



LOCAL PENSION COMMITTEE – 3 JULY 2026
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
RESPONSIBLE INVESTMENT UPDATE

Purpose of the Report

1. The purpose of this report is to provide the Local Pension Committee (LPC) with an update on:
 - a. Progress against the Responsible Investment (RI) Plan 2026 (Appendix A)
 - b. The Fund's quarterly voting report (Appendix B) and stewardship activities.

2. A presentation will also be provided by LGPS Central on LGPS Central's approach to stewardship.

Policy Framework and Previous Decisions

3. 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 RI as part of their decision-making processes before they are considered for appointment.

4. The Fund undertook an engagement with scheme members at the end of 2025, and agreed **the following** key issues and engagement themes where these were financially material which are set out in the Fund's Investment Strategy Statement:
 - Good Corporate Governance
 - Human and Rights
 - Natural Capital and Climate Risk

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.
7. Failure to consider these aspects, or exercise effective stewardship of the Fund's assets risks inferior investment performance which would negatively impact contributing employers.
8. The Committee also received a report as part of the 30 January 2026 Strategic Asset Allocation review included recommendations from Hymans Roberston on the Fund's approach to engagement and divestment this included setting clear escalation expectations with Central, strengthening RI themes beyond climate risk, and maintain a practical engagement first approach.

Responsible Investment (RI) Plan 2026 Progress

9. The Local Pension Committee approved the RI Plan in March 2026. The Plan was developed following discussion with LGPS Central's in-house RI team. The Fund has a continual focus on raising RI standards. Progress made to date on the 2026 is set out in Appendix A.
10. Key items like the Net Zero Climate Strategy review have been delayed while awaiting final guidance from Government on funds approach to responsible investment, alongside LGPS Central's development of their investment approach and advice.

LGPS Central Stewardship Strategy

11. LGPS Central have a Stewardship Strategy agreed in 2024 with the following themes:
 - a. Climate Change
 - b. Natural Capital
 - c. Human Rights
 - d. Sensitive/Topical Issues.

12. LGPS Central will be in attendance to set out their approach to Stewardship and the links to materiality factors (Appendix C). This includes examples of outcomes of previous engagements and next steps and provide an opportunity for Committee to feedback their views on stewardship activities and Central's approach to escalation
13. Officers have communicated the outcome of the Fund's recent engagement with scheme members and are feeding in as part of pool engagement alongside other partner funds.

Voting and Engagement

14. Appendix B sets out the Fund's voting report from January to March 2026.
15. This incorporates circa 43.3% of the Fund's assets (LGIM passive funds, Central Climate balanced fund, global emerging markets fund and the global active equity fund). A brief breakdown is set out below.
16. LGPS Central voted on behalf of the Fund at 918 meetings (9992 resolutions)
 - At 502 meetings the Central opposed one or more resolutions.
 - Central supported management on all resolutions at the remaining 415 meetings.
 - The majority of votes where the Fund voted against management were related to board structure (42%). These votes include issues such as over boarding (when a director may sit on too many boards for example), diversity, and inadequate management of climate risk.
17. Some highlights from engagement activity from partners are set out below.

[LGPS Central – Annual Stewardship Report 2025](#)

18. LGPS Central do not prepare a quarterly report for Q1. Instead it produces an Annual Stewardship Report consolidating the previous year's activity in detail which is linked above.
19. As set out earlier in this report Central will be in attendance to set out their approach to stewardship, including some engagement examples.

Legal and General Investment Management – January to March 2026

20. Legal and General Investment Management (LGIM) manage the majority of the Fund's passive equity which accounts for 17.9% of the Fund. LGIM's latest engagement report highlights some key activity in the Investment Stewardship team.
21. The latest report highlights the importance of holding investee companies to account to ensure companies have people that are well-equipped to create resilient long-term growth and encourage management to control risks while seeking to benefit from emerging opportunities.

Company	Theme	Action	Outcome
Shell	Climate	Request greater transparency regarding their natural gas business.	From the positive constructive engagement Shell produced disclosures aligned with LGIM's request. This provided LGIM with assurance on Shell's consideration of transitional scenarios.

Local Authority Pension Fund Forum – January to March 2026

22. 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. The latest report features an update on climate change adaptation, with a focus on food and agricultural supply chains, aviation, water utilities, zero-hour contracts and the employment rights act, conflict affected and high-risk areas and electric vehicles.

Topic	Action
Conflict affected And High-risk Areas (CAHRA)	LAPFF expects companies with exposure to CAHRAs to demonstrate and explain how they identify, prevent, mitigate and accounts for these risks, including where heightened human rights due diligence is applied, in line best practice principals set out by international standards such as the United Nations Guiding Principles on Business and Human Rights (hHRDD), amongst others.

	<p>LAPFF wrote to 31 companies considered to have operations, or business activities linked to the Occupied Palestinian Territories. The letter contains a 12-question survey, requesting information on companies' policies, policy and governance, identification of risks, action and hHRDD, and transparency</p> <p>LAPFF is currently reviewing responses to the questionnaire, which will be presented to members in due course. Escalation will be considered based on responses and non-responses, through either voting alerts or at company AGMs.</p>
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Other Updates

23. The Scheme Advisory Board received a letter from Local Government Minister Alison McGovern MP setting out the government's view on making investment decisions based on boycott, divestment and sanctions reasons, in response to a letter from the Scheme Advisory Board on 13 October 2025 in response to the Palestine Solidarity Campaign letter and position paper received by funds.

24. The Minister's letter sets out that 'The Government's position is clear: decisions on boycotts, divestment and sanctions are matters of UK foreign policy and are for central government, not local authorities. It is therefore not appropriate for local authorities to adopt investment policies that go beyond or differ from UK Government sanctions or foreign policy positions.

Background papers

30 January 2026 Overview of the current Asset Strategy and Proposed 2026 Asset Strategy Local Pension Committee

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=8372>

18 November 2022 Outcome of engagement on net zero climate strategy targets and draft strategy and responsible investing update and Fiduciary duty advice

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=740&MId=6761&Ver=4>

Equality Implications

There are no direct implications arising from the recommendations in this report. The Fund and LGPS Central 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

There are no direct implications arising from the recommendations in this report. The Fund and LGPS Central 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

Appendix B – LCC Pension Fund Voting Report

Appendix C – LGPS Central Stewardship Presentation

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