



LOCAL PENSION COMMITTEE – 30 JANUARY 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

DRAFT RESPONSIBLE INVESTMENT PLAN 2026

Purpose of the Report

1. The purpose of this report is to seek the Local Pension Committee's (LPC) comments on the Leicestershire Pension Fund's Responsible Investment (RI) Plan 2026 (Appendix A) to enable the Fund to further improve the management of responsible investment risks.

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. The first RI plan was approved at the January 2020 LPC meeting, with updated plans being presented and approved annually since. A progress update of the latest 2025 plan is attached as Appendix B.
3. Climate change factors have been considered by the Fund for a number of years. This was enshrined in the Fund's Investment Strategy Statement (ISS) and Net Zero Climate Strategy (NZCS), both approved on 3 March 2023. These climate considerations have also been built into other strategies and the Fund's risk register.

Background

4. The term 'responsible investment' refers to the integration of financially material environmental, social and corporate 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 considerations.
5. The Fund's approach to RI matters have been incorporated into the ISS and all actions the Fund undertakes. These are considered in two key areas:
 - Sustainable Investment: considering the financial impact of ESG factors on its investments.

- Stewardship and Governance: acting as responsible and active investors/owners through considered voting of shares and engaging with investee company management as part of the investment process.

6. In December 2025 the Fund reported its latest progress against the NZCS. High-level progress against these targets is set out below which show where the Fund has exceeded initial expectations for its net zero journey, including achieving its two interim targets ahead of the 2030 deadline.

Fit for the Future Implications

- 7. In 2025 Government consulted on proposed reforms to the structure, investments and governance of the LGPS. The Government's response in May 2025 set out that Funds would continue to be able to set high level objectives in relation to ESG and RI. However, it was recognised that balancing individual Funds' RI positions, and particularly specific exclusions, would present challenges when seeking to invest at scale through pooling.
- 8. Government has consulted on draft regulations from 20 November 2025 to 2 January 2026 and is undertaking a closed consultation on draft investment, pooling and governance guidance. While this cannot be shared more widely at this stage, LGPS funds have been asked to consider the draft guidance alongside other partner funds and their pools. This guidance may have an impact on how the Fund can consider responsible investment. As above there is a much larger focus on how partner funds and pools can work collectively.
- 9. It will be more important than ever that Funds scrutinise and consider how effectively pools are engaging on their behalf and engaging with underlying managers. This will be an ongoing process which will need to develop together with new partner funds.

Responsible Investment Plan 2026

- 10. The plan includes outputs and recommendations from the Fund's latest Climate Risk Report which was supported by the Local Pension Committee at its meeting in December 2025.
- 11. The plan builds on the five previous iterations and improves on the approach and beliefs detailed in the Fund's ISS, NZCS and discussions held by the Committee throughout 2025, as well as any areas within the 2025 Plan not yet concluded.
- 12. The Fund, partner funds and the Pool will continue to work together on necessary developments throughout the year, including on RI. The Fund will work to ensure any future proposals look to enhance existing arrangements and the Fund's high-level strategic RI views as set out in paragraph 3, Investment Strategy Statement and approach to managing climate risk
- 13. The draft RI plan for 2026 is attached at Appendix A. Some highlights are as follows:
 - The Responsible Investment Survey ended on the 5 January 2026 which the Committee will consider the outcome of at a workshop ahead of formal

consideration as part of March's Committee meeting. Outcomes will feed into work ongoing across the year, including member communication, and engaging with LGPS Central.

- A revised Net Zero Climate Strategy for consideration by the Committee in June 2026.
- Continuation of quarterly manager presentations to the Local Pension Committee that include manager/LGPS Central views, performance and ESG factors. This will include a presentation from LGPS Central on their approach to Stewardship and effectiveness of engagement.
- Climate Risk Management Report/Task Force on Climate Related Financial Disclosures reporting. To progress additional asset class targets where data is available.
- Consideration of pooling, and how the Fund can work with LGPS Central and partner funds to continue alignment and ensure Fund priorities are progressed.

14. The Committee will continue to receive quarterly reports on stewardship, voting and engagement each quarter, including a deeper dive on key updates on Climate Stewardship Plan companies as part of Annual General Meeting season at its September 2025 meeting.

15. In usual course of business, the Committee would be asked to approve the appended plan, however, in light of the awaited report on the outcome of the responsible investment survey, and development of fit for the future at this point the report is presented for comments and noting. Committee members are encouraged to highlight any areas of particular interest (for example, sector or type of engagement) if they would like more in-depth reporting on specific matters or themes.

Engagement and Stewardship

Local Authority Pension Fund Forum (LAPFF)

16. The Fund is a member of the LAPFF, alongside Central and the other partner funds. This is a collaborative shareholder engagement group with over £350billion in assets and accounts for most LGPS funds and pools.

17. The Forum publishes quarterly stewardship progress reports, as well as key voting alerts many of which are in relation to supporting climate lobbying and resolutions related to setting carbon emission targets. The activity of LAPFF is highlighted at each quarterly Committee meeting.

18. LAPFF engage with companies on behalf of LGPS funds, and while progress can seem slow, escalation is evidenced and supported through their collaboration with other asset owners and managers. Reports are produced quarterly on this progress

and can be found on their website. The LAPFF 2024 annual report is available to read here:

https://lapfforum.org/wp-content/uploads/2024/12/LAPFF_annual-report_2024.pdf

Further Opportunities for Collaboration

19. Historically, other than the LAPFF, the Fund has not become a direct signatory to certain key initiatives relating to RI as it has been comfortable that, as its investment managers and LGPS Central have always been signatories, the Fund is adhering to the broad principles by default. At this time, it is not considered that there is any value add to undertake anything further at this stage given the breadth of Central's membership. Furthermore, many of these initiatives, such as the Institutional Investors Group on Climate Change, publicise frameworks which the Fund has followed in development of the NZCS, which the Fund can access without membership.
20. The Fund's strategy will be to continue to engage with its investee companies and other key stakeholders through its current partnerships, in order to protect and increase shareholder value by engaging on a range of financially material ESG investment factors. This engagement programme is implemented through partnerships including LAPFF, Equity Ownership Service (EOS) at Federated Hermes (via a contract held by LGPS Central Ltd, the Fund's investment pool operator). LGIM also have a strong engagement programme which covers a proportion of the Fund's passive portfolio.

Recommendation

21. It is recommended that the responsible investment plan be noted, and the Committee is also asked to provide feedback on any areas of interest.

Equality Implications

22. 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. The Fund will not appoint any manager unless it can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Human Rights Implications

23. 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. The Fund will not appoint any manager unless it can show evidence that responsible investment considerations are an integral part of their decision-making processes.

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Appendices

Appendix A: Draft 2026 Responsible Investment Plan

Appendix B: Progress against 2025 Responsible Investment Plan

Background Papers

Local Pension Committee – Friday 5 December 2025– Climate Related Disclosure Report and Responsible Investment Update,

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=7990>

Local Pension Committee – Friday 31 January 2025 – Responsible Investment Plan 2025,
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=7986>

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