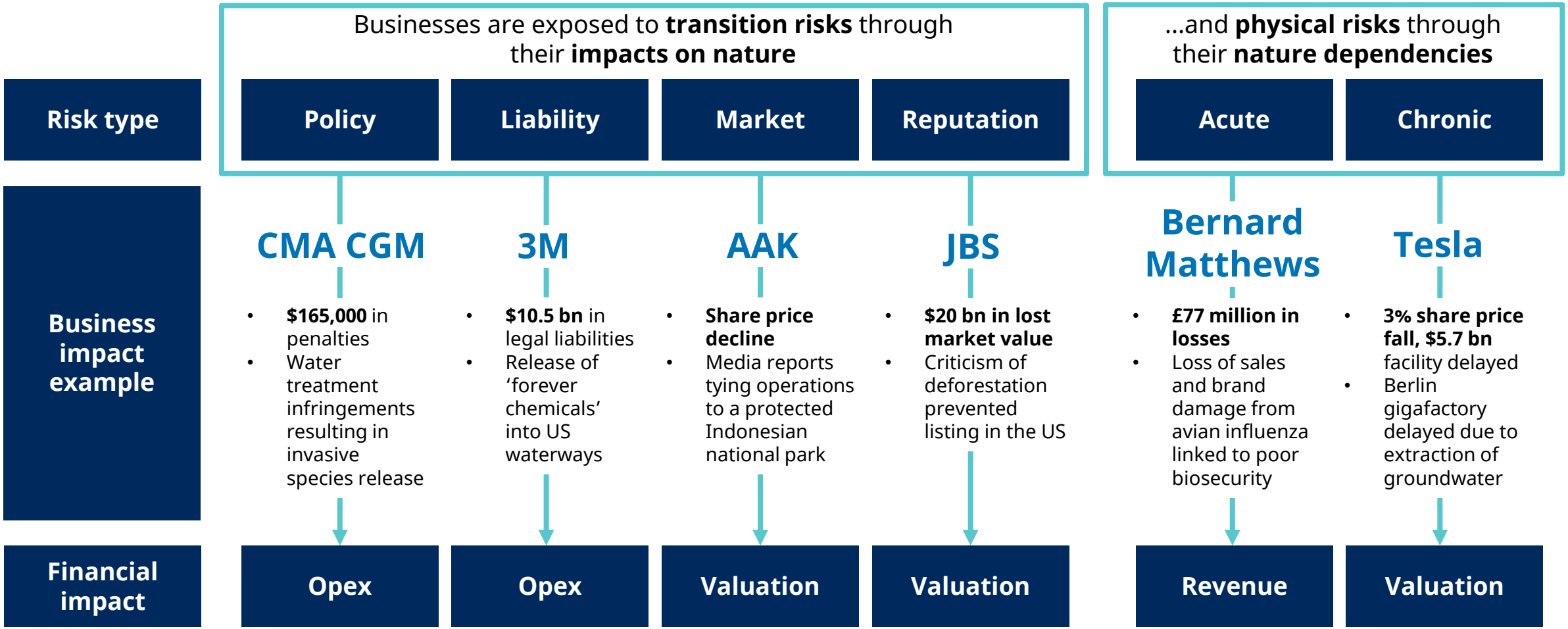


Source: Nature-Based Solutions (NbS) Policy Tracker from Nature4Climate Coalition / Metabolic / Arboretica, Blackrock, TNFD, Schroders.

Schroders

Nature loss can lead to significant financial costs

A handful of corporate examples have caused $80billion in financial losses

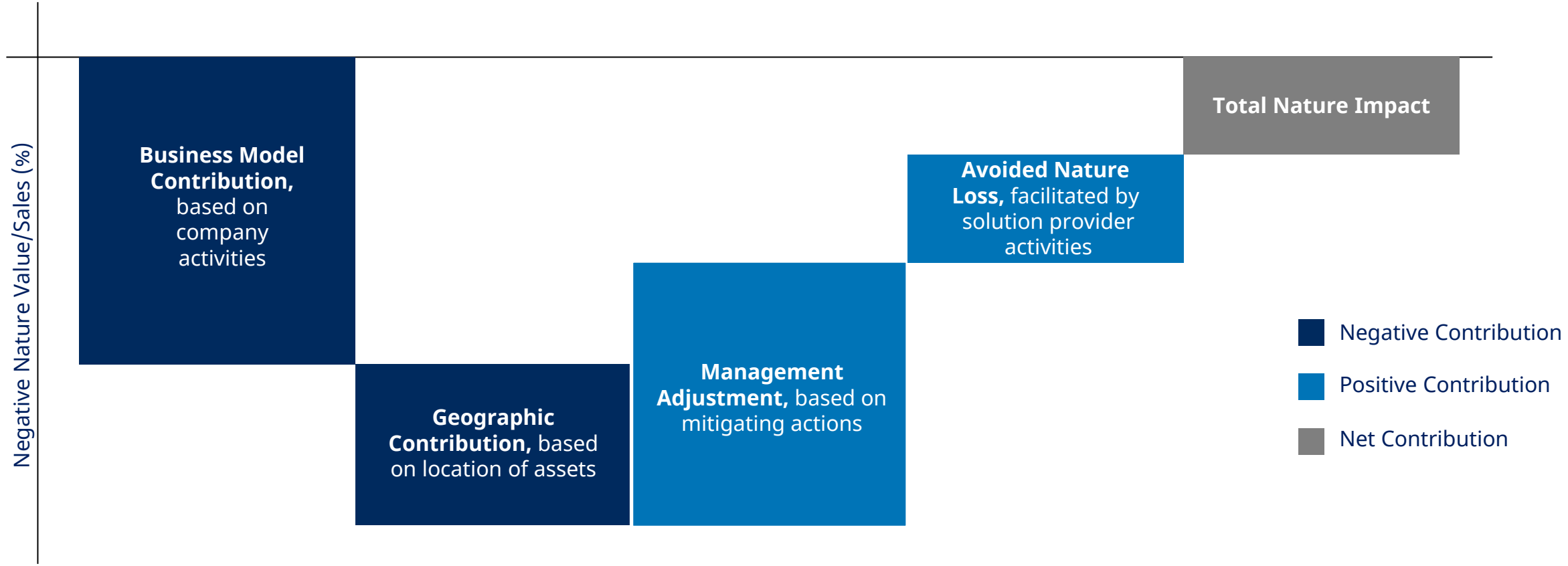


Source: Bloomberg NEF, Green Finance Institute. Stocks are shown for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy – January 2025.

Schroders

NatCapEx: Companies impacts on nature can be measured

Analysing the positive and negative externalities of a company's impacts on nature through a dollar lens for decision-useful insights

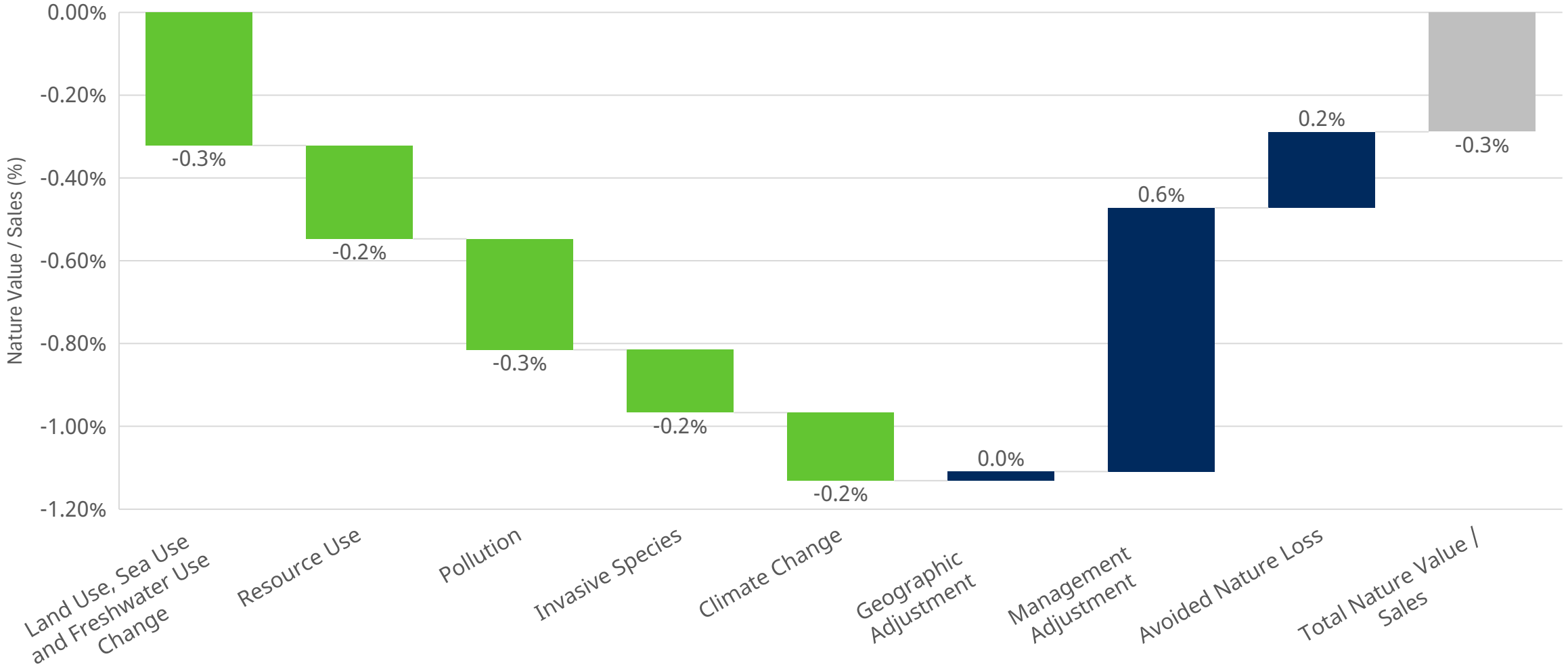


Source: Schroders – January 2025. For illustrative purposes only.

Schroders

Portfolio risk illustration

Illustrative analysis of a global equity portfolio



Source: Schroders – December 2025. For illustrative purposes only.

Schroders

Building investment strategies

Tailoring different types of investment portfolios



Focused nature transition

Concentrated, direct exposure to companies that are contributing to the nature transition and mitigating their exposures to nature risks



Broad-based nature-tilted index

Broadly diversified investment solution which optimises for excess returns, minimal tracking error and enhanced nature-related outcomes



Integrated climate and nature transition

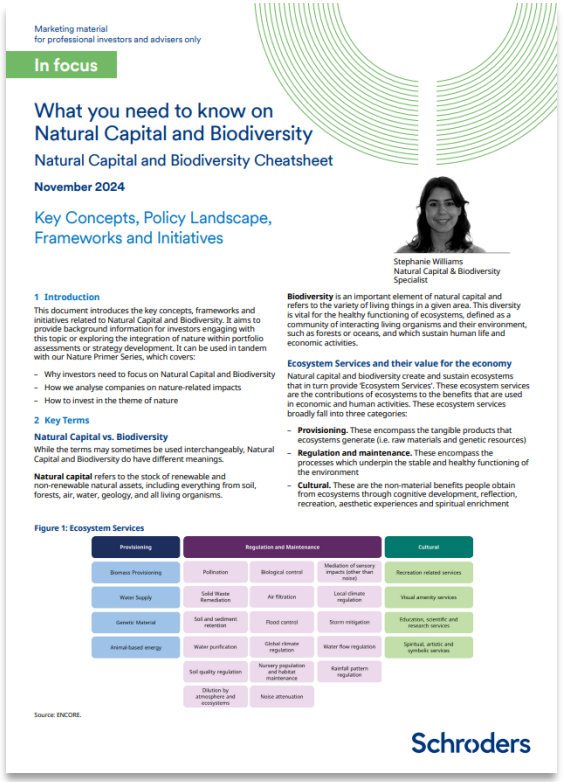
Exposure to companies which contribute to the climate and nature transition, acknowledging the intertwined risks from these issues

Source: Schroders – October 2025. For illustrative purposes only.

Schroders Nature Primers

A series to educate clients on the topic of nature and Schroders' approach

Natural Capital & Biodiversity Cheatsheet


Marketing material
for professional investors and advisers only

In focus

What you need to know on Natural Capital and Biodiversity

Natural Capital and Biodiversity Cheatsheet

November 2024

Key Concepts, Policy Landscape, Frameworks and Initiatives

Stephanie Williams
Natural Capital & Biodiversity Specialist

1 Introduction

This document introduces the key concepts, frameworks and initiatives related to Natural Capital and Biodiversity. It aims to provide background information for investors engaging with this topic or exploring the integration of nature within portfolio assessments or strategy development. It can be used in tandem with our Nature Primer Series, which covers:

- Why investors need to focus on Natural Capital and Biodiversity
- How we analyse companies on nature-related impacts
- How to invest in the theme of nature

2 Key Terms

Natural Capital vs. Biodiversity

While the terms may sometimes be used interchangeably, Natural Capital and Biodiversity do have different meanings.

Natural capital refers to the stock of renewable and non-renewable natural assets, including everything from soil, forests, air, water, geology, and all living organisms.

