



LOCAL PENSION COMMITTEE – 14 MARCH 2025
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
RESPONSIBLE INVESTING UPDATE

Purpose of the Report

1. The purpose of this report is to provide the Committee with an update on:
 - a. Progress versus the Responsible Investment (RI) Plan 2025 (Appendix A);
 - b. The Fund's quarterly voting report (Appendix B) and stewardship activities.

Policy Framework and Previous Decisions

2. Responsible investment factors have long been a consideration for the Leicestershire County Council Pension Fund, having satisfied itself that potential investment managers take account of responsible investment (RI) as part of their decision-making processes before they are considered for appointment.
3. This is enshrined in the Fund's Investment Strategy Statement, as well as the approach to climate related risk and opportunities within the Net Zero Climate Strategy, both approved by the Committee on 3 March 2023.
4. The Fund is supported by LGPS Central's Responsible Investment and Engagement Framework which sets out its approach to responsible investment on behalf of the eight pooled funds. The framework supports the Fund broadening its stewardship activities.

Background

5. The term 'responsible investment' refers to the integration of financially material Environmental, Social and Governance ("ESG") factors into investment processes. It has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. It is distinct from

‘ethical investment,’ which is an approach in which the moral persuasions of an organisation take primacy over its investment.

6. Engaging companies on ESG issues can create value for those businesses and the Fund as an investor by encouraging better risk management and more sustainable practices, which therefore should generate sustainable investment returns.

Responsible Investment (RI) Plan 2024 Progress

7. The Local Pension Committee approved the RI Plan in January 2025. The Plan was developed following discussion with LGPS Central’s (Central) in-house RI team. The Fund has a continual focus on raising RI standards. Progress made to date on the 2025 RI Plan is set out in Appendix A.

Voting and Engagement

8. Appendix B sets out the Fund’s voting report from October to December 2024. This incorporates circa 43% of the Fund’s assets (LGIM’s Global, UK and Low Carbon Transition fund, LGPS Central’s Climate Multi Factor fund and the Global Equity Active fund).
9. A brief breakdown is set out below:
 - The Fund made voting recommendations at 779 meetings (5,460 resolutions)
 - At 338 meetings the Fund opposed one or more resolutions.
 - The Fund voted with management by exception at 22 meetings and supported management on all resolutions at the remaining 433 meetings.
 - The majority of votes where the Fund voted against management were related to board structure (44%). These votes include issues such as overboarding, diversity, and inadequate management of climate risk.
10. For quarterly voting from January 2025 Central have been appointed to provide oversight and stewardship services for the Fund’s and other partner funds passive LGIM holdings. Central will oversee these funds on behalf of all eight partner funds and vote on the underlying holdings based on Central’s voting principles to align the voting decisions across partner fund equity holdings. This will support Central’s stewardship and engagement activities on behalf of partner funds.

11. Officers will continue to monitor and understand Central's voting decisions and how they compare to voting recommendations by the Local Authority Pension Fund Forum.
12. Some further highlights from engagement activity from partners and investment managers are set out below.

LGPS Central

13. Central is the pooling company of the Fund. It is a strong supporter of responsible investment through the Responsible Investment and Engagement Framework.
14. Central signed up to a [statement](#) on climate stewardship alongside other asset owners look to address divergence between asset owners' expectations and asset managers' climate stewardship activity. This statement calls on asset managers, as strategic partners in delivering investment objectives, to develop and evidence an independent robust stewardship strategy that addresses the urgency of action needed on climate-related risks and build resilience into financial markets, alongside five key expectations.
15. Central have also updated their Voting Principles which set a clear framework for active stewardship and long-term value creation. The revised principles include stricter enforcement mechanism, increased expectations for disclosure and enhanced alignment with net-zero commitments.

Legal and General Investment Management – Q4 2024

16. Legal and General Investment Management (LGIM) manage the majority of the Fund's passive equity which accounts for 17.6% of the Fund. LGIM's latest ESG impact report highlights some key activity in the Investment Stewardship team.
17. The latest ESG impact report highlights key engagements across LGIM's global stewardship themes, with a focus on climate policy engagements, an update on their human rights campaign and governance in Japan.

Company	Theme	Action	Outcome
Colgate-Palmolive	Deforestation	LGIM outlined expectations that they have a deforestation policy and programme in place. LGIM see this company as one that	The company meets LGIM's minimum standards and have demonstrated further process. The company have been building relationships and furthering engagement with their suppliers and ending relationships

		has the potential to galvanise action in its section, as well as for its significant exposure to palm oil, paper, cattle, and soy.	with those found to be non-compliant. They have introduced satellite imaging and are mapping palm oil derivatives. Future engagements will focus on traceability progress across key commodities, collaborations and work done with their peers.
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Local Authority Pension Fund Forum – Q4 and 2024 Annual Report

18. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which acts to promote the highest standards of corporate governance to protect the long-term value of local authority pension fund assets. Highlights from the latest quarterly report include engagements on company approaches to operating in, or having links to, conflict-affected and high-risk areas to better understand corporate risk mitigation and due diligence, as well as engagement with electric vehicle manufacturers, housebuilders and zero-hour contracts, and continued engagement on Drax's sustainability claims, subsidy reliance and carbon capture feasibility.

