

# LPPI Responsible Investment Report

## Q2 2025

### Key takeaways for the period

- LPPI submitted a response to the NZAM initiative review consultation which sought views on an updated draft commitment statement and overall remit for the initiative.
- On the 3rd June 2025, the FRC published the 2026 Stewardship Code along with accompanying draft guidance.
- LPPI's second suite of TCFD reports produced in accordance with compulsory disclosure standards from the Financial Conduct Authority have been published on LPPI's website.
- In Q2 2025 LPPI voted on 99.6% company proposals, supporting 90% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 1.18% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 4.35% 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>
		LVMH NZEI Engagement	<a href="#">p.10</a>
		Real World Outcome - Charter Hall	<a href="#">p.13</a>
		IIGCC Climate Solutions Working Group	<a href="#">p.15</a>
	Pollution	N/A	N/A
	Biodiversity	RI Europe Survey on Nature	<a href="#">p.15</a>
S	Local Investment	N/A	N/A
	Affordable Housing	Real World Outcome – DOOR SLP	<a href="#">p.14</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>

**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)

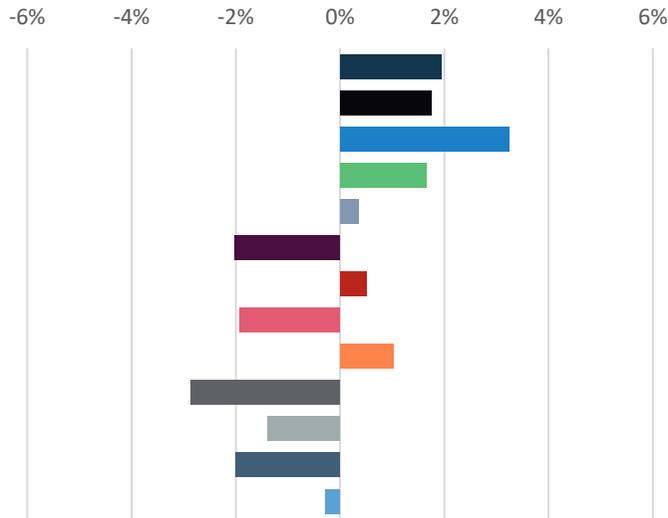
Q2 2025

[Further Information](#)

## Sector Breakdown (%)

Information Tech.	27.9
Financials	19.6
Industrials	14.1
Consumer Discretionary	11.8
Communication Services	9.0
Health Care	6.9
Consumer Staples	6.3
Materials	1.6
Cash	1.0
Energy	0.6
Real Estate	0.6
Utilities	0.6
Others	0.1

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



## Top 10 Positions

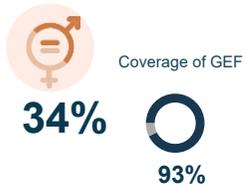
	Portfolio (%)	Position Change
1. Microsoft Corp	5.1	+2
2. Visa Inc	3.8	-1
3. Alphabet Inc	3.7	-1
4. London Stock Exchange Group PLC	2.5	+1
5. Intuit Inc	2.3	New
6. Constellation Software Inc	2.2	-2
7. HEICO Corp	2.1	+1
8. Nintendo Co Ltd	2.1	+2
9. Experian PLC	2.0	New
10. Autodesk Inc	2.0	New

## Top 10 Positions

The top 10 companies (10 largest positions) make up **28%** of the total LPPI GEF.

## Governance Insights (ISS DataDesk)

### Women on the Board (Average)

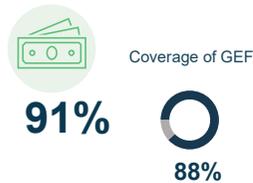


P(G)

### Board Independence (Average)



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



## Governance Insights

P(G)

### Women on the Board

In Q2 2025, an average of 34% of board members were female in the GEF, which is up from 32% in Q2 2024. There was a coverage of 93% data availability (up from 85% in Q2 2024), which was a result of several companies not being in scope of the ISS database.

### Board Independence

In Q2 2025, on average 72% of board members were independent in the GEF, which is up from 69% in Q2 2024. There was a coverage of 93% data availability (up from 85% in Q2 2024), which was a result of several companies not being in scope of the ISS database.

### Support for Say-on-pay

In Q2 2025, an average of 91% were in support for say on pay (up from 90% in Q2 2024), which indicates a high proportion of investors were supportive of the pay policies of investee companies. There was a coverage of 88% data availability (up from 78% in Q2 2024), which was a result of several companies not being in scope of the ISS database.

## Governance Insights (Timeseries)

P(G)