Biodiversity is an important element of natural capital and refers to the variety of living things in a given area. This diversity is vital for the healthy functioning of ecosystems, defined as a community of interacting living organisms and their environment, such as forests or oceans, and which sustain human life and economic activities.

Ecosystem Services and their value for the economy

Natural capital and biodiversity create and sustain ecosystems that in turn provide 'Ecosystem Services'. These ecosystem services are the contributions of ecosystems to the benefits that are used in economic and human activities. These ecosystem services broadly fall into three categories:

- **Provisioning.** These encompass the tangible products that ecosystems generate (i.e. raw materials and genetic resources)
- **Regulation and maintenance.** These encompass the processes which underpin the stable and healthy functioning of the environment
- **Cultural.** These are the non-material benefits people obtain from ecosystems through cognitive development, reflection, recreation, aesthetic experiences and spiritual enrichment

Figure 1: Ecosystem Services

Provisioning | Regulation and Maintenance | Cultural

Biomass Provisioning; Water Supply; Genetic Material; Animal-based energy

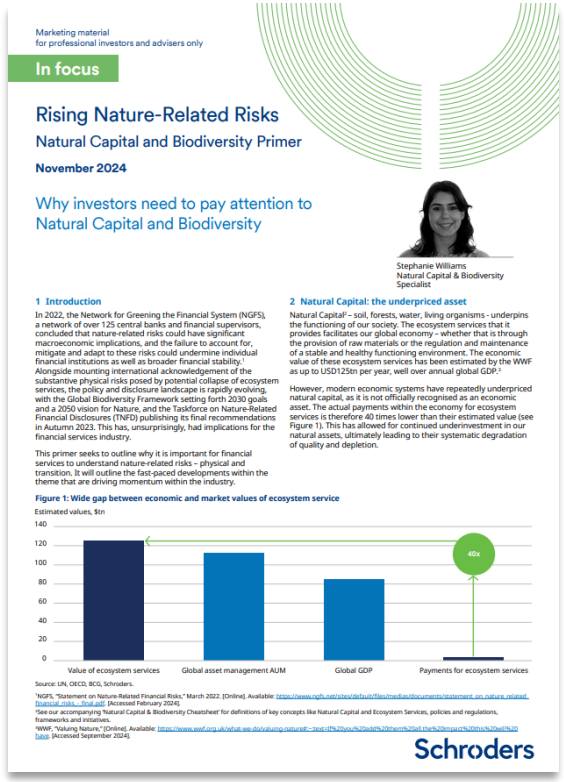
Pollination; Biological control; Mediation of sensory impacts (other than noise); Solid Waste Remediation; Air filtration; Local climate regulation; Soil and sediment retention; Flood control; Storm mitigation; Global climate regulation; Water flow regulation; Soil quality regulation; Nursery population and habitat maintenance; Rainfall pattern regulation; Dilution by atmosphere and ecosystems; Noise attenuation

Recreation related services; Visual amenity services; Education, scientific and research services; Spiritual, artistic and symbolic services

Source: ENCORE.

Schroders

Primer 1: Why investors need to pay attention to nature


Marketing material
for professional investors and advisers only

In focus

Rising Nature-Related Risks

Natural Capital and Biodiversity Primer

November 2024

Why investors need to pay attention to Natural Capital and Biodiversity

Stephanie Williams
Natural Capital & Biodiversity Specialist

1 Introduction

In 2022, the Network for Greening the Financial System (NGFS), a network of over 125 central banks and financial supervisors, concluded that nature-related risks could have significant macroeconomic implications, and the failure to account for, mitigate and adapt to these risks could undermine individual financial institutions as well as broader financial stability.[1] Alongside mounting international acknowledgement of the substantive physical risks posed by potential collapse of ecosystem services, the policy and disclosure landscape is rapidly evolving, with the Global Biodiversity Framework setting forth 2030 goals and a 2050 vision for Nature, and the Taskforce on Nature-Related Financial Disclosures (TNFD) publishing its final recommendations in Autumn 2023. This has, unsurprisingly, had implications for the financial services industry.

This primer seeks to outline why it is important for financial services to understand nature-related risks – physical and transition. It will outline the fast-paced developments within the theme that are driving momentum within the industry.

2 Natural Capital: the underpriced asset

Natural Capital[2] – soil, forests, water, living organisms - underpins the functioning of our society. The ecosystem services that it provides facilitates our global economy – whether that is through the provision of raw materials or the regulation and maintenance of a stable and healthy functioning environment. The economic value of these ecosystem services has been estimated by the WWF as up to USD125tn per year, well over annual global GDP.[3]

However, modern economic systems have repeatedly underpriced natural capital, as it is not officially recognised as an economic asset. The actual payments within the economy for ecosystem services is therefore 40 times lower than their estimated value (see Figure 1). This has allowed for continued underinvestment in our natural assets, ultimately leading to their systematic degradation of quality and depletion.

Figure 1: Wide gap between economic and market values of ecosystem service

Estimated values, $tn

Source: UN, OECD, BCG, Schroders.

[1]NGFS, "Statement on Nature-Related Financial Risks," March 2022. [Online]. Available: https://www.ngfs.net/sites/default/files/medias/documents/statement_on_nature_related_financial_risks_-_final.pdf. [Accessed February 2024].
[2]See our accompanying 'Natural Capital & Biodiversity Cheatsheet' for definitions of key concepts like Natural Capital and Ecosystem Services, policies and regulations, frameworks and initiatives.
[3]WWF, "Valuing Nature," [Online]. Available: https://www.wwf.org.uk/what-we-do/valuing-nature#:~:text=It%20is%20as%20the%20world's%20natural%20capital%20has%20been%20valued%20at%20more%20than%20%2442%20trillion%20a%20year. [Accessed September 2024].

Schroders

Primer 2: How to analyse nature-related risks


In Focus

Part 2 : Natural Capital & Biodiversity Primer

How to analyse nature-related risks and opportunities

February 2025

Marketing material for professional clients only

Stephanie Williams
Natural Capital & Biodiversity Specialist

The challenges of nature data and Schroders' approach

Executive summary

With more than half of global GDP highly dependent on the natural world, the investment industry has acknowledged that nature loss creates significant operational, regulatory, litigation, and reputational risk for companies and investors. On the other hand, nature-related opportunities could unlock significant capital, with the World Economic Forum estimating that shifting to nature-positive practices could unlock $10.1 trillion in business opportunities by 2030. [1] However, identifying and analysing these nature-related risks and opportunities in financial markets presents considerable challenges due to the complexity, variability and availability of nature data.

To address this challenge, Schroders has created a model for publicly listed companies that provides a comprehensive assessment of their nature-related impacts and, in turn, potential for investment-related risks and opportunities. Building on our flagship proprietary model, SustainEx™, 'NatCapEx' quantifies negative and positive externalities on nature (i.e. impacts that have not yet been priced by society) using a dollar value. The output is expressed as a percentage of company sales. Figure 1 outlines the structure of the NatCapEx model, with four principal pillars:

1. **Business Model Contribution.** Attributes the global economic cost of nature loss to individual companies based on the activities they undertake.
2. **Geographic Contribution.** Acknowledging the importance of location-specific analysis within the topic of nature-related impacts, attributes a greater portion of the ecosystem service loss cost based on a company's geographical footprint.
3. **Management Adjustment.** In the case where a company is proactively managing its nature-related impacts through policies and governance, reduces the company's overall cost to nature.
4. **Avoided Nature Loss.** In the case where a company is providing solutions in the form of products or services that are helping contribute to a nature positive future, provides an uplift based on the societal benefit of the relevant revenue generated.

This analysis can be easily interpreted and integrated into investment contexts, enabling a forward-looking view of companies most exposed to the risks and opportunities of nature loss which could crystalise as investment risk in the future.

Schroders

Primer 3: Building a public markets nature strategy


In Focus

Building a public markets nature strategy

A flexible approach for directing capital toward the nature transition

October 2025

Marketing material for professional clients only.

Stephanie Williams
Natural Capital & Biodiversity Specialist

The World Bank estimates that there is a $711bn funding gap from the level needed to deliver global biodiversity goals by 2030, and that the business benefits and investment opportunity offered by nature investments could be significant.

A report by the World Economic Forum highlights that shifting to nature-positive practices could unlock $10tn of annual business opportunities and 395m jobs by 2030. [1]

1 Introduction

As the theme of Natural Capital & Biodiversity garners more attention within the investment industry, there has been a steady rise in investment strategies seeking to gain exposure.

However, given the complexity of the topic, it is not always clear to investors how to systematically integrate nature-related analysis alongside other sustainability factors and, going a step further, how best to build nature-related investment strategies. These challenges are reflected in two facts:

1. **Nature-related information is some of the least integrated within sustainability analysis.** This is exemplified by a recent Institutional Investor study by Stanford Business School in collaboration with MSCI Sustainability Institute looking at the most frequently integrated ESG factors (see Figure 1). [2]

Figure 1: Top and bottom 7 ESG factors explicitly considered

Percentage of surveyed institutional investors

Source: Stanford Business School, MSCI.

Schroders

Source: Schroders – October 2025. Nature Cheatsheet; Primer 1; Primer 2; Primer 3.

Schroders

Summary

Pros

- **Helps reduce risks:** Companies depend on nature for things like water, crops and materials. Protecting nature helps avoid disruptions and financial losses.
- **Creates new opportunities:** More businesses are developing products and services that support nature, opening up new areas to invest in.
- **Supported by governments:** New rules and policies around the world are encouraging companies to protect nature, and penalising damaging behaviour, making it easier for investors to act.

Cons

- **Can be hard to measure:** It's still difficult to get clear, reliable information about how companies affect nature.
- **Slow results:** Nature recovers over long periods of time, so benefits may take years to show.
- **Not many options yet:** There are still relatively few large, scalable investment vehicles directly focused on nature.

Trade-offs

- **Focus vs. diversification:** Portfolios that concentrate on nature solutions can have a stronger impact but may be less diversified.
- **Return vs. positive outcomes:** Investments that are better for nature don't always offer the highest near-term financial returns. Reducing nature related risks in portfolios may take several years to translate to business value or investment returns.

Source: Schroders

Glossary

Biodiversity: The variety of life within ecosystems — essential for ecosystem resilience and global economic stability.

Natural Capital: The world's stock of natural assets (e.g., soils, forests, water, species) that provide ecosystem services enabling economic activity.

Ecosystems: Natural communities where plants, animals and other living things interact with each other and with their physical environment (for example forests, rivers, oceans, farmland). They provide essential services like clean water, fertile soil and pollination.

Ecosystem Services: Benefits provided by nature — such as pollination, water filtration, flood protection — that support economies and societies.

Nature-Positive: An outcome where nature is restored and regenerated, reversing the current trend of ecosystem degradation.

Nature-Based Solutions (NbS): Investments in activities that protect, restore or sustainably manage ecosystems to address societal challenges while delivering climate and biodiversity benefits.

NatCapEx: Schroders' proprietary model that quantifies a company's unpriced nature impacts in dollar terms, enabling integration into investment decisions.

Nature Improver / Light Leader / Nature Solution Provider: Categories reflecting the role companies play in the nature transition — from reducing harm to providing products or services that generate positive outcomes.

Physical Nature Risks: Risks arising from dependencies on natural systems (e.g., water availability, soil health).

Transition Nature Risks: Risks associated with shifting to a nature-positive economy (e.g., regulation, supply-chain changes, reputational exposure).

Biodiversity-Related Bonds: Labelled fixed-income instruments where proceeds are dedicated to outcomes such as habitat restoration, sustainable water use, or ecosystem protection.

Source: Schroders

Investors, fair pay and decent work

Fair pay, inequality and decent work

Why investors care:

1. Work affects risk, stability, and returns.

2. Problems at work can disrupt businesses.

3. Improvements can help workers *and* investors.



Fair pay

What investors look at:

1. Living Wage: Do companies commit to paying their workforce the real Living Wage?

2. Low pay: Do companies pay less to their workforce than comparable firms?

Fair pay

Why investors look at it:

1. Better pay supports retention and service.

2. Very low pay creates risk and disruption.

3. Fair pay reflects what society expects.

Opportunities and limits:

1. Pay floors can stabilise workforces.

2. Big gains for low paid workers.

3. Higher pay does raise costs.

Fair pay

Inequality

What investors look at:

1. Pay ratios: How much is the typical worker paid compared to the chief executive?

2. Pay gaps: Are women paid less than men, are workers from ethnic minorities paid less?

3. Social mobility: Do people from working class backgrounds progress as well as others?

Inequality

Why investors look at it:

1. Large gaps can damage trust and morale.

2. Inequality can create social and political instability.

3. Wider talent pools can strengthen firms.

Inequality

Opportunities and limits:

1. Reducing barriers can unlock talent.

2. Measures are imperfect.

3. Change takes time.

What investors look at:

1. Rights at work: Can workers join unions and negotiate with employers? Are workplaces safe?

2. Insecure contracts: Are people recognized as employees? Do workers have reliable hours?

3. Supply chains: Do companies ensure there are decent working conditions in the firms they buy from in the UK or overseas?

