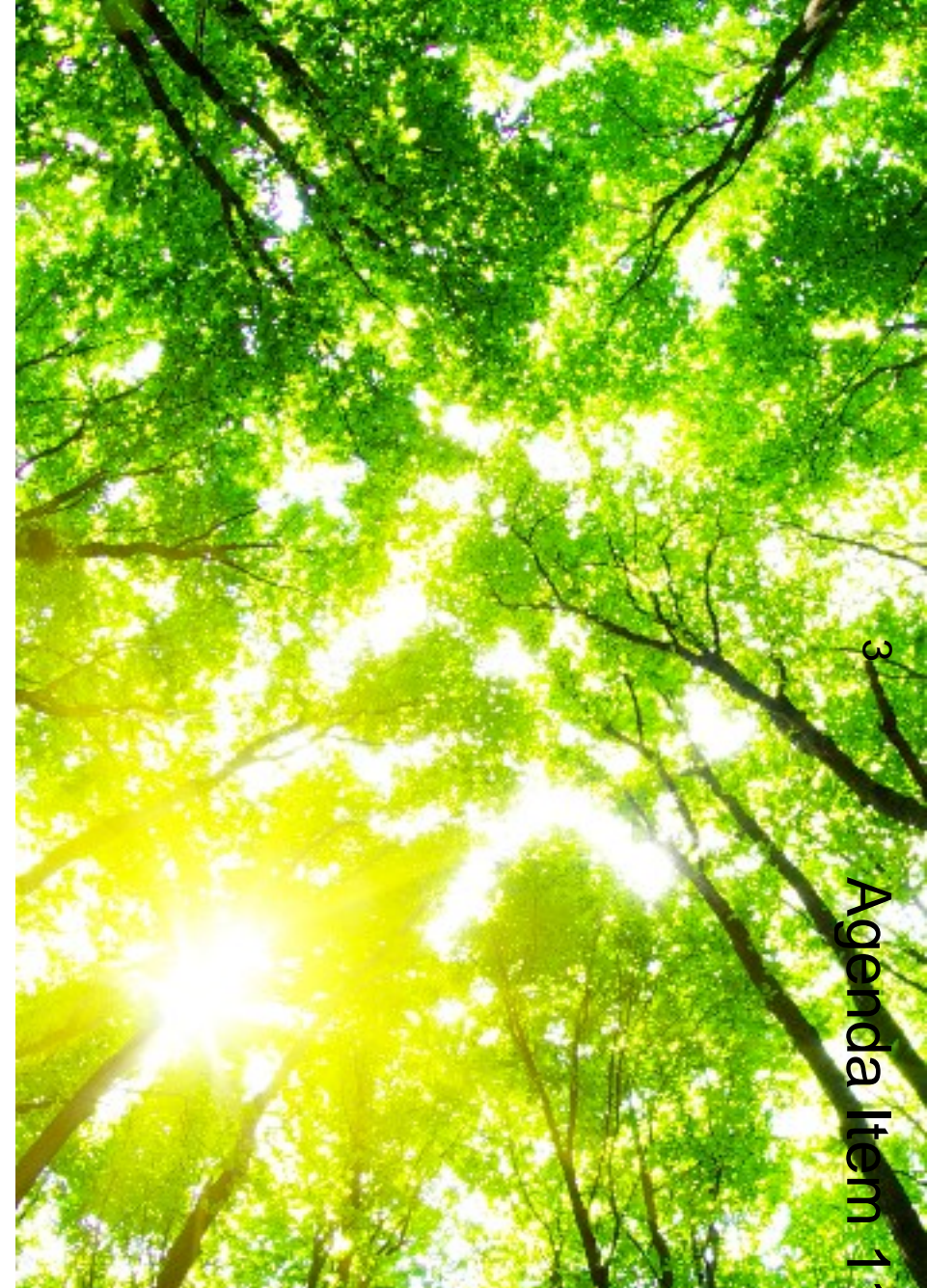




# Leicestershire County Council Pension Fund

*LGPS Central Limited Update*

**16 June 2023**



3

Agenda Item 11



# Agenda

## SECTION 1: SHAREHOLDER UPDATE

- LGPS pooling progress
- LGPS Central pooling progress
- Budget/consultation

## SECTION 2: CLIENT UPDATE

- Climate Risk Reporting and ESG Tools





