

# LPPI Responsible Investment Report

## Q3 2024

### Key takeaways for the period

- LPPI successfully submitted its Annual Report on Stewardship and Responsible Investment (2023/24) to the Financial Reporting Council ahead of the October 2024 deadline.
- LPPI responded to an IIGCC consultation and subsequent working group discussion on definitions and scope of what constitutes 'transition finance'.
- LPPI has continued to participate in the review work underway by the Principles for Responsible Investment addressing how and when PRI signatories report to PRI and the usefulness of this disclosure to stakeholders.
- In Q3 2024 LPPI voted 100% of eligible ballots, supporting management in 86% of company proposals.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 1.24% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 4.61% of the portfolio.

### RCBPF RI Policy ESG Priorities

	Theme	Coverage	Location
E	Climate Change	TPI	<a href="#">p.3</a>
		Green & Brown	<a href="#">p.5</a>
		Climate Voting	<a href="#">p.9</a>
		Net Zero Engagement Initiative	<a href="#">p.15</a>
	Pollution	Global Investor Statement on Climate Change	<a href="#">p.15</a>
Biodiversity			
S	Local Investment	N/A	N/A
	Affordable Housing	N/A	N/A
G	Corporate Governance	Governance Insights	<a href="#">p.2</a>
		Stewardship Headlines	<a href="#">p.6</a>
		Votes Against Management – Director Related	<a href="#">p.7</a>
		Votes Against Management – Compensation	<a href="#">p.8</a>
		Shareholder Proposals	<a href="#">p.8</a>

**P(E,S or G)** – This symbol appears within the report where content links to RCBPF RI Policy ESG priorities.

# Portfolio Insights – Listed Equities (LPPI Global Equities Fund)

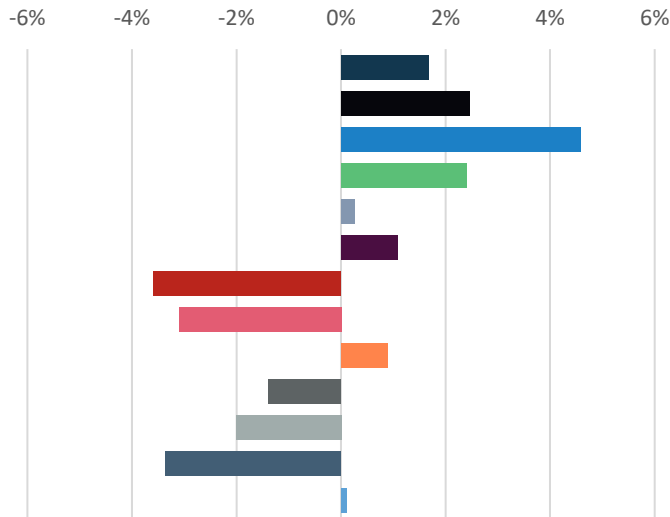
Q3 2024

[Further Information](#)

## Sector Breakdown (%)

Information Tech.	26.2
Financials	18.7
Industrials	15.2
Consumer Discretionary	13.0
Communication Services	8.1
Consumer Staples	7.5
Health Care	7.3
Materials	1.0
Cash	0.9
Real Estate	0.8
Utilities	0.7
Energy	0.7
Others	0.1

## LPPI Global Equities Fund Sector Weights vs MSCI ACWI ND



## Top 10 Positions

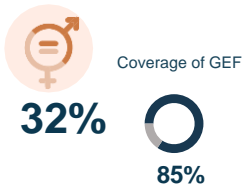
	Portfolio (%)	Position Change
1. Microsoft Corp	3.8	+1
2. Alphabet Inc	3.7	-1
3. Visa Inc	2.9	-
4. Accenture PLC	2.5	-
5. Constellation Software Inc/Canada	2.3	New
6. London Stock Exchange Group PLC	2.0	+1
7. Moody's Corp	1.8	+1
8. Booking Holdings Inc	1.7	+1
9. Autodesk Inc	1.7	New
10. HEICO Corp	1.7	New

## Top 10 Positions

The top 10 companies (10 largest positions) make up **24%** of the total LPPI GEF.

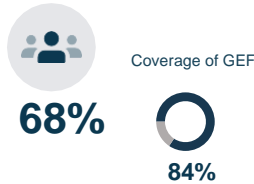
## Governance Insights (ISS DataDesk)

### Women on the Board (Average)

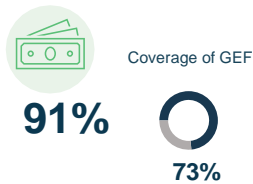


P(G)

### Board Independence (Average)



### Support for Say-on-Pay (Average)



## Governance Insights

P(G)

### Women on the Board

In Q3 2024, an average of 32% of board members were female in the GEF, which is unchanged from Q3 2023. There was 85% data coverage (unchanged from Q2 2023), which was a result of several companies not being in scope of the ISS database.

### Board Independence

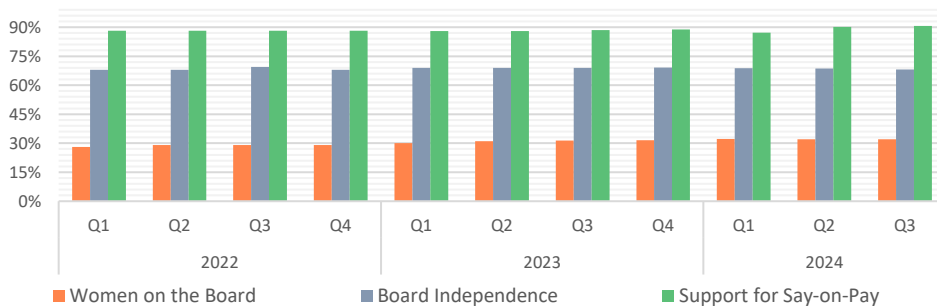
In Q3 2024, on average 68% of board members were independent in the GEF, which is slightly down from 69% in Q3 2023. There was 84% data coverage (down from 85% in Q3 2023), which was a result of several companies not being in scope of the ISS database.

### Support for Say-on-pay

In Q3 2024, the average shareholder support for say on pay was 91% (up from 89% in Q3 2023), which indicates a high proportion of investors were supportive of the pay policies of investee companies. There was 73% data coverage (up from 70% in Q3 2023), which was a result of several companies not being in scope of the ISS database.

## Governance Insights (Timeseries)

P(G)