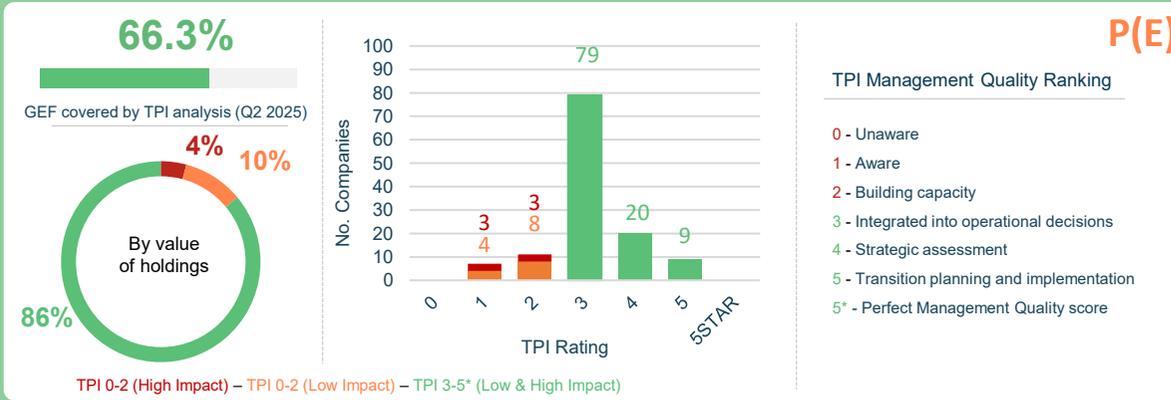


# Portfolio Insights – Listed Equities (LPPI Global Equities Fund)

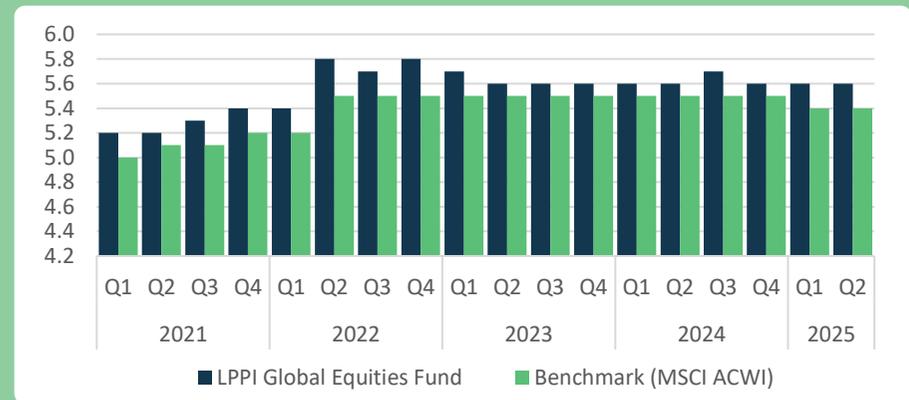
Q2 2025

[\\*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 slightly decreased from 66.7% to 66.3%, and by number has decreased from 156 to 126 between Q1 and Q2 2025. This decrease is as a result of 33 companies dropping out of scope as they are no longer in the portfolio, and 3 companies in the TPI universe that have entered the GEF portfolio.

Of the 126 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 slightly up from 85% in Q1 2025, which is a general reflection of the churn in coverage of the GEF under the TPI universe.
- 18 companies are scored below TPI 3 and are under monitoring\*. This has decreased from Q1 2025, which is again due to the churn in the GEF portfolio.

### Portfolio ESG Score

The GEF's Portfolio ESG score remained unchanged at 5.6 between Q1 and Q2. In the same period the equivalent score for the benchmark was unchanged at 5.4.

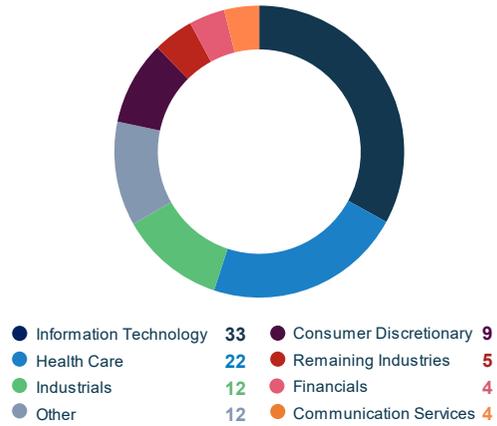
# Portfolio Insights – Other Asset Classes

Q2 2025

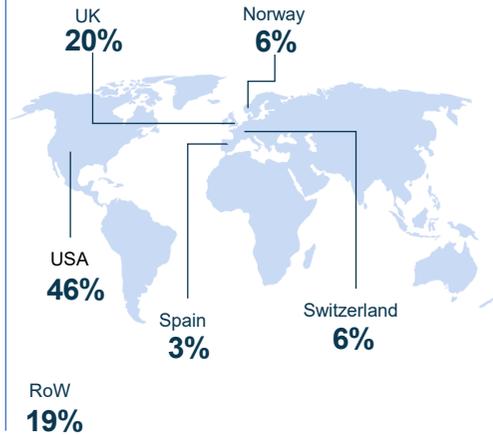
[Further Information](#)

## Private Equity

Industry Breakdown (%)

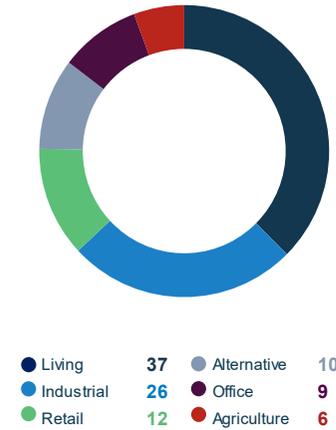


Region Breakdown (%)

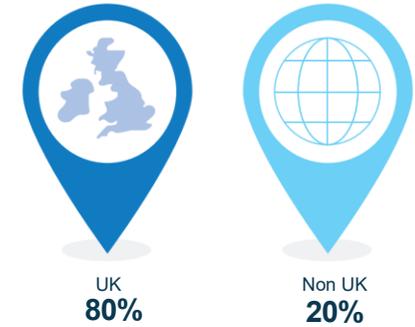


## Real Estate (LPPI Real Estate Fund)

Sector Breakdown (%)

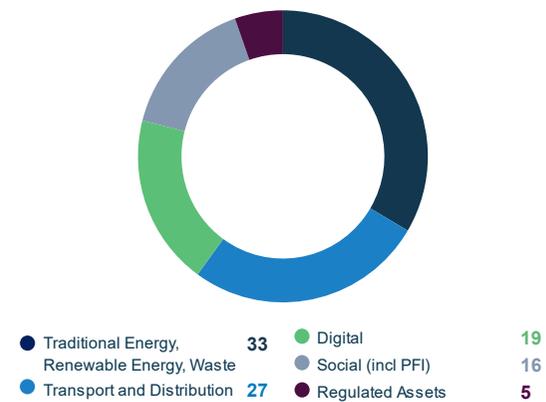


Geographical Exposure (NAV %)

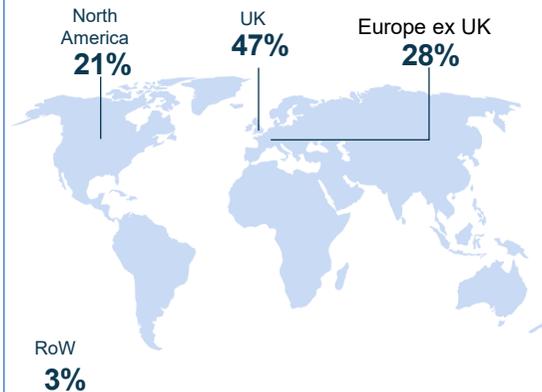


## Infrastructure (LPPI Global Infrastructure Fund)

Industry Breakdown (%)



Region Breakdown (%)



# Portfolio Insights – Other Asset Classes

Q2 2025

[Further Information](#)