# LGPS Central

Shareholder Update

**John Burns**

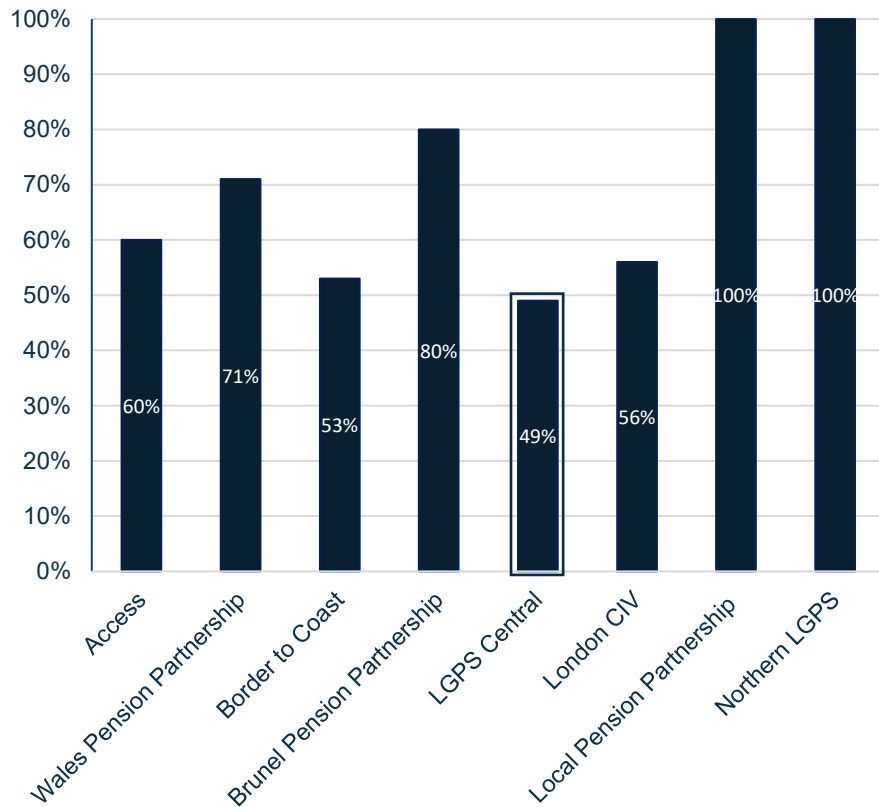
Interim CEO

# Pooling progress across England & Wales



**HEADLINE TRANSITION RATES VARY SIGNIFICANTLY ACROSS POOL COMPANIES**

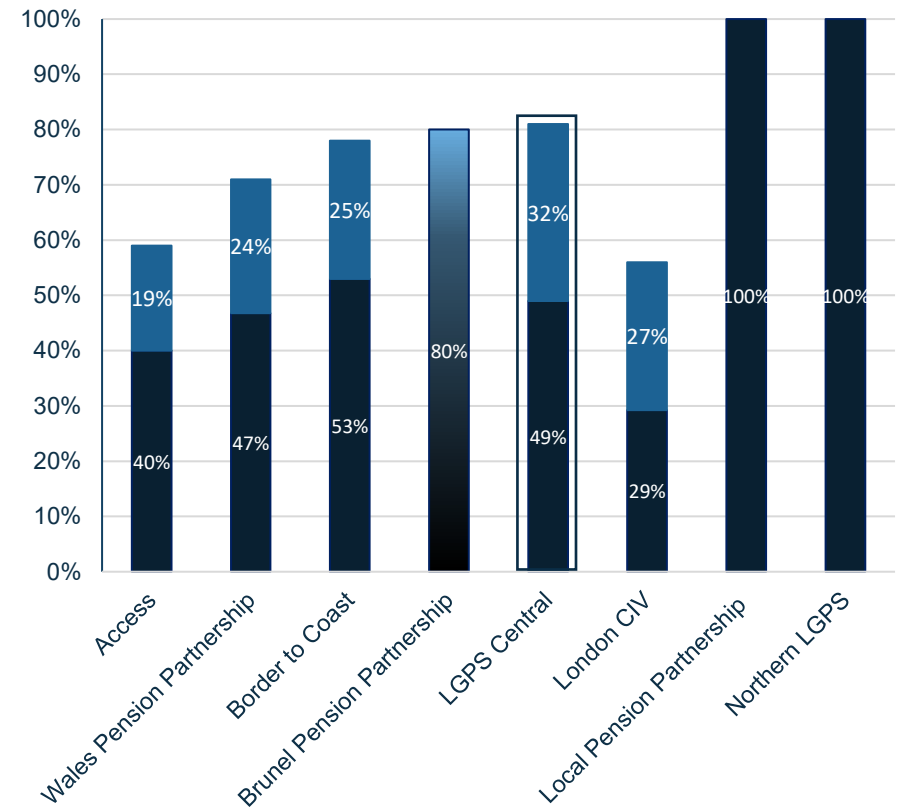
Percentage of Partner Fund Assets transitioned as at 31 March 2022



