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London Pensions Fund Authority Responsible Investment Report 2023-24

Working to safeguard
your pension investments
responsibly 

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Foreword



Investing responsibly is about maximising returns while considering the real-world outcomes of our investments. Investing to pay pensions requires us to think about long-term issues, and that's why responsible investment matters. Our investments are impacted by the world around us. Climate change, the availability of natural resources, energy and cybersecurity, and the development of artificial intelligence are all examples of long-term risks and opportunities. The communities we live in and the businesses we invest in have to face up to and manage them. We have a responsibility as investors to ensure that risks and opportunities like these are identified and addressed.

Our investments also have an impact on the world around us, from the way they make use of natural resources and promote use of cleaner energy, to the way in which they impact health, equality and productivity in society.

In short, we recognise that the pursuit of good returns today must not be at the expense of the prosperity of tomorrow, because it's the world of tomorrow that the pension savers of today will be living in. This Responsible Investment (RI) report, our first for five years, provides an overview of our stewardship activities. While we are issuing this report in 2025, the data is from 2023-24. It's taken us longer than we would have liked to produce this first edition. We take our responsibilities very seriously, and this includes our commitment to good stewardship, openness and transparency.

Good stewardship applies at all parts of the investment process from communication to reporting. We have carefully used the [UK Stewardship Code 2020](#) as a guide for all the pieces of information that we should include about our RI activities in recognition of the good practice it represents.

This report therefore tells the story of not just what we have done over the reporting period, but also why we did it, and how we organise ourselves to do it in partnership alongside our fiduciary manager, Local Pensions Partnership Investments (LPPI). By comparison with our last report, it shows just how far we have come in terms of resourcing, policy and reporting as the LPFA has grown.

With that increase in resourcing, we achieved a tremendous amount during the reporting year 2023-24, including:

- The development and publication of new policies
- Improvements in monitoring and reporting
- Member survey including questions on member views about RI
- Continuing to implement our drive towards becoming a net zero fund

These are just some of the highlights you will be able to read about in more detail in the following pages.

We hope you enjoy reading our RI report, that you find it interesting and, above all, that it reinforces your confidence that we are working responsibly to maximise investment returns both for today and for your retirement.

Joanne Donnelly CEO | LPFA

Four key pillars underpin our RI priorities and strategic aims



Climate:

We prioritise investment in renewable energy and support the transition to a low-carbon economy.



Nature:

We promote pollution reduction and circular economy practices to protect natural capital.



Social:

We advocate for fair pay and Diversity, Equity and Inclusion (DEI) across our investments.



Governance:

We encourage strong oversight, accountability and responsible technology development.

Highlights

Collaboration

As part of our engagement approach, we work closely with a variety of organisations that focus on climate-related topics including:

- [The Principles for Responsible Investment \(PRI\)](#)
- [The Institutional Investor Group on Climate Change \(IIGCC\)](#)
- [The Asset Owner Council \(AOC\)](#)
- [The Transition Pathway Initiative \(TPI\)](#)
- [Climate Action 100+](#)
- [C40 Cities](#)
- [The Local Authority Pension Fund Forum \(LAPFF\)](#)
- [ShareAction](#)



Net zero

We launched our Net Zero Hub and published our first Net Zero Progress Report.

ShareAction»

We supported a ShareAction-led campaign targeting the five largest European banks still financing fossil fuel extraction projects.

Engagement highlights

Cybersecurity case study: Air travel technology provider

This engagement confirmed that the air travel technology provider has developed industry-leading cybersecurity capabilities and successfully integrated them into its corporate culture.



Fair pay case study: Auto replacement parts and accessories

Despite initial concerns, discussions with the auto-replacement parts and accessories retailer revealed strong alignment between management and shareholder interests, driven by a focus on high returns on capital.



Voting

Total resolutions voted on:

4,440

Meetings voted by LPPI:

376

Key activities

We have updated our RI Policy and Climate Change Policy.



We joined the Carbon Disclosure Project (CDP) 2023-24 Science Based Target (SBT) campaign, supporting efforts to accelerate corporate climate action.

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Executive summary

Overview

We believe that how we invest matters. This means not only looking at how much our investments earn but also understanding how they affect the world we live in and how the world, in turn, affects them. Many things that don't seem like financial matters can actually have a big impact on investment performance. We also believe that addressing them collaboratively with others enables us to play a visible role in advocating for positive change in our society.

For example, academic evidence by the London School of Economics (LSE), the Massachusetts Institute of Technology (MIT) and Oxford University for the Global Happiness Council¹ shows that companies treating their employees well often have lower costs. When employees are happier with their jobs, benefits and workplace culture, they are less likely to leave. This reduces hiring and training costs, builds loyalty and increases productivity. Lower costs and increased productivity mean better efficiency and better returns for investors.

There are many Environmental, Social and Governance (ESG) factors like this to consider across a global investment portfolio like ours. These factors often become more important over the long term. Our RI approach is based on our duty to act in the best long-term interests of our members and beneficiaries. This report outlines how we integrate these ESG factors into our investment strategy and stewardship activities.

**Global Happiness
and Wellbeing**
Policy Report 2019



¹ Krekel, C., Ward, G. and de Neve, J-E. (2019) *Employee Well-being, Productivity, and Firm Performance: Evidence and Case Studies*. Available at: <https://www.happinesscouncil.org/report/2019/global-happiness-and-well-being-policy-report>

Executive summary continued

Our RI beliefs and priorities

We believe that ESG factors can make a difference to investment outcomes. Our RI Policy sets out our core beliefs that guide our approach, including the importance of transparency, collaboration, and active ownership. These beliefs underpin our RI priorities, which can be grouped into four key pillars.

We also believe that by addressing ESG risks and opportunities collaboratively with other stakeholders we are playing a visible role in advocating for positive change in our society.

How we deliver on our commitments

We work closely with our fiduciary manager, LPPI, to ensure our investments align with our RI priorities. LPPI integrates ESG factors into investment decisions and stewardship activities, including shareholder voting and engagement.

We monitor LPPI's performance through quarterly reporting to our Investment Committee (IC), regular operational meetings and independent assurance from external experts. This includes oversight of climate-related voting and LPPI's use of proprietary tools like ESG SatNav to assess third-party managers.

Listening to our members

Our members' views helped inform our RI approach. In 2023, over 3,000 members responded to our Member Survey, highlighting support for fair pay and DEI and a similar number of members have responded to the 2025 survey earlier this year. We also interact with members through our annual Fund Member Forum and provide regular updates via newsletters, our website and social media.

Looking ahead

We remain committed to transparency, accountability and continuous improvement. Our focus for the year ahead includes making improvements to our monitoring of climate-related voting, expanding our net zero engagement and continuing to align our investments with our members' values and long-term financial interests.

The four key pillars which underpin our RI priorities



Climate:

We prioritise investment in renewable energy and support the transition to a low-carbon economy.



Nature:

We promote pollution reduction and circular economy practices to protect natural capital.



Social:

We advocate for fair pay and DEI across our investments.



Governance:

We encourage strong oversight, accountability, and responsible technology development.

Acting on our priorities

Over the reporting period, we:

- Updated our RI and Climate Change policies
- Launched our net zero hub and published our first Net Zero Progress Report
- Strengthened oversight of climate-related voting
- Collaborated with industry groups including The Local Authority Pension Fund Forum (LAPFF), The Institutional Investor Group on Climate Change (IIGCC) and ShareAction
- Supported shareholder resolutions on climate risk, tax transparency and workforce practices

Executive summary continued

Our RI beliefs

Our [RI Policy](#) outlines our beliefs about responsible investing, building on our general investment beliefs. We revise these beliefs regularly as a part of our RI Policy review, to ensure that they continue to guide our actions effectively. By considering the latest ideas and best practices in fiduciary responsibility for UK asset owners, along with the views of our members, we aim to serve the best interests of our beneficiaries. This helps us shape our beliefs and put them into practice.

Our RI beliefs are set out below.



ESG factors can have a direct financial impact on the value and sustainability of individual investments and an influence on long-term investment goals of the the LPFA Pension Fund (Fund).



We believe that by addressing ESG risks and opportunities collaboratively with other stakeholders, we are:

- Contributing to an improved economic future both locally and globally
- Contributing to improved prospects for our beneficiaries' quality of life
- Playing a visible role in advocating for positive change in our society



Transparency of information, processes and decisions are essential to ensuring that informed judgements can be made by all stakeholders and that appropriate parties can be held to account.



ESG issues can be dynamic, so it is necessary for investment and monitoring processes to be sufficiently flexible to accommodate changing or emergent risks and opportunities.



Asset owners should act in the long-term financial interests of beneficiaries through active use of ownership powers.