## Green & Brown Exposure

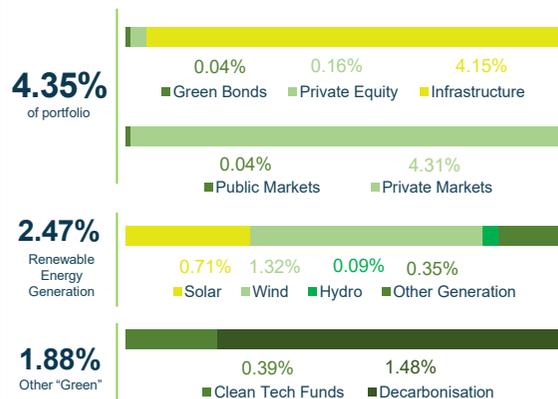
Total % of the portfolio that is in scope of Green and Brown



P(E)

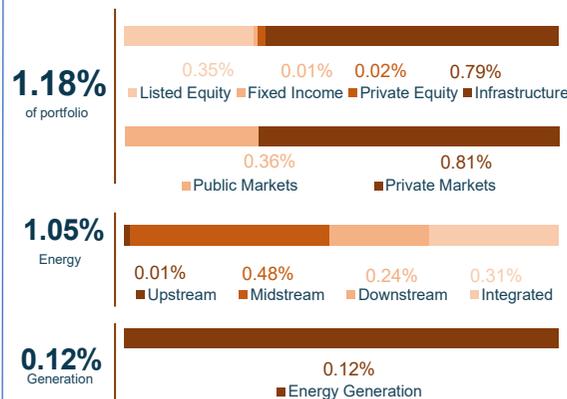
### Green

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.

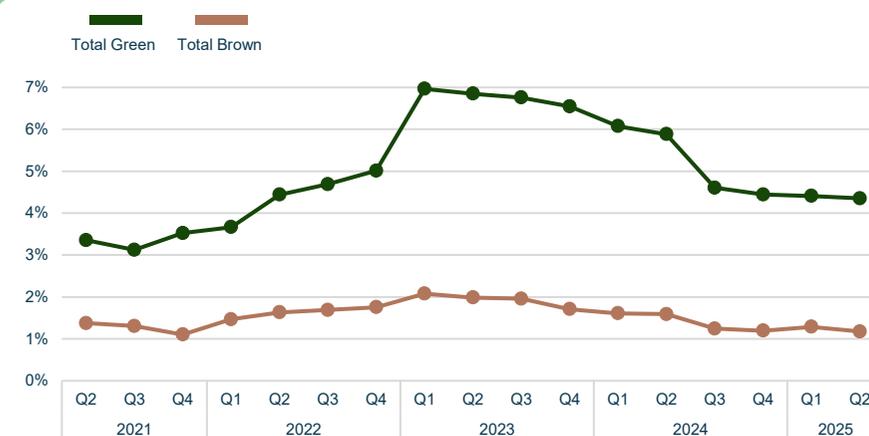


### Brown

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 partner funds 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 **Q2 2025**, **77.8%** 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 Q1 2025, **Brown** exposure has decreased from 1.29% to **1.18%**. The biggest contribution to the decreased exposure comes from the GEF asset class. This decreased exposure is a result of an asset categorised as Brown exiting the portfolio. This has decreased GEF's share of Brown exposure from 0.42% in Q1 to 0.35% of the portfolio in Q2 2025. Other contributing factors have been a decreased to mark-to-market valuations for some existing Brown assets held in Infrastructure.

Compared with Q1 2025, **Green** activities have decreased from 4.41% to **4.35%** of the portfolio. The biggest contributor was a reduction in Green Bonds in the Fixed Income asset class as a result of churn in the portfolio. Green Bond exposure has decreased from 0.06% in Q1 to 0.04% of the portfolio in Q2 2025. Other contributing factors have been a greater increase in the total portfolio value compared to the market value of the Green assets, resulting in the denominator effect.