Comparison on like for like basis

- External passively managed
- Transitioned to pool company

Percentage of Partner Fund Assets transitioned as at 31 March 2022



Source: [LGPS pooling: 'Progress needs to go further and faster' | Local Government Chronicle \(LGC\) \(lqplus.com\)](#)

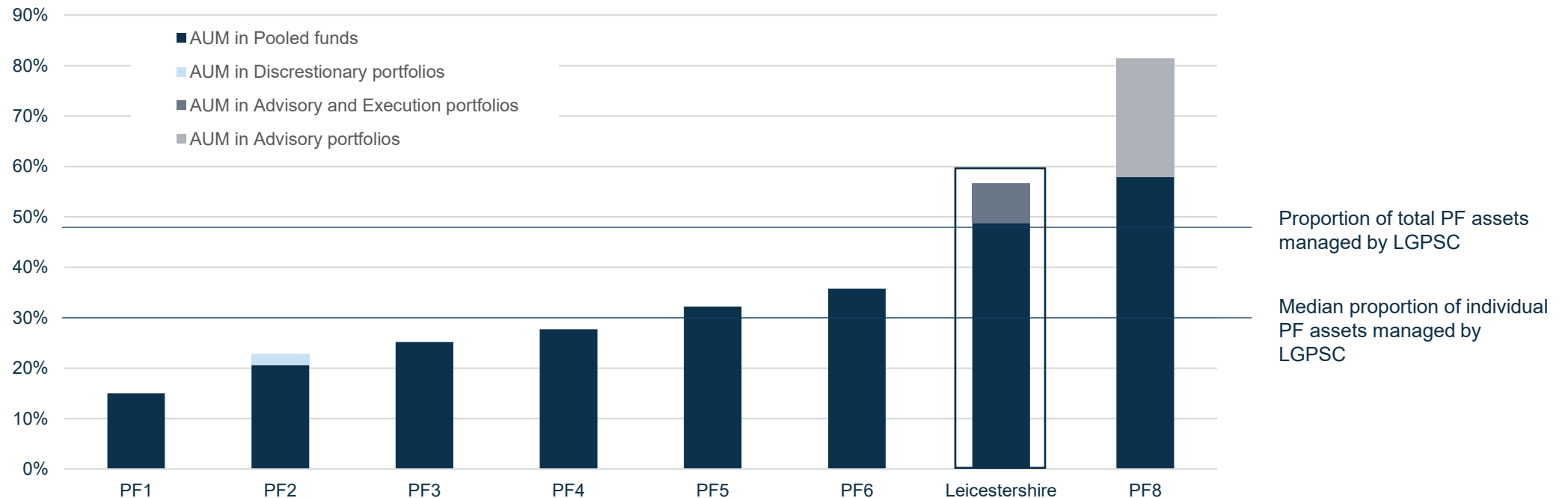
LGPS Central analysis of public documents