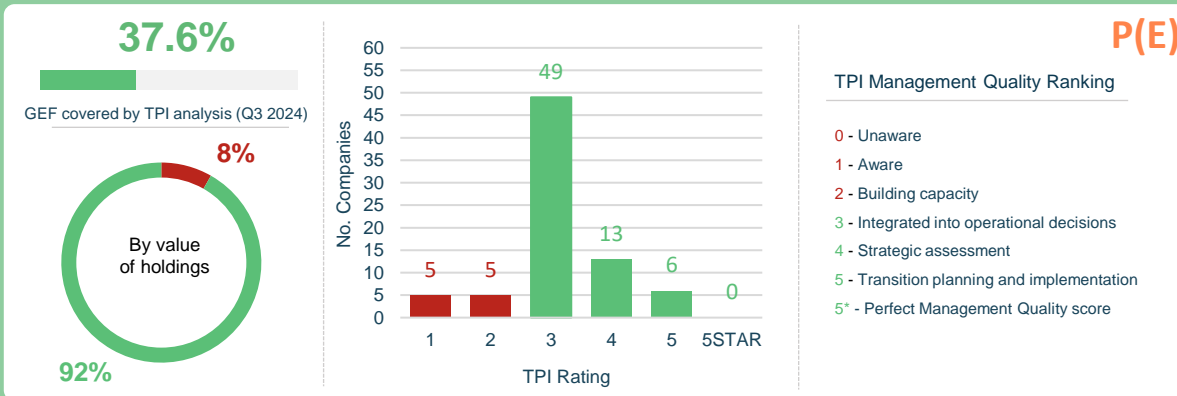


# Portfolio Insights – Listed Equities (LPPI Global Equities Fund)

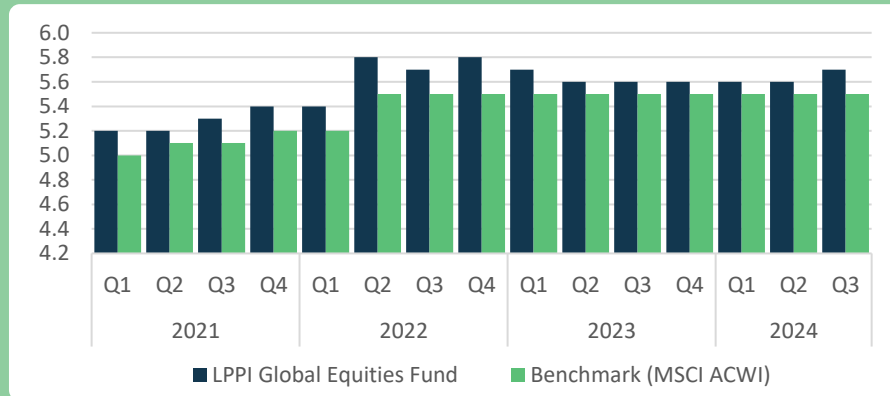
Q3 2024

[Further Information](#)

## Transition Pathway Initiative – Management Quality Headlines



## Portfolio ESG Score (MSCI ESG Metrics)



## Transition Pathway Initiative (TPI)

By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment has decreased from 39.6% to 37.6%, between Q2 and Q3. The number of GEF companies in scope of TPI scoring has decreased by 1 since Q2 2024, changing from 79 to 78. This decrease is as a result of 2 companies dropping out of scope as they are no longer in the portfolio, and 1 company in the TPI universe that has entered the GEF portfolio.

Of the 78 companies in TPI scope:

- 92% (by value) are rated TPI 3 and above – demonstrably integrating climate change into their operational planning (TPI 3), their strategic planning (TPI 4), and into their transition planning and implementation (TPI 5). This remains unchanged from Q2 2024.
- 10 companies are scored below TPI 3 and are under monitoring\*. This remains unchanged from Q2 2024.

## Portfolio ESG Score

The GEF's Portfolio ESG score has increased from 5.6 to 5.7 between Q2 and Q3. In the same period the equivalent score for the benchmark had not changed at 5.5.

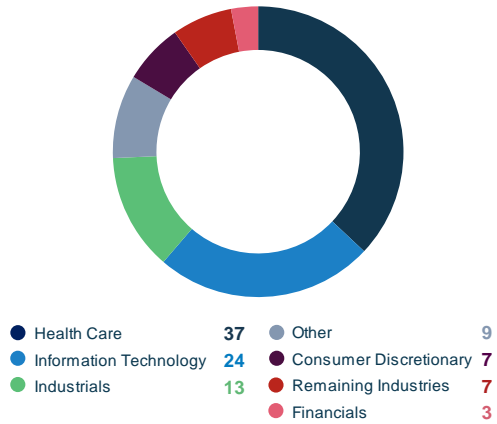
# Portfolio Insights – Other Asset Classes

Q3 2024

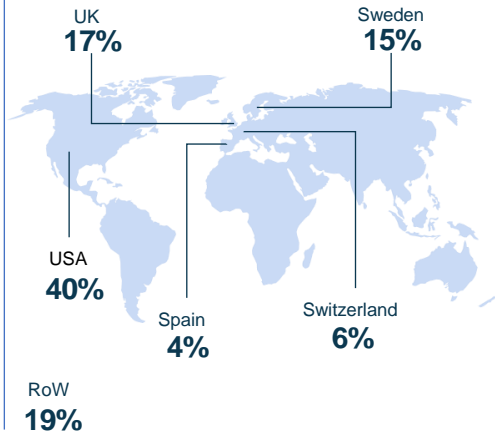
[Further Information](#)

## Private Equity

Industry Breakdown (%)

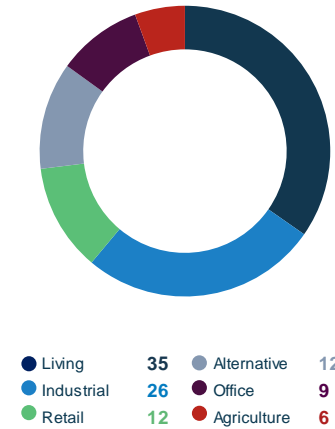


Region Breakdown (%)

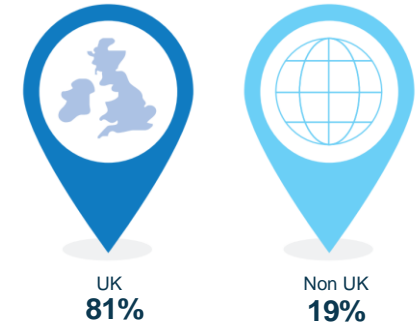


## Real Estate (LPPI Real Estate Fund)

Sector Breakdown (%)

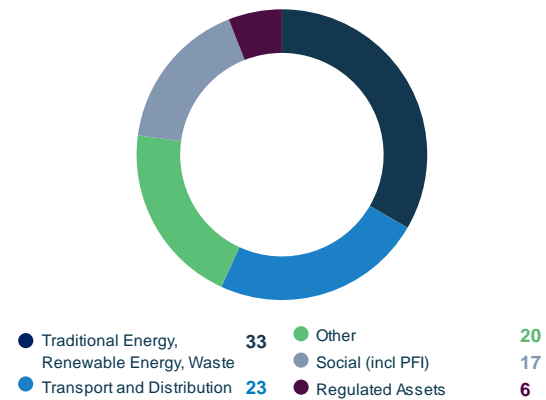


Geographical Exposure (NAV %)

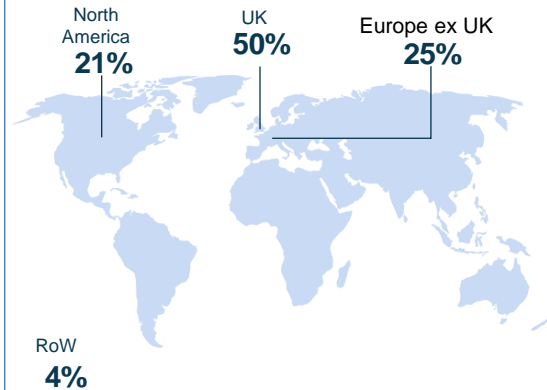


## Infrastructure (LPPI Global Infrastructure Fund)

Industry Breakdown (%)



Region Breakdown (%)



# Portfolio Insights – Other Asset Classes

Q3 2024

[Further Information](#)

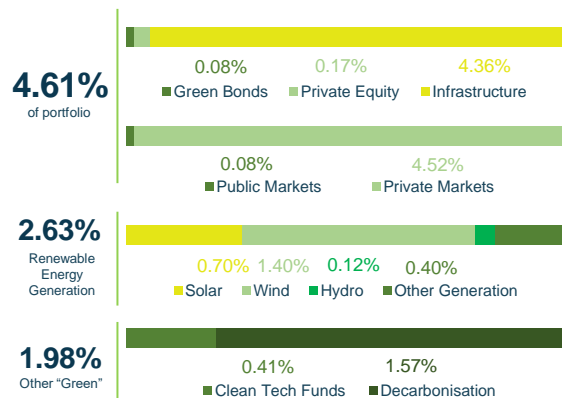
## Green & Brown Exposure

Total % of the portfolio that is in scope of Green and Brown



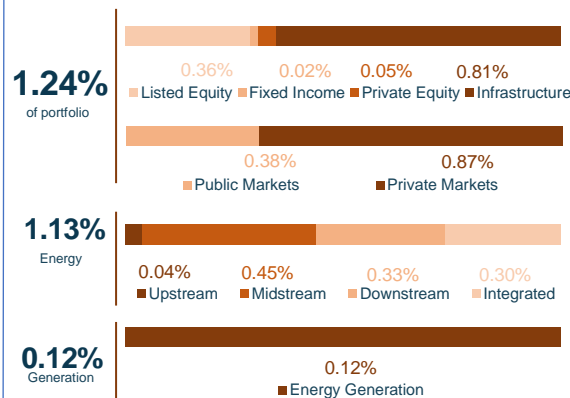
### Green

Investments in businesses directly contributing to the global transition to a lower carbon economy, expressed as a % of the total value of the pension fund.