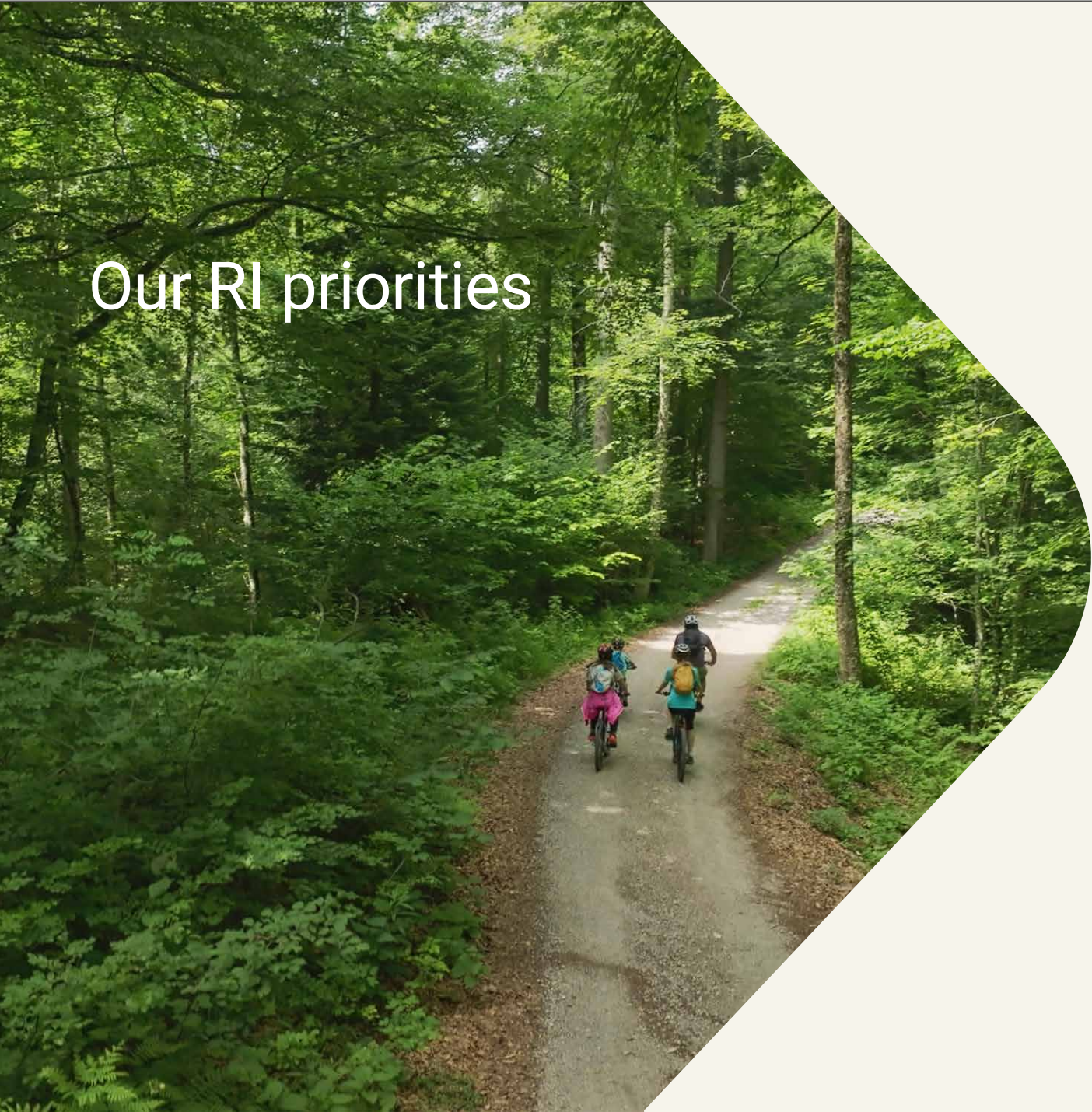


Robustly and effectively governed assets are expected to be associated with superior management of exposure to environmental and social risks and opportunities.



Asset owners are free to retain the right to disinvest from or exclude certain companies or sectors if approaches to addressing their concerns prove unsuccessful and it is determined that an investment is no longer aligned with the interests of the Fund or issues pose a material risk.

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Our RI priorities

Our priorities are firmly grounded in our RI beliefs. They reflect the importance we place upon sustainable and responsible investing, ensuring that our portfolio delivers strong financial returns whilst contributing positively to society and the environment. These beliefs guide our decision-making processes and ensure that our investment activities align with our commitment to sustainability, strong governance and social responsibility. By adhering to these core beliefs, we strive to protect long-term value creation through positively impacting the communities and environments in which we operate.

The four pillars of our RI priorities are set out below.



Climate

As a long-term responsible investor, we have identified the investment risks associated with the climate emergency as a key focus for our Fund. [The Climate Change Policy](#) sets out our approach to managing these risks, and our RI Policy highlights the importance of both risk mitigation and adaptation.

[Our Net Zero Investor Climate Action Plan \(ICAP\)](#) sets out a range of actions, measures and targets for our managers to implement and report back to us about in addressing these risks for us.

RI priority 1: Renewable energy solutions and distribution

Investing in renewable energy production and the associated distribution networks to increase availability, accessibility and use of renewable energy is crucial for underpinning real-world changes. To reduce greenhouse gas emissions, we also need new technologies to help industries move away from reliance on fossil fuels.

This offers a significant opportunity for large investors. That is why we prioritise supporting the development and distribution of renewable energy solutions.



Nature

Natural capital includes things like biodiversity and ecosystems, which are crucial for sustainable investing. We believe that preserving natural capital helps create resilient economic systems. Healthy ecosystems provide vital services for economic activities. We understand the importance of projects that protect and enhance nature to reduce risks from environmental damage and climate change, and to support sustainable growth.

RI priority 2: Pollution and the circular economy

Pollution is a major threat to the environment and public health, making it important for sustainable investing. We aim to tackle pollution by reducing its impact and promoting cleaner ecosystems. This fits with our goal of preserving natural resources, which is key for a strong economy and supporting sustainable growth.

The circular economy focuses on redesigning products and processes to minimise waste and maximise resources. By focusing on the circular economy, we aim to encourage innovation and efficiency in resource use, reducing the environmental impact of economic activities. This approach not only cuts down pollution, but also strengthens supply chains and promotes sustainable business practices.

Therefore, we encourage action to reduce pollution and increase circularity in the economic activities we invest in.

Our RI priorities continued



Social

Social issues are important as they impact community wellbeing and fairness. Promoting DEI and ensuring fair pay helps support a more just society. We aim to encourage inclusive growth, protect human rights and promote fair working conditions. Considering social factors in our investments improves both sustainability and ethical standards. Adapting to climate change also demands significant social transformation that must be inclusive and fair to achieve real-world change and positive financial outcomes.

RI priority 3: Fair pay

Unfair pay harms social and economic outcomes and contributes to political instability, which can lead to lower long-term investment returns. On the other hand, well-designed pay policies can motivate executives to better manage the ESG factors their companies (and our investments) are exposed to.

We promote better pay practices for both workers and management across our investments.

RI priority 4: DEI

Our RI Policy emphasises the importance of DEI in fostering inclusive growth and protecting human rights. It aims to promote fair working conditions and ensure that our investments help support a more equitable and just society. By considering social factors like DEI in our investment decisions, we seek to enhance community resilience and strengthen the long-term financial sustainability and ethical standards of our investments.

We promote the importance of DEI across our investments.



Governance

When the assets we invest in are well-managed and governed fairly, they are better equipped to handle environmental and social challenges - and to make the most of new opportunities. As investors, we also rely on strong governance ourselves so we can use our rights to hold company leaders accountable for their decisions.

RI priority 5: Accountability and oversight

Our RI Policy emphasises the critical role of accountability and oversight in ensuring strong governance and responsible management of sustainable companies including their environmental and social challenges. We use our ownership rights to hold management accountable and promote fairness and strength in corporate governance across our investments.

We encourage good standards of oversight and accountability in all our investments.

RI priority 6: Cybersecurity and responsible tech development

Our RI Policy highlights the importance of cybersecurity and responsible technology development. It calls for strong measures to protect against cyber threats and ensure technology is used responsibly to uphold standards and reduce social harm. By focusing on these areas, our investments aim to build trust, safety and long-term sustainability.

We encourage our investments to identify and manage risks and opportunities related to cybersecurity and responsible technology development.

How we identify our priorities

Regulations require us to review our policies on a regular basis. They are ultimately signed off by our Board. Our agile Enterprise Risk Management (ERM) system ensures that relevant Principal Officers are responsible for each policy and own the review process.

Our RI Policy is periodically reviewed to align with current ESG risks and future considerations. We collaborate with all our stakeholders, including members, providers and peers in the Local Government Pension Scheme (LGPS). We then implement the policy with an emphasis on collaboration, especially through our asset manager, LPPI, whose stewardship activities feed into our own reporting.

Internal and external assurance on stewardship

Effective stewardship by us as an asset owner involves actively overseeing LPPI managing our investments to ensure long-term value creation and sustainability for our members. LPPI manages our investments and provides advisory services to us. LPPI reports to each quarterly meeting of our IC. This reporting includes dedicated and routine material on RI strategies, encompassing net zero targets and the LPFA RI strategy, as a part of the IC's scrutiny of LPPI.

LPFA's staff have regular meetings with LPPI's RI team to specifically cover RI matters, including stewardship activities. These meetings enable officer level internal assurance around LPPI's stewardship activities.

Through this collaboration we have also successfully worked to ensure that RI reporting is better focussed on our own RI priorities, including referencing where activities relate to our thematic priorities, providing case studies of engagement and ESG characteristics of assets across different asset classes and wider collaborative engagement that LPPI undertakes – including reporting by their engagement service provider.

We also use external specialists and consultants to assist us with RI strategy setting, monitoring and assurance from time to time. For example, we engaged independent investment consultant Redington's RI specialists to assist us with evaluation of proposed net zero target setting, and since the end of the year we have appointed Minerva, a specialist in proxy voting and ESG research, to assist us in understanding how LPPI's use of voting rights supports our climate priorities.



“We have appointed Minerva, to assist us in understanding how LPPI's use of voting rights supports our climate priorities.”

The RI priority identification process



We collaborate with all our stakeholders, including members, providers and peers in the LGPS.



Implement the policy with an emphasis on collaboration, especially through our asset manager, LPPI.



LPPI manages our investments and provides advisory services to us.



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How we do it

How we monitor risk

Our RI beliefs start out by underlining that “ESG factors can have a direct financial impact on the value and sustainability of individual investments and an influence on long term investment goals of the Fund.”

We have identified climate change as a significant long-term financial risk that is likely to impact all types of investment in our portfolio over time.

We demonstrate this in our policies which are informed by trusted research from global organisations such as the United Nations and the World Economic Forum. We also learn from the networks and industry groups with which we work.

We work with expert advisers who provide us with the latest market research and insights on current and anticipated developments in the world of sustainability risks. Over the past year, we regularly consulted with LPPA, our fiduciary advisers and received independent thematic advice from Redington. Their insights help us identify measures and set targets in our net zero commitment.

In addition, we subscribe to a wide range of industry publications, blogs and newsfeeds and participate in industry networks and events to ensure we are in touch with the latest developments, emerging opportunities and potential ESG threats.

41,415

Copies of the Member Survey sent out

How we engage with our stakeholders

Hearing our members

We value the views of our members in helping to shape how we manage their LGPS pensions. When we conducted our first Member Survey in 2021, we committed to polling our members on a biannual basis. Our Member Survey 2023 helped us understand what our members think we do well and where we can improve. The survey report provided insight into members’ experience with our communications, their interactions with our Fund administrator, Local Pensions Partnership Administration (LPPA), and their views on RI. It informed our thinking about framing our RI beliefs and priorities.

We sent the survey to 41,415 members who have shared their email address with us and hadn’t opted out of email updates. We chose email as the delivery method to help keep costs down.

Earlier this year we undertook our Member Survey 2025. Once reviewed, it will enable us to refresh our knowledge of what our members think about the RI work we do and the priorities we have, and will feed into our future RI policymaking.

In addition to our Member Survey, we hold an annual in-person and virtual Fund Member Forum every December at the Southbank Centre in London. All members are invited to attend this event, where we share updates on how the Fund is performing, including our work on Responsible Investment and stewardship.