# Pooling progress across the LGPS Central pool



## DIFFERENT PARTNER FUNDS AT DIFFERENT STAGES OF TRANSITION

Percentage of Partner Fund Assets transitioned as at 30 April 2023



Source: LGPS Central, external passive excluded.  
Commitment amounts used for Private Market Partnerships

# Spring Budget – LGPS pooling implications



- **4.116 Local Government Pension Scheme investment** – The government is challenging the Local Government Pension Scheme in England and Wales to move **further and faster** on consolidating assets – a forthcoming consultation will propose LGPS funds **transfer all listed assets into their pools by March 2025**, and set direction for the future. This may include moving towards a **smaller number of pools in excess of £50 billion** to optimise benefits of scale. While pooling has delivered substantial benefits so far, progress needs to accelerate to deliver and **the government stands ready to take further action if needed**. The Government will also consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as **venture and growth capital**, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets.”

## LGPS interpretation

**Direction and pace clear**

Will consultation suggest forcing transfer to pool cos?

Need clarity on £50bn (include passive/advisory? Pool or Pool Co?)

Clear threat from HMT to funds – do it or we’ll step in and do something for you

This desire from HMT is not going away

∞





# Investment Performance Overview

**Gordon Ross**  
Chief Investment Officer

# LCCPF Investments in LGPS Central Funds



ASSETS UNDER MANAGEMENT 30 APRIL 2023

Asset Class	Fund	LCCPF's Assets	Total Fund AUM	LCCPF % of Fund
Passive Global Equity	LGPS Central Limited All World Equity Climate Multi Factor Fund	£899m	£4,170m	22%
Active Global Equity	LGPS Central Limited Emerging Markets Equity Active Multi Manager Fund	£176m	£767m	24%
Active Global Equity	LGPS Central Limited Global Equity Active Multi Manager Fund	£520m	£3,024m	17%
Active Global Fixed Income	LGPS Central Limited Investment Grade Corporate Bond Multi Manager Fund	£147m	£1,645m	9%
Active Global Fixed Income	LGPS Central Limited Global Active Emerging Market Bond MM Fund	£111m	£570m	19%
Active Global Fixed Income	LGPS Central Limited Global Active Multi Asset Credit MM Fund	£215m	£745m	29%
Direct Property	LGPS Central UK Property Fund	£60m	£70m	86%
Private Equity	LGPS Central PE Primary Partnership 2018 LP*	£10m	£150m	7%
Private Equity	LGPS Central PE Primary Partnership 2021 LP*	£30m	£365m	8%
Private Credit	Credit Partnership 1 – Higher*	£60m	£305m	20%
Private Credit	Credit Partnership 2 – Lower*	£240m	£1,165m	21%
Private Credit	Credit Partnership 4 – Lower*	£114m	£587m	19%
Infrastructure	GPS Central Core/Core Plus Infrastructure Partnership LP*	£100m	£724m	14%

**£2,684m assets  
invested with  
LGPS**

Source: LGPS Central / Northern Trust  
\* Commitment amount

CLIENT



# LGPS Central ACS Fund Performance:



Annualised Performance Since Inception to 30 April 2023	Inception Date	Fund (% p.a.)	B'mark (% p.a.)	Tracking Error
---------------------------------------------------------	----------------	---------------	-----------------	----------------

## Passive ACS Funds

LGPS Central Limited UK Passive Equity Fund	April 2018	5.5	5.7	
LGPS Central Limited Global Ex-UK Passive Equity Fund	April 2018	8.8	8.8	
LGPS Central Limited Global Equity Dividend Growth Factor Fund	April 2018	8.8	8.8	
<b>LGPS Central Limited All World Equity Climate Multi Factor Fund</b>	<b>Oct 2019</b>	<b>9.6</b>	<b>9.4</b>	
LGPS Central Limited Global Multi Factor Fund	Jan 2021	6.8	6.5	

Annualised Performance Since Inception to 30 April 2023	Inception Date	Fund (% p.a.)	B'mark (% p.a.)	Target (% p.a.)
---------------------------------------------------------	----------------	---------------	-----------------	-----------------

