

LPPI Responsible Investment Report

Q4 2024

Key takeaways for the period

- In Q4 2024, LPPI formally concluded a third phase of net zero targets covering indirect Real Estate, Infrastructure and further development for corporate bond holdings.
- In November 2024, LPPI's Responsible Investment team participated in Robeco's Active Ownership LGPS Client Day to decide their new engagement themes.
- The Transition Pathway Initiative Centre (TPI Centre) released new assessments under the TPI Management Quality (MQ) Framework, doubling the TPI company universe.
- In Q4 2024 LPPI voted on 100% company proposals, supporting 87% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 1.19% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 4.43% of the portfolio.

RCBPF RI Policy ESG Priorities

	Theme	Coverage	Location
E	Climate Change	TPI	p.3
		Green & Brown	p.5
		Climate Voting	p.9
		Case Study – Manager Engagement	p.10
	Pollution	Business Coalition on Plastics Initiative	p.16
	Biodiversity	N/A	N/A
S	Local Investment	N/A	N/A
	Affordable Housing	N/A	N/A
G	Corporate Governance	Governance Insights	p.2
		Stewardship Headlines	p.6
		Votes Against Management – Director Related	p.7
		Votes Against Management – Compensation	p.8

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)

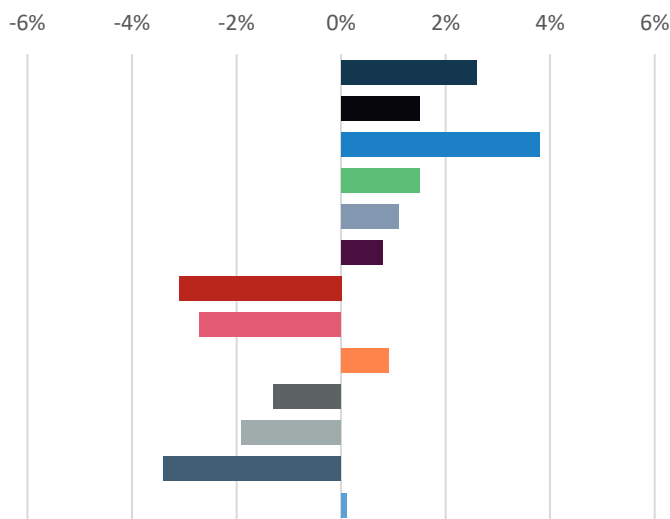
Q4 2024

[Further Information](#)

Sector Breakdown (%)

Information Tech.	27.7
Financials	18.5
Industrials	14.4
Consumer Discretionary	12.4
Communication Services	9.0
Consumer Staples	6.9
Health Care	6.9
Materials	1.0
Cash	0.9
Real Estate	0.8
Utilities	0.7
Energy	0.6
Others	0.1

LPPI Global Equities Fund Sector Weights vs MSCI ACWI ND



Top 10 Positions

	Portfolio (%)	Position Change
1. Alphabet Inc	4.4	+1
2. Microsoft Corp	3.9	-1
3. Visa Inc	3.5	-
4. Accenture Plc	2.5	-
5. Constellation Software Inc	2.3	-
6. London Stock Exchange Group	2.2	-
7. Booking Holdings Inc	2.0	+1
8. Moody'S Corp	1.8	-1
9. Autodesk Inc	1.8	-
10. Autozone Inc	1.6	New

Top 10 Positions

The top 10 companies (10 largest positions) make up **26%** of the total LPPI GEF.

Governance Insights (ISS DataDesk)

Women on the Board (Average)



32%

Coverage of GEF



86%

Board Independence (Average)



68%

Coverage of GEF



86%

Support for Say-on-Pay (Average)



90%

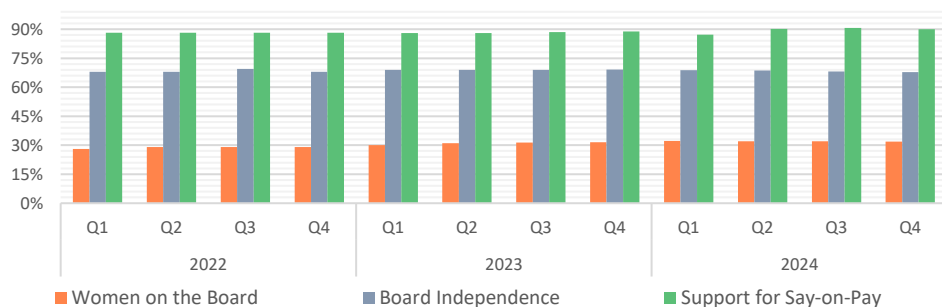
Coverage of GEF



76%

P(G)

Governance Insights (Timeseries)



P(G)

Governance Insights

P(G)

Women on the Board

In Q4 2024, an average of 32% of board members were female in the GEF, which is unchanged from Q4 2023. There was 86% data coverage (up from 85% in Q4 2023), which was a result of several companies not being in scope of the ISS database.

Board Independence

In Q4 2024, on average 68% of board members were independent in the GEF, which is slightly down from 69% in Q4 2023. There was 86% data coverage (up from 85% in Q4 2023), which was a result of several companies not being in scope of the ISS database.