Members can ask questions during the main session or speak with us one-on-one afterwards to discuss anything about how their Fund is run.

As a part of our commitment to transparency, we also share recordings of the forum on our website, via member newsletters and our social media channels to ensure that those who cannot attend are aware of our progress.



Fund Member Forum 2024



How we do it continued

Communicating with our members

We keep our members updated on our investment work, including our responsible investment activities. We share this information in several ways:

- **Annual Report** - this includes information on investment performance and a dedicated RI section.
- **Newsletters, press releases and social media updates** – we regularly share updates on what we're doing and what we've learned.
- **Events and forums** – we host an annual Fund Member Forum, where we can connect with members. We also host an annual Employer Forum which, among other things, we use as a means to reach out to our active members. Additionally, we speak at and attend wider industry events.

We use our website as a key way to keep our beneficiaries informed. You can find important documents there, including our:

- RI Policy
- Climate Change Policy
- Net Zero ICAP

Each year, we also publish a Net Zero Progress report on our website. This helps everyone see how we're doing against our targets. All this information can be found in our [Net Zero Hub](#).

We've also partnered with an external provider to create an Equities Dashboard, which is updated every quarter. It shows all our listed equity investments (around 50% of our portfolio). The dashboard allows everyone to see how we're invested and ensure that we're investing in line with our policies.

In March 2024, we published our first Investing in the UK report, in collaboration with The Good Economy and LPPI. The report maps out the location and details of the Fund's UK Real Estate and Infrastructure investments allowing the Government and stakeholders insight into where we are invested.

Finally, our Member Survey 2023 report is also available on our website. It outlines the member feedback we received, including around RI and stewardship. This is an important part of our ongoing commitment to accountability and transparency.

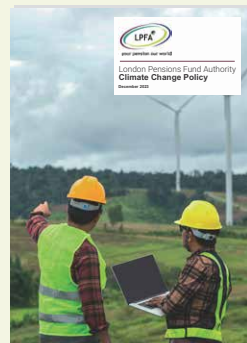
Keeping our members up to date



Annual Report



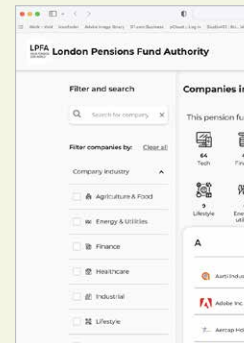
RI Policy



Climate Change Policy



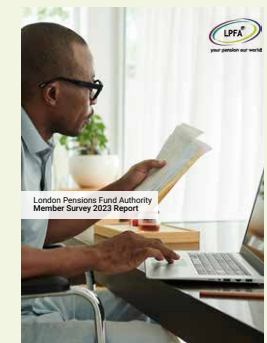
ICAP



Equities dashboard



Investing in the UK Report

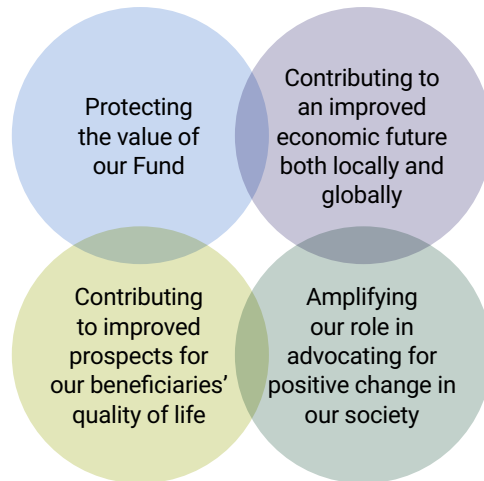


Member Survey

How we do it continued

Collaborating with others

We believe that by addressing the risks and opportunities posed by climate change collaboratively we are:



As part of our engagement approach, both we and LPPI work closely with a variety of organisations that focus on climate-related topics.

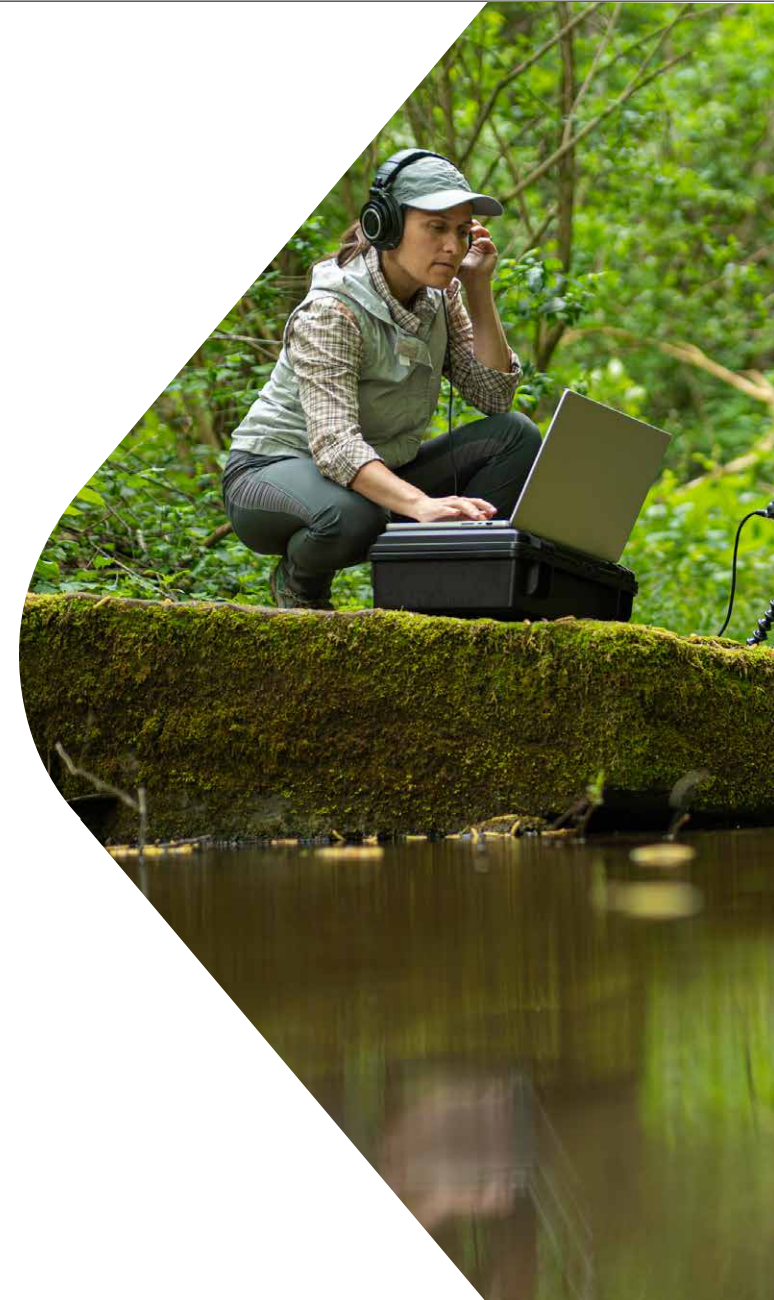
These include:

- [The Principles for Responsible Investment \(PRI\)](#)
- [The Institutional Investor Group on Climate Change \(IIGCC\)](#)
- [The Asset Owner Council \(AOC\)](#)
- [The Transition Pathway Initiative \(TPI\)](#)
- [Climate Action 100+](#)
- [C40 Cities](#)
- [The Local Authority Pension Fund Forum \(LAPFF\)](#)
- [ShareAction](#)

Our involvement with these groups informs our thinking. It also gives us the opportunity to support and participate in collaborative initiatives, for example in encouraging companies to address climate change related business risks and report transparently. At the same time, we support efforts to influence policymakers and regulators to create a favourable regulatory environment for effective and informed sustainability risk management.

We support the recommendations of the Financial Stability Board's (FSB's) Task Force on Climate-Related Financial Disclosure (TCFD). The TCFD has highlighted that gaps in corporate reporting make it difficult for investors to assess how well companies are managing climate-related risks. On our behalf, LPPI encourages the companies we invest in to improve their reporting in line with TCFD guidelines.

We also recognise that TCFD recommendations on enhanced reporting also apply to investors and asset managers. We expect that TCFD-aligned reporting will soon become a requirement for the LGPS, including the LPFA. LPPI reports annually in line with TCFD disclosure requirements.



How we do it continued

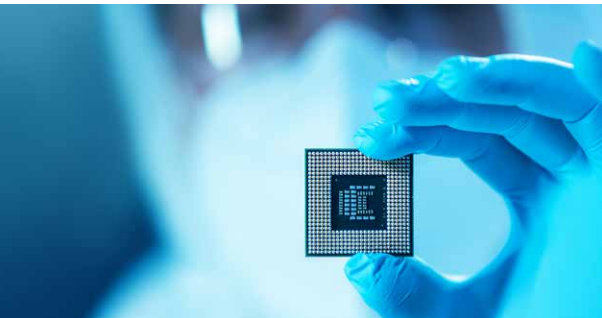
How we align our investments with our RI Policy

We have made a commitment for our Fund to reach net zero by 2050 and have developed a Climate Action Plan to guide our progress towards that goal.

Our strong belief in the importance of addressing climate change and the work towards our net zero commitment are reflected in our work with LPPI, including efforts to:

- Minimise exposure to sectors and companies heavily associated with climate change risk
- Increase exposure to sectors and companies whose activities support the transition to a lower-carbon future
- Use our influence with companies and asset managers to advocate for change
- Report our progress clearly and transparently to our members, stakeholders and wider society

Semiconductors are just one of the energy transition technologies we're invested in through the Global Equity Fund, a sector which supports the transition to a lower-carbon future.



How we integrate stewardship into the investment process

The day-to-day management of our assets is carried out by our investment manager, LPPI. A key part of their approach is integrating ESG factors into investment decisions. This helps identify risks and opportunities that could affect the long-term value of our investments.

Our stewardship strategy is tailored to the type of asset - whether it is public or private, its location and whether it is held directly or through a third-party manager. [LPPI's RI Policy](#) includes an annex that explains how ESG factors are considered across different asset types.