## Active ACS Funds

<b>LGPS Central Limited Global Equity Active Multi Manager Fund</b>	<b>March 2019</b>	<b>11.4</b>	<b>10.2</b>	<b>11.7</b>
<b>LGPS Central Limited Emerging Markets Equity Active MM Fund</b>	<b>July 2019</b>	<b>-1.3</b>	<b>1.0</b>	<b>3.0</b>
<b>LGPS Central Limited Global Active Investment Grade Corporate Bond MM Fund</b>	<b>March 2020</b>	<b>-0.7</b>	<b>-0.4</b>	<b>0.4</b>
<b>LGPS Central Limited Global Active Emerging Market Bond MM Fund</b>	<b>Dec 2020</b>	<b>-7.3</b>	<b>-8.5</b>	<b>-7.5</b>
<b>LGPS Central Limited Global Active Multi Asset Credit MM Fund</b>	<b>April 2021</b>	<b>-3.3</b>	<b>1.6</b>	<b>5.6</b>
LGPS Central Limited Global Sustainable Equity Active Broad Fund	May 2022	3.9	1.8	3.3
LGPS Central Limited Global Sustainable Equity Active Thematic Fund	May 2022	-0.4	1.8	3.8
LGPS Central Limited Global Sustainable Equity Active Targeted Fund	May 2022	-1.3	1.8	3.8

LCCPF  
Investments

Source: LGPS Central / Northern Trust  
Where inception dates are less than one-year, absolute performance shown. Figures subject to rounding.

# Climate Risk Reporting and ESG Tools

**Patrick O'Hara**

Director Responsible Investment and Engagement

# MSCI ESG Tool



The acquisition of the MSCI ESG Tool has contributed to:

- Engagement prioritisation.
- Risk management.
- Due diligence and monitoring.
- And will enhance our understanding and reporting of ESG related risks.
- Leading to more robust RI delivery.