Support for Say-on-pay

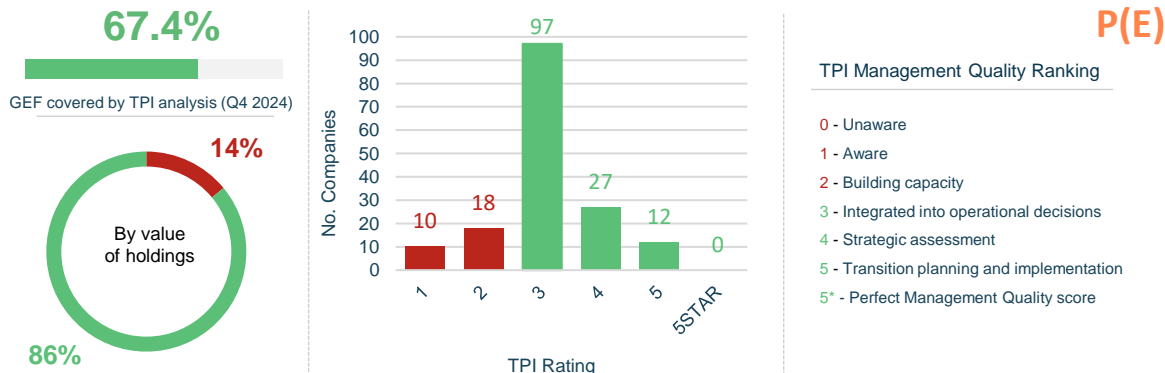
In Q4 2024, the average shareholder support for say on pay was 90% (up from 89% in Q4 2023), which indicates a high proportion of investors were supportive of the pay policies of investee companies. There was 76% data coverage (down from 78% in Q4 2023), which was a result of several companies not being in scope of the ISS database.

Portfolio Insights – Listed Equities (LPPI Global Equities Fund)

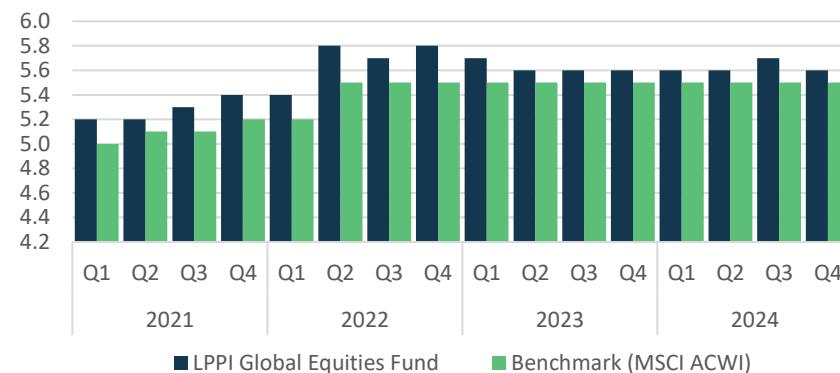
Q4 2024

[Further Information](#)

Transition Pathway Initiative – Management Quality Headlines



Portfolio ESG Score (MSCI ESG Metrics)



Transition Pathway Initiative (TPI)

TPI has recently released updated Management Quality (MQ) ratings which doubled the number of companies in the TPI assessment universe which now spans 24 sectors.

The expanded TPI universe brings a larger number of GEF owned companies into scope compared with the position in Q3 2024. By value, TPI rated companies have increased from 37.6% to 67.4%, and grown in number from 78 to 164 between Q3 and Q4 2024. The much-expanded universe means numerous companies with lower emissions are covered by MQ scores, and this recommends we review our monitoring approach to ensure it is sensibly calibrated.

Of the 164 companies in TPI scope:

- 86% (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 is down from 92% in Q3 2024, which reflects the increased exposure to those rated below TPI 3.
- 28 companies are scored below TPI 3. As previously identified, due to the expanded TPI universe this is a substantial increase from Q3 2024. Our current monitoring framework for companies scoring below TPI 3 is under review and we will communicate on this process in due course.

Portfolio ESG Score

The GEF's Portfolio ESG score has decreased from 5.7 to 5.6 between Q3 and Q4. In the same period the equivalent score for the benchmark had not changed at 5.5.

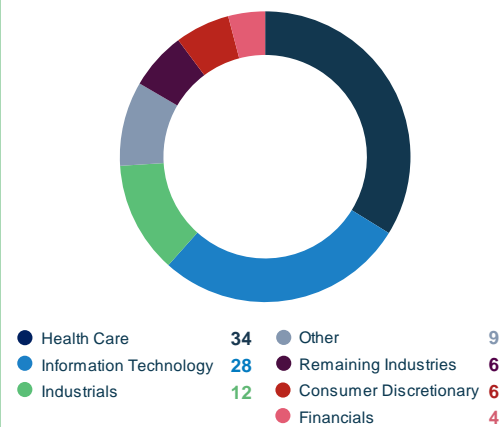
Portfolio Insights – Other Asset Classes

Q4 2024

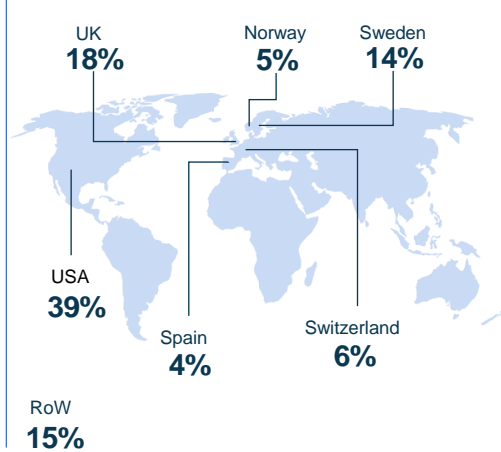
[Further Information](#)

Private Equity

Industry Breakdown (%)

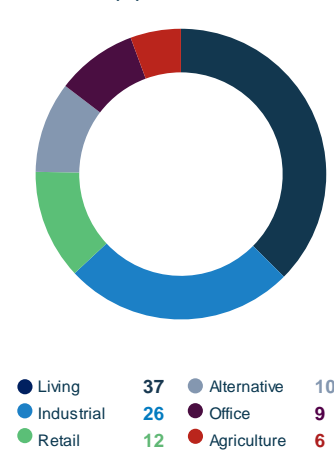


Region Breakdown (%)