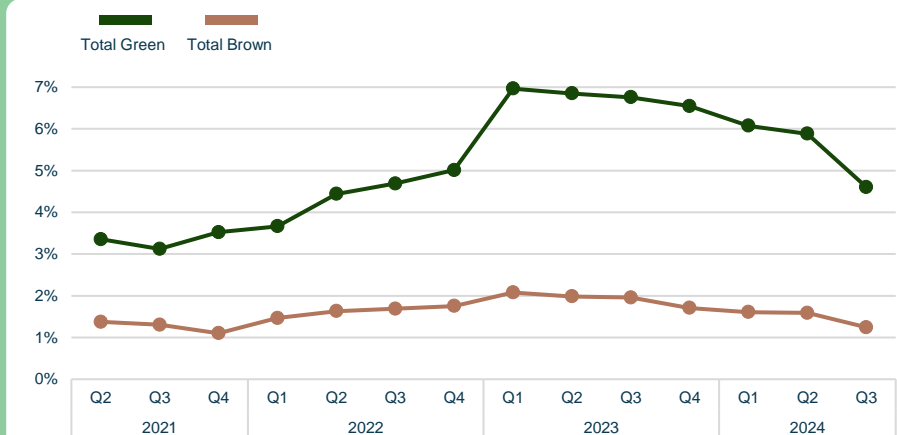


### Brown

Investments in traditional energy (based on fossil fuels) expressed as a % of the total value of the pension fund.



## Green & Brown Trend



The above Green and Brown metrics apply to parts of the portfolio which have exposure to a specific set of activities as per our definition of Green and Brown, and which are quantifiable at the time of publication (please see appendix). LPP's Responsible Investment team endeavours to provide clients with the most expansive picture of exposure possible.

## Green and Brown

P(E)

Calculation of the Fund's exposure to Green and Brown activities focusses specifically on equity assets (Listed Equity, Private Equity, and Infrastructure) plus corporate bonds within Fixed Income. As a result, in **Q3 2024**, **78.8%** of the total portfolio was in scope of Green and Brown. Figures give an indication, rather than a precise measure, as an assistance to reviewing the overall position.

Compared with Q2 2024, **Brown** exposure has decreased from 1.59% to **1.24%**. The biggest contribution to the reduced exposure comes from the GEF asset class. This decreased exposure is a result of a reduced mark-to-market valuation for some existing Brown assets held in the fund. This has decreased GEF's Brown exposure from 0.50% in Q2 to 0.36% of the portfolio in Q3.

Compared with Q2 2024, **Green** activities have decreased from 5.88% to **4.61%** of the portfolio. The biggest contributor to the decreased exposure is from the Infrastructure asset class. An opportunity to exit a collection of older wind assets arose, following strong cash yield and solid return for a renewable platform. This has decreased Infrastructure's Green exposure from 5.59% in Q2 to 4.38% of the portfolio in Q3.

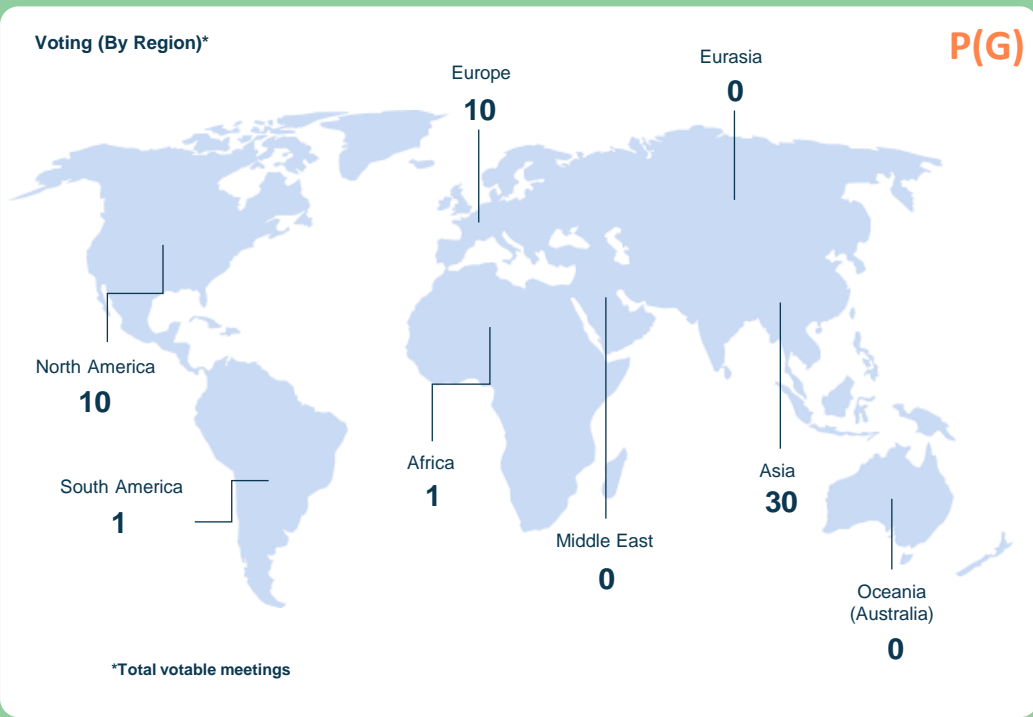
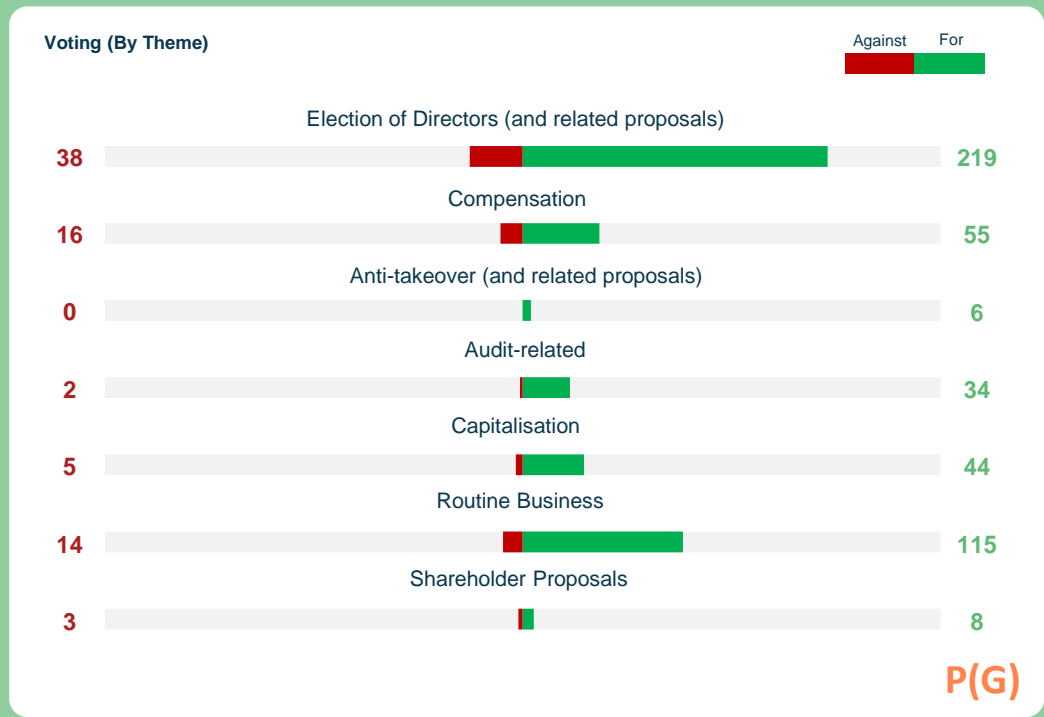
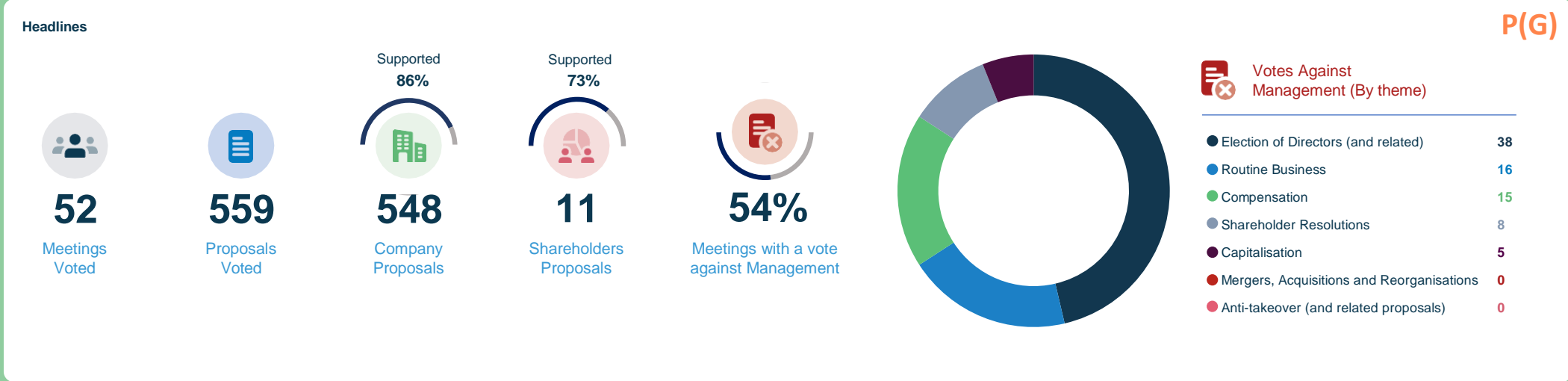
Investments in renewable energy generation from wind, solar, hydro, and waste make up 57% of total Green exposure, and 95% of Green exposure is via Infrastructure assets.