Topic	Action	Outcome
Electric vehicles	LAPFF met with five automobile manufactures to encourage companies to identify. Address and mitigate salient human rights risks both in their direct operations and throughout their supply chains.	All companies met were able to demonstrate progress in their respective approaches to managing human rights risks in their battery mineral supply chain. Challenges remain in that the sector has yet to fully align with international standards relating to heightened human rights due diligence and comprehensive supply chain transparency. Companies face difficulties in verifying supplier compliance within supply chains. LAPFF will continue to engage and expect companies to be able to demonstrate heightened human rights due diligence for high-risk minerals.

19. This February LAPFF have also published their expectations for [companies engaging on Conflict-Affected and High-Risk Areas](#), which face heightened operational, reputational, legal and financial challenges. LAPFF will continue to report their engagements quarterly including updates on companies exposed to heightened challenges.

Ruffer – Q4 2024

20. Forming a small proportion of the Fund’s portfolio, Ruffer invest in a handful of equities on behalf of the Fund within the targeted return portfolio. Their approach to engagement includes looking at developing an understanding of whether specific issues were industry-wide issues or specific to a company, and continuing work to support the market infrastructure needed to help managers make more informed investment decisions.
21. In September 2024 Ruffer decided to gain exposure to seven companies within the agricultural sector given attractive attributes from the macroeconomic backdrop and relative risk premiums.
22. Ruffer recognise this allocation will increase the underlying portfolio emissions, however, believe this provides the best opportunity for investment, while encouraging the companies to be thoughtful on their sustainability practices for example use of green hydrogen, regenerative farming techniques, conservation agriculture and nutrient management. Ruffer have designed a five-point alignment framework to structure these engagements, facilitating benchmarking and advancing their commitment to the Net Zero Asset Management initiative whilst looking to protect investors capital.

Topic	Action	Outcome
Arcelor Mittal	Ruffer met with the company to discuss implementation and reporting of findings within a workplace safety audit.	The company agreed to provide updates on the six recommendations potentially before the next AGM. The metrics related to improving leading indicators such as loss time injury frequency rates. As more progress was made on the audit recommendations the company should be able to demonstrate better safety and health performance.

Other Developments

Further Advice on Fiduciary Duty

23. The Scheme Advisory Board (SAB) has published an updated opinion of Nigel Giffin KC, titled ‘Local Government Pension Scheme: Investments and Non-Financial Considerations’ which reviews and updates the opinion provided in 2024 titled ‘Duties of Administering Authorities under the Local Government Pension Scheme’, both of which can be found on the [SAB’s website](#).
24. The updated opinion captures the latest legal rulings, guidance and potential impact of the ‘fit for the future’ consultation. Counsel advises the position with regards to fiduciary duty “has not materially changed” and highlights that whether it is local, UK investments or climate related factors, funds should be

assessing financial factors along with member support criteria and take proper advice.

25. The SAB's Secretariat are to consider whether further advice on specific points would be helpful and will work with funds to ensure instructions cover the pertinent questions and elements of most interest. Officers will consider any developments with relation to fiduciary duty and the outcome of the pooling consultation.

Recommendation

26. It is recommended that the Local Pension Committee note the report.

Background papers

Asset owner statement on climate stewardship February 2025

<https://thepeoplespension.co.uk/wp-content/uploads/Asset-owner-statement-on-climate-stewardship.pdf>

LGPS Central Limited Voting Principles 2025

<https://www.lgpscentral.co.uk/documents/Voting-Principles-2024-2.pdf>

Conflict-Affected and High-Risk Areas: LAPFF Engagement Expectations of Companies

<https://lapfforum.org/wp-content/uploads/2025/02/2025-CAHRAS-LAPFF-Engagement-Expectations.pdf>

Scheme Advisory Board Legal Opinions and Summaries

<https://lgpsboard.org/index.php/legal-opinions>

Equality Implications

27. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty.

Human Rights Implications

28. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material Environmental, Social and Governance ("ESG") factors into investment processes. This has relevance

both before and after the investment decision and is a core part of the Fund's fiduciary duty.

Appendices

Appendix A: RI Plan Update

Appendix B: The Fund's Quarterly Voting Report

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