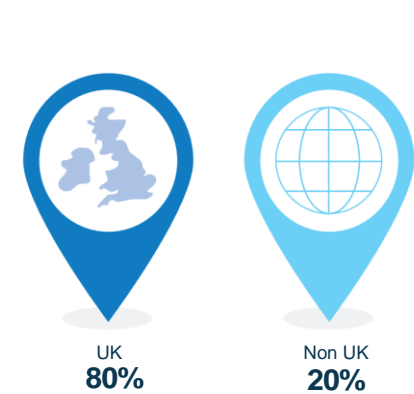


Real Estate (LPPI Real Estate Fund)

Sector Breakdown (%)

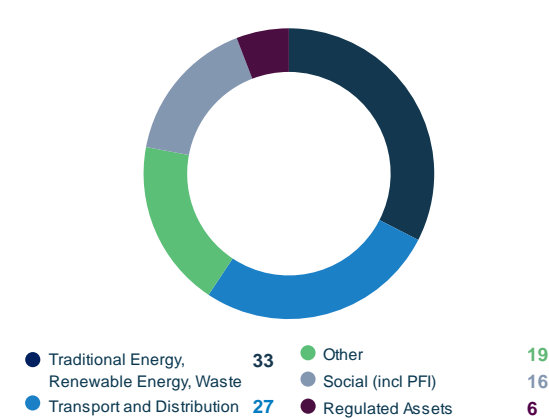


Geographical Exposure (NAV %)

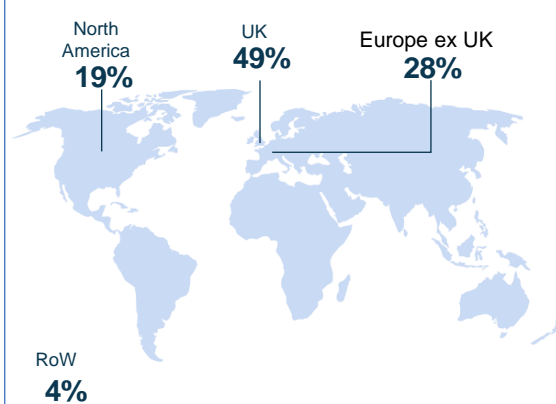


Infrastructure (LPPI Global Infrastructure Fund)

Industry Breakdown (%)



Region Breakdown (%)



Portfolio Insights – Other Asset Classes

Q4 2024

[Further Information](#)

Green & Brown Exposure

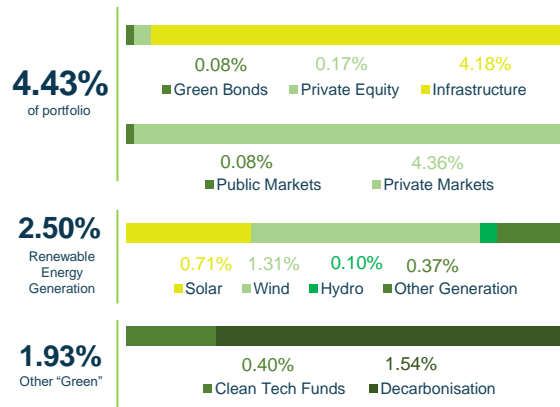
Total % of the portfolio that is in scope of Green and Brown



P(E)

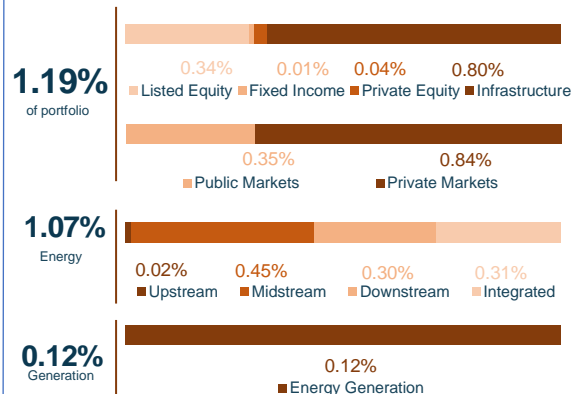
Green

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.