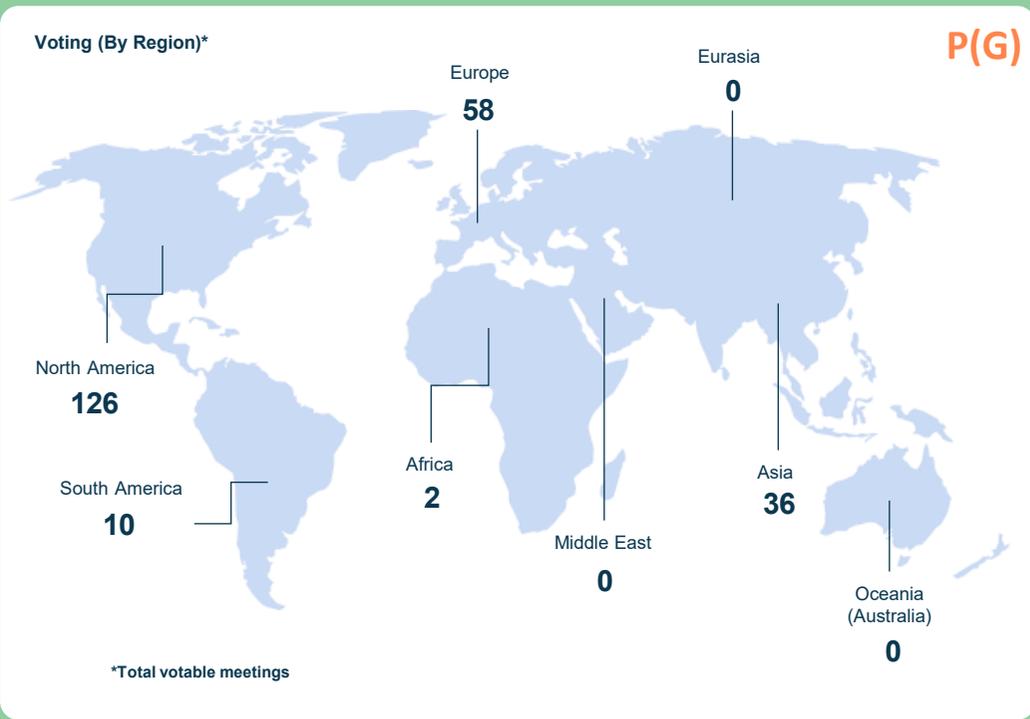
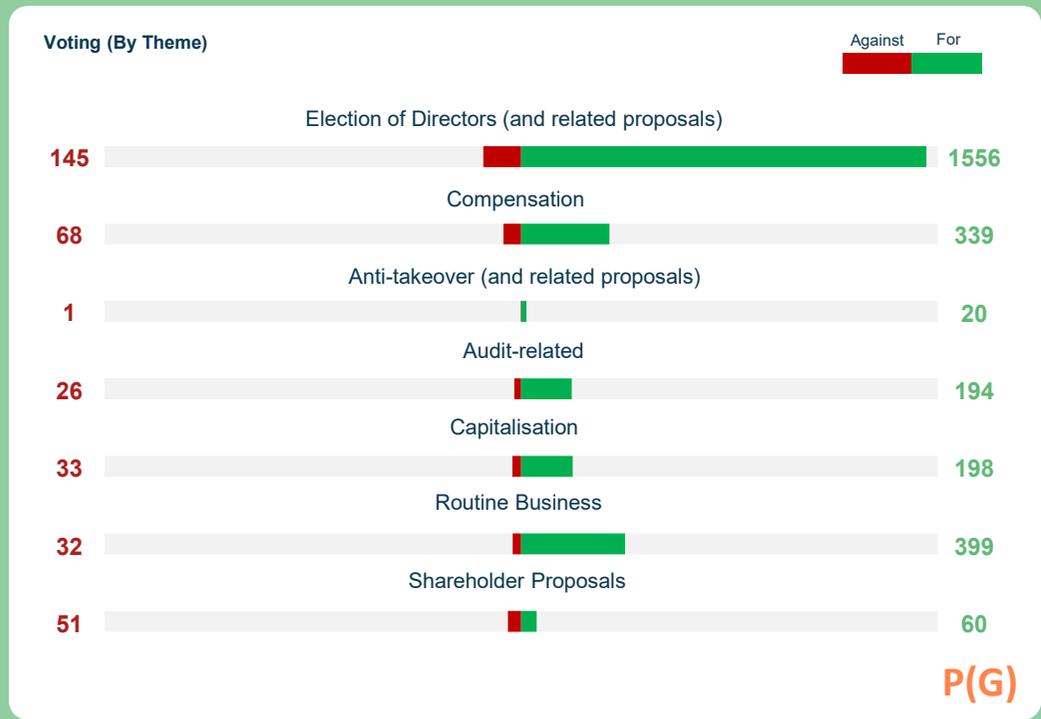
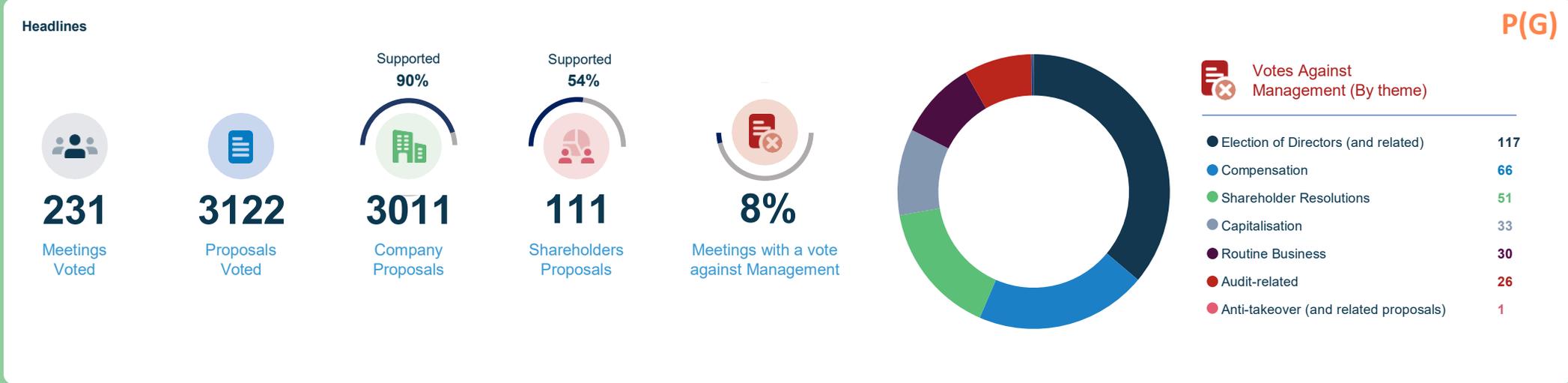
Investments in renewable energy generation from wind, solar, hydro, and waste make up 57% of total Green exposure, and 95% of Green exposure is via Infrastructure assets.

# Stewardship Headlines

Q2 2025 - Shareholder Voting - LPPI Global Equities Fund (GEF)

[Further Information](#)

## Shareholder Voting Statistics (LPPI Global Equities Fund)



### Headlines

The period 1st April – 30th June 2025 encompassed 232 meetings. LPPI voted at 231 meetings (99.6%) where GEF shares entitled participation, totalling 3,122 proposals voted. The one meeting not voted was due to issues with Power of Attorney (PoA) documentation at the sub-custodian level.

### Votes Against Management – Director Related

P(G)

- Director elections or resolutions relating to directors: 39% 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 117 director elections or director-related resolutions at 60 companies in Q2 2025. This was 7.3% of all director-related votes.

Shareholder Rights
LPPI voted against 55 resolutions at 22 companies due to governance arrangements which we believed may inhibit shareholder rights. These include, but are not limited to, multi-class share structures.
Universal Health Services, Inc. (USA: Health Care)
LPPI voted against a Governance Committee member who we deemed responsible for Universal Health Services maintaining a multi-class structure that is not subject to a reasonable time-based sunset provision.
<b>Result:</b> 45.8% dissent

Diversity
LPPI voted against 23 resolutions at 18 companies due to issues pertaining to lack of diversity.
Rentokil Initial Plc (UK: Industrials)
LPPI voted against the re-election of the Chair of the Nomination committee at Rentokil's AGM. This was due to the Board being composed of 30% women, with no women occupying senior board positions, versus the preferred 40% outlined in LPPI's shareholder voting guidelines and the FCA listing rules for companies in the FTSE 100.
<b>Result:</b> 21.1% dissent.

### 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 66 compensation resolutions at 39 companies. This was approximately 16.5% of management-filed compensation related votes.

<b>Meta Platforms, Inc.</b> (USA: Communication Services)
The compensation of non-CEO NEOs (non-executive officer) does not utilise any formulaic pre-set performance criteria, as the annual bonus ultimately pays out based on the compensation committee's discretion while long-term incentives were entirely in time-vesting equity. Furthermore, CEO Zuckerberg's security perquisite costs continue to dwarf those of his peers.
<b>Result:</b> 10.5% dissent

### Shareholder Proposals

- There were 111 shareholder proposals at 47 companies during Q2.