Decent work

Why investors look at it:

1. Reliable workers support stable operations.

2. Poor conditions create legal and strike risk.

3. Worker voice helps resolve disagreements.

Decent work

Opportunities and limits:

1. Secure work can improve reliability.

2. Security for workers reduces flexibility for employers.

3. Investor influence is indirect.

Decent work

Summing up



Where investors can see opportunity

Better work can support better businesses

Fewer disruptions reduce long-term risk

Aligns returns with social expectations



Why it's sometimes harder

Improvements can raise costs

Results are slow and uncertain

Investors do not control companies



What this means in practice

Sometimes there are clear win-wins

Sometimes there are real trade-offs

Judgement is required

Glossary – Key terms

Living Wage
A pay level based on the real cost of living, not just the legal minimum.

Pay gap
The difference in average pay between groups (for example men and women).

Pay ratio
A comparison between chief executive pay and typical worker pay.

Collective bargaining
Workers negotiating together with an employer, usually through a union.

Supply chain
Other companies that provide goods or services.

Risk (in investing)
Anything that could reduce long-term returns or stability.

Long-term return
Investment performance over a number of years, not short-term gains.

Investing in a way which considers the role of ***defence, and the impacts of weapons-*** *related investments*



Dan Neale

Social Lead

Responsible Investment Team

Church Commissioners for England

Discussion Areas

- Sovereign debt
- Company exclusions
- Conflict and defence – who is involved?
- Complexity - The Frigate
- Conflict – ethical considerations
- Lines in the sand – compromises

Sovereign Debt

Background

- Governments issue debt and investors buy it
  - Gov't says 'give me £100m now, I'll give it back in 10 years, but each year I'll also give you £2m every 6 months'
- Investors sell and buy debt on the 'secondary market'
- Governments primarily benefit at debt issue
- Governments use the money to meet their aims including defence

Restrictions on Sovereign Debt

- Investors can use sovereign debt restrictions…to…
- Avoid investing in the debt of certain regimes e.g. those considered 'oppressive'
- Lots of measures to use e.g. political freedom

Company Exclusions

POLICY

Business model

(Tobacco, coal, defence etc)

Business conduct

(Causing or contributing to harm…failed engagements etc)

SCREENS

Before

(Pre-emptively restrict)

During

(Engagement - After something goes wrong)

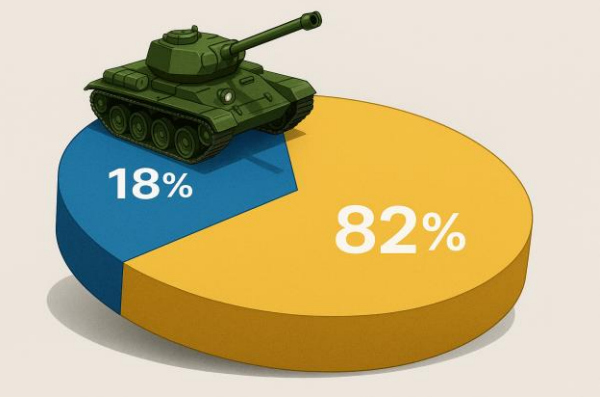
After

(Once exited – lack influence)

Company Exclusions - Example

COUNTRY RESTRICTION	Oppressive Regime (Red List) Countries	Non-NATO+, Non-Oppressive Regime	NATO + 5 Eyes	UK
Non-nuclear controversial weapons	0%	0%	0%	0%
Nuclear weapons	0%	0%	0%	0%
Small arms; Civilian	0%	10%	10%	10%
Weapons	0%	10%	50%	Investible
Weapon related products and/or services	0%	10%	Investible	Investible
Non-weapon-related products and/or services	0%	Investible	Investible	Investible

Conflict & Defence – Who is involved?





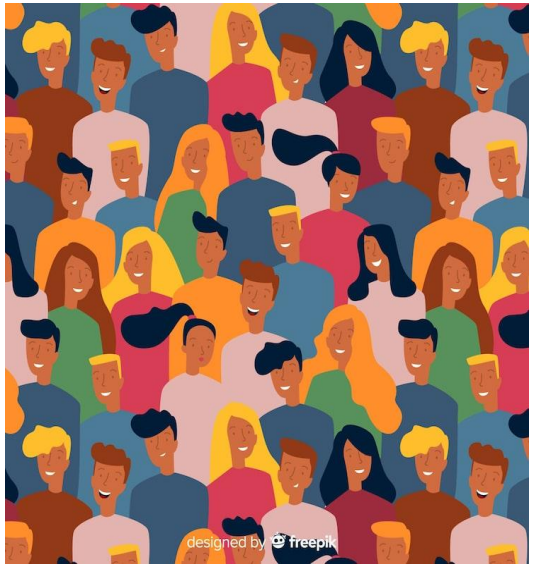






















Complexity - The Frigate

Ignoring who owns and uses it…and in what context…still complex!

Radars
Radios

Generators
Engines

Steel
50,000 microchips

Fuel
Paint
Grease
Life-rafts

Food for sailors
Spare parts

Maintenance services
Dockyard support
Tugboats

People &
Training

Anchor &
Cables

Gun
Shells for the gun
Parts of the shell
Raw materials for the parts

Specialised IT
Windows
Window wipers



Conflict – Ethical Considerations

IHL = Laws of armed conflict

Investor

Company

Weapon can't align with IHL

Conventional Weapon designed within IHL

Ethics…



Gov't (sale & export)

Conflict is not 'Just'

Conflict is 'Just'

Weapon used in conflict

Weapon never used in conflict

Weapon use in breach of IHL

Weapon used in line with IHL

Harm from weapon use

No harm from weapon use

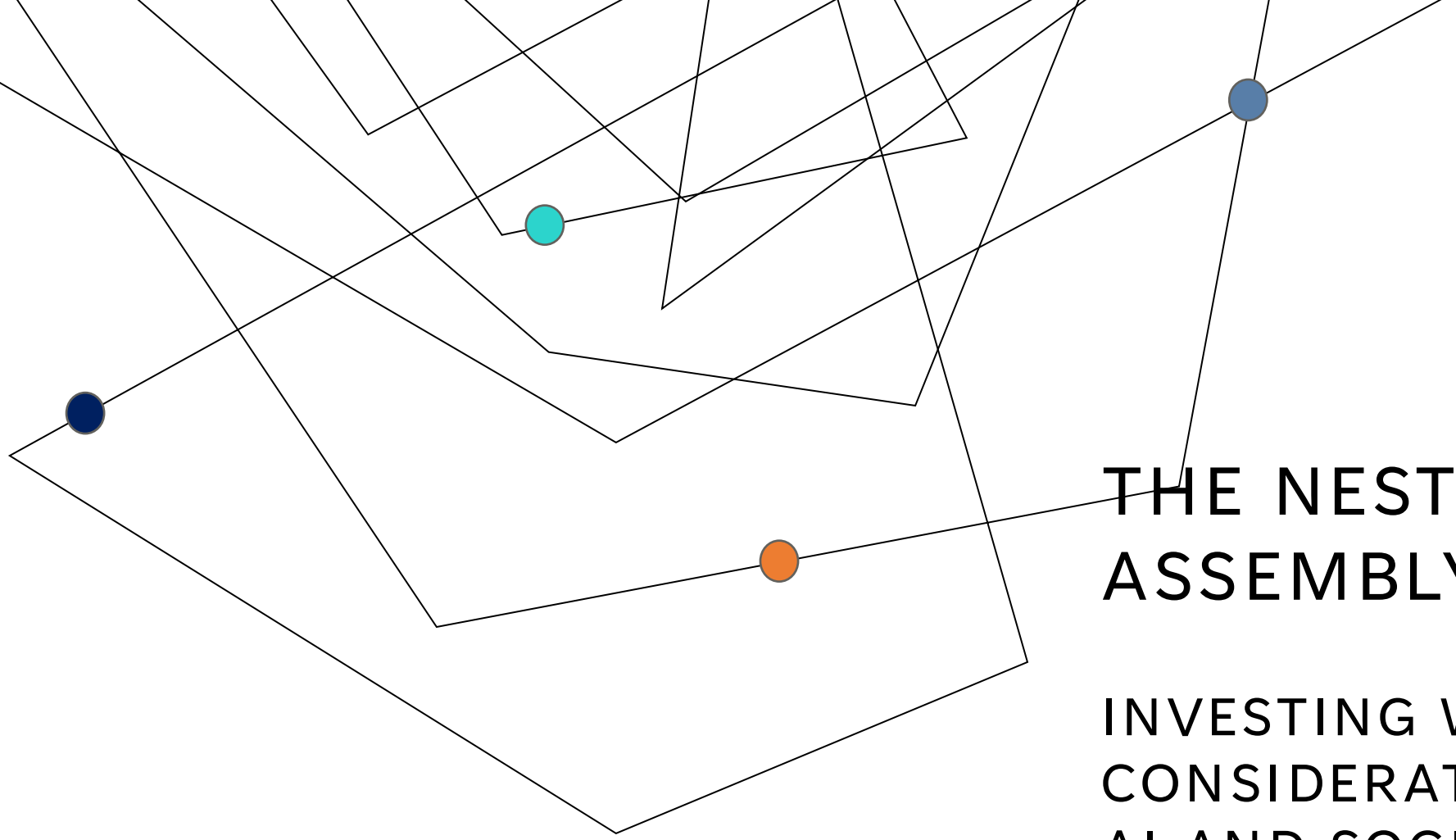
Lines in the Sand = Compromises



- No perfect portfolio
- More exclusions…less flexibility
- More engagement…more resources
- Conflict and defence links are everywhere
- Everything is a compromise
- Where to draw the line?

Glossary

- **Restriction / Exclusions** - types of investments that you want to avoid (e.g. Tobacco companies) BEFORE you invest
- **Screening** - combing through the total investible list of companies to find companies to restrict (e.g. British American Tobacco)
- **Divestment** - where you sell an existing investment for example due to company behaviour
- **Controversial weapons** - cluster munitions, biological and chemical weapons, anti personnel mines. Potentially also white phosphorous and depleted uranium.
- **Small arms** - pistols, rifles etc
- **Weapons** - bombs, rockets, jets, tanks etc
- **Non weapon related products and services** - communications systems not linked to weapons, kevlar body armour, etc
- **5 Eyes** - close defence and intelligence partnership between UK, USA, AUSTRALIA, CANADA, NZ
- **IHL** - International Humanitarian Law = laws of war (Geneva Conventions etc)



THE NEST MEMBER ASSEMBLY

INVESTING WITH A CONSIDERATION OF TECH, AI AND SOCIAL MEDIA

DR. CHRISTINE CHOW
14.02.2026
ROYAL COLLEGE OF SURGEONS
LINCOLN'S INN FIELDS

PURPOSE OF OUR DIALOGUE

To translate an investment-world conversation about **technology, AI and social media** into something that feels concrete, balanced and relevant to everyday savers, pensioners, citizens.

CONTEXT:

Most of us use technology and social media every day – for **news, communication, shopping, and entertainment**. What's less obvious is that pension funds invest in the companies building and running these technologies. That means the choices these companies make can affect both **society and the long-term value of our savings**. Today is about understanding that connection in a clear, balanced way.



WHY ARE WE CONCERNED ABOUT TECHNOLOGY, AI AND SOCIAL MEDIA IN INVESTMENT

“AI suggests what we watch; Social media shapes news, opinions and behaviour”

- Influences what information is available to us and hence influences our thinking and behaviour.
- Cambridge Analytics case in 2017

“Technology decides who gets a loan, a job interview, or an advert”

- AI led hiring process, performance evaluation
- Credit scoring automation
- Facebook knows you are about to make an engagement proposal to your girlfriend!
- Holiday advert
- House / Flat hunting information

HOW DO YOU FEEL WHEN YOU READ THIS IN THE NEWS?

Tik Tok bans Thai politicians paying for ads



Sadiq Khan to warn AI could cause ‘mass unemployment’ in London



X – Musk to tackle indecent imagery of children on its platform



“IF TECHNOLOGY AND AI SHAPE SOCIETY, THEY ALSO SHAPE THE **LONG-TERM VALUE OF THE COMPANIES** WE INVEST IN - AND THEREFORE **OUR PENSIONS.**

YOUR PENSION MONEY INVEST IN COMPANIES THAT BUILD THESE TOOLS.

THESE TECHNOLOGIES AFFECT **PROFITS, RISKS, JOBS, TRUST AND REGULATION**”

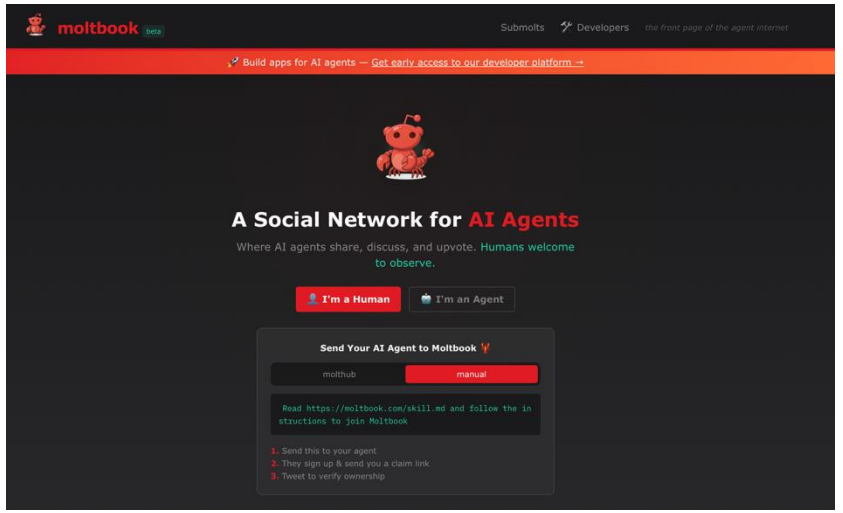
Do you know if ....