# Stewardship Headlines

Q3 2024 - Shareholder Voting - LPPI Global Equities Fund (GEF)

[Further Information](#)

## Shareholder Voting Statistics (LPPI Global Equities Fund)



### Headlines

The period 1st July – 30th September 2024 encompassed 52 meetings. LPPI voted at 52 (100%) meetings where GEF shares entitled participation, totalling 559 proposals voted.

### Votes Against Management – Director Related

P(G)

- Director elections or resolutions relating to directors: 49% of votes against (addressing issues including lack of independent challenge - i.e., concentration of power, inadequate levels of independence both overall and on key committees, and board composition issues such as: insufficient levels of diversity).
- LPPI voted against management on 38 director elections or director-related resolutions at 21 companies in Q3 2024. This was 15% of all director-related votes.

<b>Shareholder rights</b>
LPPI voted against 10 resolutions at six companies due to multi-class share class structures which we perceived to inhibit minority shareholder rights.
<b>e.l.f Beauty</b>
At e.l.f Beauty’s AGM (USA: Personal Care Products), we withheld support from the two incumbent director nominees due to the board’s failure to remove, or make subject to a sunset requirement, the supermajority vote requirement to enact certain changes to the governing documents and the classified board, which we assessed may negatively impact minority shareholder rights.
<b>Result:</b> 28.3% - 28.8% dissent.

<b>Independence</b>
LPPI voted against 19 resolutions at nine companies due to issues pertaining to lack of independent challenge either on the Board overall, or on key committees.
<b>Addtech AB</b>
At Addtech AB (Sweden: Capital Goods) LPPI cast votes against three directors due to them being controlling shareholder representatives and therefore not independent, and the Board having an insufficient overall percentage of independent directors (33.3%). This demonstrated our conviction that Boards in developed markets should be populated by at least a majority of independent directors. Further rationale related to two of these directors’ proposed election to the audit committee; we believe the audit committee should be composed entirely of independent directors. Overall, we believed supporting these director’s re-election would support a lack of independent challenge on the Board.
<b>Result:</b> Pass

<b>Diversity</b>
LPPI voted against six resolutions at six companies due to issues pertaining to lack of diversity.
<b>Capital Group Plc</b>
We voted against the Chair of the Nomination Committee at Intermediate Capital Group Plc (UK: Financial Services). Whilst at the chosen ‘reference date’, the Company had 40% female representation at Board level, at the time of the AGM, this had reduced to 33%. Furthermore, the Company did not fulfil the FCA’s expectations of a senior female Board member and a director from an ethnic minority background. Voting against this resolution was in line with our conviction that a diverse Board positively impacts diversity of thought and culture including throughout the company’s broader workforce.
<b>Result:</b> 12.7% dissent.

# Stewardship Headlines

Q3 2024 - Shareholder Voting - LPPI Global Equities Fund (GEF)

## Votes Against Management – Compensation

P(G)

- Compensation: 21% of votes against (addressing issues including inadequate disclosure of underlying performance criteria, use of discretion, misalignment of pay and performance, and the quantum of proposed rewards).
- LPPI voted against management on 15 compensation resolutions at 10 companies. This was approximately 21% of management filed compensation related votes.

### Prosus

At **Prosus**' AGM (Netherlands: Broadline Retail), we voted against both the forward-looking Remuneration Policy and the retrospective remuneration report. We further escalated our vote instruction to also vote against the chair of the remuneration committee who holds responsibility for the company's remuneration practices and decisions. The rationale for this related to an absence of compelling responsiveness to shareholder raised concerns at past AGMs on the remuneration policy, and the inclusion of a EUR 100 million one-off bonus for the incoming CEO. Furthermore, quantum of the 2023/24 package was high relative to peers, including a large proportion of the LTIP which vested without performance conditions.

**Result:** 11.3% - 16.8% dissent.

\*Prosus' parent Company, Naspers has >70% voting rights, meaning that dissent amongst 'free float' shareholders was much higher

### Nike, Inc.

At the AGM of **Nike, Inc.** (USA: Textiles, Apparel & Luxury Goods), we considered our previous voting activity on its Say on Pay, which we have opposed for the last two years. Whilst our proxy advisor, ISS, did not advocate voting against the resolution this year, they noted that during a period of lagging and negative three-year TSR, the CEO's target long-term incentive equity award value once again increased year-over-year, which raised concern. However, we were encouraged that annual cash incentives were entirely tied to pre-set objective metrics, and noted a year-on-year improvement in that multi-year performance shares with clearly disclosed goals now comprise half of the LTI program. As a result, we chose to abstain in recognition of the improvements seen.

**Result:** 16.7% dissent.

## Shareholder Proposals

P(G)

- There were 11 shareholder proposals at three companies during Q3.

### Autodesk, Inc.

At the AGM of **Autodesk, Inc.** (USA: Software & Services), we voted in favour of a shareholder proposal calling for the Company to *Provide Right to Call a Special Meeting* as the right to call special meetings at a 15% ownership threshold would enhance shareholders rights.