<b>The Charles Schwab Corporation</b> (USA: Financials)
LPPI supported this shareholder proposal which requested The Charles Schwab Corporation Declassify its Board of Directors. The benefits of a declassified board largely pertain to increased accountability to shareholders (as each director is regularly re-elected by shareholder vote), thus encouraging responsiveness to shareholder interests.
<b>Result:</b> The proposal passed with 84% of shareholders voting in favour.

<b>Power Corporation of Canada</b> (Canada: Consumer Staples Distribution & Retail)
LPPI voted against this shareholder proposal which requested Power Corporation of Canada join the Voluntary Code of Conduct on the Responsible Development and Management of Advanced Generative AI Systems. The company has provided adequate disclosure surrounding its approach to managing AI risk and shareholders feel comfortable it is already in line with expected good practice. Furthermore, there does not appear to be compelling evidence that the adherence or adoption of one specific code or framework for handling AI risk is preferable to another at this time.
<b>Result:</b> 1.8% of shareholders voted in favour

### Climate Voting

P(E)

- In Q2, AGMs of 12 companies in LPPI's climate voting watchlist occurred, at which we voted against management six times as a result of climate considerations.

#### **AerCap Holdings N.V. (Netherlands: Industrials)**

LPPI voted against the annual report and accounts at AerCap Holdings' (an aviation leasing company) AGM as they operate in a high impact sector, and we deemed their actions and stated ambitions to be 'not aligned' with Net Zero 2050 as per the Net Zero Investment Framework. Whilst it is encouraging that AerCap disclose their emissions across scopes 1-3, a key shortcoming is a lack of any short, medium, or long-term comprehensive decarbonisation target.

As an aviation leasing company who do not operate aircraft, AerCap see their role as a facilitator, supporting their customers to utilise the most fuel-efficient aircraft. Therefore, they have targeted 75% 'new technology' aircraft by 2030, helping their customers reduce their own Scope 1 emissions, and simultaneously reducing AerCap's Scope 3 emissions.

\*AerCap released their 2024 Corporate Responsibility report shortly after the AGM, where we noted improvements in their decarbonisation strategy- notably, achievement of 75% 'new technology' aircraft & a revised 85% by 2030 target, enhanced scope 3 disclosure, and a 17% reduction in scope 3 intensity year-on-year.

**Result:** Results not disclosed.

### Climate Action 100+

P(E)

There were 10 AGMs at CA100+ focus companies held by the Global Equities fund in Q2 2025. Of those companies, LPPI cast an adverse vote against management-filed resolutions on account of climate at three companies: Berkshire Hathaway, Grupo Mexico, and GE Aerospace.

### LAPFF Voting Alerts

LAPFF issued voting alerts for eight companies held in the GEF over Q2, covering 26 individual resolutions. LPPI voted in the same direction as LAPFF for 20 votes (77% of the time). In the majority of cases where LPPI took an opposing view to LAPFF, resolution quality was considered poor.

## SEC Case Study – Manager Engagement

The new US administration has presided over an increase in 'anti-ESG' targeted legislative moves and executive orders since President Trump came to office. One such move is a change to SEC guidance which has impacted how of shareholder engagement is conducted with investee companies.

### Background

The SEC requires SEC-regulated firms holding 5%+ of a company's shares to file schedules 13G (short-form) and 13D (long-form) before engaging with issuers. Prior to February 2025, the more arduous schedule 13D was only required of investors engaging with the purpose of 'changing or influencing control of the issuer' and was not applicable to shareholders seeking to 'promote its view of good corporate governance practices', so in practice 13D only applied to activist investors.

### Change in guidance

Changes in guidance from the SEC suggest the short-form schedule 13G is unavailable to investors recommending that portfolio companies adopt best practice with regards ESG issues e.g. 'switch to a majority voting standard, change executive compensation practices, and undertake a specific social, environmental policy.' Also implicated are conversations with portfolio companies regarding asset managers' voting policies and potential vote instructions on specific issues, should for example, a portfolio company not comply with an ask. Following the change, large US managers with passive strategies such as BlackRock and Vanguard temporarily paused engagement activities.

### Impact

Coupled with the backlash on asset manager involvement in climate-related investor coalitions, the developments combined to register as a risk to our next zero targets and impact our internal ESG rating of our managers in the GEF. As a result, members of the GEF and RI team have met with each of the GEF managers, Robeco (Outsourced Engagement Provider) and other large asset US managers to understand their response to the changes in terms of engagement strategy, legal team perspective on the risks they face and reaction by the industry on the ground in the US. These conversations have dissipated our concerns about the impact of the SEC changes: engagement for information and engagement for change can still be carried out with investee companies but require more comprehensive legal disclaimers. BlackRock has since resumed engagement activity for instance. We have drawn further comfort from the fact that all managers where relevant have agreed to the engagement priorities we have set under net zero for this coming year. We also recognise the litigation risk that has been avoided by large asset managers leaving investor group climate coalitions. Our focus for the medium term is to continue to monitor fund level activity and outcomes to understand whether there will be any deviations to our expectations around engagement and net zero alignment. The delegate managers in the LPPI GEF have flagged that they expect the situation to be dynamic and there may be changes to the latest SEC guidance or the consensus interpretation of it.

## LVMH (Moët Hennessy Louis Vuitton) NZEI Engagement

P(E)

In April 2025, LPPI's internal global equity team engaged with LVMH as part of the Net Zero Engagement Initiative (NZEI), a collaborative group that engages companies beyond the CA100+ universe. The discussion covered LVMH's decarbonisation targets, and the role played by the various business segments in contributing to these group-level targets and commitment to reach Net Zero by 2050. We also discussed LVMH's work with its suppliers to improve the granularity and accuracy of its Scope 3 reporting. Finally, we spoke about the governance structures in place, including the group-level ESG committee and the ESG metrics integrated into the executive remuneration policy. LVMH have strong processes in place to support their decarbonisation commitments. Their structure enables individual fashion houses to leverage resources available at Group level and share best practices- for example with respect to emissions reporting and purchasing practices.