You have AI Powered Toys?



Your Agent is running a donation site?



INVESTORS DON'T JUST "BUY TECH STOCKS" – THEY MAKE CHOICES AND SET EXPECTATIONS

Where money is invested

Big tech firms

Companies using AI (healthcare, finance, logistics)

Platforms that rely on data and attention

How investors influence companies

Asking questions about:

- Data privacy
- Copyright / Intellectual P
- AI bias and fairness
- Harmful content or misinformation
- Consumer protection and product liability

Voting at company meetings – Apple / Netflix

Engaging with company boards

Setting Rules and Standards

Responsible investment policies

ESG considerations (environmental, social, governance)

Following or supporting regulation

Anti-competition

"Investing isn't passive — large investors can influence how technology is developed and used."

WHAT IS THE BENEFIT OF INVESTING IN THIS WAY

Deliver long term value and outcomes

1. Sustainable long-term returns
2. Avoiding major scandals, fines, or loss of trust
3. Encouraging innovation that benefits society

"The aim is not to stop technology, but to support technology that lasts and does not create unacceptable harm."

Risk management → avoiding big future problems

Long-term value creation → companies that can still succeed in 10–20 years

WHAT ARE THE POSITIVES? WHO BENEFITS AND HOW?

For Nest Members

Strong returns from successful tech innovation

Productivity gains across the economy

New services and conveniences

For Society

Medical advances using AI

Accessibility tools (translation, speech-to-text)

Better problem-solving (e.g. climate modelling)

For Non-human systems (Climate/Nature)

AI improving energy and water efficiency

Smarter use of resources

Better environmental monitoring

Image recognition for geospatial analysis

"When technology is well governed, many people, and even the planet, can benefit."

WHAT ARE THE NEGATIVES? WHAT ARE THE RISKS AND WHO GETS HARMED?

For Nest Members

Company scandals damaging share value

Regulatory fines

Loss of public trust in platforms

For Society

Misinformation and polarisation

Influence over elections

Concentration of power

Mental health impacts

Bias and discrimination embedded in algorithms

Job disruption

For Non-human systems (Climate/Nature)

AI demand grows faster than decarbonisation

Increased total energy demand: absolute emissions

Water scarcity

"When lacking in oversight and deliberate investment stewardship efforts, there could be negative impacts on investment return and social stability."

WHAT ARE THE TRADE OFFS?

There is no perfect answer

Speed vs. Safety	Move fast, break things or Move slow, set rules? How much sandbox activity and user case testing to encourage? How much regulations should be put in place?
Exploration vs. Exploitation	Where to draw a line between embracing diversity and inclusion of opinions versus abuse and incitement? Freedom of expression in the extreme could cause harm.
Customisation vs. Privacy	Health monitoring to support better well being schedule and eating habits? "If you are not paying for the product, you are the product."
Costs vs. Externalities	Compliance, red teaming, data provenance, audits are necessary costs to minimise unexpected social harm (disinformation/misinformation), legal risks and long term trust erosion







Investment framing

Too little oversight → higher long-term risk

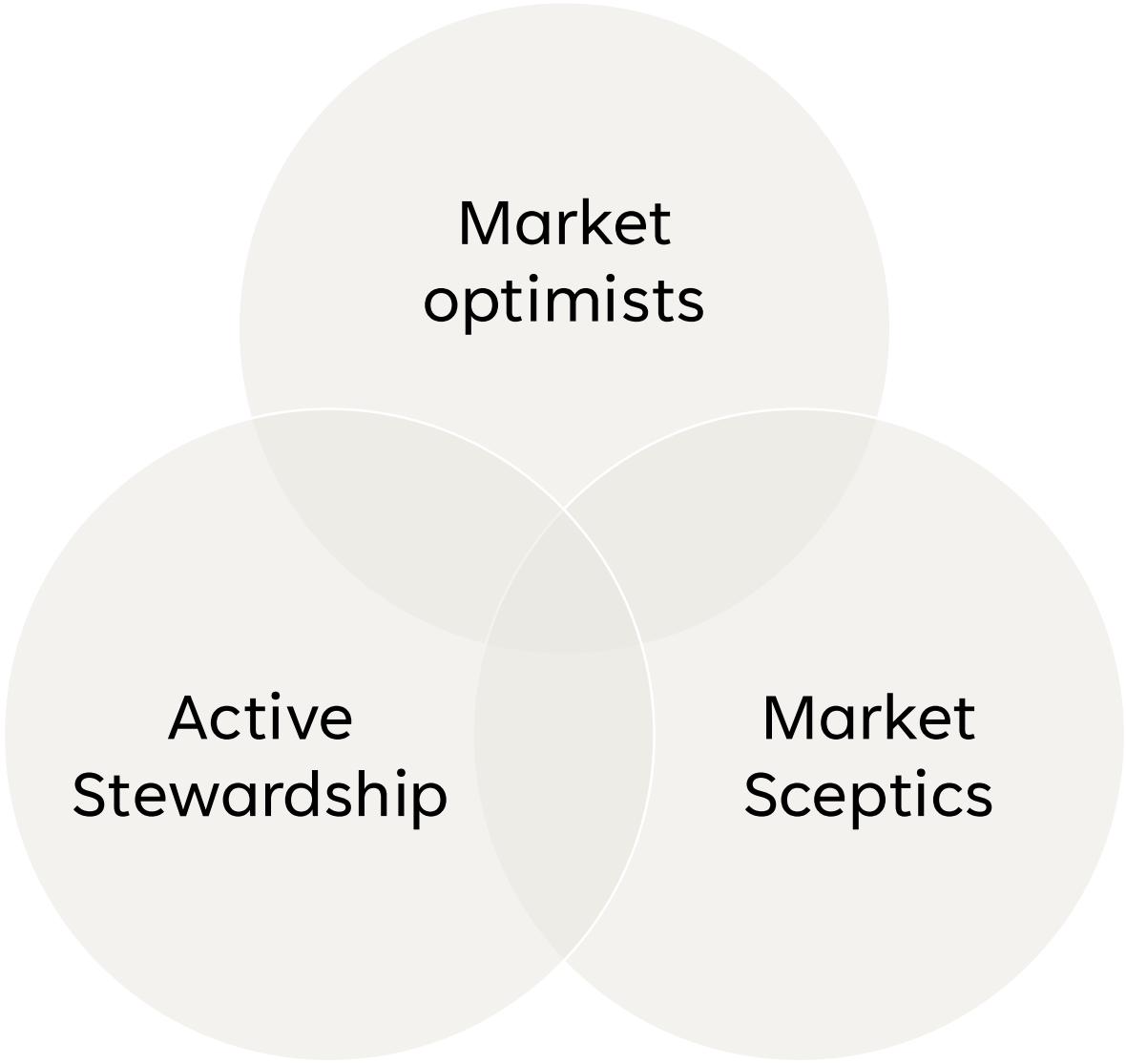
Too much restriction → slower innovation and growth



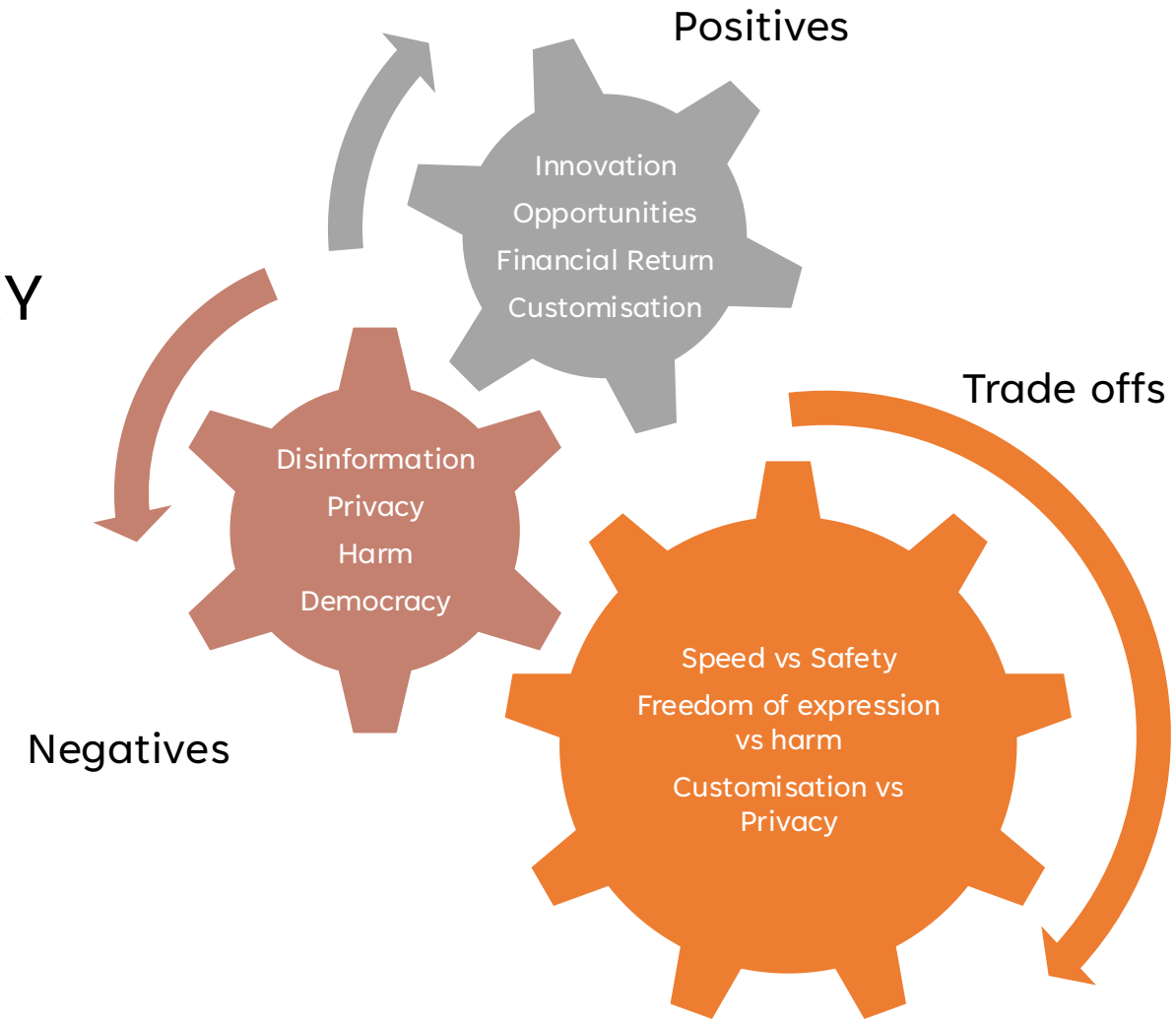
INVESTING WITH A CONSIDERATION OF TECH, AI AND SOCIAL MEDIA

What is the balance of opinion across the industry on this topic: is there a shared consensus on how to go about investing in this area, or many different perspectives?

If there are many different perspectives, what are they?



SUMMARY



The question isn't whether to govern AI, but how to design governance that preserves experimentation while preventing irreversible harm – to max return and minimize risk over time



WHY DOES THIS TOPIC MATTER TO NEST MEMBERS?

“Technology, AI and social media are shaping the future — and long-term investors have a role in shaping how responsibly that future unfolds.”

APPENDIX:

INVESTING WITH A CONSIDERATION OF TECH, AI AND SOCIAL MEDIA

What is the balance of opinion across the industry on this topic: is there a shared consensus on how to go about investing in this area, or many different perspectives?

If there are many different perspectives, what are they?

Market Optimists	Active Stewardship	Market Sceptics
Markets and innovation will self correct. Move fast, break things	Invest and engage strongly on ethics and governance	Avoid certain platforms or practices (screening / ban lists for companies). Move slow, set rules
Regulation risks stifle growth	Push companies to improve practices, demonstrate their safeguards are working effectively	Impact on investment returns. The controversial case of e.g. Palantir – government surveillance, citizen privacy. Facebook/Meta
Tech companies are doing a lot already to drive AI governance	Use shareholder voting power or financing instruments to reward desirable behaviours and outcomes	Fossil fuel companies equivalent?



Nest Member Assembly

Investing with a consideration of diversity and inclusion in companies

What do we mean by Diversity and Inclusion

Definitions:

- Diversity = Who is represented in a company – for example different genders, ethnic backgrounds, ages, abilities, and experiences.
- Inclusion = Whether people feel respected, treated fairly, listened to, and able to succeed once they are in the organisation.