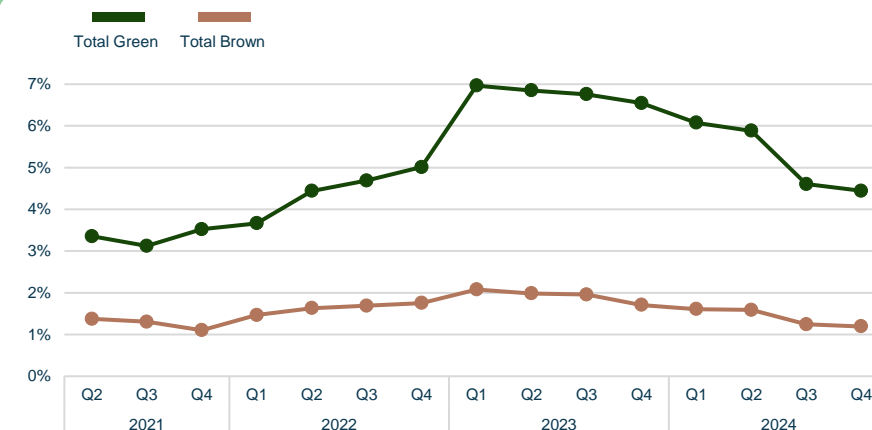


Brown

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

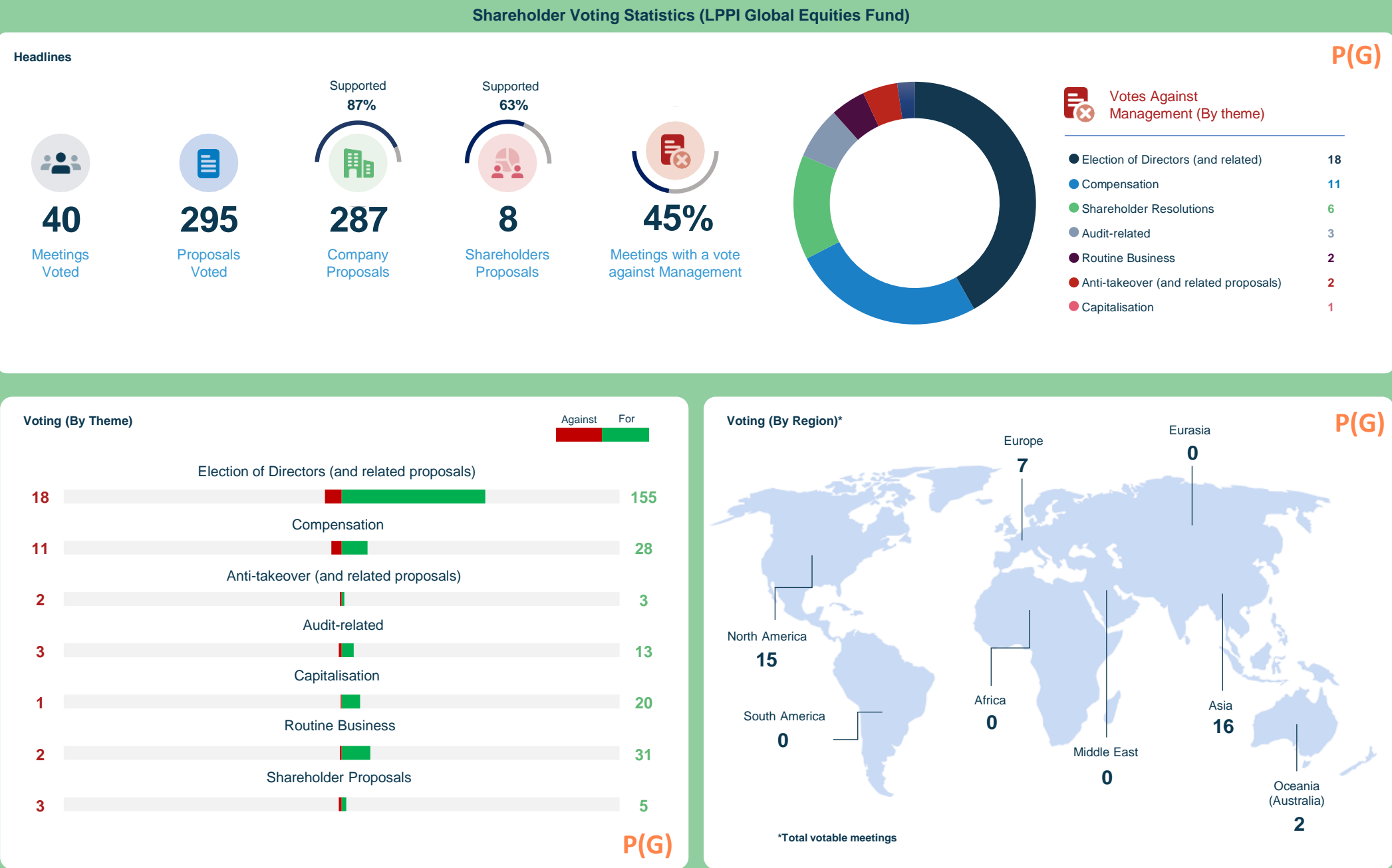
P(E)

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 **Q4 2024**, **71.2%** 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 Q3 2024, **Brown** exposure has decreased from 1.24% to **1.19%**. 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 0.36% in Q3 to 0.34% of the portfolio in Q4.

Compared with Q3 2024, **Green** activities have decreased from 4.61% to **4.43%** of the portfolio. The biggest contributor to the decreased exposure is from the Infrastructure asset class. The figures reflect a decrease in the mark-to-market valuation of some existing Green assets held in the RCBPF on-balance sheet funds of the portfolio. This has decreased Infrastructure's Green exposure from 4.36% in Q3 to 4.18% of the portfolio in Q4.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 56% of total Green exposure, and 94% of Green exposure is via Infrastructure assets.



Headlines

The period 1st October – 31st December 2024 encompassed 40 meetings. LPPI voted at 40 (100%) meetings where GEF shares entitled participation, totalling 295 proposals voted.

Votes Against Management – Director Related

P(S,G)

- Director elections or resolutions relating to directors: 41% of all votes against management (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 18 director elections or director-related resolutions at nine companies in Q4 2024. This was 10.4% of all director-related votes.

Shareholder rights
LPPI voted against eight resolutions at four companies due to multi-class share class structures which we perceived to inhibit minority shareholder rights.
Pluxee NV
At Pluxee's AGM (Netherlands: Financial Services), a company which employs a stock structure with unequal voting rights, we withheld support from the resolution seeking to approve the discharge of the non-executive directors who are Board members of the Company benefiting from the unequal voting rights. We assessed that this may negatively impact minority shareholder rights.
Result: 15.5% dissent.

Independence
LPPI voted against four resolutions at two companies due to issues pertaining to lack of independent challenge either on the Board overall, or on key committees.
InPost SA
At the EGM of InPost SA (Luxembourg: Air Freight & Logistics), LPPI cast a vote against the election to the supervisory Board of a non-independent member of the audit committee. We believe the audit committee should be composed entirely of independent directors, and therefore there is a lack of independence on the committee. Overall, we believed supporting these director's re-election would contribute to a lack of independent challenge on the Audit Committee.
Result: 16.7% dissent.

Diversity
LPPI voted against one resolution at one company due to issues pertaining to lack of diversity.
Guoco Group Limited
We voted against the incumbent member of the Nomination Committee at Guoco Group Limited (Bermuda: Industrial Conglomerates). The Company has 0% female representation at Board level; our vote instruction demonstrates our conviction that, in markets outside of those listed in our shareholder voting guidelines with specific requirements for female representation at Board level, we expect to see at least one Board position occupied by a woman.
Result: 0.2% dissent.

Votes Against Management – Compensation

P(G)

- Compensation: 26% 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 11 compensation resolutions at seven companies. This was approximately 28% of management-filed compensation related votes.

The Estee Lauder Companies Inc.