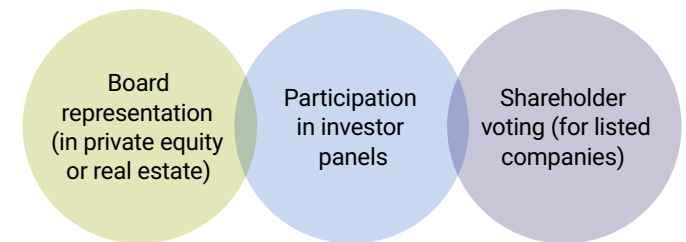
- **Direct holdings:** For assets held directly, especially in private markets, LPPI may engage directly with companies, sometimes through board positions. In public markets, engagement can alternatively be carried out by their specialist engagement service provider, Robeco, or through collaborative investor initiatives like Carbon Disclosure Project's (CDP's) [Non-Disclosure Campaign](#) and Climate Action 100+.
- **Third-party managers:** When assets are managed by third-party managers appointed by LPPI, it sets clear stewardship expectations through formal agreements and monitors their performance.

We also take part in collaborative engagement, working alongside other investors in relation to assets where there is a shared concern among a large number of other like-minded investors (for example, in listed equity or corporate fixed income) or where an organisation brings a group of investors,

including LPPI or the LPFA, together to engage towards a company, a group of companies or a regulator. Working in this way is particularly useful in cases where we are engaging with an organisation in international markets.

LPPI regularly monitors both investments and investment managers, incorporating ESG considerations into discussions and performance evaluations. These ESG issues are selected based on their financial relevance to each sector.

As part of active ownership, LPPI addresses key ESG issues through:



ESG factors guide LPPI's engagement priorities, partnerships, interactions with other investors and decisions about which initiatives to support.

For assets managed by external managers appointed by LPPI, ESG considerations are integrated into each aspect of the investment process - from selecting managers and reviewing their ESG practices, to setting expectations through side letters and post-investment action plans. LPPI also conducts ongoing due diligence to ensure managers are meeting ESG standards, including their approach to engagement and collaboration.

How we do it continued

How we monitor service providers

It's important that our service providers share our RI priorities. That's why a large part of our work is making sure that we're monitoring how well they are aligning with these priorities. We do this in several different ways.

IC

All our investment activities are outsourced to LPPI. RI is a standing agenda item at every quarterly IC meeting. At each meeting, LPPI provides:

- **A written RI report** – which explains changes in ESG performance, such as the impact of market trends, acquisitions, or disposals. It also includes updates on regulatory developments and features case studies from different asset classes throughout the year.
- **An RI dashboard report** – which provides a range of ESG indicators at fund and asset class level, for example, the proportion of the fund which is invested in green and brown investments
- **A Q&A session with the IC** – to discuss the reports and raise any concerns

As signatories of the [Paris Aligned Asset Owners \(PAAO\)](#) initiative, we are committed to managing climate risk through clear short-, medium-, and long-term targets, as set out in our ICAP. LPPI supports us by integrating these actions into their investment process, using the same Net Zero Investment Framework as us. LPPI also provides the IC with biannual net zero reports. These reports cover both our ICAP progress and LPPI's own commitments under the [Net Zero Asset Managers \(NZAM\) initiative](#). They are reviewed as a separate agenda item, allowing the committee to specifically monitor LPPI's alignment with our ICAP.

In addition to the regular reporting, our IC holds a series of deep dive training sessions throughout the year. Each session focuses on a specific asset class and includes:

- How LPPI is structured and resourced to manage the investments in each asset class
- How ESG and stewardship are integrated into the investment process

These sessions are less formal than regular IC meetings and provide a valuable opportunity for the committee to monitor and scrutinise ESG and stewardship in the context of specific asset classes.

All this work is supported by the LPFA's RI Manager, who provides expert input and guidance.

Conducting operational meetings with LPPI

Besides formal scrutiny via the IC, we regularly meet with LPPI to review RI and climate stewardship performance. These meetings also allow us to discuss everyday developments, for example, voting alerts from the LAPFF that align with LPFA's priorities or coordinating regulatory consultation feedback.

LPPI scrutinising third-party managers

LPPI, as our fiduciary manager, also oversees relationships with third-party managers. Their approach to integrating ESG considerations into assets managed by external managers is explained in detail in the [Annex on ESG Integration within their RI Policy](#).

ESG is factored into manager selection, portfolio monitoring and ownership activities. During the selection process, LPPI applies ESG frameworks at two key stages: the initial investment proposal and the detailed investment proposal. This ensures that ESG and climate risks are consistently evaluated from the outset.

LPPI assesses both our Fund's exposure to ESG risks and opportunities and the external manager's ability to manage them effectively. To support this, it uses a proprietary tool, ESG SatNav, which is based on guidance from the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD). This tool evaluates environmental, social, governance and climate-related factors, and combines them with a rating of the third-party manager's risk mitigation arrangements to provide a detailed profile.

Once an investment is made, ESG expectations are formalised through side letters in the investment management agreement. LPPI also develops a post-investment ESG action plan for ongoing monitoring and accountability.



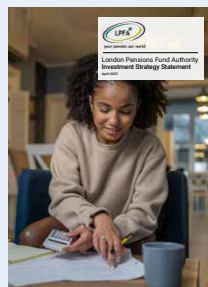
“LPPI uses a proprietary tool, ESG SatNav, which evaluates environmental, social, governance and climate-related factors.”

How we do it continued

How we engage with our investments

Talking to companies directly

Engaging with companies means having open conversations between investors and companies and takes place if we see an area in a company that needs improvement. LPPI carries out this engagement on our behalf and works with other organisations, including a specialist engagement service provider Robeco, to engage on specific issues with other like-minded investors.



Our Investment Strategy Statement (ISS) sets clear expectations for our managers. It emphasises that good corporate governance and responsibility benefits our pension fund members over the long term. As a responsible asset owner, we are dedicated to actively exercising ownership rights and, therefore, it is important that we are monitoring how our investments are managed and their wider impact on society.

LPPI influences companies in several ways, including:

- Board representation and participation in investor committees
- Collaborating with other investors to increase impact
- Shareholder voting and engagement, especially in listed equities, where these tools are the most direct way to drive change

Although the Fund doesn't usually hold shares in companies directly, we have indirect exposure through investments managed by LPPI. To manage voting rights centrally, LPPI uses a service provider, ISS Governance, and subscribes to its [Sustainability Proxy Voting Guidelines](#). This policy helps reduce risk and supports long-term shareholder value by promoting responsible corporate governance. It is reviewed annually to address new issues and trends. You can find quarterly voting activity reports on [LPPI's website](#).

LPPI's engagement activities include:

- Direct dialogue with companies in response to new information coming to light - for example, an ESG incident, an upcoming routine shareholder meeting requiring escalation or an ad hoc update
- Shareholder voting, including integrated consideration of ESG factors
- Working with Robeco, which targets companies on key ESG themes
- Collaborative investor engagements, such as CDP's Non-Disclosure Campaign and Climate Action 100+

Collaborative engagement

We believe that working in partnership with others helps strengthen our voice and increase our influence as investors. When it comes to encouraging companies to improve their governance and sustainability practices, joining forces with like-minded investors is often the most effective approach.

We take part in collaborative engagement in several ways:

- Membership of key industry groups, such as LAPFF and the Pensions and Lifetime Savings Association (PLSA) (now known as Pensions UK)
- Supporting shareholder resolutions that reflect shared concerns and align with our values and priorities
- Joining wider lobbying activities when appropriate opportunities arise

LAPFF

Together with 80 other LGPS funds, we and LPPI are members of LAPFF. LAPFF uses the collective power of all its members to engage directly with company boards. Its aim is to promote high standards of company behaviour and protect the long-term value of LGPS funds. Because LPPI actively selects the companies we invest in, rather than investing broadly across entire market indices, we are less likely to hold shares in companies that LAPFF is actively engaging with. However,

LAPFF engagements frequently focus on issues which our RI Policy prioritises. Furthermore, we recognise our responsibility to improve society and so our involvement with LAPFF is in line with our desire to support organisations that are having a positive impact on the world.

Engaging the wider market

Voting and engagement are not the only ways to make our voice heard. We also respond to consultations, take part in policy and conference discussions, participate in forums and networks and we lend our support to activist and industry group campaigns which feed into the policy and regulatory context that our investments operate within. You can find more details about our work on this topic [on page 23](#).

Actively exercising our rights and responsibilities

Our RI Policy is clear in setting out our belief that asset owners should make use of active ownership powers to act in the long-term interests of beneficiaries, and that decisions to divest from a company should be preceded by approaches to address concerns.

Building from this, it establishes that we have a commitment to actively exercise ownership rights to maintain oversight of the way in which companies we are invested in are managed and how their activities impact upon customers, clients, employees, stakeholders and wider society. It identifies that in the case of listed equities, the most direct form of ownership influence comes through shareholder voting and engagement.

Therefore, our policy is clear in setting out to our managers that we expect them to make use of voting rights.

We report on what we've done on this this year [on page 28](#).

What we did

We revised our RI Policy

The review process for our new RI Policy was thorough and included several key steps and stakeholders.

Initially, we developed the policy through a series of meetings that informed our IC on RI beliefs and guided the policy renewal. We also considered key ESG risk exposures across our existing investments as well as the wider economy.

Collaboration with various stakeholders, including our members, was essential. Our Member Survey conducted in 2023 provided very useful insights, with over 3,000 members responding and indicating their priorities, such as fair pay and diversity, equity, and inclusion. The proposed RI Policy was then reviewed and proposed by the IC for approval by the Board, who considered governance issues, financial implications and ESG considerations.

We also received external support from advisers including LPPI throughout the process.

We are heartened by member support to see us invest responsibly. We communicate a lot about our climate change and environmental work and it is great to hear that this is so well-received.



London Pensions Fund Authority
Member Survey 2023 Report

Additionally, we updated our Climate Change Policy in December 2023. The updated policy highlights our commitment to addressing climate change as a financial risk and integrating climate-related factors into our investment decisions. As a part of this we expect our external managers to follow these key stewardship guidelines:

Voting and engagement:

Our managers should vote in a way that's consistent with our Climate Voting Principles, especially on governance and climate issues and understand any potential deviations.

Monitoring and reporting:

We should track and report our manager's voting activities for 250 key companies to evaluate alignment with our policies.

Proxy voting:

We encourage proxy voting in support of responsible corporate governance that aligns with our values and goals.

Collaboration and communication:

We should work with our stakeholders on stewardship and climate issues.

Policy advocacy:

We advocate for responsible investment practices and regulatory changes that align with our climate goals.

Overall, we expect our external managers to actively engage in stewardship activities, exercise their voting rights responsibly and report on their actions to assess alignment with the Climate Change Policy.

To support this, later in 2024 we partnered with Minerva Analytics to create a voting policy template. This will help us monitor LPPI's voting activity and demonstrate how it aligns with our Climate Change Policy and Responsible Investment Policy.