Another way to think about it is:

- *Diversity means who is in the room*
- *Inclusion means whether people are treated fairly and can thrive*

Note: Not all diversity is visible (like gender and race), many forms of diversity are invisible (like disability and sexual orientation)

Why do we consider Diversity & Inclusion when investing in companies

1. Because it may affect financial risk and returns.

- A company with a toxic culture can face higher staff turnover, hiring costs, strikes, lawsuits, customer backlash, weak decision-making and reputation damage. That can hurt performance over time.

2. Because members may want better real-world outcomes, not just returns.

- For example: fair opportunity, fair pay, safe workplaces – the basics of good work. UK investor coalitions have pushed hard on these outcomes.

These two motivations can overlap – but they're not the same.

The big trap: “measuring the easy stuff”

- Inclusion is real – but it’s hard to measure from the outside.
- So the industry often falls back on proxies – “easy numbers” that may not tell the truth, like:
  - “How many women are on the board?”
  - “Have they signed up to the Armed Forces covenant?”
  - “Did they win a ‘best places to work’ award?”
- Those things can matter – but they can also feel like “box-ticking”.
- Better signals might include:
  - Staff turnover and progression
  - Pay gaps and fairness
  - Grievances, safety, worker voice

What “best practice” looks like in the UK

- In the UK, “best practice” usually means stewardship:
- Not just buying and selling shares, but using your influence as a long-term investor.
- UK stewardship guidance actually warns, in effect, “don’t just accept glossy statements – ask for clear objectives, progress, and evidence.”
  1. Ask for meaningful disclosure (not marketing).
  2. Engage with the board and leadership.
  3. Use clear expectations and benchmarks (yardsticks) – but don’t stop there.
  4. Escalate (coalitions, votes, resolutions) if needed.
  5. Report back to members in plain English.
- Think of it as: Ask → Engage → Escalate → Vote → Report back.

What “best practice” looks like in the UK

Why this can be good investing:

- Better governed companies often make better long-term decisions – and diversity can reduce “groupthink”.
- Workforce problems can become financial problems; investors who spot them early manage risk better.
- Stewardship can improve corporate behaviour without sacrificing diversification (you don’t have to “exclude everything” to act).

What to be careful about:

- Data can be thin, inconsistent, or polished.
- Some diversity efforts are superficial and rely on weak proxies.
- There’s a real risk of politicisation, especially when US debates spill over – which can make companies quieter or more defensive about language, even if underlying work continues.
- And: it’s not always possible to prove that every diversity action boosts returns in every case – so honesty about the rationale matters.

Summary

The positives

- Poor workplace culture can become a financial risk (turnover, reputational damage, weak decision-making).
- Engaging with companies can improve behaviour without selling investments or reducing diversification.
- Many members want their pension to reflect fairness, opportunity and respect at work, not just returns.

The negatives

- Inclusion is hard to measure from the outside – easy numbers can mislead.
- Some companies are better at policies and promises than real change.
- Not every diversity metric clearly links to financial performance in every case.

The trade-offs

- Simple measures are easy to compare, but deep understanding takes time and judgement.
- Strong engagement can improve outcomes, but it's slower than exclusion.
- Being honest about limits builds trust – even when answers aren't perfect.

Glossary

Diversity

- Who is represented in a company – for example different genders, ethnic backgrounds, ages, abilities, and life experiences.

Inclusion

- Whether people feel respected, treated fairly, listened to, and able to succeed once they are in the organisation.

Culture

- “How things really work around here.” The everyday behaviours, decisions, and incentives – not just what’s written in policies.

Stewardship

- How investors act as responsible owners: asking questions, engaging with companies, voting at meetings, and pushing for improvements over time.

Engagement

- When investors talk directly with company leaders (like board members or executives) to understand issues and encourage change.

Escalation

- What investors do if engagement doesn’t work – for example voting against directors, supporting shareholder proposals, or working with other investors.

Proxy data

- Simple numbers used as a stand-in for something harder to measure (for example, board gender balance used as a proxy for inclusive culture).

Material risk

- A risk that could genuinely affect a company’s long-term performance – such as high staff turnover, legal claims, or reputational damage.

Outcomes-based investing

- Investing with the intention of improving real-world outcomes (like fair pay or safe workplaces), not just financial returns.

Voting

- How shareholders formally express approval or concern – for example voting for or against directors or company policies.

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Trust must be earned

Investing with consideration of the negative social impacts of companies and products, including human rights

Luda Svystunova, Amundi Investment Solutions

February 2026



What we will cover today

- Where negative social impacts can occur: inside companies, in supply chains, and through products
- Two everyday examples: social media and fashion
- What better practice looks like (risk mitigation)
- How investors respond, and the main trade-offs
- Summary of positives, negatives, and trade-offs (final slide)

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What we mean by human rights and negative social impacts

Human rights" here means basic standards of safety, dignity, and fair treatment

"Negative social impacts" are serious harms to people linked to how a company operates, who it relies on, or what it sells

Where impacts can occur:

- Own operations: staff and contractors (pay, safety, working time, discrimination)
- Upstream: suppliers and outsourced work (factories, recruitment practices, content moderation)
- Downstream: users and customers (privacy, scams, harmful products, unfair treatment in essential services)
- Communities around sites and projects: land and housing impacts, security practices, local burdens and disruption

How issues can turn into harms:

- Harm to people
  → public concern or enforcement
  → disruption and added costs
  → weaker business resilience over time

→ This can lead to lower investment returns – but also reputational and even legal risks for investors

Why this matters to you: members can be affected directly as workers, consumers, and communities, and indirectly through long-term pension outcomes

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Negative social impacts in practice: two illustrations

Where harm can occur	Social media platforms	Fashion and fast fashion
 **Own operations**	Accountability for safety and design choices	Buying practices and targets that drive speed and low cost
 **Upstream**	Outsourced moderation and data work	Factory and supplier labour conditions
 **Downstream**	Scam prevention, child protections, privacy safeguards	Waste burdens on communities, product safety, short product lifecycles

- Social media: concerns about scams and child safety can lead to changes in safety features and age protections
- Fashion: large volumes of discarded clothing can overwhelm waste systems and expose informal recyclers to unsafe conditions
- These issues can affect members directly as users and communities, as well as indirectly through long-term pension outcomes

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Risk mitigation: what better practice looks like, and how it can be recognised

Area	Better practice looks like…	Signs it is working
Own operations	Clear responsibility and board oversight	Named senior owner, regular reporting, independent checks
Upstream	Standards for suppliers and contractors, and fixing problems found	Audits plus remediation, effective grievance routes, improved outcomes over time
Downstream	Safer design and stronger protection for vulnerable users; responsible end-of-life approach	Measurable outcomes, product testing and recall discipline, take-back and waste controls

- Social media: quicker action on scams and harmful content, clearer protection for children, transparent reporting on response times
- Fashion: fewer serious supplier incidents over time, verified improvements in high-risk sites, stronger take-back and waste controls
- Across sectors: trends moving in the right direction, confirmed by independent checks rather than statements alone

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How investors respond (and what this is trying to achieve)

Engagement: ask for improvement and evidence, not only commitments

Voting: hold boards accountable where oversight is weak

Escalation: stronger action where harm is severe, persistent, or unmanaged

Monitoring: track publicly reported incidents and credible findings, including regulatory action, and company responses

Investment rules in some funds: tighter limits for the highest-severity practices

Aim: reduce the risk of serious harm and reduce the risk of sudden shocks that can damage long-term outcomes

Limits: investors can influence expectations and accountability; they cannot run companies day to day

Member benefit: fewer unpleasant surprises and a focus on better-run companies over time

Scope: one part of how risks are managed; it does not remove all harm or all investment risk

Trade-offs and different approaches

Balancing...	Why it matters
Speed vs accuracy	Early information can be incomplete, but waiting too long can leave harm and risk unaddressed
Clear rules vs case-by-case judgement	Clear rules are easier to explain, but risks vary by company, country, and product
Excluding vs using influence	Excluding is immediate; staying invested can support pressure for improvement
Short-term cost vs long-term resilience	Better practice can cost more now, but may reduce disruption and shocks later
Short-term gains vs long-term outcomes	Some harmful products or practices can be profitable for a time, but can also bring legal, regulatory, and reputational risks that damage long-term outcomes
Focus deeply vs cover widely	Concentrating on the highest-risk issues can be more effective, but reduces coverage elsewhere

Some investors avoid certain companies or activities, some stay invested and push for change
Many use a mix, with clearer escalation where progress is weak
A consistent process helps: prioritise severity, look for evidence, engage for improvement, and escalate or reduce exposure where progress is not credible

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Summary: positives, negatives, trade-offs

Positives
Investing with consideration of the negative social impacts of companies and products…
Encourages attention to serious harms and better practice
Can reduce the risk of disruption, legal action, and forced business change
Supports more resilient supply chains and safer products over time

Negatives
Information can be incomplete, especially in complex supply chains
Improvement can take time, and influence is not guaranteed
Judgement is required when evidence is mixed

Trade-offs
Act quickly vs verify carefully
Keep influence vs take a clear stance
Focus deeply vs cover widely



Key takeaway: investors focus on severe harms, evidence of improvement, and accountability and seek to manage trade-offs to minimise human rights hams and protect returns

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Glossary

- **Human rights harms:** Negative impacts on people linked to business activity, such as unsafe work, exploitation, discrimination, or harm to communities.
- **Value chain:** All the steps involved in producing and selling a product or service, from raw materials to end use and disposal.
- **Own operations:** Impacts connected to a company's direct activities and workforce.
- **Upstream:** Impacts linked to suppliers and sourcing, including factories, farms, mines, and labour recruitment.
- **Downstream:** Impacts linked to customers and users, including product design, marketing, use, and disposal.
- **Supply chain:** The supplier portion of the value chain, including goods and services purchased by a company.
- **Content moderation:** Efforts to identify and manage harmful or illegal online content.
- **Algorithmic recommendation:** Systems that decide what content people see, based on predicted engagement.
- **Personal data:** Information that can identify someone, such as contact details, location data, or online behaviour.
- **Vulnerable users:** People who may be more at risk of harm, including children and young people.
- **Fast fashion:** Low-cost clothing designed for rapid turnover, often linked to high production volumes and waste.
- **Informal work:** Work outside formal employment protections, often with higher exposure to unsafe conditions and low pay.
- **Due diligence:** A structured process to identify, reduce, and address risks to people in a company's operations and value chain.
- **Remedy (remediation):** Steps to put things right when harm occurs, including compensation, support for affected people, and changes to prevent repeat issues.
- **Active ownership (stewardship):** How investors use dialogue and voting to encourage better company practices.
- **Engagement**: A structured conversation with a company to seek specific improvements.
- **Escalation:** Stronger steps when progress is limited, such as voting against directors or supporting shareholder proposals.
- **Material (financially material):** An issue that can affect a company's long-term performance through revenue, costs, disruption, or legal and reputational risks.
- **Trade-off:** A situation where reducing one harm can increase another, or where improvements come with costs or constraints.

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ATNi
NUTRITION
MARKETS
IMPACT