# Collaborative Engagement

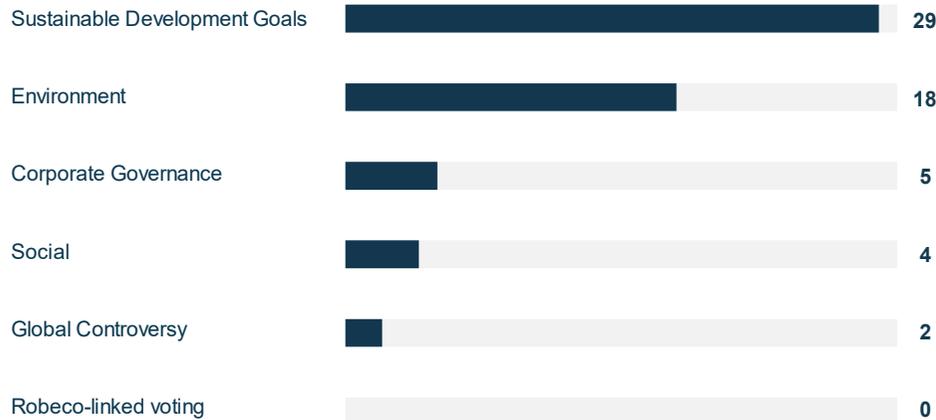
Q2 2025 – Engagement (Public Markets): Robeco

[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 36 companies in the LPPI Global Equities Fund (GEF) and 10 companies in the LPPI Fixed Income Fund (FIF), accounting for 25.20% and 1.39% of the total portfolios respectively.**

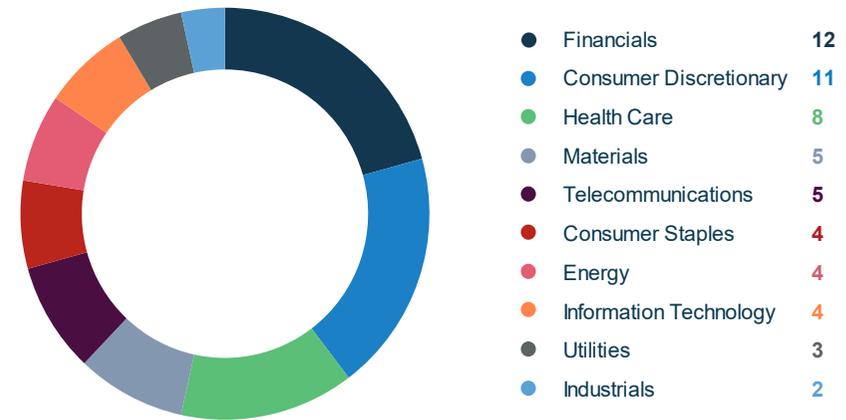
The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

## Activity (By Topic)

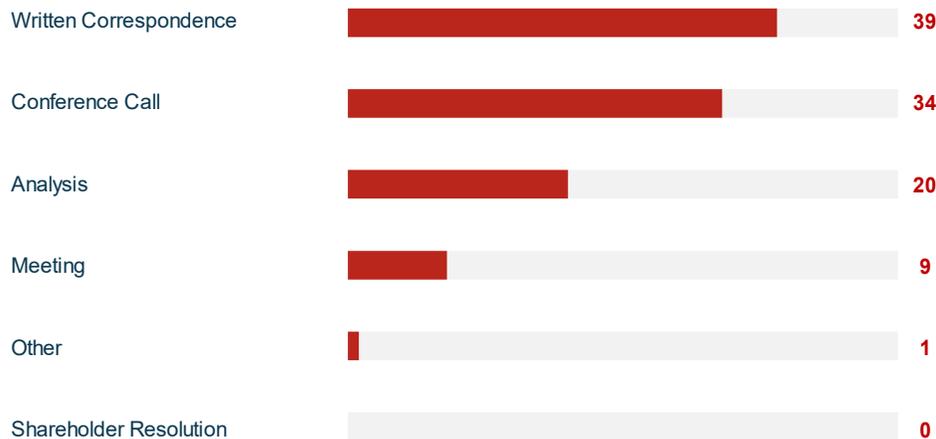


Sustainable Development Goals: <https://sdgs.un.org/goals>

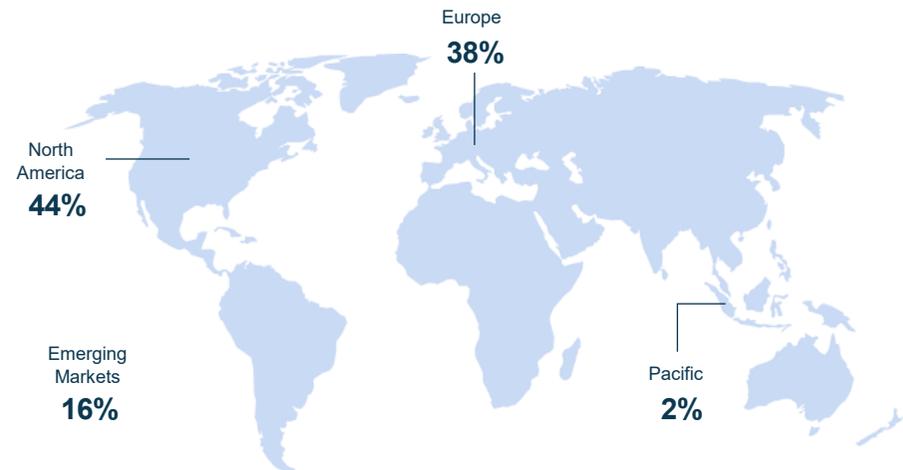
## Activity (By Sector)