At The Estee Lauder Companies' AGM (USA: Personal Care Products), we voted against the annual Say on Pay resolution. This followed our negative vote instruction last year and in previous years, emphasising our conviction that the Company's pay structure requires attention. We noted that, while total CEO pay declined for the year in review, certain structural concerns were identified. Specifically, there are ongoing concerns surrounding high base salaries and relatively large payout opportunities vs. peers. Additionally, the majority of annual equity awards granted to NEOs continue to lack performance-vesting criteria. Finally, concerns are noted surrounding the limited disclosure of quantified performance targets for a portion of the CEO's annual incentive that was at risk.

Result: 6.9% dissent

Oracle Corporation

At the AGM of Oracle Corporation (USA: Software), we noted the lack of performance-conditioned equity grants within the annual incentive opportunities to NEOs, which is inconsistent with market best practice and recent shareholder feedback. Furthermore, we deemed the value of prerequisites to the Chair to be outsized. While quantum of pay granted to the CEO in the year under review was aligned with company performance, on balance, we decided to oppose the resolution.

Result: 22.2% dissent.

Shareholder Proposals

- There were 8 shareholder proposals at three companies during Q4.

AutoZone, Inc.

At the AGM of AutoZone, Inc. (USA: Specialty Retail), 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 10% ownership threshold would enhance shareholders rights. We viewed this shareholder-filed proposal alongside a management-filed proposal seeking to Reduce Ownership Threshold for Shareholders to Call Special Meeting to 25%, which we also supported and viewed as a positive demonstration of management's support for improving shareholder rights.

Result: Shareholder proposal: 44.5% support (Marginal Fail), Management-filed proposal: 90.3% support.

Microsoft Corporation

At Microsoft Corporation's AGM (USA: Software), we supported a shareholder-filed proposal requesting the Company Report on Risks of Operating in Countries with Significant Human Rights Concerns. The proponent requested Microsoft report on its data centre operations in countries of significant human rights concern, and the company's strategies for mitigating the related impacts. We deemed the proposal to be material as Microsoft is embarking on a large buildout of its data centre operations, and it notes that demand is increasing for cloud computing services. The proponents raised legitimate concerns over potential for complicity with human rights violations in high-risk countries, which could increase reputational, legal, and workforce risks to the company. As the company builds more data centres, additional disclosure on the company's human rights due diligence process for siting its data centres would help shareholders better evaluate the company's management of related risks.

Result: 32.0% support (Fail)

Climate Voting

P(E)

- In Q4, AGMs of 3 companies in LPPI's climate voting watchlist occurred, at which we voted once against management as a result of climate considerations.

Guoco Group Limited
At Guoco Group Limited's shareholder meeting (Bermuda: Industrial Conglomerates) we chose to vote against the only director up for re-election on the basis of climate. Our rationale included the Company being classified as occupying a high impact sector, and not having set any GHG reduction targets, or a commitment to reach Net Zero by 2050. While we were encouraged to see the Company's reporting of scopes 1&2 emissions in its latest ESG report, we would ideally see it calculating its likely sizeable Scope 3 emissions too.
Result: 0.2% dissent.

Climate Action 100+

P(E)

There were no meetings at CA100+ companies held in the Global Equities fund occurring in Q4 2024.

LAPFF Voting Alerts

LAPFF did not issue voting alerts for any companies held in the Global Equities Fund in Q4 2024.

Case Study – Manager Engagement

P(E)

During 2024, the Infrastructure team undertook a Net Zero target setting exercise for the Infrastructure IPV that incorporated all sub-strategies in the portfolio. The team used the IIGCC Net Zero Investment Framework to assess the alignment of the portfolio holdings with net zero through the six discrete criteria that must be satisfied for an asset to move from not aligned to achieving net zero. As infrastructure is a heterogeneous asset class, the team evaluated the portfolio at a granular level and took into account the IIGCC material sectors, geography, asset size and ESG maturity as key factors. The Infrastructure team also engaged with the IIGCC to explore the additional classification for renewables sector assets to achieve net zero. The net zero engagement initiative aimed to provide a clear baseline for the portfolio and a gap analysis that highlighted an asset's expected journey to reach net zero.

Once the team established an asset's alignment in the baseline year, they engaged with external managers or management teams to determine the asset's expected alignment over time and key criteria to guide engagement to ensure progress. From this approach, the Infrastructure team proposed an alignment (based on AUM) and engagement (based on WACI) target to ensure material holdings and high-carbon intensive assets that represent a significant portion of financed emissions are tracked. Overall, the Infrastructure team believe the proposed targets and granular approach taken balances net zero ambition, intention to reduce 'real world' emissions and practicality of sector specific characteristics.



Collaborative Engagement

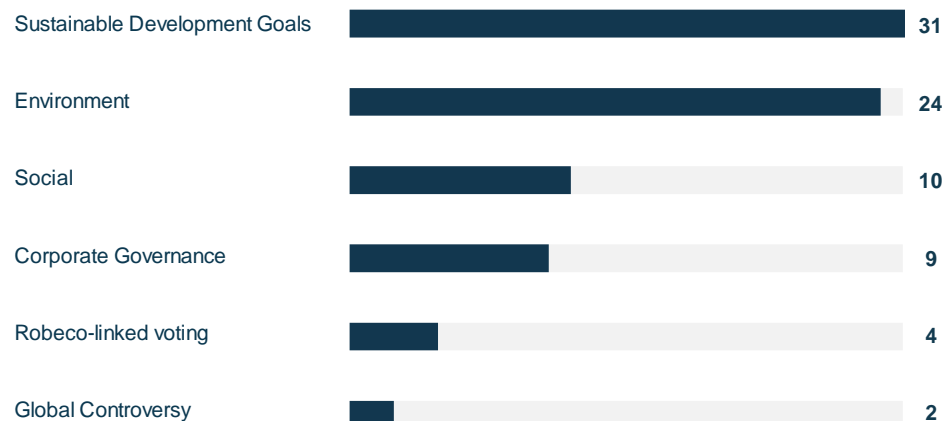
Q4 2024 – Engagement (Public Markets): Robeco

[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 **48 companies in the LPPI Global Equities Fund (GEF)** and **17 companies in the LPPI Fixed Income Fund (FIF)**, accounting for **24.9% and 8.9% of the total portfolios respectively**.