**Result:** 59.9% support (Pass)

### NIKE, Inc.

**NIKE, Inc.** (USA: Textiles, Apparel & Luxury Goods) Report on Effectiveness of Supply Chain Management on Equity Goals and Human Rights Commitments. We voted in favour of this shareholder-filed proposal. The proponent is concerned that Nike has not provided adequate analysis regarding the efficacy of traceability steps taken to address the risks of alleged Uyghur forced labour across its supply chain. Whilst the Company has stated that it does not source products from the Xinjiang Uyghur Autonomous region, it does not source its cotton directly and is now 'focused on traceability of cotton'. Additionally, in 2023, garment workers accused the company of violating OECD guidelines. Generally, proposals seeking increased reporting should be supported, so long as they are material.

**Result:** 13.2% support (Fail)



### Climate Voting

P(E)

- In Q3, AGMs of 10 companies in LPPI's climate voting watchlist occurred, of which we voted seven times against management as a result of climate considerations.

Reliance Industries
At <b>Reliance Industries'</b> AGM (India: Oil, Gas & Consumable Fuels) we chose to vote against two incumbent directors on the Board Committee responsible for climate risk oversight. Whilst we are encouraged to see that Reliance Industries has set a Net Zero 2050 target, it only covers its scopes 1 and 2 emissions. Furthermore, it has yet to disclose its Scope 3 emissions (more than 70% of its emissions) or set any mid or long-term scope 3 GHG reduction targets. Finally, it has not set any short-term GHG reduction targets over scopes 1-3. We assess this to be a material risk because- noting it is a conglomerate- some sectors in which the company operates are considered high impact, and its size and subsequent real-world emissions also warrants its inclusion on the Climate Action 100+ focus list.
<b>Result:</b> Pass

InterGlobe Aviation
At <b>InterGlobe Aviation's</b> AGM (India: Passenger Airlines), we voted against the annual report and accounts. The Company operates in a high-impact sector, and has yet to disclose its scope 3 emissions, nor set any formally ratified GHG decarbonisation targets.
<b>Result:</b> 0.3% dissent.

Aarti Industries Ltd
At <b>Aarti Industries Ltd.</b> AGM (India: Chemicals), we voted against the annual report and accounts. As per our alignment assessment, the company is considered 'not aligned' and is a current priority for engagement through our external manager. The Company operates in a high emitting sector & is one of the highest emitting companies in the portfolio. Furthermore, whilst it discloses its emissions across scopes 1-3, which is positive, it has only set a short-term (2028 from a 2019 baseline) GHG reduction target across scopes 1-2. Finally, it had not formally committed to Net Zero 2050. However, we did acknowledge that being domiciled in India, the national Net Zero target is 2060.
<b>Result:</b> 0.2% dissent.

### Climate Action 100+

P(E)

Within the Climate Action 100+ universe, one company held in LPPI's Global Equities Fund - Reliance Industries - had its AGM in Q3.

### LAPFF Voting Alerts

LAPFF issued voting alerts for two companies held in the GEF over Q3, covering three individual resolutions. LPPI voted in the same direction as LAPFF for all three resolutions (100%).

## Case Study – Manager Engagement

In 1H 2024, the Credit team conducted extensive research to explore various Net Zero target setting approaches for the corporate bond exposure in the LPPI Credit Fund, focusing on mandates that had material exposure. These mandates are accessed through high quality institutional asset managers with well-developed ESG processes. As such, we were able to have constructive discussions with the underlying managers on various decarbonisation pathways and their Net Zero alignment frameworks which focused on high impact sectors. As a result of our own data analysis and these manager discussions, we determined that setting separate targets for our investment grade and high yield corporate bond exposures made the most sense and that a WACI-based benchmark-relative decarbonisation pathway was the most pragmatic solution. We also believed that setting alignment and engagement targets against high impact sectors also made sense in the medium term since this represented the majority of portfolio financed emissions. As part of this process, we also agreed clear reporting requirements with our underlying managers that would allow us to track the Credit Fund against its Net Zero targets over time and ensure accountability. Overall, we believe this was a good example of manager engagement which ensured our targets achieve the right balance between ambition and pragmatism without compromising on our clients' financial objectives.



**IIGCC**

The Institutional Investors  
Group on Climate Change

# Collaborative Engagement

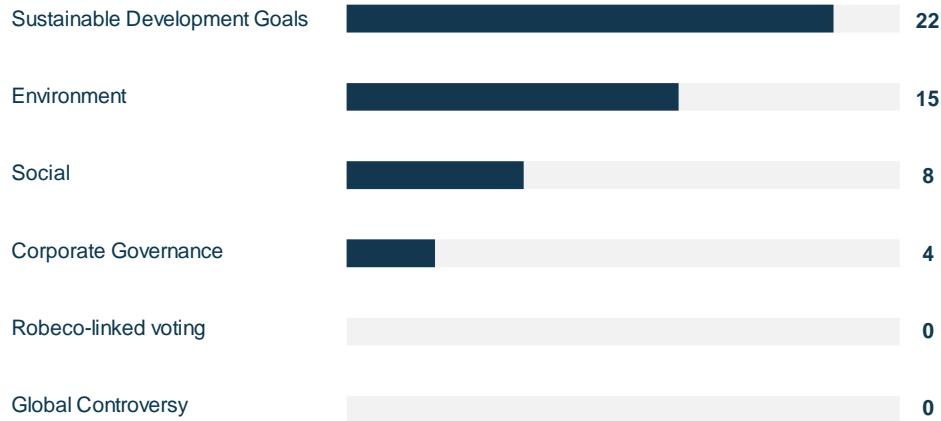
Q3 2024 – Engagement (Public Markets): Robeco

[Further Information](#)

This section of the dashboard outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution). Robeco currently engages with **49 companies in the LPPI Global Equities Fund (GEF)** and **19 companies in the LPPI Fixed Income Fund (FIF)**, accounting for **28.0%** and **3.1%** of the total portfolios respectively.

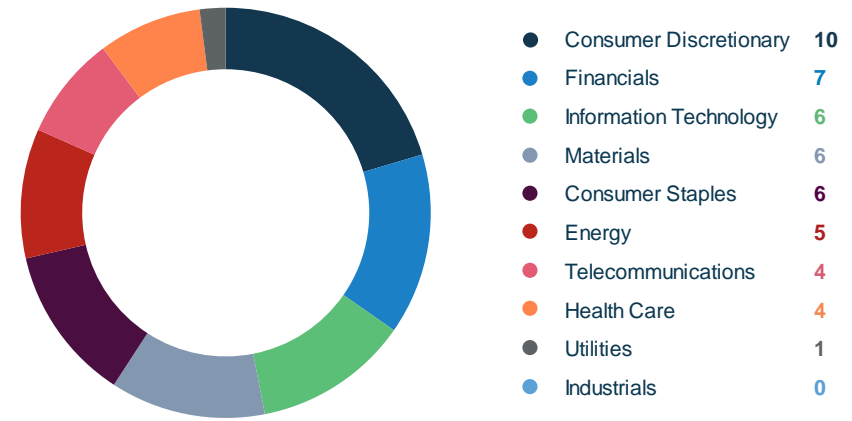
The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