## Activity (By Method)



## Activity (By Region) (%)



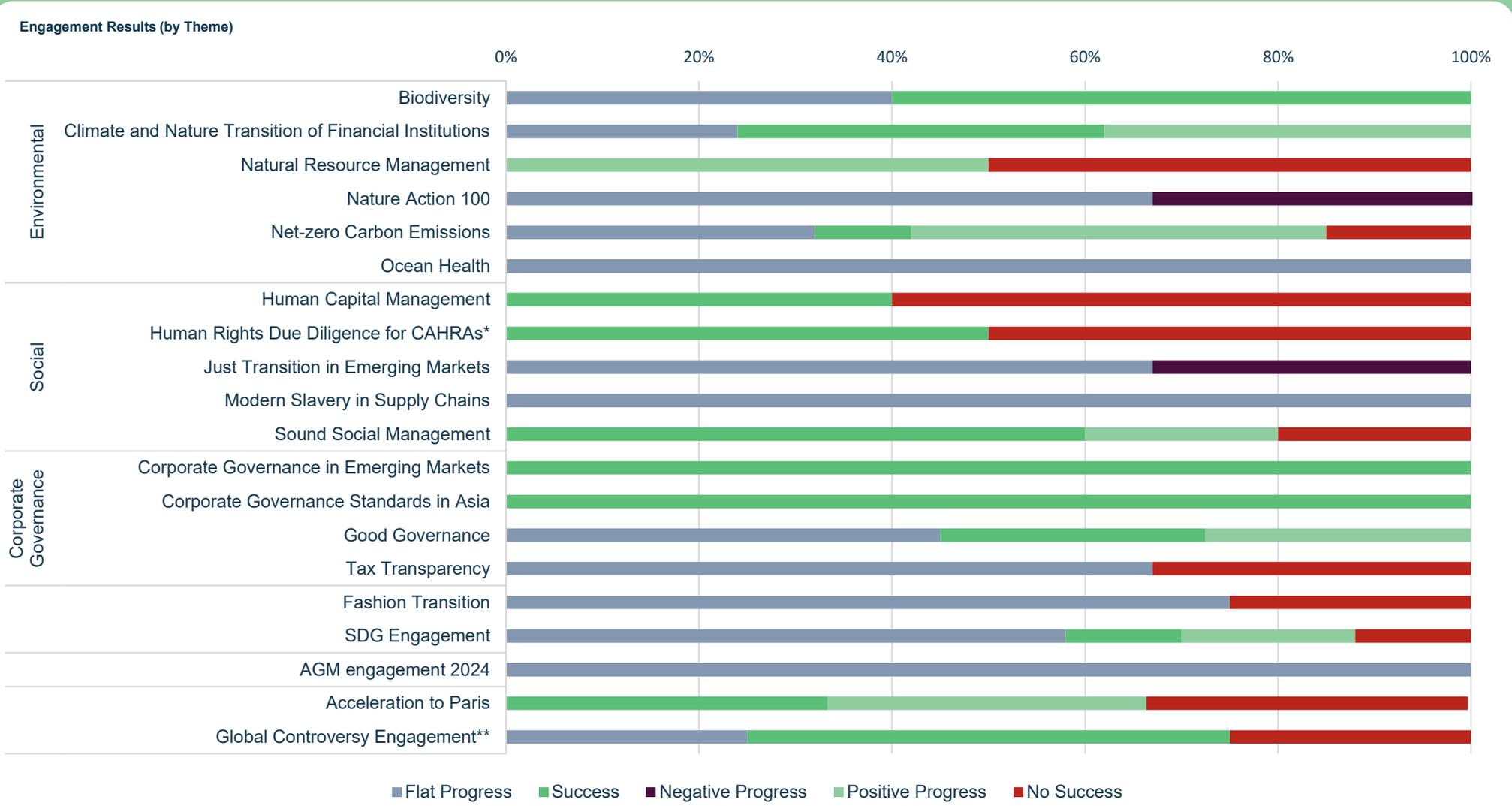
# Collaborative Engagement

Q2 2025 – 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, two themes have been added to the progress chart: Sound Environmental Management & Human Capital Management. An overview of these new themes can be found in the Q2 2025 Robeco Active Ownership report (see separately).

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 Q2 2025

Charter Hall Prime Industrial Fund – % of LPPI Real Estate IPV: 2.3%

P(E)



Charter Hall Prime Industrial Fund (CPIF) is an open-ended fund that consists of modern, purpose-built distribution centres that serve local consumption and global trade routes, in core Australian industrial markets. CPIF’s portfolio can service 85% of city populations within a 30-minute drive, providing access to 15 million people.

As part of the Fund’s annual business plan for FY25, Charter Hall have set objectives and targets to improve CPIF’s ESG profile and build a resilient portfolio. These actions demonstrate a strong focus to invest into tools and equipment to reduce emissions and promote renewable energy.



### 20% energy saving

The fund has continued the journey to reduce the base building and tenant customers emission footprint by installing efficient LED light fittings and meters to enhance operations and measure efficiency. The energy saving for LED is estimated to be over 20% compared with traditional fluorescent light.



### Key sustainability measures

The Funds’ progress on key sustainability measures as of March 2025 are highlighted below:

Key Measures	Portfolio Coverage
LED Lights*	99%
Energy Meters**	90%
Water Meters**	92%
Solar PV (MW) [Installed]	32.6
Solar PV (MW) [Committed]	10.2

\*Under operational control and Excl. NNN (Triple Net Lease)  
 \*\*Installed meters & data shared agreement



### Solar installation

The solar installation also supports tenant customers renewable energy transition. For example:

- Roe Highway Logistics Hub: Charter Hall is adding 400kW worth of solar PV to expand on the existing 99kW system.
- M5M7 Logistics Park: Charter Hall will add 2MW of solar PV and 4 MWh battery across the estate.

**DOOR S.L.P (“DOOR”) – % of LPPI Real Estate IPV: 3.3%**

P(S)



**Delancey and Oxford Residential’s DOOR SLP ‘Build to Rent’ housing platform supports the development of new quality Private Rented Sector (‘PRS’) and affordable housing stock.**

DOOR owns a proportion of management and lettings operating platform, Get Living, so properties can be managed in-house. Get Living Plc report into GRESB for the operational element of the DOOR portfolio and are GRESB 5-star rated.

The development at the Funds site in Elephant and Castle includes c.337 affordable homes, a university campus for UAL: London College of Communication for 5,500 students and staff, 730 student rooms and a new London Underground station future proofing the expansion of the Bakerloo Line as part of the full Masterplan.



**Targeting c.526 affordable homes**

DOOR has a targeted platform of 7,000+ homes including **c.526 affordable homes targeted for the London area.**

T3 Residential Limited, a subsidiary of Delancey who aim to deliver the targeted affordable homes, are **awaiting approval as a ‘Registered Provider’ status of social housing** in order to operate the affordable portion of the portfolio.

All staff **training for modern slavery** has been delivered to Get Living employees. **A new policy and modern slavery statement was approved** at the Get Living Board level and published online in April 2025.



**New policy and modern slavery statement**



**Priorities for 2025**

**Refined decarbonisation plans** for each asset – costing and time planning, alignment with fire remediation works.

**Heat network optimisation works**, electrification studies and supporting relevant funding applications.

**Integrating climate and ESG risk** into a new enterprise framework.



**Elephant and Castle Masterplan**

The **Elephant and Castle Masterplan** will transform the area into a shared destination where residents, students, office workers, families and tourists mix. It is estimated that future proofing the expansion of the Bakerloo Line to Elephant and Castle could see:

**c.150,000 jobs** across the UK supply chain, **c.20,000 fewer car journeys** per annum, **c.150,000 more public transport** journeys **c.107,000 new homes** being delivered.