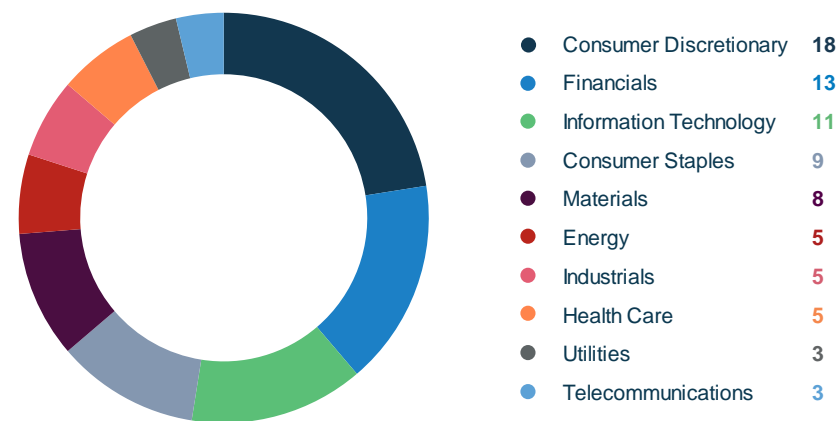
The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Activity (By Topic)

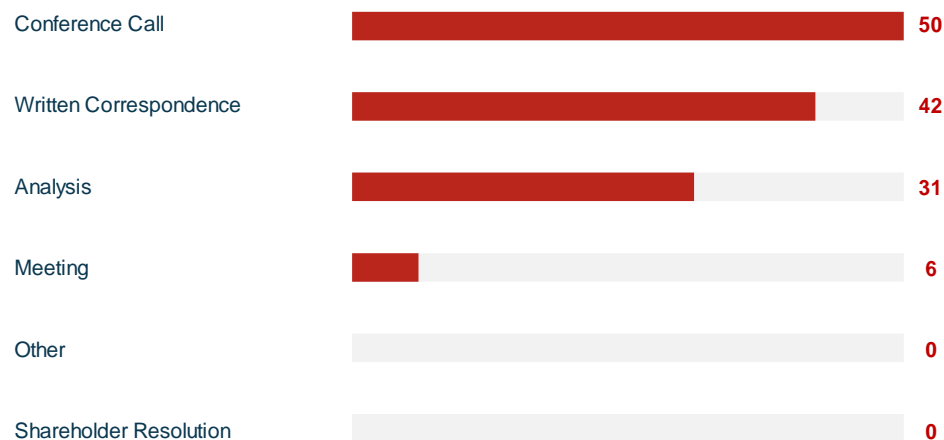


Sustainable Development Goals: <https://sdgs.un.org/goals>

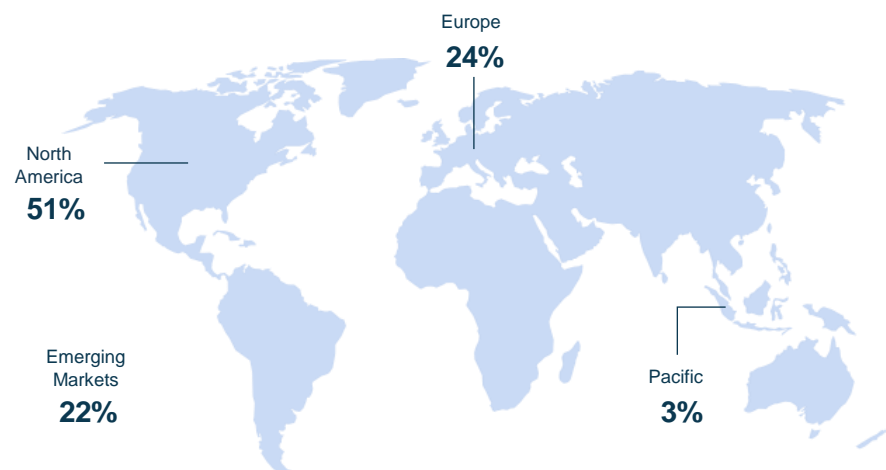
Activity (By Sector)



Activity (By Method)



Activity (By Region) (%)



Collaborative Engagement

Q4 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 %). For this quarter, one theme has been added to the progress chart: Ocean Health. An overview of this new theme can be found in the Q4 2024 Robeco Active Ownership report (see separately).

The following data is specifically related to the companies in LPP'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 Q4 2024

Intuit Inc – % of LPPI Global Equities Fund: 1.57%

INTUIT

Intuit provides financial management products and services to consumers and enterprises, specializing in accounting software for small businesses and the self-employed, and DIY tax software that help individuals prepare their income tax returns.

The company's products and services enable economic prosperity, particularly through job creation and business sustainability amongst the self-employed and small to medium enterprises, as well as improved financial education. Intuit also has specific programs in place dedicated to underserved communities, which includes creating jobs through virtual and physical call centres catering to the company's core products.



**18,000 jobs
created**

As of Fy23, Intuit has helped create over **18,000 jobs in underserved communities** (since Fy17).



**\$200m in
economic impact**

In Fy23 alone, the company helped deliver just under **\$200m in economic impact in underserved communities**, including generating \$134m in payroll payments.



**Supporting
2.5m students**

Since Fy21, Intuit has partnered with 21 school districts across 8 countries, in doing so **helping over 2.5m students improve their financial literacy** and better prepare them for entering the job market.