## Activity (By Topic)

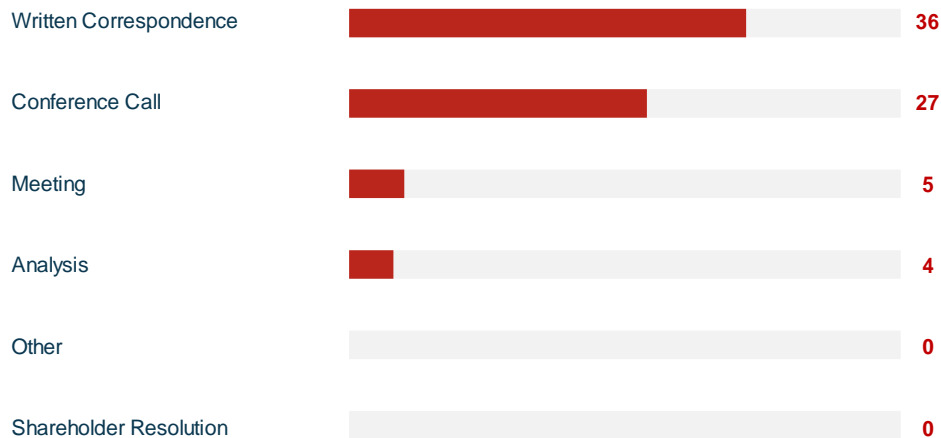


Sustainable Development Goals: <https://sdgs.un.org/goals>

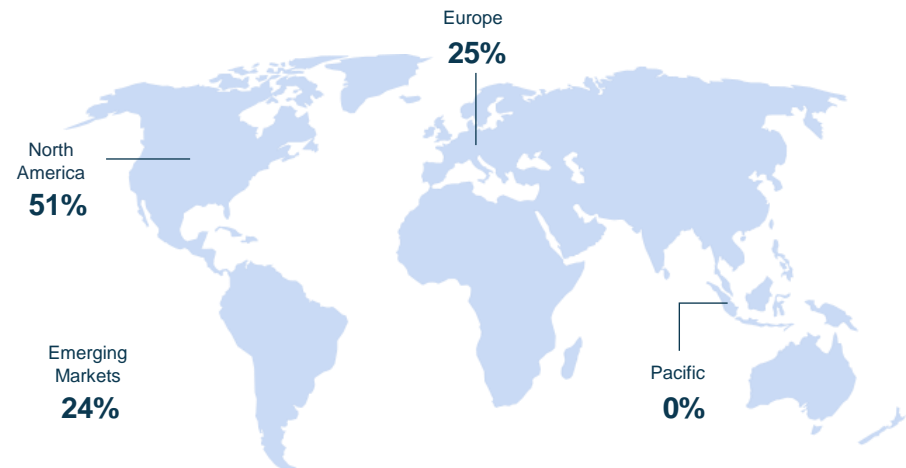
## Activity (By Sector)



## Activity (By Method)



## Activity (By Region) (%)



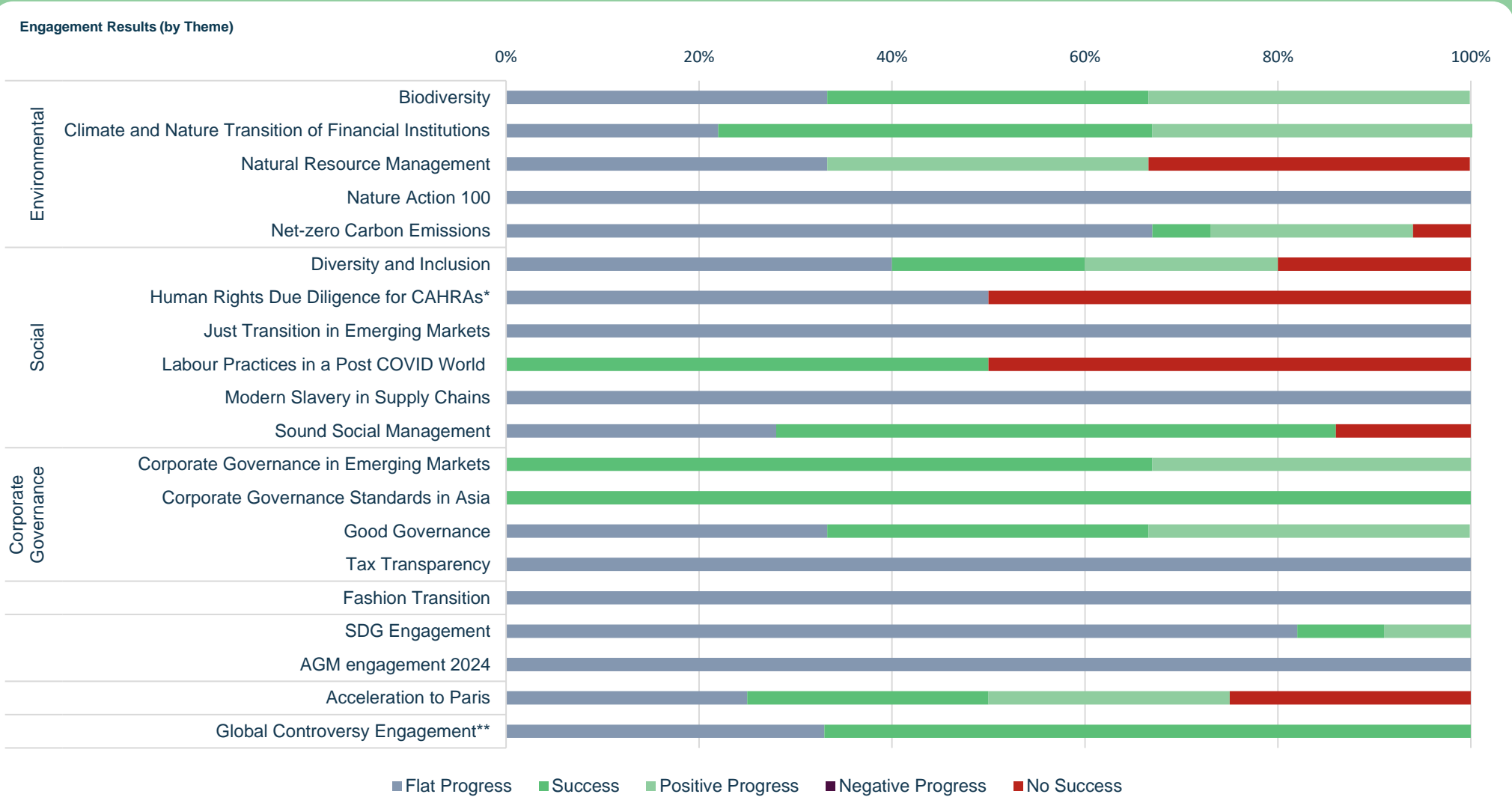
# Collaborative Engagement

Q3 2024 – Engagement (Public Markets): Robeco

[Further Information](#)

Engagement progress by theme, also shown on page 2 in the Robeco Active Ownership report, summarises their engagement activity for our portfolio over the quarter broken down into sub-sectors, and rated on success/progress (shown as a %).

The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.



\*CAHRAs - Conflict-Affected and High-Risk Areas

\*\*Global Controversy Engagement - companies under engagement based on potential breaches of the UN Global Compact and/ or the OECD Guidelines for Multinational Enterprises.

Source: Robeco Active Ownership Report Q3 2024

FSP Consulting Services – % of LPPI Private Equity IPV: 0.53%



Founded in 2012, FSP Consulting Services (FSP) is a leading digital transformation and Cyber Security consultancy, combining real world experience in business strategy, change and adoption and digital solution delivery. Founded and headquartered in Reading (UK), FSP has established locations in London, Glasgow, Barcelona and Vadodara (India).

FSP work with a variety of public and private sector organisations to help them to transform the way they work and accelerate the opportunities provided by digital transformation. The company has expertise in Modern Workplace Solutions, Cloud Engineering, Cyber Security and Data & AI.

Learning about how to approach Carbon Reduction responsibly has been an important focus for FSP. As such, they have integrated sustainability into their management structure and have implemented a carbon reduction strategy across the business.

### Sustainable Management



An **ESG committee** has been established



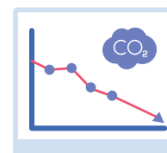
**Sustainability issues** considered when planning



Support is given to team members

- A formal **ESG committee** has been established.
- ESG is a **standard Board agenda item**.
- **Sustainability issues** are considered when they are planning or making decisions.
- Support is given to their team members to consider **environmental issues and outcomes** in their work practices.