We listened to our members

One of the main goals of our [Member Survey](#) was to understand what our members think about us investing responsibly. The results showed that investing responsibly (by minimising negative impacts and targeting positive impacts) is supported by nearly twice as many of our members than the notion of maximising financial returns regardless of sustainability implications. Most respondents could identify RI and cite it as a reason they stay as members.

75%

of respondents said it is important to them that the fund is invested responsibly including investments that minimise harm to the environment.

66%

of respondents agreed it is important to them that the Fund seeks to influence other organisations to positively impact society, communities and/or the environment.

64%

of respondents said that the fact we talk about Responsible Investment (RI) makes them more likely to stay in our Fund.

52%

of respondents said that positive sustainability impact is more important to them than maximising financial returns.

As a result of the survey, the respondents' views on RI were considered and fed into our [Responsible Investment Policy](#).

What we did continued

We integrated ESG factors to improve investment outcomes

LPPI uses a range of tools to inform its investment decisions through its stewardship process. One example is the Transition Pathway Initiative (TPI), which assesses companies on their climate risk governance. Companies that score below Level 3 in sectors which are more highly exposed to climate-related risks are subject to enhanced monitoring, allowing LPPI to keep a closer watch on how they manage those risks.

When concerns are identified and companies fail to make sufficient progress, LPPI may take further action.

We ensured our service providers met our needs

Over the year, we took several steps to ensure our service providers continued to meet our expectations and support our RI goals.

Improving reporting and alignment with our RI Policy

We published a new RI Policy with clear priorities and objectives. LPPI improved their RI reporting to our IC to focus more on how their activities support these objectives. They introduced a summary table at the start of their report, making it easier to find information matched to the six themes of our RI Policy. This led to better quality reporting and greater assurance for the committee in LPPI's alignment with our priorities.

Strengthening oversight of climate risk voting

To better understand how LPPI uses voting rights to address climate risks in our equity portfolio, we initially carried out some basic monitoring. This year, we took a step further by appointing a specialist service provider to deliver a more systematic analysis. This will help us gain deeper insights into how climate risks are being managed through voting activity.

Launching our Net Zero Hub

We also launched our Net Zero Hub, which for the first time provided members with updates on our progress toward the initial goals of our ICAP. The initial reports were encouraging, showing a 75% reduction in emissions intensity, well ahead of our interim target deadline. For more information about our progress on our net zero goals, please visit the [Net Zero Hub](#) on our website.

Engaging with external managers

In spring and summer 2023, LPPI held annual RI focused meetings with each of the external managers in the Global Equity Fund (GEF). In advance of each discussion, LPPI asked the manager to update their response to LPPI's Responsible Investment Due Diligence Questionnaire (RI DDQ) which covers the following sections:

- Governance
- ESG integration
- Active ownership
- Reporting

This structure allowed LPPI to explore both operational and investment related changes in depth, building on the discussions that occurred throughout the year as part of regular portfolio monitoring. Analysis of the RI DDQ response, alongside portfolio specific questions, determined the agenda for each of the meetings. These discussions also included LPPI's enhanced expectations around net zero engagement and reporting, helping to assess progress at both the firm and portfolio levels.

Our overall assessment

We are pleased with the progress our managers have made. All of them met our engagement and reporting requirements, and we now receive more valuable insights into their climate-related actions. We also appreciate their different approaches to ESG, which help us learn from the best practices and continuously improve our own methods.



Social engagement case study: HEICO Corporation (USA – Aerospace & Defence)

In line with its proxy voting guidelines, LPPI expects boards of companies in the Russell 3000 Index to have at least 30% female representation.

At HEICO Corporation's 2023 Annual General Meeting (AGM), LPPI abstained from voting on the re-election of the Chair of the Nomination Committee. This decision reflected the company's continued shortfall in meeting the 30% threshold.

However, LPPI acknowledged the efforts HEICO had made prior to the 2023 AGM to improve gender diversity at the board level. As a result, they chose not to vote against the Chair at that time. Looking ahead, LPPI plans to follow-up with the company to explain the rationale behind 2024-25 financial year's voting decision and encourage continued progress on board diversity.

What we did continued

We engaged directly with investments

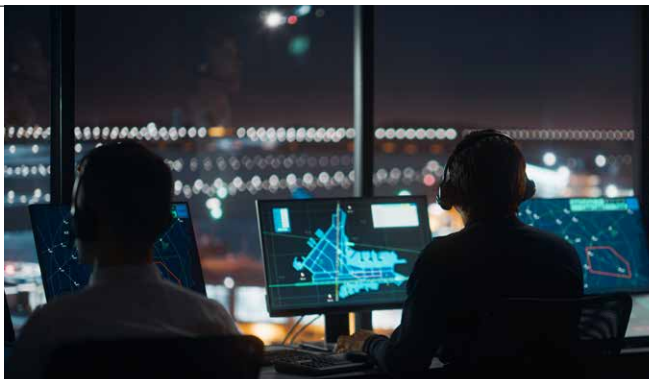
This year, LPPI has taken a proactive approach to engaging with companies where responses have been limited. They've encouraged these firms to improve their climate-related disclosures and have clearly outlined our escalation strategy. For companies that remain unresponsive or are not aligned with net zero objectives, they've indicated that we may vote against the reappointment of directors responsible for environmental matters at upcoming AGMs. They engage with our investments through a range of approaches.

LPFA engaging on net zero goals

Over the year, we joined the Net Zero Engagement Initiative (NZEI), coordinated by the. This initiative has strengthened our knowledge and experience by enabling us to collaborate with other investors in engaging companies within our equity portfolio. We took the lead on engagement with three companies, encouraging them to adopt transition plans toward a renewable energy economy. While two companies (an aircraft leasing firm and a critical mineral provider) have been relatively unresponsive, we made encouraging progress with a third, a company operating in the defence, security, and aerospace sector.

LPPI engaging with our investments

LPPI has engaged with companies on many ESG topics over the reporting period. Opposite are two case studies that highlight the depth and impact of their engagement efforts.



Cybersecurity case study: Air travel technology provider

Cybersecurity and data protection remain top priorities for both companies and governments. While all firms face cyber risks, the potential impact varies significantly depending on the nature of their operations.

One of our holdings, an air travel technology provider, controls and processes vast amounts of sensitive and confidential information as part of its core business. LPPI engaged with the company to gain a better understanding of the company's approach to cybersecurity and data protection risks, with the focus on the key areas of governance and oversight, policies and procedures and risk management/controls.

The engagement revealed the firm has built industry leading capabilities in this area and has successfully embedded cybersecurity into its corporate culture. LPPI has concluded this engagement for now but will continue to monitor the company's performance in this area.



Fair pay case study: Auto replacement parts and accessories

As long-term investors, we need to know that company leadership is aligned with shareholder interests. Management incentives are a key factor in ensuring this alignment and are a core part of our assessment of management quality.

We're currently focusing on companies that could improve their choice of performance metrics used to determine compensation. LPPI engaged with an auto-replacement parts and accessories retailer following concerns raised by ISS regarding the structure of long-term incentives. Specifically, the concern was that bonuses were based on tenure rather than performance.

The discussions showed that, in fact, there was good alignment between management and shareholder interests at the firm. It was encouraging to see that management was focused on driving high returns on capital, rather than growing the business at the expense of profitability. This engagement reinforced our confidence in the quality of the business and its leadership.

What we did continued

Robeco engaging on LPPI's behalf

Robeco is a global asset management firm with a strong focus on sustainable investing. Acting on behalf of clients including LPPI, it identifies and monitors a broad range of issues that could pose risks to their investments. These include but are not limited to:

- Biodiversity
- Climate and nature transition of financial institutions
- Diversity and inclusion
- Human rights
- Just transition in emerging markets
- Labour practices in a post-COVID world
- Modern slavery
- Tax transparency
- Fashion transition
- Global controversy engagement

Over the period, Robeco conducted more than 350 engagements with companies in the GEF and Fixed Income Fund (FIF). These interactions took various forms, including:

Engagement method	Year to date
In-person meetings	12
Conference calls	124
Written correspondence	130
Shareholder resolutions	3
In-depth analysis	79
Other methods	2
Total	350

Focus area: Environmental engagement

Robeco engages with companies to support stronger environmental practices, particularly in the areas where improvements can deliver meaningful impact. Its key focus is on enhancing corporate contributions to biodiversity, encouraging companies to integrate biodiversity considerations into their strategies and risk management processes. This includes targeted discussions on specific topics such as sustainable livestock waste management.

As part of this work, Robeco is actively taking part in the Finance Sector Deforestation Action (FSDA) initiative, a collaborative investor group of over 30 investors committed

Circular economy engagement case study: Natural resource management

Water use and waste management are critical issues for companies operating in water-intensive or water-scarce sectors. Robeco identified the chemicals (fertilizers and resource extraction), oil and gas (shale operations), and paper and pulp industries, particularly in regions like South Africa, as high-priority areas for engagement. This focus later expanded to include breweries and UK water utilities.

Robeco engaged with companies in these sectors to encourage improved practices around water usage and waste disposal. The aim was to promote more sustainable resource management, including exploring alternatives to sending waste to external landfills.

The engagement concluded in 2023. Of the companies approached, 50% responded positively and demonstrated progress, while the remaining 50% did not engage. Robeco closed this engagement stream but continues to monitor developments in this area.



to eliminating deforestation driven by agricultural commodities from investment and financing activities by 2025, in line with the financial sector commitment made during the UN Climate Change Conference in Glasgow (COP26).

Another priority area is natural resource management, where Robeco engages with companies for whom water and waste management are financially material. These engagements aim to improve how companies manage these resources, recognising both the risks and opportunities they present.

The following case studies show examples of Robeco's engagement on environmental issues.

Circular economy engagement case study: Biodiversity – Suzano

Biodiversity loss is a growing concern for investors, particularly in sectors with direct impacts on land use and ecosystems. Robeco is engaging with over 50 companies to promote stronger biodiversity practices, including forestry firms like Suzano.

Robeco encouraged Suzano to adopt clear no-deforestation and traceability targets, along with robust due diligence and disclosure processes. The engagement also focused on how the company integrates conservation into its plantation operations.

Suzano demonstrated strong practices by planting only on previously degraded land and conducting high conservation value assessments for each site. On average, 30–40% of each plantation is preserved.

The company is also working to connect half a million hectares of native forest and uses biodiversity indicators such as monkey populations to track forest connectivity. Robeco continues to engage with Suzano as a leading example in this space.