ICON plc – % of LPPI Global Equities Fund: 0.40%



ICON plc is a global contract research organization (CRO), providing outsourced drug development and commercialization services to the pharmaceutical, biotechnology, medical device and government/public health organizations. The company's mission is to improve patients' lives by accelerating the development of drugs and devices.

CROs play a critical role in the research, development and commercialization of new treatments within the pharmaceutical, biotechnology and medical device industries. Customers in these sectors typically outsource therapeutic and other product development functions to service providers, to better allow them to focus on core competencies such as drug discovery. The regulatory, therapeutic and clinical expertise of CROs helps reduce the overall cost of development and time to market for new products, at a time when costs, timelines, regulatory hurdles and probabilities of successful development are increasingly challenged.



18 of the world's top 20 best-selling drugs

Over time ICON has played a role in **developing 18 of the world's top 20 best-selling drugs.**



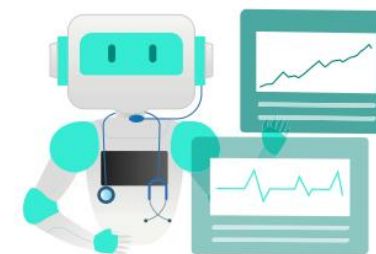
Investigational covid-19 vaccine program

Leveraging its extensive experience in vaccine clinical development, the company **partnered with Pfizer and BioNTech on their investigational covid-19 vaccine program** – providing support on remote clinical monitoring and source data verification.



Served over 1000 customers and 450,000 patients

In 2023 alone, ICON **served over 1000 customers and 450,000 patients across c.400 clinical trials**, and helped 21 unique products receive either original or supplemental approval from regulators.



AI-driven advanced data analytics

The company's recently launched **AI-driven advanced data analytics have enhanced site identification and patient recruitment**, driving predictability and reliability in clinical trial delivery – including a 53% reduction in the median time required for site identification, a **24% greater likelihood of hitting the first patient in targets*** and a 24% improvement in overall customer satisfaction scores.

*First Patient In (FPI) is a key indicator of the overall success of a study. If that first patient is enrolled on time or within 30 days of the FPI goal, the study will begin on sound footing. The further away from this goal, the less likely of success for the study.

Pensions and Lifetime Savings Association Stewardship Advisory Group

LPPI's Head of RI is a member of the PLSA's Defined Benefit Pension Scheme Stewardship Advisory Group. The latest meeting in November 2024 included discussion of updates to the PLSA's Stewardship and Voting Guidelines (SVG) in preparation for their 2025 iteration, and the PLSA's work with the Vote Reporting Group (VRG) focussed on greater transparency in vote reporting.

The PLSA's SVG provide a framework supportive of pension schemes trustees holding companies to account on key issues in the AGM season and are updated on an annual basis to reflect significant events, new regulations, and trends in shareholder engagement.

The VRG was a working group set up in November 2022 by the Financial Conduct Authority to develop detailed proposals to enhance shareholder vote reporting by asset managers. The VRG consulted in June 2023 on a voluntary, standardised and comprehensive "vote reporting template" and is due to publish a feedback statement and the agreed template in spring 2025. The VRG has worked with industry groups, asset owners, asset managers and the PLSA on the content of the template, which the PLSA will own once it is launched for voluntary adoption.

Participant - Responsible Asset Owners Global Symposia - Europe 2024

LPPI's Head of RI attended RAO Europe 2024 in November as a workshop participant. The STWARD workshop facilitated focussed discussion of proposals for a revised UK Stewardship Code (reasons for and possible outcomes from).

Within the consultation issued by the Financial Reporting Council (which remains open for responses until 19 February 2025) there is a proposal to alter the current definition of stewardship and remove the explicit link between the activities of stewards and the broader environmental and societal impacts of their investment activities. Within the workshop, a range of views were expressed on this change and on other consultation proposals which aim to simplify current requirements and reduce the annual reporting burden on code signatories.

LPPI has fed insights into the consultation responses being prepared by industry bodies we are a member of and will also be submitting a dedicated response setting out our views. These reflect the needs of our client pension funds for strong frameworks which assist them in holding us to an evidenced high standard as a responsible steward of their capital and reputations.

Quarterly LGPS Scheme Advisory Board RI Advisory Group

LPPI's Head of RI is one of two LGPS pool representatives on the LGPS SAB RIAG. The agenda of the quarterly meeting held on 2nd December 2024 included the MHCLG's Fit for the Future consultation, the FRC's UK Stewardship Code consultation, and legal advice sought by the SAB on fiduciary duty related to investments and "non-financial" considerations. At the time of the meeting the King's Counsel advice was still awaited but it has subsequently been received and made publicly available from the SAB [website](#).

The KC's opinion on fiduciary duty is wide ranging but notably includes observations on how current powers to integrate environmental social and governance considerations and non-financial considerations may be affected by MHCLG's Fit for the Future proposals. The interpretation of proposals is that they will involve the two tests (of no significant risk of financial detriment, and good reason to think scheme members would be supportive) becoming a more integral part of the investment strategy setting process if administering authorities wish to incorporate non-financial considerations, and will lead to greater specificity within the investment strategy about requirements deliverable by the pool.

Business Coalition on Plastics Initiative

P(E)

The Business Coalition for a Global Plastics Treaty (BCGPT) has been building up support for a number of years for the development of an ambitious, legally binding UN treaty to tackle plastic pollution and build the foundations of a circular economy. A resolution adopted at the UN Environmental Assembly in March 2022 marked the start of the intergovernmental negotiation process for such a treaty which culminated at the INC-5 negotiations in Busan in November 2024.

Disappointingly, negotiations could not conclude in Busan and an agreement was not finalised. Negotiations will resume at a further session INC5.2 in 2025. However, during the process, there was increased alignment amongst over 100 countries calling for global restrictions and phase-outs, product design and promotion of circular economy approaches. This was the first time so many countries clearly articulated support for these obligations. The latest text from the INC Chair is also a step forward on product design and waste management as a basis for future negotiations.