### Carbon Reduction Strategy



Plan to reduce CO<sub>2</sub>e over the next 5 years



A Net Zero target date of 2050 has been set



Creation of a carbon champion initiative

- To ensure **transparency and accuracy in their emissions management**, they have adopted a carbon emissions management tool. This **accurately tracks their emissions across Scopes 1, 2 and 3**.
- A **Net Zero target date of 2050** has been set.
- All **targets and measures have been aligned with SBTi**.
- A **detailed action plan** has been produced to reduce absolute CO<sub>2</sub>e by **5-10% each year for the next 5 years**.
- A **carbon champion initiative** has been created to **support ongoing reduction efforts** across all capabilities.

Suanfarma – Schroders – % of LPPI Private Equity IPV: 0.84%



Suanfarma is a B2B life sciences company specialising in the development, production and commercialisation of ingredients for the pharmaceutical and veterinary industries. Suanfarma provide a comprehensive service, enabling their clients to successfully develop, scale, manufacture and commercialise their API (Active Pharmaceutical Ingredient) projects.

The company has two state-of-the-art production facilities in Italy and Portugal, serving 3000 customers across 70+ different countries.

Suanfarma’s vision for 2026 is to have a positive impact in the world. They aim to achieve this through reducing their environmental impact and to create more value for their community by committing to improving people’s health.

### Environmental Footprint



Saving 2GW of electricity consumption per year.



Cleaning and reusing packaging materials



Reduction in water consumption of 1.5 million m<sup>3</sup> per year.

- Suanfarma has a Sustainability Policy that commits their **entire organisation to a number of sustainable objectives**. These include areas relating to **climate change, pollution, waste and circular economy and the sustainable use of resources**.
- Improvements made across their facilities have resulted in a **reduction to their water consumption of 1.5 million m<sup>3</sup> per year**.
- To reduce the volume of waste produced, their factories have implemented procedures for **cleaning and reusing packaging materials**, thus avoiding the need to purchase new packaging.
- A number of energy saving projects have been implemented across the facilities, **saving 2GW of electricity consumption per year**.

### Community Value



Collaboration with Children’s Vaccination Alliance



Founded and a patron of the Arraigo Foundation

- Suanfarma **collaborated with Children’s Vaccination Alliance** through a donation for the purchase and distribution of vaccines against pneumonia in Mozambique and Ethiopia. This collaboration strengthens the company’s goal of contributing to the health and well-being of children through the promotion and support of vaccination programs.
- The Foundation was established with the **objective of assisting migrants in Spain** by providing them with **basic training and other resources necessary to access the labour market and facilitate their integration into their host country**.

## Global Investor Statement on Climate Change

P(E)

The Global Investor Statement to Governments on the Climate Crisis is a public letter which advocates for greater public policy action to enable investors to meet their climate commitments and limit global warming in line with the objectives of the 2015 Paris Agreement. It is coordinated by the Investor Agenda which is a collaboration of the 7 major groups working with investors on climate change: AIGCC, CDP, Ceres, IGCC, IIGCC, PRI and UNEP FI. LPPI signed this year's statement which asks for governments to tackle methane emissions, address nature, water and biodiversity challenges alongside climate change, encourage the adoption of TNFD and ISSB standards, and pushes for greater support and investment in both climate mitigation and adaptation, aligning with both our net zero commitment and the aims of the EOF.

The letter was published in September to support negotiations ahead of COP29 later in November.

You can find the statement [here](#).

## IIGCC Consultation on Transition Finance

LPPI responded to an IIGCC consultation and participated in the subsequent working group discussion on definitions and scope of what constitutes 'transition finance'. Transition finance has emerged as a concept to distinguish between BAU investments into high emitting assets and investments that enable the high-emitting asset to transition.

The consultation aimed to capture the various views and definitions of transition finance amongst members, reflecting the current lack of clarity regarding what qualifies as transition finance and how it compares to other types of finance, namely sustainable finance and business-as-usual (BAU) finance.

The findings were distilled into a white paper which can be found [here](#) and summarises the range of views on e.g. the definition of transition finance, why it is needed as a term, what is and is not included, and what elements of a transition (plan) or otherwise would be needed to define the activity for instance. This consensus building is helpful and relevant to LPPI through our work on the EOF which will involve an element of transition finance.

## PRI Working Group

LPPI continues to participate in the work underway by the Principles for Responsible Investment to review how and when PRI signatories report to PRI.

This has most recently involved reviewing and submitting responses to questions circulated in September 2024 as part of the PRI's Progression Pathways Testing which is part of the process of PRI proposing, consulting on, and agreeing updated requirements for signatory reporting.

We await information confirming what the requirements for signatory reporting will be in 2025.

## Net Zero Engagement Initiative

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Moving into the second year of our participation in the Net Zero Engagement Initiative saw LPPI co-sign letters to the companies where we form part of the engagement groups: IMCD, Assa Abloy, and LVMH. Whilst letter signing is part of our obligation as members of the initiative, we believe it is an important part of our active ownership of these companies. The letters emphasised the initiative's six core asks (ambition, targets, disclosures, emissions performance, decarbonisation strategy, and capex alignment) and asked for clarification on whether a) the Company intends to prepare a Net Zero Transition Plan including the elements noted above and b) the Company would submit their transition plan to a shareholder vote.

## ISS Annual Benchmark Survey

We were happy to respond to ISS' annual benchmark policy survey. Whilst LPPI subscribe to ISS' sustainability policy, we view the benchmark policy as the foundation upon which the sustainability policy builds on specific areas. The survey covered various areas including executive compensation in the US, auditor rotation in Continental Europe, disclosure of Scope 3 GHG emissions and workforce diversity. As part of the process, we also joined the IIGCC's proxy voting working group where we discussed questions in the survey relating to climate; specifically, how ISS should treat companies' disclosure of Scope 3 GHG emissions targets.

## LGPS Scheme Advisory Board Statement on Fiduciary Duty and dealing with Lobbying

In September 2024 the Local Government Pension Scheme Advisory Board (SAB) published a [statement](#) addressing fiduciary duty and the handling of lobbying. The statement was released via the SAB website and was produced in response to recognition that LGPS administering authorities are dealing with “increasing levels and extreme forms of lobbying about how LGPS funds are invested”. It has been shared that some funds are receiving repeat contact and significant pressure, both through online “sign-on” campaigns which may generate multiple emails with the same text, via Freedom on Information requests, but also sometimes in person and via demonstration at their offices.

The statement explains that the document was produced to make clear SAB’s view on the flexibility decision makers have to respond to lobbying; the standards of behaviour expected when discussing what can be emotionally charged issues, and where to seek support if these standards are not being met.

## Stewardship Code Update

LPPI successfully submitted its Annual Report on Stewardship and Responsible Investment (2023/24) to the Financial Reporting Council ahead of the October 2024 deadline. The final document is a strong submission addressing the requirements of the UK Stewardship Code (2020) and illustrates the huge amount of work carried out by the responsible investment team and wider business in 2023/24.

The report will be published on the LPPI website in Q1 2025 and the FRC will assess LPPI’s report and confirm (in early 2025) whether it meets the standard required for retaining signatory status.



Local Government Pensions

# SAB

England and Wales



### Sector Breakdown (%)

- Identifies the Global Equities Fund's ("GEF") sector breakdown and their proportions.

### Top 10 Positions

- The top 10 GEF companies as a % of the asset class portfolio.

### GEF Sector Weights

- Comparison of sector weights against their benchmark.
- The larger the bar the bigger the difference between GEF and benchmark weightings.
- Where a positive number is shown, this indicates the GEF is overweight to a sector.
- Where a negative number is shown, this indicates the GEF is underweight to a sector.