What we did continued

Collaborative engagement in action

Voting and engagement are not the only ways to make our voice heard. We also respond to consultations, take part in policy and conference discussions, participate in forums and networks and lend our support to activist and industry group campaigns. We work collaboratively with other investors in a wide range of ways. Here are some examples of our key collaborative engagement efforts.

Forum and network participation: IIGCC

We are members of the IIGCC, which is a European membership body that brings together investors to address climate change. Its mission is to support the investment community in achieving a net zero and climate-resilient future by 2030.

IIGCC provides guidance, frameworks, workshops and tools to help investors incorporate climate-related risks and opportunities into their investment processes. It focusses on areas such as decarbonisation, adaptation and resilience.



The Institutional Investors Group on Climate Change (IIGCC) is a European membership body that brings together investors to address climate change. Its mission is to support the investment community in achieving a net zero a climate-resilient future by 2030.

Activist campaign support:

ShareAction engagement with banks

We supported a ShareAction-led campaign targeting the five largest European banks still financing fossil fuel extraction projects through their lending activities. This effort led to a major policy shift by BNP Paribas, which committed to ending financing for new oil and gas fields. The campaign also saw a significant increase in investor engagement at bank AGMs, with investors asking critical questions about fossil fuel policies and indirect financing. Nearly half of the top 25 European banks have now committed to restricting financing for new oil and gas projects.

Activist campaign support:

The Workforce Disclosure Initiative (WDI)

As a signatory of the WDI, LPPI supports efforts to improve transparency around how companies manage their workforce. The WDI collects detailed information from participating companies each year, which is used to assess workforce-related risks across our portfolio and to inform investment decisions.



The Workforce Disclosure Initiative (WDI) is a global programme that improves corporate transparency and accountability on workforce issues by collecting and sharing standardised data on how companies manage workers across their operations and supply chains, helping investors and stakeholders promote decent work worldwide.

During the past year, the WDI made significant progress in promoting transparency and accountability in workforce reporting. Key highlights include:

Record engagement

The WDI approached a record 462 companies, actively engaging with 278 and receiving submissions from 144 companies worldwide.

Global participation

Companies from 25 countries participated, covering every sector and including more emerging markets.

Workforce coverage

The data submitted covered over eight million employees in direct operations and many more in supply chains.

Enhanced transparency

The initiative continued to improve data transparency, helping businesses benchmark performance and identify areas for improvement.

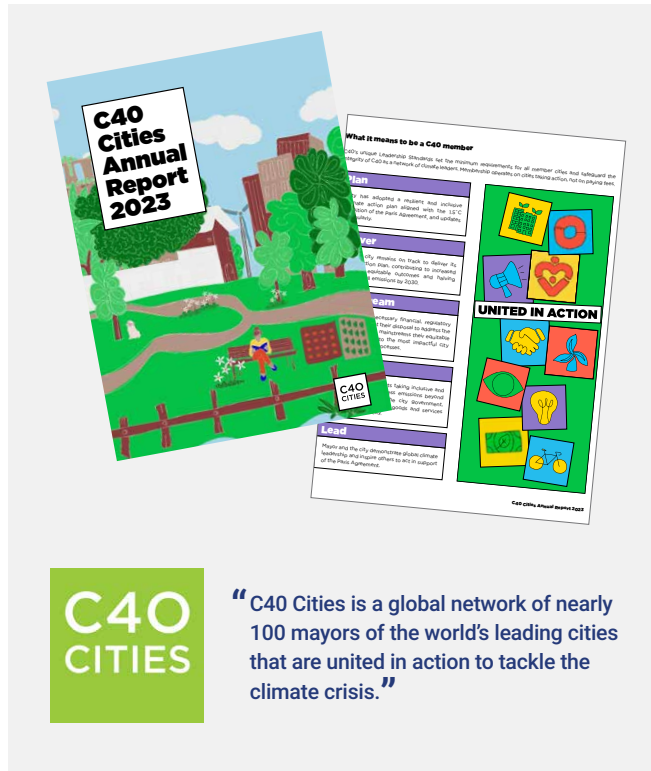
These efforts have strengthened the WDI's role in fostering sustainable business practices and promoting decent work and human rights in the workplace. You can learn more in the [2024 WDI Findings Report](#).

What we did continued

Forum and network participation: C40 Cities

C40 Cities is a global network of nearly 100 mayors of the world’s leading cities that are united in action to tackle the climate crisis.

We participate in a C40’s Clean Investment Accelerator (formerly known as Divesting from Fossil Fuels, Investing in a Sustainable Future, or ‘Divest/Invest’ Accelerator), an initiative which supports cities and municipal or other public sector employee pension funds to shift investments away from fossil fuels and towards a green, just economy wherever possible. You can read more in the [C40 Cities Annual Report 2023](#).



“C40 Cities is a global network of nearly 100 mayors of the world’s leading cities that are united in action to tackle the climate crisis.”

Pension funds and cities engaged with the C40 Clean Investment Accelerator have made significant progress. As at 2024, together we have achieved:

Increased divestment from fossil fuels:
Over \$84 billion
of municipal assets (cities’ investment cash, trusts, reserve funds) has screened out investment in extractive fossil fuels

Green investment growth:
\$43 billion
of pension fund capital across the network is invested in renewables and other green, job-creating climate solutions.

Job creation:
73%
of participating cities assess the employment potential of their climate investments, across climate action sectors, identifying opportunities for green job creation.

Global collaboration:
20
of the world’s largest cities including London, New York City, Paris, Rio de Janeiro and Cape Town actively participate in this initiative. Together with local and public sector pension funds they represent over \$500 billion in municipal and pension fund capital.

These efforts are part of a broader commitment to align investment with climate goals to promote a sustainable, fossil-free future. You can learn more in the [2023 Clean Investment Accelerator report](#).

What we did continued

Forum and network participation: CDP's Science Based Targets (SBT) campaign

In July 2023, we joined the CDP's 2023-24 SBT campaign, supporting efforts to accelerate corporate climate action. Through this initiative, CDP contacted over 2,100 high-impact companies on behalf of its Capital Markets signatories and Supply Chain members, urging them to commit to setting science-based emissions reduction targets aligned with the 1.5°C The Paris Agreement goal.

Key outcomes from the campaign include:

- **Stronger support:** The number of financial institutions supporting the campaign more than doubled since its launch in 2020
- **Sector-specific focus:** The campaign focused on high-emitting sectors such as power, maritime and aviation
- **Global reach:** Companies from various regions, including the US, China, and Japan were involved, with Japan leading in target setting

These efforts are part of a broader effort to limit global warming to 1.5°C by encouraging companies to adopt credible, science-based transition plans.

2,100+

High-impact companies contacted by CDP on behalf of its Capital Markets signatories and Supply Chain members.

Where we escalated stewardship activities

Over the period we updated our RI Policy and Climate Change Policy, both of which set clear expectations for how our external managers should handle stewardship activities.

Most importantly, our RI beliefs state that "Asset owners should act in the long-term financial interests of beneficiaries through active use of ownership powers."

We don't directly own shares in companies. Instead, through investments managed by LPPI, we indirectly own shares in listed companies worldwide (see our [equities dashboard](#) for more information), as well as various private assets. LPPI's GEF includes a mix of listed equity assets managed by LPPI's in-house team and through several external managers.

We believe that strong corporate governance and responsible business practices help protect the financial interests of our pension fund members. That's why we actively use our ownership rights, monitoring how companies are run and how they impact customers, employees, stakeholders, and society.

Ownership influence varies depending on the type of asset. LPPI acts on our behalf in many ways, including:

- Serving on company boards
- Participating in investor and advisory committees
- Collaborating with other investors

For listed equities, the most direct way to influence companies is through shareholder voting and engagement. In private markets, ownership influence may be exercised through managers and direct board representation.



In July 2023, we joined the CDP's 2023-24 SBT campaign, supporting efforts to accelerate corporate climate action.

Strengthening oversight and reporting

Over the past year, we worked closely with LPPI to improve how active ownership is reported and monitored:

1. We requested specific active ownership reporting about climate risk, which is now included in the LPPI's quarterly reporting to our IC.
2. Our updated policies helped LPPI align their reporting with our priorities, making it easier to track their stewardship efforts.
3. Through the expansion of our net zero activities and a project with The Good Economy to understand the impacts of our real assets in the UK, we have increased the scope of assets with which we are engaging through LPPI.

What we did continued

Escalation in action

When engagement with companies doesn't lead to progress, escalation may be necessary. One common method is voting against company management. LPPI reported several such instances where companies didn't meet responsible ownership standards.

During the 2023 AGM season (April–June), LPPI opposed:

15%

of all company proposals

8%

of director elections

22%

of pay-related resolutions

Examples of escalation

Some examples of how LPPI escalated their engagement with company management include:



Accountability case study: Comcast Corporation (USA: Cable and Satellite)

LPPI withheld support for the chair of the Governance Committee due to an unfair share structure. This was due to the presence of a multi-class share structure that is not subject to a reasonable time-based sunset provision. LPPI was among the 24.4% of shareholders who opposed company management on that resolution.



Fair pay case study: Netflix (USA: Movies and Entertainment)

LPPI opposed the executive pay proposal despite some improvement since the 2022 AGM, citing weak performance criteria and lack of a clawback policy. 71.3% of shareholders voted against it.



Accountability case study: Groupe Bruxelles Lambert (Belgium: Multi-Sector Holdings)

LPPI voted against three non-independent directors, citing board independence level was less than 50% (votes against ranged from 12.4% to 16.3%).



Fair pay case study: Unilever UK: Personal Care Products)

LPPI voted against the new CEO's pay package, which was significantly higher than peers without sufficient justification. 58% of shareholders opposed it.

What we did continued

Supporting shareholder proposals

LPPI also backed shareholder resolutions when they aligned with our values:



DEI case study: Preventing harassment and discrimination at Wells Fargo (USA: Diversified Banks)

LPPI supported a shareholder resolution calling for the bank to publish an annual report assessing the effectiveness of its efforts to prevent harassment and discrimination.

This followed several controversies related to the company's hiring practices. The resolution received majority support, passing with 52.3% of the vote.



Accountability case study: Promoting corporate tax transparency at Amazon (USA: Broadline Retail) and Brookfield Corporation (Canada: Asset Management and Custody Banks)

LPPI supported shareholder resolutions seeking improved reporting on corporate tax transparency. Specifically, they requested alignment with the Global Reporting Initiative's (GRI's) Tax Standard on country-by-country reporting. The resolutions received 17.6% and 26.9% shareholder support, respectively.