Consensus on an ambitious text could not be reached because of a coalition of petrostates, but at the same time more ambitious countries prevented a weaker, voluntary treaty text from being passed. Demand from the business community represented by the BCGPT was also cited in formal statements by over 100 countries. The text proposed by BCGPT has been reflected in several proposals for various treaty articles, and countless negotiators informally told the delegation how critical the business support has been in elevating ambition.

The next session will provide another opportunity to push through a clean, more ambitious text which has the majority of support behind it.

Robeco Active Ownership Client Pannel

In November 2024, LPPI's Responsible Investment team participated in Robeco's Active Ownership LGPS Client Day. It was a positive experience where Robeco informed us of new and upcoming developments in their product offering. They currently engage circa 300 companies and employ a quality over quantity approach to their engagement strategy. Following the LGPS client day, LPPI fed into the annual engagement theme selection process, putting forward topics which resonate with our client's RI policies as well as material bottom-up themes for the portfolio. The two themes chosen as a result were 1) Policy engagement on shareholder rights and 2) Transition Minerals which will be run alongside their existing Mining 2030 initiative. Policy engagement on shareholder rights was deemed a prudent theme due to the increased pressure on regulators and stock exchanges in certain jurisdictions leading to perceived weakened shareholder rights. They aim to focus their engagement on standard-setters, policy makers, and regulatory authorities. We believe this will provide a complement to other more thematic engagement priorities. With respect to the new Transition Minerals theme, Robeco took into account the speed of the race towards a future fuelled by clean energy, and the related potential negative externalities associated with deforestation and biodiversity impacts. Whilst target companies are yet to be determined, it is likely they will look to the mining space, and battery producers and EV automakers located or sourcing in emerging markets.

TPI Update

In December 2024, The Transition Pathway Initiative Centre (TPI Centre) released new assessments under the TPI Management Quality (MQ) Framework, doubling the TPI company universe. They added 1,002 companies to the TPI universe, now totalling 2,000. The coverage now also extends to 24 sectors, up from 17 sectors in 2023. TPI's is also planning a further expansion to the management quality universe for 2025, where they again want to double the universe to ~4000 companies.

For the second consecutive year, more than a half (55%) of the companies in the TPI universe are on MQ Level 3, indicating that the companies integrate climate change into operational decision-making. This reaffirms the notion that TPI 3 characterises what may be considered normal for a company's management quality assessment and still functions as the 'par score' for LPPI's monitoring threshold.

Scheme Advisory Board – Israel Update

In October 2024 the LGPS Scheme Advisory Board received legal opinion from King's Counsel on the implications of current events in Gaza, and specifically the question of whether administering authorities holding investments in companies linked to the Middle East could face criminal action (via the International Court of Justice or domestic law under the Terrorism Act 2000).

The legal opinion received has been published on the SAB [website](#) for the information and assistance of LGPS pension funds, a number of whom have been contacted by pressure groups and, in some cases, forcefully lobbied to divest from companies active in Israel.

In summary, the legal opinion given is that an administering authority holding shares, buying shares, or failing to sell shares in a company active in a conflict zone does not equate to them having knowledge of or giving assistance to the commission of a criminal offense by the company.

Net Zero Update

In Q4 2024, LPPI formally concluded a third phase of net zero targets covering indirect Real Estate, Infrastructure and further development for corporate bond holdings. The targets will be published on our website in due course and a communications update to all clients will be issued covering the latest developments with the Net Zero Asset Managers Initiative.

Open Consultations

Green Taxonomy

In November 2024, HM Treasury released a consultation for a UK Green Taxonomy. The primary purpose of this consultation is to establish whether a UK Taxonomy would be additional and complementary to existing policies in meeting the objectives of mitigating greenwashing and channelling capital in support of the government's sustainability objectives. To inform this, the consultation seeks to gather views on any market and regulatory use cases for a UK Taxonomy which would contribute to these objectives. In addition to developing a clear understanding of the use cases, the government is also seeking feedback on how to maximise the usability of a UK Taxonomy, should respondents support taking one forward. In particular, the government is seeking views on whether a UK Taxonomy is a suitable tool for supporting the mobilisation of transition finance, including financing for activities that enable other sustainable activities.

LPPI supports IIGCC's collective member response to the UK Green Taxonomy. Overall, we are comfortable their response covers our main stance on a taxonomy, but LPPI provided comments on where we had additional suggestions on content such as on lessons learned from existing taxonomies and ways to monitor success. We also signalled our support and overall perspective on the utility of a UK green Taxonomy in a short email response direct to HM Treasury.

Fit for the Future

Last November the government launched a consultation on the future shape of the LGPS. This consultation looked specifically at the roles and responsibilities of LGPS pools and how they work with their partner authorities, as shareholders and clients. Since the consultation was launched, LPPI have worked closely with our three clients LPFA, Lancashire County Pension Fund and the Royal County of Berkshire Pensions Fund. This work has ensured that they have the right support for their own submissions, and that we are broadly aligned in our responses. We have also continued engaging with our colleagues and peers across other LGPS funds and pools, as well as government departments HMT and MHCLG.

On Thursday 16th January LPPI sent our consultation response to the government.

UK Stewardship Code

In November 2024, the FRC launched a consultation on the Stewardship Code 2020. This consultation seeks to streamline the reporting burden for signatories and provide clarity on the code's purpose and expected outcomes. The consultation period is open until 19 February 2025 and as part of this, LPPI is scrutinising the changes and forming an appropriate response. The FRC has hosted engagement events during this time to gather feedback, which members of the Responsible Investment team have attended. The updated code is expected to be published later in 2025 for implementation in the 2026 reporting cycle.

Key proposals highlighted in the consultation include:

- Revised Definition of Stewardship
- Streamlined Reporting Process
 1. Policy and Context Disclosure
 2. Activities and Outcomes Report
- Restructured Principles

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 Q4 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

Q4 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

Q4 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
 - Q2 – 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

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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