Investing in food companies and products for health

14 February 2026





Nutrition. Markets. Impact

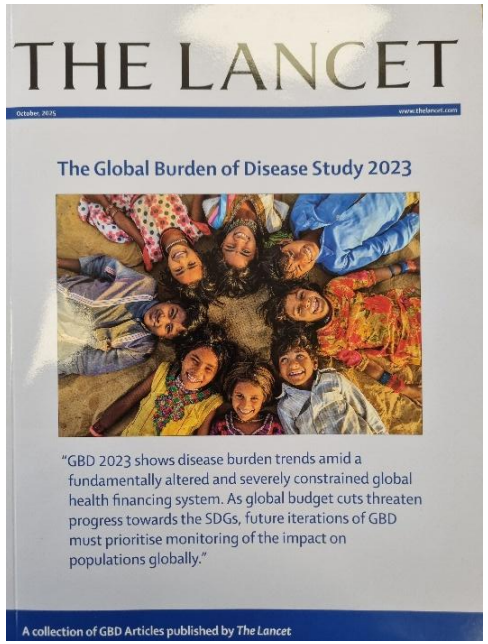
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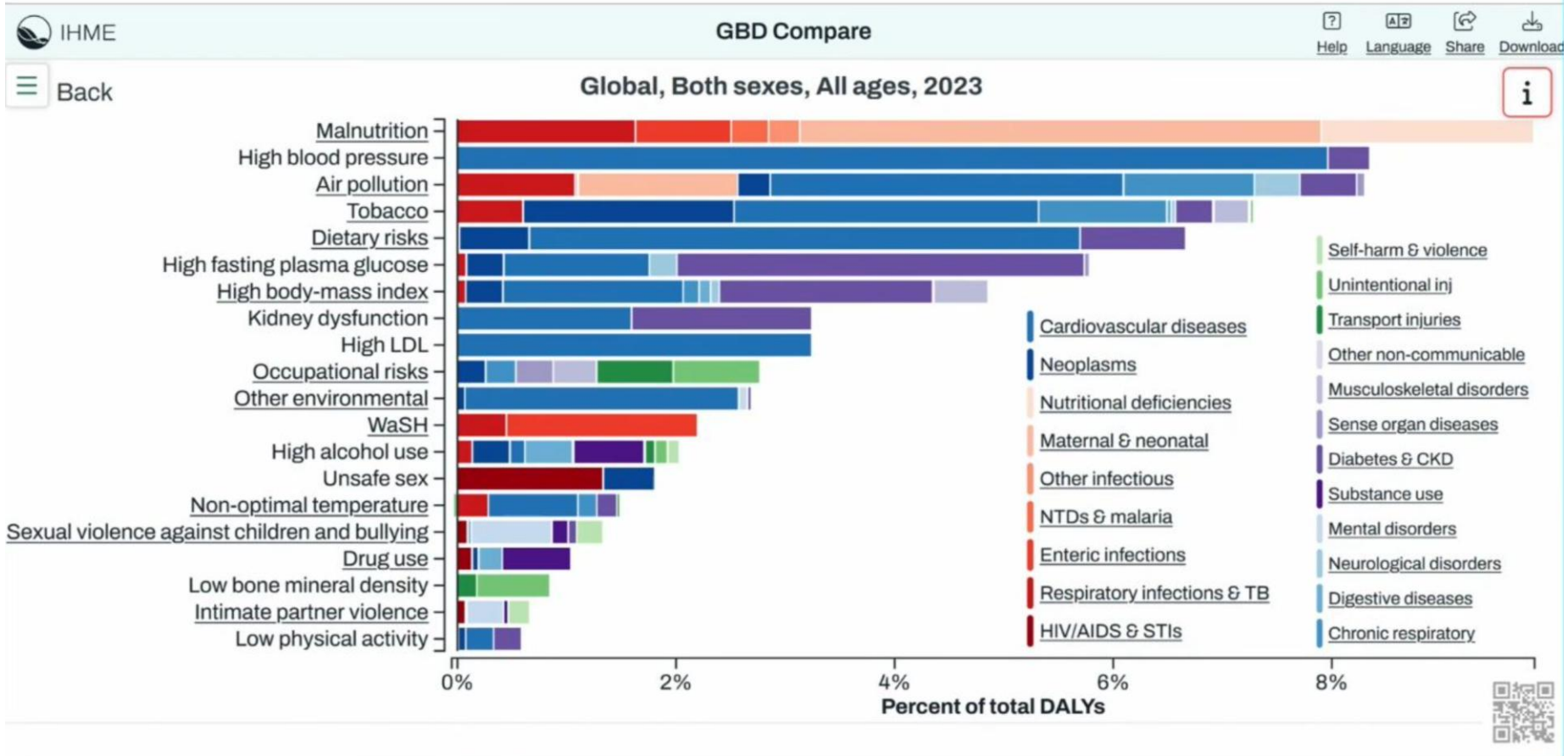
I. Poor Diets and Global Burden of Disease



Poor diets are driving the global burden of disease



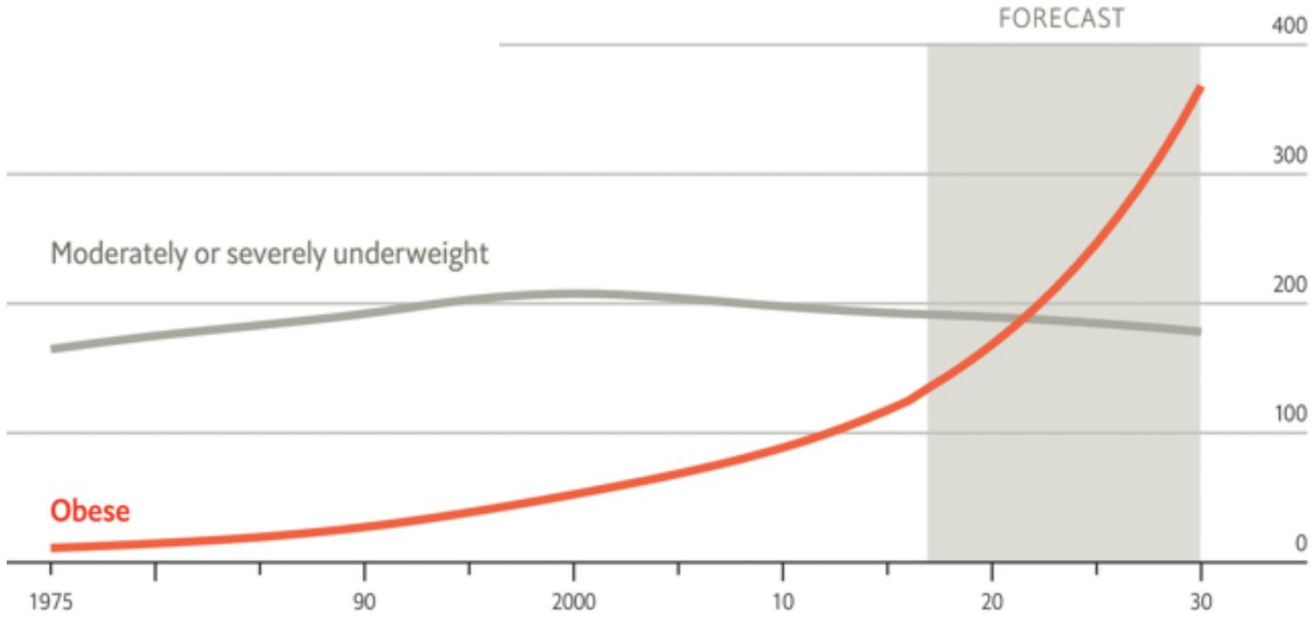
Global DALYs attributable to risk exposures, 2023



Half of the top leading causes of early death and disability are NCDs

Food markets are shaping the global nutrition crisis

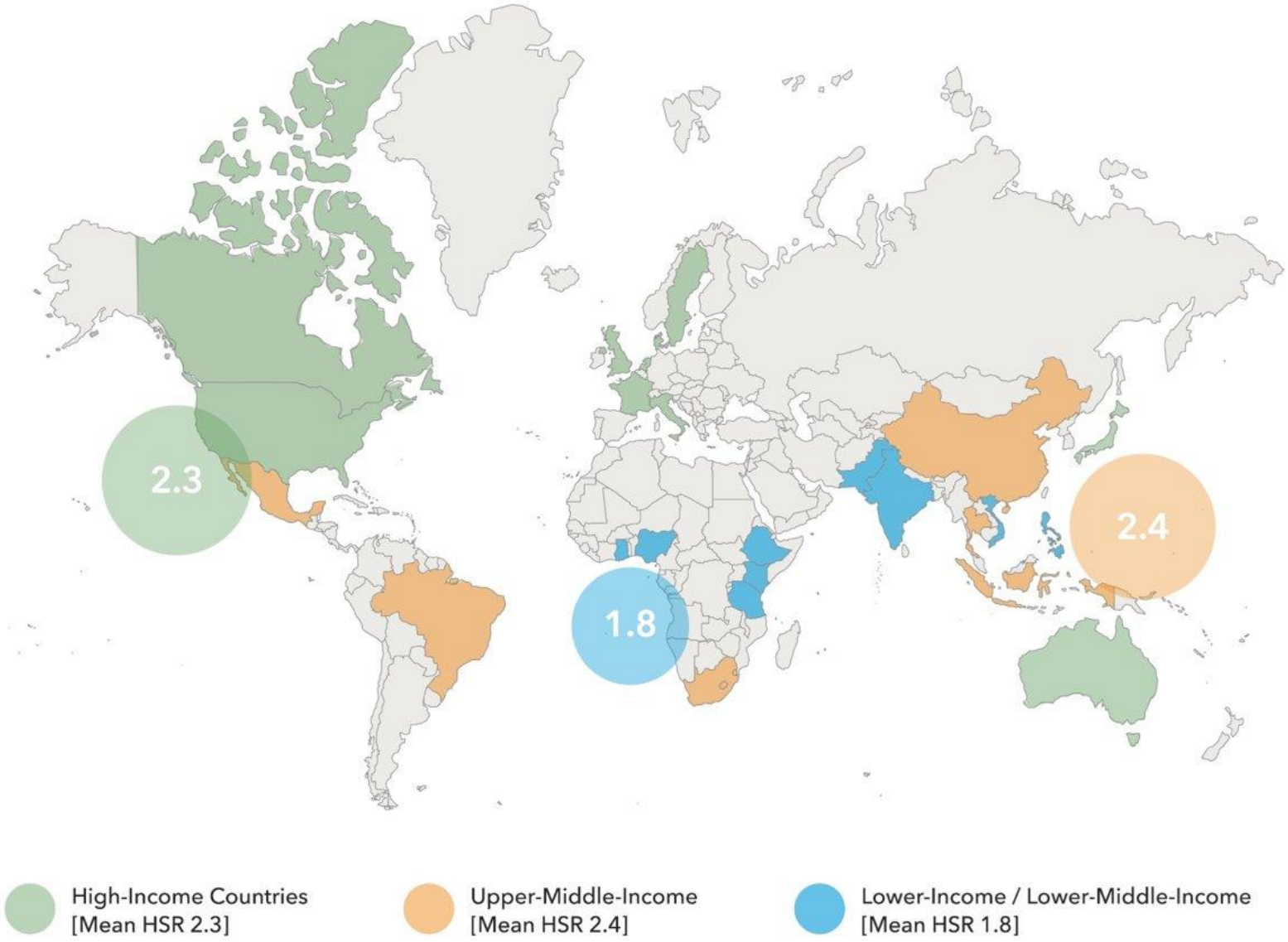
- The prevalence of obesity among children and adolescents (9.4%) has overtaken underweight (9.2%). (UNICEF, 2025)





- Poor diets drive the global burden of disease and responsible for over half of non-communicable diseases. (Global Burden of Disease Study, 2023)
- Increasing consumption of unhealthy ultra-processed foods (UPFs) are a major driver of poor diets. (UPFs and Human Health Lancet Series, 2025)

Food product healthiness is low everywhere with no country reaching 3.5/5 on Health Star Rating





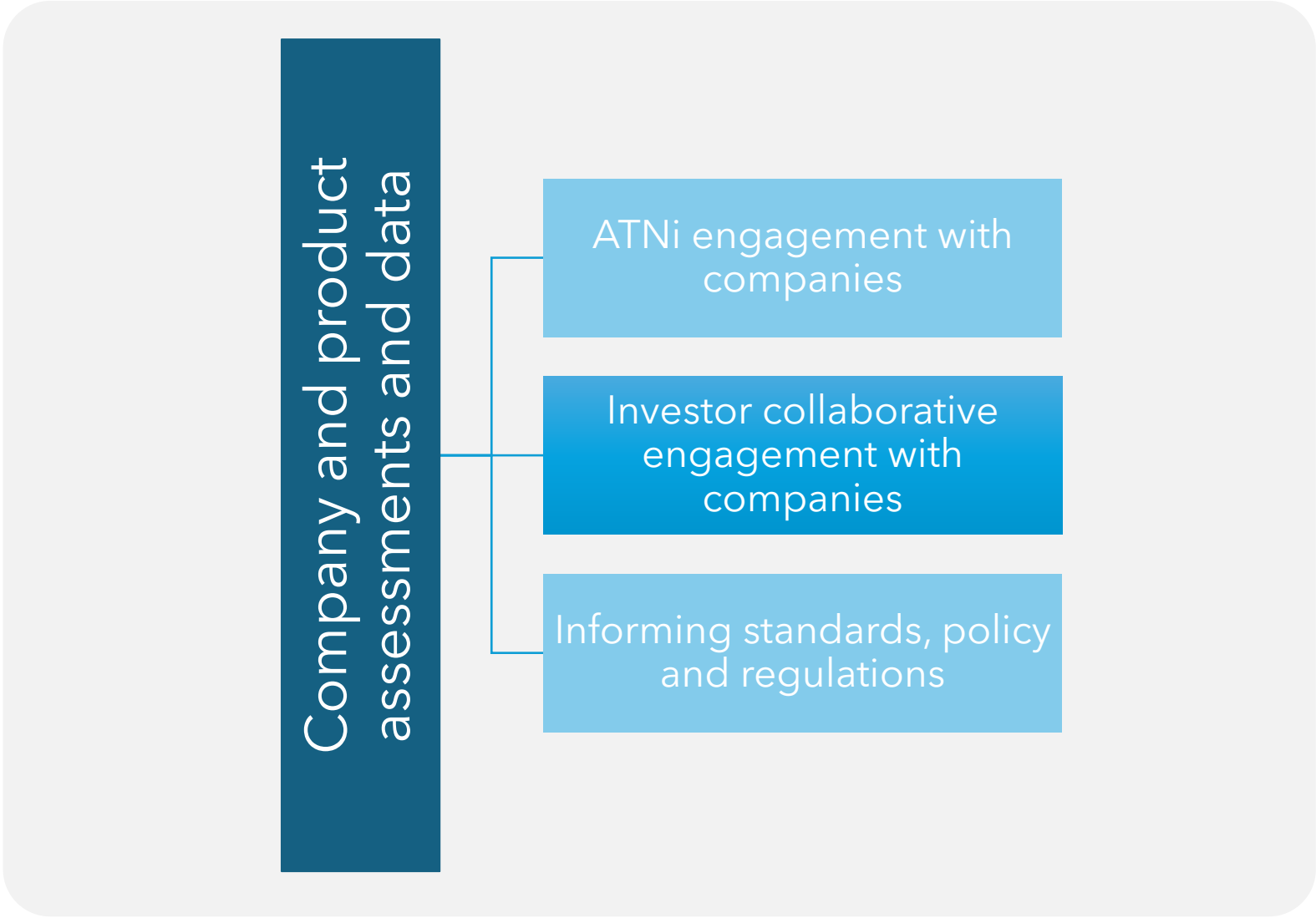
Source: 2024 Global Access to Nutrition Index analyzing 54,414 products analyzed representing 23% of global market