Climate-related escalation

LPPI also used its voting rights strategically to escalate concerns around climate change.



Climate case study: Disclosure of oversight and management of climate risks at Berkshire Hathaway (USA – Multi-Sector Holdings)

One notable example involved Berkshire Hathaway (USA – Multi-Sector Holdings), where LPPI's actions were informed by guidance from the CA 100+ initiative and its external engagement partner, Robeco.

LPPI supported two climate-focused shareholder proposals:

The first, co-filed by Robeco, called for the company to disclose how its Board oversees climate-related risks.

The second requested more detailed reporting on how the company manages both physical and transition climate risks

These proposals received 18.3% and 27.1% shareholder support, respectively.

In addition, LPPI voted against the Chair of the Audit Committee, consistent with its Shareholder Voting Guidelines and in alignment with CA 100+ recommendations. However, unlike CA100+ R, LPPI chose not to vote against all Audit Committee members, reserving that step for potential future escalation. The vote against the Chair received 13.8% support.



What we did continued

How we have voted

We believe that exercising our voting rights as shareholders is a critical component of responsible investment. We delegate our voting decisions for the GEF to LPPI, who diligently manage this process on our behalf.

Over the period 2023-24, LPPI demonstrated a high level of engagement in shareholder meetings:

- **Total meetings across GEF: 387**
- **Meetings voted by LPPI: 376** (97% of all meetings)
- **Total resolutions voted on: 4,440**

Below is a quarterly breakdown of their voting activity:

Period	Meetings	Voted (%)	Resolutions voted
1 April - 30 June 2023	243	236 (97%)	3205
1 July - 30 September 2023	57	54 (95%)	476
1 October - 31 December 2023	40	39 (98%)	319
1 January - 31 March 2024	47	47 (100%)	440

LPPI did not vote in 11 meetings due to these specific circumstances:

- Three meetings at Russia-linked holdings where Do Not Vote was cast as the position was not liquidated prior to trading restrictions.
- Two meetings were markets where share blocking (prevention from being able to trade the shares) in order to register shares for voting makes the risk of voting too great.
- Four meetings were not voted due to delays in Power of Attorney (PoA) documentation at the sub-custodian level. While LPPI raised this with the Custodian in advance of voting season, they were not in place in advance of company meetings. We understand that LPPI raised concerns around implementation speed at their next service review.
- LPPI missed one vote due to an expired PoA which has since been rectified.
- LPPI applied “Do Not Vote” instruction for one company at management’s recommendation, as a dissident shareholder campaign was suspended following third-party takeover interest.

Rationale for voting decisions

LPPI’s voting decisions are guided by their comprehensive shareholder voting guidelines. While a detailed rationale for every vote would be far too much material to include in this report, we can highlight common reasons for voting against management recommendations:

- **Election of directors** – votes against directors addressing issues such as:
 - Lack of independent challenge or concentration of power within the board
 - Overall board or key committee independence
 - “Over-boarding” (directors holding too many positions)
 - Company-specific issues, including diversity
- **Compensation** – votes against compensation proposals typically stem from:
 - Inadequate disclosure of performance criteria
 - Concerns about the use of discretion in compensation decisions
 - Misalignment between executive pay and company performance
 - The overall quantum of proposed rewards

What we did continued

Monitoring and execution of voting decisions

All shareholder voting decisions on all assets in the GEF are taken by LPPI. LPPI utilises the services of Institutional Shareholder Services (ISS), a specialist voting research provider. ISS also provides a platform to communicate voting instructions directly to each shareholder meeting via Broadridge, LPPI's custodian's voting system provider. ISS monitors the shares and voting rights associated with LPPI's GEF holdings and provides timely notifications of upcoming shareholder meetings.

Full details of all shareholder voting by LPPI are publicly available on the [LPPI website](#).

Focus on climate risk management voting

We place significant emphasis on how LPPI uses its voting rights to promote effective climate risk management. LPPI maintains a climate voting watchlist, which included 43 meetings during the year. Voting decisions in these cases are typically informed by performance in alignment with initiatives like CA 100+ and the Net Zero Investment Framework. For example, LPPI voted against the re-election of the Director responsible for environmental health at HEICO Corporation's (USA: Aerospace and Defence) AGM. This decision was made because the company operates in a high-impact sector (as defined by the Net Zero Investment Framework) but had not committed to decarbonisation or set tangible carbon reduction targets.



Climate escalation case study: Engie (France: Multi-Utilities)

LPPI supported a shareholder resolution to amend company bylaws for enhanced disclosure on climate-related risks. Despite some reservations about the mechanism, the non-binding nature and the French state's ownership (approximately 24%) made it comfortable to support the resolution's intent. Result: 24.4% votes in favour.

We also specifically requested reporting on votes related to CA 100+ alerts. Above are a few notable examples:

Companies typically avoided votes against management when they demonstrated improved disclosure or showed clear evidence of meaningful progress ahead of reporting, often verified through engagement discussions.



Climate escalation case study: CRH (Ireland: Construction)

LPPI aligned with a campaign led by Sarasin & Partners which sought enhanced disclosure on how critical accounting assumptions align with the company's climate targets. LPPI voted against the Auditor and Financial Statements, while abstaining on the vote for the Chair of the Audit Committee. Result: 0.7% – 3.2% votes against.

Future improvements to climate risk voting monitoring

Over the period of the last financial year 2023-24, we began developing plans to systematically monitor LPPI's climate risk related share voting. This initiative will enhance our understanding of how LPPI utilises voting rights as an escalation tool and allow us to better evidence alignment between our climate risk management expectations and LPPI's use of ownership rights on our behalf. This will also enable us to improve our own active ownership reporting in future.

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More about the LPFA

Our purpose

The LPFA was established on 31 October 1989 under 'The Local Government Reorganisation (Pensions etc.) Order 1989' [SI No. 1815]. This Order grants us powers and duties similar to those of local government authorities for fund administration. We are an £8 billion LGPS Fund with nearly 100,000 members and 115 contributing employers³. We are the largest LGPS Fund in London.

Our primary purpose is to pay members their pensions when they fall due. We collaborate with stakeholders to ensure the effective management of pension fund investments, thereby providing financial security for our members.

In 2016, we established the Local Pensions Partnership (LPP) pool with Lancashire County Council (LCC). LPP includes LPPI, a Financial Conduct Authority-regulated asset manager, and LPPA, an administrator.

Our assets are fully pooled with LPPI and while we set the Fund's Strategic Asset Allocation, day-to-day investment decisions are outsourced to LPPI, allowing for swift and agile decision-making.

Our culture

We are dedicated to maintaining an accountable and professional working culture that prioritises the interests of our members and employers. Our commitments include:

- Performing at our best
- Delivering results
- Caring for our people
- Seeking collaboration
- Acting with integrity

We adhere to the seven core principles of good governance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and Solace, ensuring compliance as an LGPS Fund and as a shareholder of LPP. Our Governance and Compliance Statement, along with our Annual Governance Statement, detail how we have upheld the principles:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and individuals within.
- Managing risk and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

We uphold responsible investment practices, aiming for long-term sustainable returns for our members. This involves integrating environmental, social, and governance (ESG) considerations into our investment decisions and addressing climate change.

£8bn in assets
100,000 members
115 contributing employers

³ London Pensions Fund Authority. (2024) *Annual Report 2023-24*. London: London Pensions Fund Authority. Available at: <https://www.lpfa.org.uk/library/our-performance/annual-reports>

More about the LPFA continued

Investing responsibly is, above all, about managing the risks and opportunities facing our Fund. This is highlighted in our Board's vision provided below.

Our vision

Our RI Policy sets out our vision statement:

"As a pension fund, we are stewards of our members' financial future, ensuring robust pension provision. Furthermore, how our members' funds are invested also impacts the future of our economy, our environment and our society.

We take this broader responsibility seriously, so we regularly look at the major environmental and social issues facing the world and work to ensure we are positively influencing them.

Our ongoing major focus is on the climate emergency and how we can invest member funds to mitigate the financial risk from climate change, influencing the broader economy via our engagement opportunities and clearly communicating both our approach and our progress".

Our investment strategy and beliefs

The Fund aims to accumulate sufficient assets to meet pension liabilities over the long term. To achieve this goal, the board focuses on:

- Maximising net returns while managing risk and maintaining adequate liquidity.
- Ensuring sustainable funding levels.
- Keeping employer contribution rates stable.

Metrics are utilised to assess these objectives. Additionally, the Fund leverages its significant investor status to promote responsible long-term practices.

Our investment strategy is grounded in the belief that well-governed companies with sustainable practices yield better long-term returns. We integrate ESG factors to identify risks and opportunities beyond traditional financial analysis. We also believe in active ownership to positively influence corporate behaviour and enhance shareholder value.

By adhering to these principles, we aim to optimise net returns, maintain liquidity, and ensure sustainable future funding levels. Key elements include robust governance, effective oversight, and ESG integration. Our commitment to transparency, accountability, and responsible investing guarantees effective service to our employers and members.

In order to prudently diversify sources of risk and return, the Fund allocates capital across a wide variety of different asset classes. To be added to the portfolio, asset classes are first judged for suitability; they have to be well understood by the board, consistent with the Fund's risk and return objectives; and they have to make a significant contribution to the portfolio by improving overall net return and risk characteristics. In addition, the new asset classes have to be less than perfectly correlated with equities and bonds, so that the portfolio benefits from increased diversification.

The Fund is invested across six asset classes: credit; fixed income; infrastructure; private equity; public equities; and real estate.

Investment decision-making is outsourced to LPPI.

The GLIL Infrastructure fund is a collaborative investment platform formed by UK local government pension funds (including the LPFA) to invest in core infrastructure assets across the UK, aiming to deliver long-term, inflation-linked returns while supporting economic growth, job creation, and sustainable development.



More about the LPFA continued

How we're run

Our Board operates under a corporate governance framework which includes the operation of committees that assist the Board in carrying out its functions effectively.

The IC was established in January 2022 to monitor the operation of the investment and funding arrangements of the LPFA. It is tasked with overseeing the Fund's investment strategy, ensuring that investments are managed sensibly and in line with the Board's objectives. It is composed of board members, all with voting rights, and is also attended by senior investment representatives from LPPI. It meets four times a year with additional meetings devoted to deep dives on specific issues. The Committee monitors the performance of our investment managers, LPPI, recommends changes to our strategic asset allocation and ensures compliance with investment policies, including our RI and Climate Change policies. It has delegated authority to monitor the operation of our investment arrangements, which includes stewardship activities and to make recommendations to our main Board.