## RI Europe Survey on Nature

P(E)

LPPI participated in a 2025 survey on investor attitudes and action on nature related risks and opportunities. The Nature and Investors Survey aims to track the progress made by asset owners and asset managers on integrating nature into their investment strategies and decision-making. A previous survey and research report was carried out in 2021, and this iteration aims to show progress on this important topic by investors. The survey findings were published during RI Europe conference in June 2025 and provided a useful benchmark comparison within the industry. The results indicated that LPPI is positioned in line with the industry with regards to investments in opportunities and engagement activity and next steps need to focus on building awareness of impacts, dependencies and risk exposure at a portfolio level. The findings were discussed by LPPI's Stewardship Committee and are informing work plans for the coming year.

## Samsung Electronics CA100+ Engagement

In May 2025, LPPI participated in a CA100+ convened collaborative engagement with Samsung Electronics. In this engagement, Samsung communicated their involvement in the Semiconductor Climate Consortium's work in developing scope 3 accounting standards, which was encouraging. We also discussed the challenges they face in setting scope 3 decarbonisation targets in certain business segments. Finally, we noted that engagement with the South Korean government on renewable energy infrastructure and procurement remain a priority for Samsung.

## NZAM/IIGCC Survey Response

The RI team completed a response to the NZAM initiative review consultation which sought views on an updated draft commitment statement and overall remit for the initiative. Questions covered aspects such as overall value of the initiative so far, scope of target coverage, and what progress reporting should look like and where it should be recorded going forward. The final statement (revised commitment) will be shared in due course and signatories will be given 3 months to review and re-confirm their involvement in the initiative if in agreement.

## IIGCC Climate Solutions Working Group

P(E)

In June 2025, IIGCC released supplementary guidance that supports investors in scaling investment in climate solutions which included an updated definition: activities, goods or services that, according to credible pathways, must increase significantly to enable the global economy to reach net zero. Multiple related goals can come under scope of this e.g. circular economy solutions, however the guidance focused on mitigation solutions and removed specific reference to adaptation as this will be covered in separate guidance. Transition investments were also removed from the definition and will require investors to account for them separately.

LPPI participated in the renewed climate solutions workstream established by IIGCC, contributing to collective insights and shared learning among investors on this subject. LPPI was an active member of this workstream by attending roundtable discussions and offering feedback on draft guidance proposals, supporting it to be clear, consistent and implementable for the LPPI Environmental Opportunities Fund.

The supplementary guidance aims to help investors:

- Define what can be considered as a climate solution.
- Develop a coherent, portfolio-level approach to climate solutions investment.
- Develop more granular asset class-specific approaches to climate solutions investment.

To support implementation, the guidance identifies portfolio- and asset class-level levers of influence, and introduces a three-step approach that can be applied across asset classes:

1. Classify climate solutions based on credible net zero pathways.
2. Identify relevant metrics per asset class.
3. Aggregate metrics to the portfolio level.

The guidance also outlines how investors can address the emissions associated with climate solutions investment by having an alignment-oriented net zero strategy and introducing the concept of STEM emissions.

The full supplementary guidance can be found [here](#).

## UK Stewardship Code Update

On the 3rd June 2025, the FRC published the 2026 Stewardship Code along with accompanying draft guidance. Effective from 1 January 2026, the updated Code “aims to support long-term sustainable value creation while significantly reducing the reporting burden for signatories”.

Key features of the UK Stewardship Code 2026 include:

- A revised definition of stewardship focusing on the creation of long-term sustainable value for clients and beneficiaries rather than broader systemic benefits.
- Reducing the reporting burden through fewer Principles (now 6) and the use of ‘how to report’ prompts instead of detailed reporting expectations.
- A flexible reporting structure that gives signatories more options on how to submit information, and less frequency for certain submissions.
  - Policy and Context Disclosure (every 4 years)
  - Activities and Outcomes Report (annually)
- The inclusion of targeted Principles for different types of signatories including asset owners and managers, and for the first time, for proxy advisors, investment consultants and engagement service providers.
- New supporting guidance providing helpful tips and examples to aid effective reporting.

The FRC have published code guidance in draft form, and are welcoming suggestions and comments before 31 August 2025, of which LPPI plan to make a response, with the guidance being finalised in the autumn.

The most debated aspect of the changes was the proposal to update the definition of Stewardship within the 2020 Code. Opinion continues to be divided on removing the current explicit connection between stewardship and the broader outcomes of stewardship. The new definition in the 2026 code emphasizes creating long-term sustainable value for clients and beneficiaries but omits responsibilities for broader benefits for the economy, environment, and society. ‘Sustainable value’ continues to be a term that lacks definition and is open to interpretation in a variety of ways, having not being raised as an area for comments in the previous consultation. LPPI’s view was that if the code was too broad, this would open the definition to local interpretation and create confusion when the industry should be pushing standards to be increasingly aligned.

On balance, the 2026 Code is acceptable and largely unproblematic to LPPI. It remains to be seen whether the new format reduces the level of effort required to report on an annual basis and produce a more readable and informative output for stakeholders.

## UK Pension Schemes Bill (RI)

The Pension Schemes Bill was published on 5th June 2025 by the Department for Work and Pensions and makes provision for significant reforms to pension schemes in the UK.

Local Government Pension Schemes feature in Part 1 Chapter 1 of the Bill (7 pages) which provides high level detail on the enactment of outcomes from MHCLG's "Fit for the Future" consultation which are due to be set out in scheme regulations (to follow).

Specific to responsible investment, section 2(4) on Asset Management provides for LGPS regulations requiring scheme managers (administering authorities) to set an investment strategy which will include

- a. their approach to responsible investment
- b. their approach to local investments
- c. their strategic asset allocation or target ranges for growth and income.

Section 7(1) provides an interpretation of terms used in prior sections and clarifies that "management" includes (e) acting as a responsible investor (including by acting as a shareholder in an investee company).

At the time of writing the Pension Schemes Bill had completed two readings in the House of Commons and entered the Committee stage. A call for evidence commenced on 8th July 2025.

## TCFD Update

LPPI's second suite of TCFD reports produced in accordance with compulsory disclosure standards from the Financial Conduct Authority have been published on LPPI's website. Entity and Product TCFD reports cover the period to 31st December 2024. Published reports can be found on our website [here](#).

### 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 and sit in High Impact sectors, 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

Q2 2025 - Stewardship Headlines (Pages 6 - 12)

### Shareholding Voting

- This section of the report gives an overview of stewardship activities in the last quarter. Partner 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 LPPI 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

Q2 2025 - 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:
  - Q2 – 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](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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