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II. Assessing for responsible investing

ATNi's strategy for impact



2024 Global Index: Overall findings

Company Name	Product Profile (30%)	Responsible Marketing (15%)	Nutrition Governance (15%)	Affordable Nutrition (15%)	Portfolio Improvement (10%)	Reporting NPMs (5%)	Workforce Nutrition (5%)	Responsible Labelling (5%)	Combined BMS/CF adjustment	Overall Score (100%)
Danone	7.3	7.1	9.6	5.2	9.5	9.5	8.7	7.7	-1.3	6.4
FrieslandCampina	6.8	4.4	8.0	5.1	6.6	8.8	2.6	7.3	-0.6	5.6
Arla Foods	6.1	6.1	5.4	5.1	4.1	4.3	2.4	7.9		5.5
Grupo Bimbo	5.0	3.5	6.9	6.8	5.0	8.6	2.9	4.6		5.4
Unilever	3.1	6.5	7.6	3.3	6.3	7.0	7.4	6.7		5.2
PepsiCo	3.5	3.4	7.3	3.5	6.3	2.9	6.5	5.6		4.5
Campbell's	5.3	2.9	5.9	3.4	1.9	3.1	0.7			4.1
Kellanova	3.3	3.6	5.1	1.9	4.3	8.0	2.5	5.5		3.8
Nestlé	4.0	4.1	7.8	3.0	3.5	9.0	7.0	7.5	-1.3	3.7
Yili Group	7.5	0.6	5.4		6.9		2.9		-1.0	3.3
Meiji	6.1	2.4	4.6		1.5	0.2	0.8	4.2		3.3
Coca-Cola	4.0	5.5	3.4		2.8		2.9	5.9		3.3
Flora FG ^	4.4	3.2	2.7		6.1		2.3	6.0		3.2
General Mills	3.9	3.8	5.7		2.5	3.8	1.1	2.3		3.2
Mars	2.1	7.3	2.4		4.2	0.8	4.7	5.3		3.1
Kraft Heinz	4.0	2.8	6.1		4.6	5.0	1.7	3.9	-0.5	3.0
Nissin ^	3.8	2.1	3.8	2.8	2.8	0.3	1.4	4.1		3.0
Mengniu	6.7		3.6		1.1		0.4			2.9
Barilla ^	6.6	0.5	2.2		3.0		1.2	2.8		2.9
Mondelez	2.0	4.9	5.1		4.5		1.1	3.3		2.8
Conagra	5.4	1.8	3.7		1.3		0.4			2.6
Suntory *	3.2	2.1	2.3		3.1		0.8	2.0		2.1
Keurig Dr Pepper	2.9	1.6	3.7		1.7	2.8	0.3			2.0
Ajinomoto	2.3	1.4	3.7	0.3	0.8	0.2	2.9	2.7		1.9
Hormel *^	4.9		1.4		0.2		0.6			1.7
Indofood ^	2.4		1.8		0.7	4.5	2.4	2.5		1.5
Ferrero Group	1.2	3.2	0.8		1.3		2.2	2.5		1.3
Lotte *^	2.1		2.3		1.4	0.2	0.4			1.1
Hershey *^	1.3	3.0	1.4		0.2					1.1
Lactalis *	6.3	1.0	0.6					0.6	-1.5	0.7

* Did not provide information to ATNI.

^ Not assessed in 2021.

Combined BMS/CF adjustment: Adjustment applied to companies assessed in the BMS/CF Marketing Index 2024. Scores are adjusted with a maximum deduction of -1.5 point for not fully complying with the WHO Code. Details on the calculation are in the Global Index 2024 methodology document.

- A company scores 0 when insufficient information or evidence is found on its policies and practices across the nutrition topics assessed in this index. This has been left blank.
- Non-applicable: categories has been greyed out

ATNi Nutrition. Markets. Impact.

Progress: Global Index 2021-2024

Increasing number of companies…



Assigning **Board oversight for nutrition** strategies from 15 in 2021 to 23 in 2024.

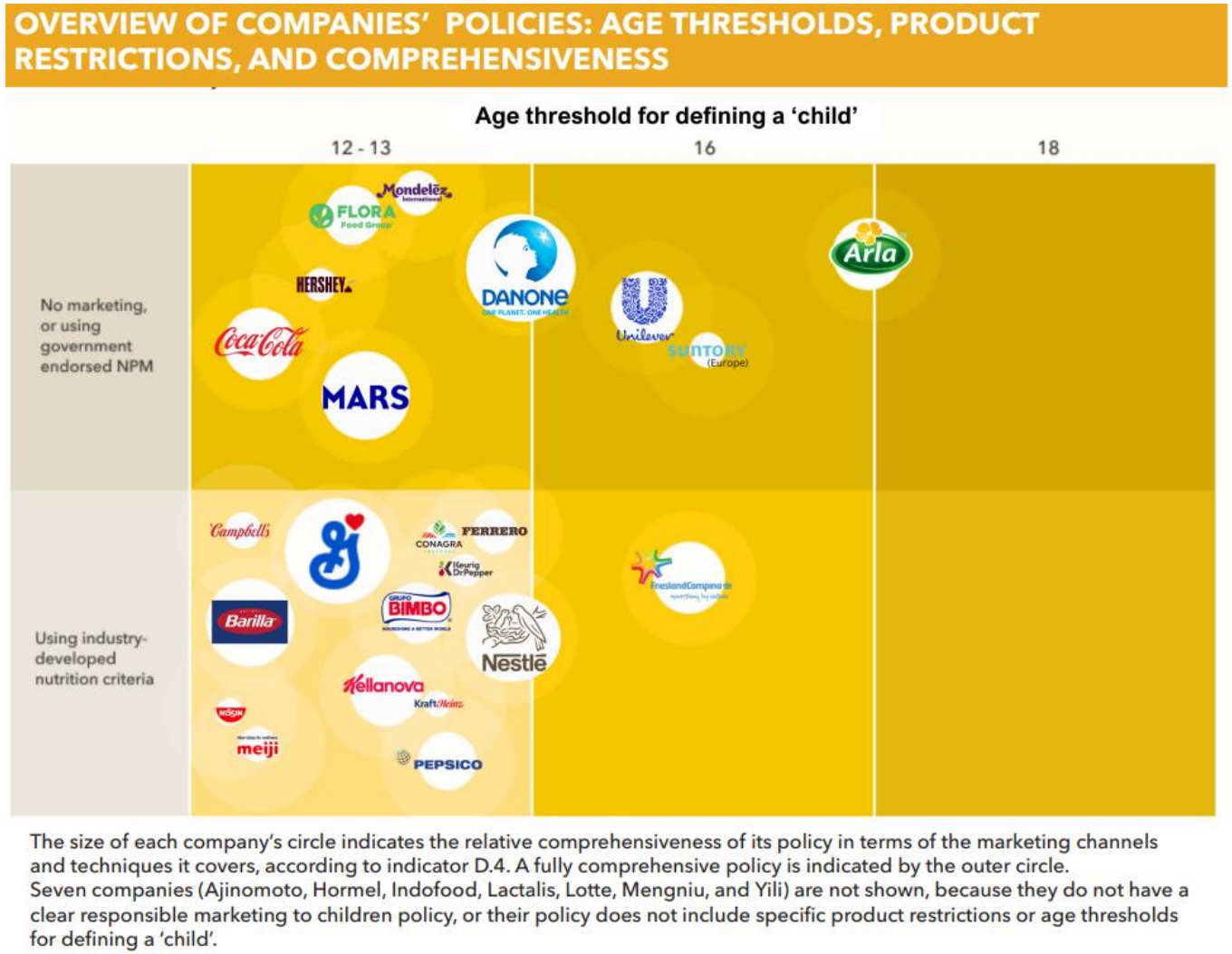


Reporting on portfolio healthiness using government-endsorsed NPMs from two in 2021 to nine in 2024.



Using nutrition criteria to **restrict products marketed to children** from 15 in 2021 to 19 in 2024, including 6 companies that now commit not to market their products to children at all.

However, marketing less healthy food, often to children continues (Global Index 2024)



The size of each company's circle indicates the relative comprehensiveness of its policy in terms of the marketing channels and techniques it covers, according to indicator D.4. A fully comprehensive policy is indicated by the outer circle.
Seven companies (Ajinomoto, Hormel, Indofood, Lactalis, Lotte, Mengniu, and Yili) are not shown, because they do not have a clear responsible marketing to children policy, or their policy does not include specific product restrictions or age thresholds for defining a 'child'.

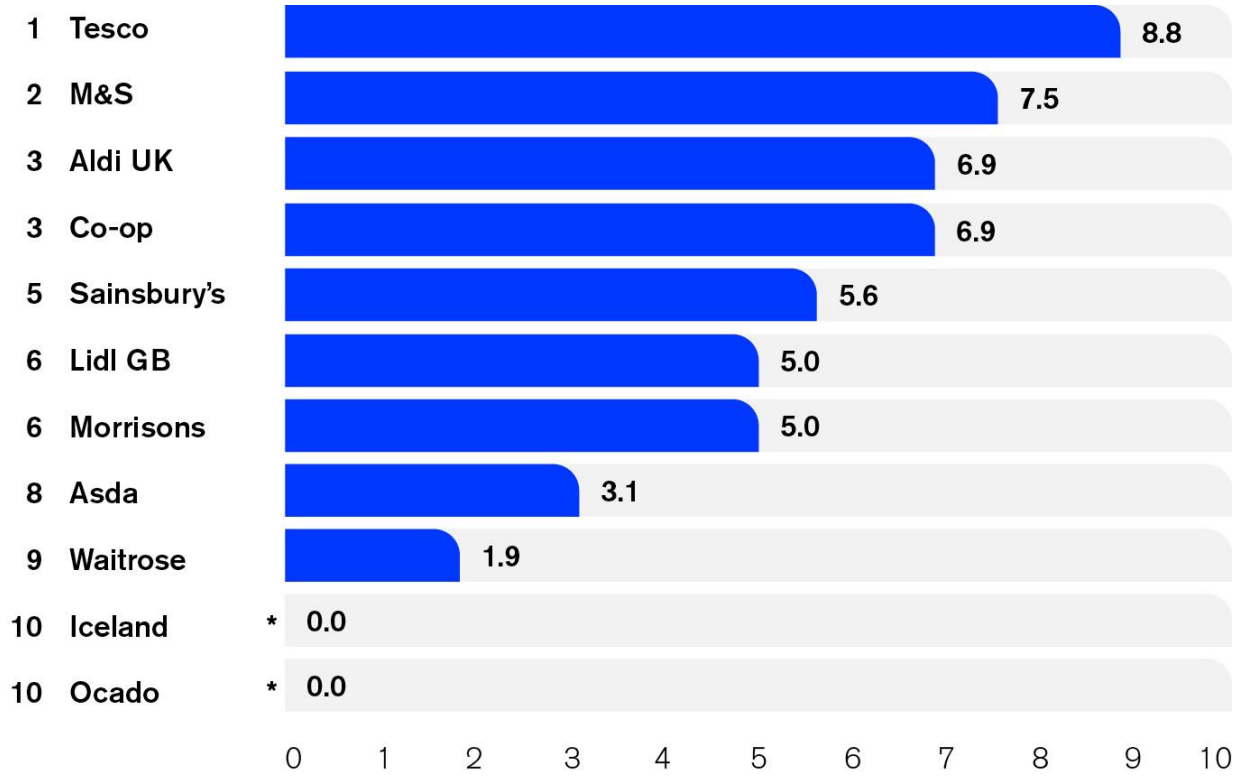


Coke ad near school in Dar es Salaam, Tanzania

The UK Retailer Index 2022

The 11 major retail chains together hold over **80% of the grocery market share**, with a combined revenue in 2021 of over £138 billion.

Tesco and M&S show good practice by using the FSA 2004/5 NPM for defining ‘healthy’ products, and for both reformulation and marketing purposes.