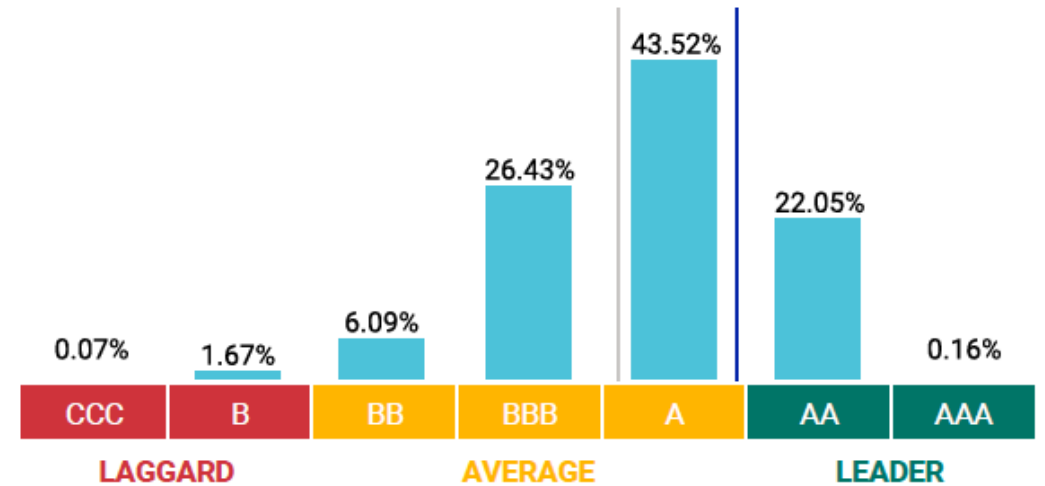


# ESG Report

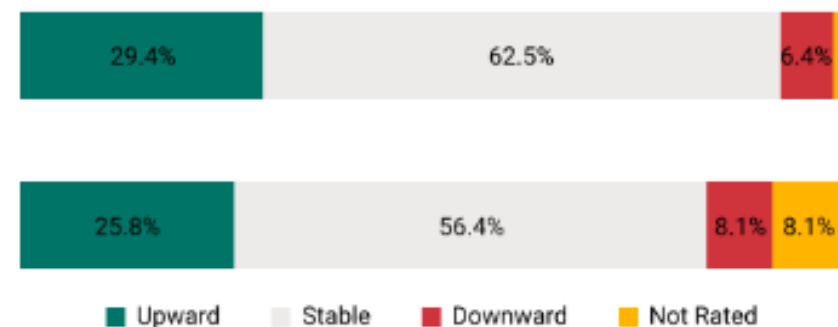


- Upcoming ESG Report for all Partner Funds
- Fund-level analysis on a variety of ESG metrics, compared to blended benchmark.
- Climate analysis will remain exclusively in CRR; but aiming for some TNFD compatibility

Distribution of MSCI ESG Fund Ratings Universe



ESG Ratings Momentum



## POTENTIAL STRUCTURE

1. Introduction / Foreword
2. Fund Level Overview
3. Environment
  - i. Fund Level Analysis
  - ii. High-Risk Sector Analysis
  - iii. Engagement Case Studies
4. Social
  - i. Fund Level Analysis
  - ii. High-Risk Sector Analysis
  - iii. Engagement Case Studies
5. Governance
  - i. Fund Level Analysis
  - ii. Engagement Case Studies
6. Conclusion

**Fund  
Logo**



**[Fund Name]**

**ESG Report 2023**

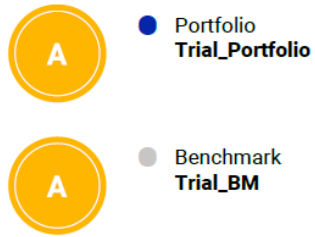
Prepared by LGPS Central

# Fund Level Overview



## BENCHMARK COMPARISON AND RATINGS MOMENTUM

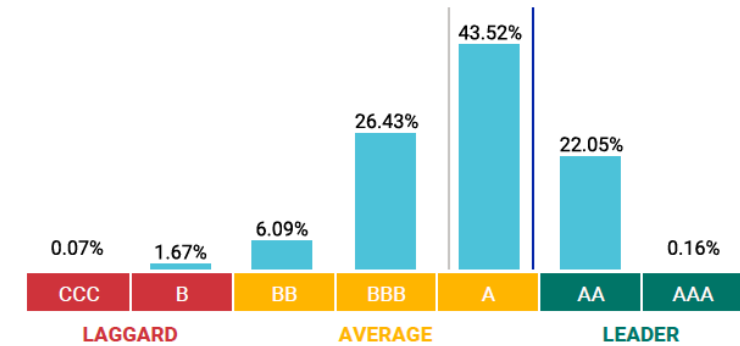
### MSCI ESG Ratings



### How the MSCI ESG Rating is calculated

	Portfolio	Benchmark
Weighted Avg ESG Score	7.08	5.88
ESG Quality Score	7.08	5.88
ESG Rating	A	A

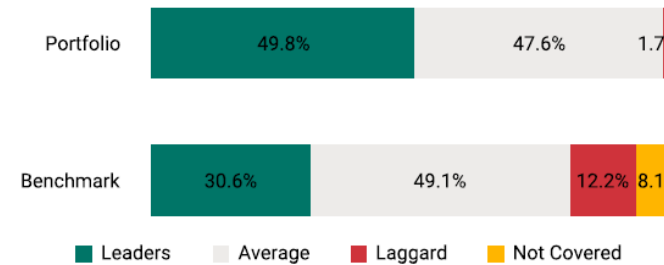
### Distribution of MSCI ESG Fund Ratings Universe



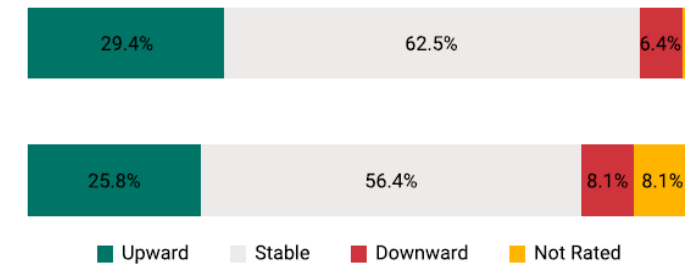
### Portfolio ESG Rating Summary

ESG Quality	Average 20.42% above benchmark
ESG Ratings Distribution	Leaders 19.24% over benchmark Laggards 10.52% under benchmark
ESG Ratings Momentum	Upward momentum 3.61% over benchmark Downward momentum 1.63% under benchmark