Resourcing

Resourcing of stewardship activities generally involves the LPFA's internal resources for monitoring and oversight, as well as LPPI's resources for implementation.

Board

Our board members are appointed through a selection process that balances skills and experience, enabling the Board and IC to effectively perform their oversight role. This includes ensuring Committee members have expertise in responsible investment and stewardship.

Currently, our IC includes individuals with specific experience and expertise in responsible investment and ESG.

Additionally, new board members are provided with an induction plan that assesses their individual skills and competencies to ensure that the induction training is relevant and useful.

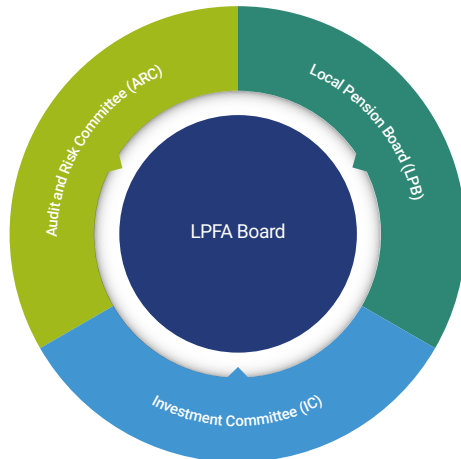
Staff

Our IC is supported by the principal and statutory officers, led by the Funding and Investment Director, as well as a dedicated full-time Responsible Investment Manager who has worked in the RI industry for over 20 years and holds the CFA Certificate in ESG Investing.

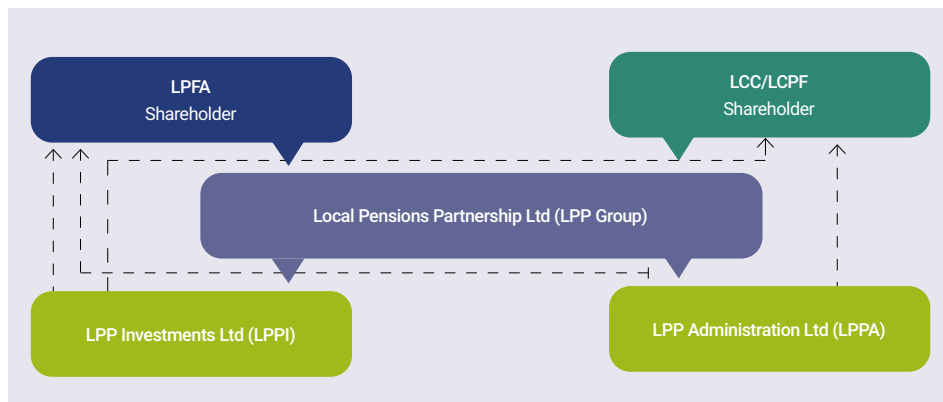
LPPI

LPPI's RI team comprises seven professionals. Its members participate in investment decision making meetings. The team also provides the ESG tools and frameworks that form an integral part of LPPI's investment processes.

Our Governance Structure



LPP's Shareholder and Corporate Structure



More about the LPFA continued

Performance management

LPFA's corporate objectives include commitments on RI. Responsibility for delivery on all our objectives is cascaded through the organisation. It is reflected in the annual performance management review process which forms a part of the same routine personnel performance review process for every employee with RI responsibilities, including the CEO, the Funding and Investment Director and the RI Manager. It is reflected in the annual performance management review process which forms a part of the same routine personnel performance review process for every employee with RI responsibilities, including the CEO, the Funding and Investment Director and the RI Manager. Annual performance reviews also feed into the annual bonus allocation process, ensuring that officers with professional responsibility for delivery on RI objectives also have at least a part of their performance bonus related to realising the performance targets set.

Our purpose and investment beliefs have contributed to a number of outcomes during the year.

Firstly, our belief in the materiality of ESG considerations sits behind our commitment to review and revise our RI and Climate Change policies, which we achieved during the year. It is also evident in the on-going work we have realised to expand the scope of our net zero target-setting programme into new asset classes, as well as the positive progress we have made towards the targets we had already set.

Our commitment to transparency and oversight drives us to ensure we report openly to our stakeholders, which we enhanced during the year with the introduction of our Net Zero Hub and the publication of our net zero report containing progress against the net zero investment goals we have set ourselves. We have also enhanced our transparency and oversight activity by committing to monitoring the use of voting rights by our manager in the listed equity portfolio, as a part of evidencing alignment between our RI Policy and the stewardship of our assets by our manager.

Acting in the best interests of our members is a central focus for us, and in the context of RI and stewardship we demonstrate this by being able to show the alignment between our RI priorities and activities, and the views of our members as expressed through the responses to the RI segment of our regular member surveys.

Managing conflicts of interest

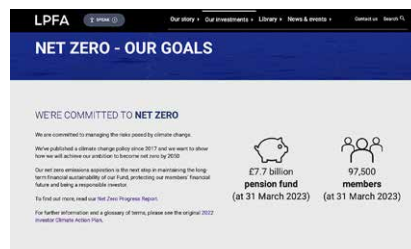
We have a process in place to handle conflicts that may emerge from our interactions with companies in our portfolio. Therefore, we openly share our Conflicts of Interest Policy. The purpose of this policy is to ensure that the best interests of employers and members are prioritised. The policy is designed to manage conflicts of interest effectively within the organisation. The details of this policy, including its objectives and implementation, can be found in Annex 3 of our [Constitutional Document](#).

The Conflicts of Interest Policy is integral to our stewardship and RI practices. By prioritising the best interests of employers and members, the policy ensures that all decisions related to stewardship and RI are made without bias or influence from conflicting interests. This includes the evaluation and selection of investments, engagement with portfolio companies, and exercising voting rights. Ensuring transparency and accountability in these processes helps build trust and reinforces LPFA's commitment to ethical and responsible investment practices.

Our Conflicts of Interest Policy applies to all Board members, all Principal Officers of the LPFA and any other person performing a role within LPFA (whether as a committee member or employee) who has a significant role in managing, monitoring or selecting the LPFA's investments, which includes all personnel involved in working towards LPFA's corporate RI objectives. Individuals to whom the Conflicts of Interest Policy applies are subject to mandatory initial training in relation to it, and then at every three years thereafter.

All Board and therefore IC members provide an annual declaration of conflicts of interest, which are available to view on the Board member biographies on our [website](#). This includes the requirement to notify the Monitoring Officer or the CEO in the event of any doubt or material change of interests.

For example, the Chair of our IC is employed by Robeco, which is also a provider of outsourced engagement services to our investment manager, LPPI. At the routine "Declaration of Interests" section of each IC, our Chair confirms that he will recuse himself from any decision-making and related committee discussions which are to do with Robeco.



“We enhanced our transparency to our stakeholders during the year with the introduction of our Net Zero Hub.”



Glossary

Term	Definition
Active ownership	This means using our rights and responsibilities as investors to influence the companies we invest in. It includes activities like voting at shareholder meetings and engaging with company leaders to encourage better practices. At the LPFA, we believe that active ownership helps protect the long-term value of our investments and supports positive change in the economy, environment and society.
Asset	An asset is a resource that an individual, corporation, or country owns or controls with the expectation that it will provide a future economic benefit.
Asset managers	Asset managers are financial professionals who manage money, securities and other forms of asset on behalf of an asset owner. Asset owners can outsource asset management to an asset manager.
Asset owners	Asset owners are the institutions or people who own the actual assets, such as pension plans, insurance companies, official institutions, banks, foundations, endowments, family offices and individual investors.
Beneficiary	A beneficiary is another word for a member of a pension fund. They are sometimes called beneficiaries because they are recipients of pension benefits from the fund, that is, their pension payments.
Biodiversity and ecosystems	Biodiversity, also called biological diversity, is the variety of life found in a place on Earth or, often, the total variety of life on Earth. An ecosystem is a group of living things, their environment, and how they interact in a specific area. It includes non-living things like minerals, climate, soil, water, and sunlight, as well as living things like plants, animals, fungi and microorganisms. All parts work together through the flow of energy and the cycling of nutrients. Ecosystems can be very small or very large. Each species has a role and depends on others to survive, showing how everything is connected.
CDP	CDP is a global non-profit that runs the world's only independent environmental disclosure system for companies, capital markets, cities, states and regions to manage their environmental impacts.
Company bylaws	Company bylaws are the rules that govern how a company is run and one of the first items to be established by the board of directors at the time a company is started.
ESG	ESG refers to the environmental, social, and governance criteria for evaluating corporate behaviour and screening potential investments.
Fiduciary manager	A fiduciary manager is a professional investment firm appointed to manage a pension fund's assets on its behalf. They make day-to-day investment decisions, monitor risks and opportunities, and ensure that the fund's strategy is delivered effectively. At the LPFA, we work with Local Pensions Partnership Investments (LPPI) as our fiduciary manager. They help us meet our long-term goals while acting in the best interests of our members.

Term	Definition
Green and brown investments	Green activities are those directly contributing to real world decarbonisation, mainly through renewable energy generation, but include other activities supporting lower emissions including district heating and waste management. Brown investments are investments in energy and power generation based on fossil fuel activities.
Institutional investor	An institutional investor refers to an entity, such as a mutual fund, pension fund, or insurance company that manages and invests large amounts of money on behalf of clients or beneficiaries.
Listed equities	These are shares of companies that are traded on public stock exchanges. When a company is "listed," it means its shares are available for anyone to buy or sell through a regulated market. Listed equities are a common way for investors, including pension funds like the LPFA, to invest in businesses and benefit from their growth over time.
Market indices	A market index is a list of investments that represents a segment of the financial market.
Natural capital	Natural capital refers to the inventory of natural resources, such as water, oil, and minerals, that a company holds and must account for in its financial statements. For professional investors, natural capital is a term for the natural resources of the planet that our economic activity relies upon, such as water, minerals, soil, metals, animals and plant life. Natural capital is the product of the world's ecosystems.
Proxy voting	The term proxy vote refers to a ballot cast by a single person or firm on behalf of a corporation's shareholder who may not be able to attend a shareholder meeting, or who may not choose to vote on a particular issue.
Stewardship	The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
Side letters	Side letters are additional agreements made between an investor and an investment manager that sit alongside the main investment contract. They are used to clarify or customise certain terms, such as reporting requirements, fees or responsible investment expectations, without changing the main agreement.

For further information, please contact communications@lpfa.org.uk