*Did not provide information to ATNI

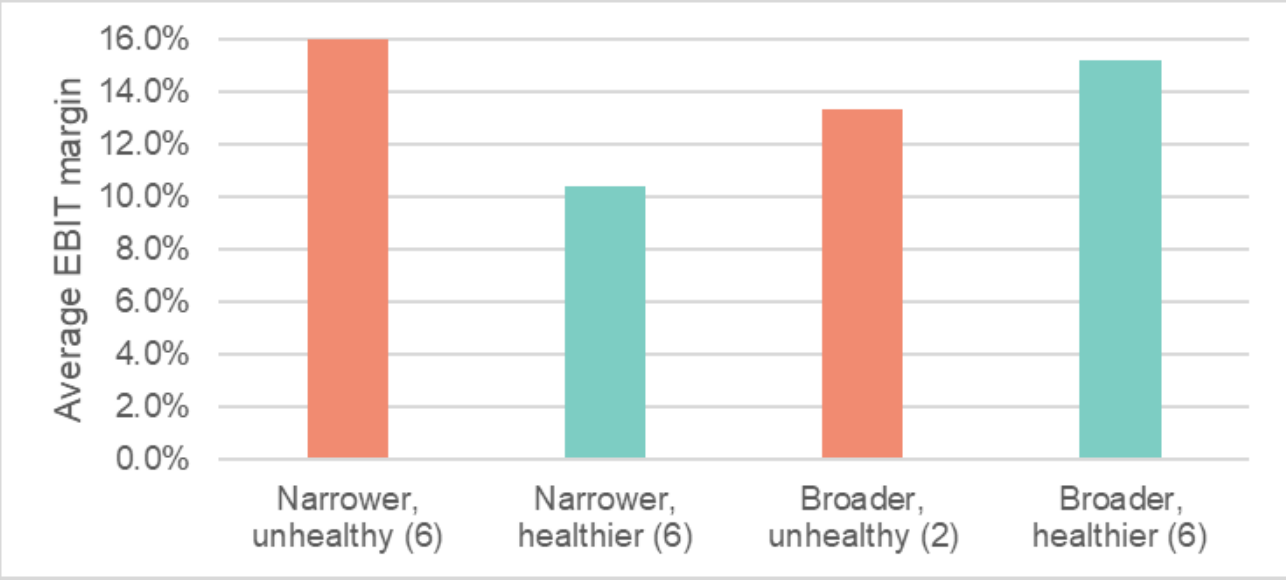
Topic 2 – Nutrient profiling – defining ‘healthy’ products

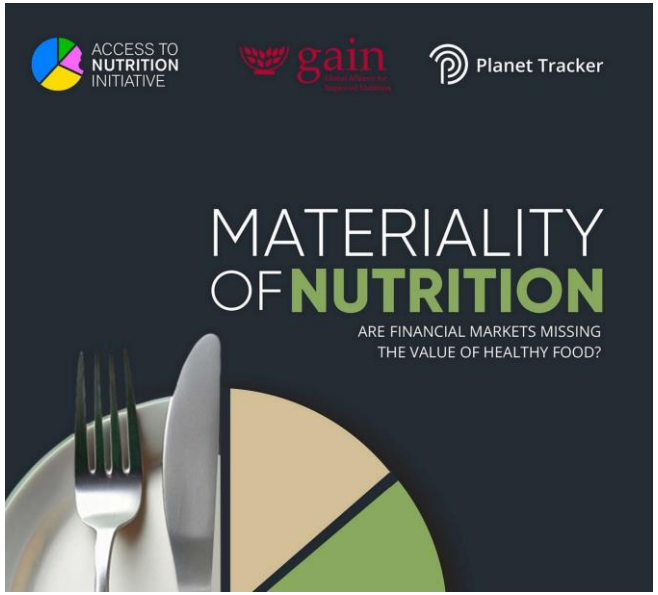
III. From macro to micro-economics- building the investment and business case



There is an emerging business case for nutrition, but actions are needed to accelerate market transformation

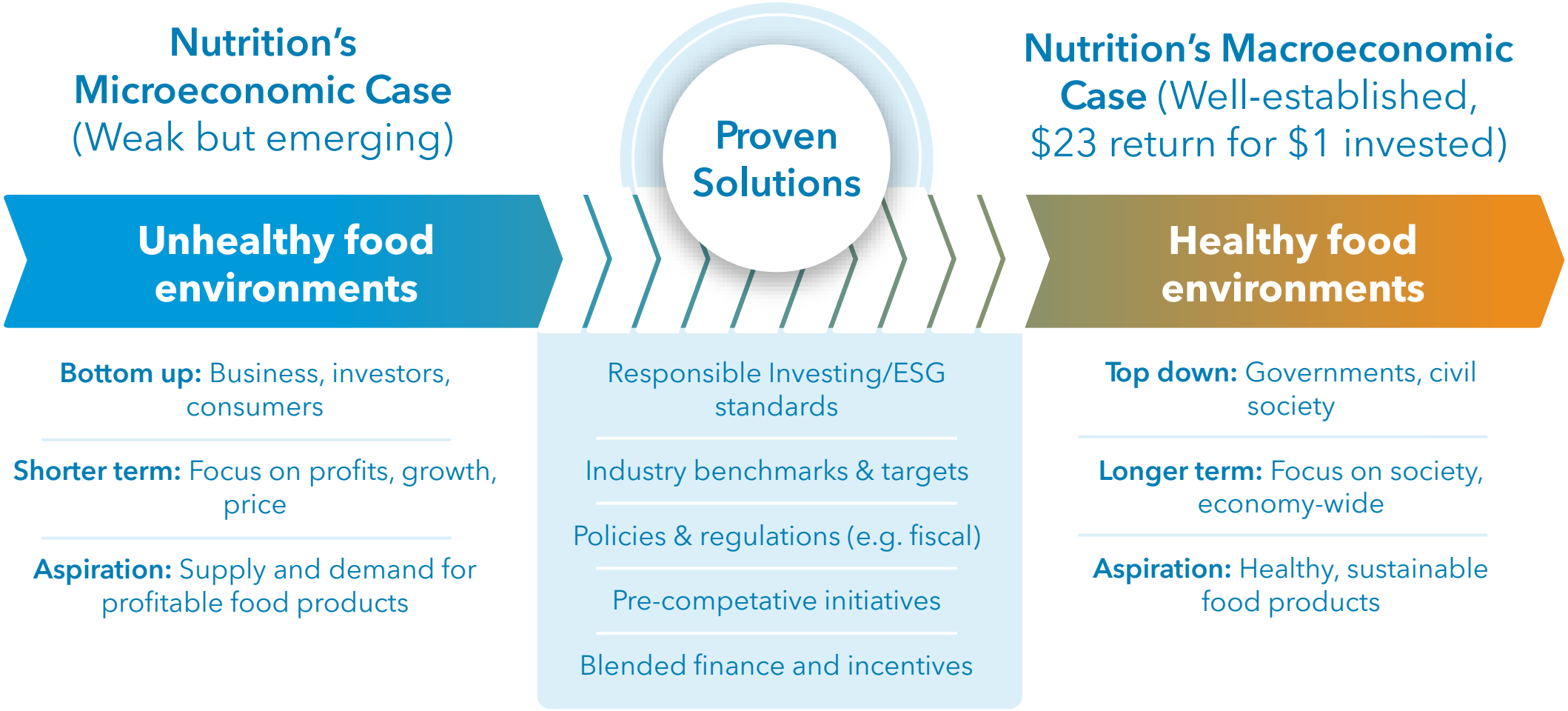
On average, companies with broader, healthier food portfolios have higher EBIT margins (15.2%) than their peers (13.4%)





The Report examined the profitability & valuation of **20** of the largest F&B manufacturers against their product profile scores in the 2013, 2018 & 2021

Making the case for healthier foods: bridging the micro- and macroeconomic case



Nutrition. Markets. Impact.

ATNi

Investor and Regulatory Engagement for Healthier Diets

ATNi leverages the finance community to improve investment practice for nutrition through ATNi's Investors in Nutrition & Health comprising 88 investors with $20+ trillion in AUM.

ATNi facilitates **direct collaborative engagement** between 36 investors ($14.25 trillion AUM) and 24 companies.

ATNi embeds **nutrition metrics** with national regulators, ESG guidance organizations and impact investors. More interaction with national regulators and investors is needed.

S&P Global

nairobi securities exchange
Discover Opportunity

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

MUFG

COLUMBIA THREADNEEDLE INVESTMENTS

BNP PARIBAS

Calvert

AXA Investment Managers

UBS

PIMCO

1805 PICTET

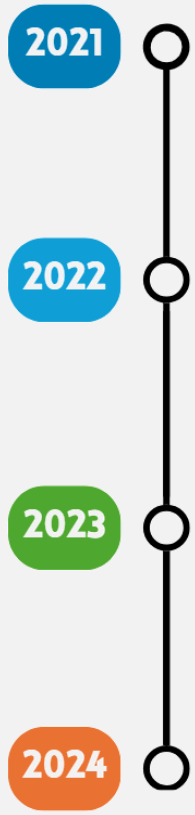
LGIM

AVIVA

Investor Collaborative Engagement

ATNi supports collaborative engagement between ATNi's Investors in Nutrition and Health (AINH) – 87 investors representing USD 21 trillion in AUM – and the companies assessed in our Indexes.

- ✓ Engagements are investor-led and driven.
- ✓ Participation in collaborative engagements is voluntary.
- ✓ Engagement cycles last 18 months to drive progress between ATNi Indexes.



Global Index 2021 Collaborative Engagement:
53 investors engaging with 20 companies

US Index 2022 Collaborative Engagement
incorporated into Global Index 2021 engagement.

India Index 2023 Collaborative Engagement:
10 investors engaging with 7 companies (first engagement of its kind in India)

Global Index 2024 Collaborative Engagement:
35 investors engaging with 23 companies

Other organizations working in this space in the UK, in addition to ATNi

The Food Foundation

NGO changing food policy and business practice

FAIRR
A COLLER INITIATIVE

Collaborative investor network focused on risks of intensive livestock production

nesta

UK innovation agency for social good

ShareAction»

NGO leveraging the power of investments

Main Messages: Recap

- Poor diet is a major driver of disease and illness
- There is a clear and emerging business case for investing in healthier portfolios
- There is a risk in investing in unhealthy food companies in the long-term
- However, there are some short-term trade-offs to consider
- Benchmarking and collaborative engagement with food companies drives has driven some improvements
- Better standards and policies for nutrition will accelerate the investment case for healthier food products and companies

Glossary

- ATNi – Access to Nutrition initiative
- AUM – Assets under management
- EBIT – Earnings before Interest and taxes
- ESG – Environment, Governance, Social
- DALY- Disability Adjusted Life Year
- HSR- Health Star Rating
- NCD – Non communicable diseases
- NPM – Nutrient Profile Model

From Kettle to Cup: even a simple cup of tea needs infrastructure

Utilities

- Water from the tap
- Clean water to wash the cup
- Water is cleaned before it reaches homes



Transport

- Ships bring tea from where it is grown
- Ports unload the ships
- Roads deliver tea to shops

Energy

- Power stations generate energy
- Energy is sent to homes
- Electricity used to boil the kettle

Most of this works quietly in the background – but without it, there's no cup of tea**!**

How does infrastructure make money?

Essential businesses where you can see how the money is made clearly





Airlines pay to use it

For landing, take-off and using the terminal

People pay to park

Car parks, drop off areas, valet parking

Shops and cafes pay rent

Food, coffee, newsagents, duty-free

Extra services

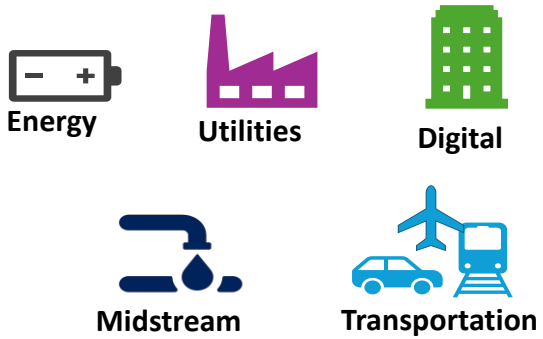
Lounges, baggage services, advertising

What is infrastructure and why invest in it?

More than $100 trillion [1] will be needed globally by 2040 to meet infrastructure demand

What is infrastructure investing?

- Infrastructure is a business that delivers an essential service
- Often regulated, with long-life assets
- Can generate steady, predictable cash flows
- Largely independent of economic cycles



What can infrastructure add to your pension fund? [2]

Helps balance risk and return
Less volatile than many other investments

More stable over time
These services are always needed

Can strengthen your pension pot
Earn money in good times and bad

Protect against inflation
Prices often rise with inflation

Income today, growth over time
Pays some returns through cash and through business growth

(1) McKinsey & Company 2025 Perspectives and research for the investing industry (2) Diversification cannot ensure a profit or protect against loss in a declining market. Infrastructure is a strategy used to help mitigate risk. Past returns are not indicative of future performance

Things to be aware of

Infrastructure may not be for everyone

More accessible to large investors

Infrastructure is commonly used by pension funds (such as NEST) and long-term investors

More complex than everyday investments

More complex than savings accounts or shares you may already know

Money may not be available straight away

These investments are for the long term and are not intended for short-term withdrawals

Glossary

Regulated	To control an activity or process by rules or a system
Long-life assets	An asset that lasts for many decades and provides steady income over a long period
Economic cycles	The natural ups and downs in a country's economy over time, including periods of growth and periods of slowdown
Cash flows	The money coming into and going out of a business or investment - including income received and expenses paid.
Volatile	Something that can change quickly and unpredictably
Inflation	A general rise in prices over time, which makes money buy less than before