### ESG Ratings Distribution



### ESG Ratings Momentum

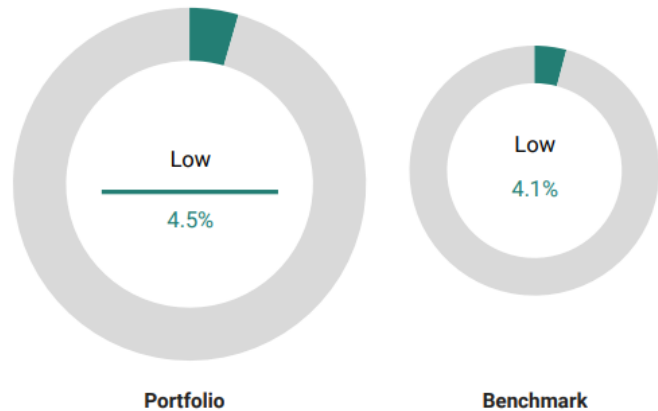




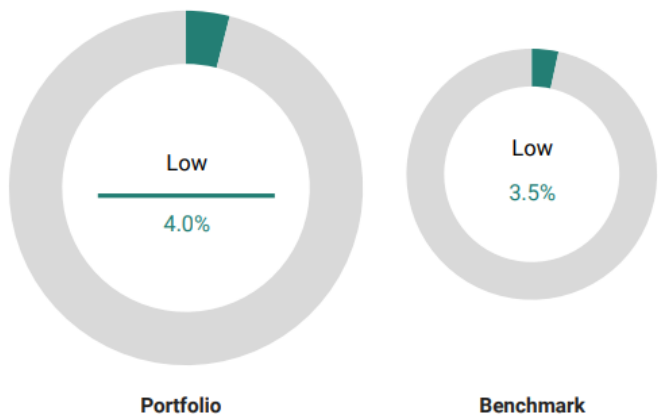
# Fund Level Overview

## IMPACT SCORES & INTERNATIONAL NORMS

### Environmental Impact



### Social Impact



### Natural Capital Impact

	Portfolio	Benchmark	Active
Sustainable Water (%)	0.3%	0.2%	0.1%
Pollution Prevention (%)	0.3%	0.3%	0.0%
Sustainable Agriculture (%)	0.1%	0.2%	0.0%

### International Norms

	Portfolio	Benchmark	Active
Global Compact Compliance Violation (%)	0.5%	0.5%	0.0%
Global Compact Compliance Violation or Watch List (%)	6.5%	4.3%	2.3%
Human Rights Norms Violation (%)	0.5%	0.5%	0.0%
Human Rights Norms Violation or Watch List (%)	6.0%	4.1%	1.9%
Labor Norms (%)	0.2%	0.4%	-0.2%
Labor Norms Violation or Watch List (%)	3.9%	2.5%	1.3%

# Peer Group Analysis



## RANGE OF SCORES AND RAW METRICS

Oil & Gas Top 5 Laggards	Country	ESG Score	Environmental Score	Social Score	Estimated % of operations located in geographies with highly fragile ecosystems	Number of biodiversity-related controversies (Moderate – Very Severe)	NOx Intensity (tons/\$m revenue)	SOx Intensity (tons/\$m revenue)	Number of Fatalities / Total Employees
Occidental Petroleum Corporation	US	BBB	4.20	5.80	88.77	1	2.65	1.96	0.00
BP P.L.C.	GB	A	4.80	5.60	15.54	7	0.28	0.06	1.52
TotalEnergies SE	FR	A	6.70	7.40	0.00	5	0.33	0.09	0.95
Chevron Corporation	US	A	4.90	6.70	52.73	4	0.73	0.56	4.00
ENI S.P.A.	IT	A	7.20	7.60	0.00	7	0.56	0.21	0.00