### Portfolio ESG Score

- This is a relative indicator and not a measure of portfolio ESG risk exposure.
- Individual companies are assigned an ESG score (between 0-10). The final numbers shown in the bar chart are the weighted averages of these scores for the stocks held in the GEF vs its benchmark through time.
- This table is a comparison with the benchmark and reviews changes over time.
- LPPI utilise an established methodology (developed by MSCI) for determining the ESG score of stocks within the GEF. Further details can be found here:  
<https://www.msci.com/documents/1296102/21901542/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Nov+2020.pdf>
- The higher the score shown, the better the ESG credentials of the GEF / benchmark.

### Governance Insights

These metrics provide insights on governance issues for the GEF using data from ISS DataDesk (Institutional Shareholder Services), our provider of shareholder voting services.

- **Women on the board:** A measure of gender diversity based on the average proportion of female board members for companies in the GEF.
- **Board independence:** The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence.
- **Say-on-pay:** The average investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

### Transition Pathway Initiative (TPI) Headlines

- TPI assess how well the largest global companies in high carbon emitting sectors are adapting their business models for a low carbon economy.
- The % of GEF covered by TPI shows the portfolio exposure to high emitting companies.
- The number/proportion of companies with top scores (TPI 3 to 5\*) is a measure of the quality of transition management by the high emitting companies held within the GEF.
- Detailed TPI methodology can be found through the following link:  
<https://www.transitionpathwayinitiative.org/publications/2023-methodology-report-management-quality-and-carbon-performance-version-5-0>
- \*Monitoring – For all companies rated below TPI 3, we request our internal team or external managers to submit a TPI monitoring questionnaire, which aims to further understand the rationale behind its inclusion in the fund, and asks the following questions: What is their thesis & observations on climate risk for the company? Is the TPI score an accurate reflection of the company's climate risk management? What actions have been taken to encourage improvement?

#### Private Market Asset Classes

- These metrics indicate the industry sector and regional breakdown as a % of the asset class for Private Equity, Infrastructure and Real Estate investments.

#### Green & Brown

- These metrics indicate the Pension Fund's total portfolio exposure (%) to green and brown assets. Current coverage extends to: Listed Equities, Fixed Income, Green Bonds, Private Equity, and Infrastructure.
- These are further broken down into their sectors/activities related to green and brown.
- Please be aware that due to rounding within the different breakdowns the totals may not sum correctly.
- The report presents information on the trend in Green and Brown exposures (commencing in Q3 2021). Quarterly changes in Green and Brown exposure reflect multiple factors at play including funds reaching maturity, assets being revalued, and investments being made and sold. The total value of the Royal County of Berkshire Pension Fund (RCBPF) portfolio (as the denominator) also affects Brown and Green % shares quarterly.

#### Green

Green activities are those directly contributing to real world decarbonisation, principally through renewable energy generation, but include other activities supporting lower emissions including district heating, and waste management. Where possible, these assets are identified at the sub-industry GICS level for each underlying asset. Further LPPI analysis is undertaken where GICS does not provide enough detail.

#### Brown

Investments in energy and power generation based on fossil fuel activities, including: extracting (upstream), transporting (midstream), refining (midstream), supplying (downstream), or some energy companies that legitimately span all aspects (integrated). Fossil fuels used to generate energy is part of electricity generation. These assets are identified at the sub-industry GICS level for each underlying asset.

## Further Information Guide

Q3 2024 - Stewardship Headlines (Pages 6 - 12)

### Shareholding Voting

- This section of the report gives an overview of stewardship activities in the last quarter. Client pension funds delegate day to day implementation of the Partnership's Responsible Investment approach to Local Pensions Partnership Investments Ltd (LPPI). Ongoing stewardship activities by LPPI include portfolio and manager monitoring and the exercise of ownership responsibilities via shareholder voting, and engagement.
- Shareholder voting is overseen centrally by LPPI rather than by individual asset managers. LPPI receives analysis and recommendations from Institutional Shareholder Services (ISS) who are a provider of proxy voting and governance research. We follow Sustainability Voting Guidelines focussed on material ESG considerations and liaise with providers and asset managers as needed to reach final voting decisions.
- Full details of all shareholder voting by LPPI are publicly available from the LPP website within quarterly shareholder voting reports.
- The Headline section provides insight into the scope of voting activity, including how votes against management is concentrated.
- The map of votes per region is included because different jurisdictions have different voting seasons. This provides context to the reporting of voting statistics quarter to quarter as votes take place in batches depending on the companies domicile at different points throughout the year.

### Engagement (Public Markets)

- Engagement is an active, long-term dialogue between investors and companies on environmental, social and governance factors, which can be executed through a variety of channels.
- LPPI has engaged an external provider (Robeco Active Ownership Team) to supplement dialogue underway by LPPI and external delegate managers.
- This section outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution).
- "Activity by method" summarises engagements by category / method and can include multiple inputs from the same company.
- The updated Robeco Active Ownership report summarises our engagement activities for the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %).
- Page 9 of the Robeco stewardship policy outlines further details of their process: <https://www.robeco.com/docm/docu-robeco-stewardship-policy.pdf>

## Further Information Guide

Q3 2024 - Real World Outcomes (Pages 13 & 14 )

- This section provides case studies which highlight positive ESG outcomes arising from the Pension Fund's holdings.
- The focus of the real-world outcomes rotates between asset classes for each quarter in the following pattern:
  - Q1 – Infrastructure
  - Q3 – Real Estate
  - Q3 – Private Equity
  - Q4 – GEF
- The case studies offer bite sized insights on positive outcomes being achieved and contributed to by companies held by the portfolio.

### **GICS - Global Industry Classification System**

The most widely used approach to categorising activities into industry sectors. The main standard in use for public markets with growing use for other asset classes. For more information on GICS and the activities that fall into each sector, please see:

[https://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook\\_2018\\_v3\\_letter\\_digitalspreads.pdf](https://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook_2018_v3_letter_digitalspreads.pdf)

### **Climate Action 100+**

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

### **Paris Agreement**

The Agreement is a legally binding international treaty to tackle climate change and its negative impacts. The Agreement includes commitments from all countries to reduce their emissions and work together to adapt to the impacts of climate change. It entered into force on 4 November 2016.

The Agreement sets long-term goals to guide all nations to:

- substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees,
- review countries' commitments every five years,
- provide financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts.

<https://www.un.org/en/climatechange/paris-agreement>

### **MSCI ACWI - MSCI All Country World Index**

A stock index designed to track broad global equity-market performance. The LPPI Global Equity Fund's benchmark.

### **MSCI - Morgan Stanley Capital International**

A global index provider.

### **TCFD - Taskforce on Climate Related Financial Disclosure**

The Financial Stability Board created the Task Force on Climate-related Financial Disclosure (TCFD) to improve and increase reporting of climate-related financial information by companies and investors.

Recommendations include annual disclosure under 4 pillars: Governance, Strategy, Risk Management, Metrics & Targets.

### **TPI - Transition Pathway Initiative** <https://www.transitionpathwayinitiative.org/>

The TPI assesses the highest emitting companies globally on their preparedness for a transition to a low carbon economy. 368 companies are rated TPI 0-4\* for Management Quality based on 19 separate datapoints. TPI Management Quality scores provide an objective external measure of corporate transition readiness.

### **NZAMI – Net Zero Asset Managers Initiative** <https://www.netzeroassetmanagers.org/>

The Net Zero Asset Managers Initiative launched in December 2020 and aims to galvanise the asset management industry to commit to a goal of net zero emissions.

### **IIGCC**

Institutional Investor Group on Climate Change. LPPI is a member.

### **PRI - Principles for Responsible Investment** <https://www.unpri.org/>

A United Nations-supported international network of financial institutions working together to implement its six aspirational principles, often referenced as "the Principles".

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