# Climate Risk Report - Example



Fund Family	Fund Strategy	Market Value	First Investment	Reference Benchmark
LGPS ACS Funds	Equity Active	£X,XXX.Xm	MMM-YYYY	FTSE All World

Financed Emissions (tCO2e)		
Current	Baseline	Reference Benchmark
XXX,XXX	XXX,XXX	XXX,XXX
as of 31 December 2022	as of 31 December 2019	as of 31 December 2022
	. ↑↓ XX.X%	. ↑↓ XX.X%

Financed Emissions / £M Invested (tCO2e)		
Current	Baseline	Reference Benchmark
XXX,XXX	XXX,XXX	XXX,XXX
as of 31 December 2022	as of 31 December 2019	as of 31 December 2022
	. ↑↓ XX.X%	. ↑↓ XX.X%

Weighted Average Carbon Intensity (tCO2e / \$M Sales)		
Current	Baseline	Reference Benchmark
XXX.XX	XXX.XX	XXX.XX
as of 31 December 2022	as of 31 December 2019	as of 31 December 2022
	. ↑↓ XX.X%	. ↑↓ XX.X%

Sovereign Constituents		
Current	Baseline	Reference Benchmark
XXX.XX	XXX.XX	XXX.XX
	. ↑↓ XX.X%	. ↑↓ XX.X%

Top 10 Carbon Emissions Contributors				
Company Name	Scope 1 & 2 Emissions (tCO2e)	Scope 3 Emissions (tCO2e)	% of WACI (Rank)	% of Financed Emissions (Rank)
RIO TINTO PLC	XXX,XXX		X.X% (X)	X.X% (X)
EXXON MOBIL CORPORATION	XXX,XXX		X.X% (X)	X.X% (X)
BERKSHIRE HATHAWAY, INC.	XXX,XXX		X.X% (X)	X.X% (X)
WASTE MANAGEMENT, INC.	XXX,XXX		X.X% (X)	X.X% (X)
RIO TINTO LIMITED	XXX,XXX		X.X% (X)	X.X% (X)
VEOLIA ENVIRONNEMENT SA	XXX,XXX		X.X% (X)	X.X% (X)
ARCHER-DANIELS-MIDLAND COMPANY	XXX,XXX		X.X% (X)	X.X% (X)
CHEVRON CORPORATION	XXX,XXX		X.X% (X)	X.X% (X)
UNITED PARCEL SERVICE, INC.	XXX,XXX		X.X% (X)	X.X% (X)
SHELL PLC	XXX,XXX		X.X% (X)	X.X% (X)

Data Coverage	Engagement Threshold	Net Zero Alignment	Implied Temperature	Fossil Fuel Reserves
XX%	XX%	XX%	X.X°C	X.X%



# DISCLAIMER:



## LGPS Central Disclaimer IMPORTANT INFORMATION

This document has been produced by LGPS Central Limited and is intended solely for information purposes. Any opinions, forecasts or estimates herein constitute a judgement, as at the date of this report, that is subject to change without notice. It does not constitute an offer or an invitation by or on behalf of LGPS Central Limited to any person to buy or sell any security. Any reference to past performance is not a guide to the future.

The information and analysis contained in this publication have been compiled or arrived at from sources believed to be reliable but LGPS Central Limited does not make any representation as to their accuracy or completeness and does not accept any liability from loss arising from the use thereof. The opinions and conclusions expressed in this document are solely those of the author.

This document may not be produced, either in whole or part, without the written permission of LGPS Central Limited.

Share Class and Benchmark performance displayed in GBP.

Performance is shown on a Net Asset Value (NAV) basis, with gross income reinvested where applicable.

All information is prepared as of **15 June 2023**

This document is intended for **PROFESSIONAL CLIENTS** only.

## MSCI disclaimer:

Certain information ©2023 MSCI ESG Research LLC. Reproduced by permission.

Although LGPS Central's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

“One Central team, working in partnership to invest with purpose and deliver superior returns”



This page is intentionally left blank