

## LGPS Central Joint Committee

**Date:** Monday 7 October 2024  
**Venue:** Council Chamber, County Hall, Leicestershire County Council, Glenfield, Leicester LE3 8RA  
**Time:** 11:00-13:00

## SUPPLEMENTARY REPORT

5.	<b>Public Question Time / Open Session</b> <ul style="list-style-type: none"><li>A period of up to 15 minutes will be set aside for the taking of questions and answers.</li></ul> <p><i>Note: this updated report contains the questions and the corresponding responses which were read out during the Joint Committee.</i></p>	3 - 6
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**For further information or advice, please contact:**

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## Item 5: Public questions

The following public questions and responses were dealt with in the meeting:

Responsible Investment
<p>Question 1: received 27 August 2024 from Mr P Hollett</p> <p><b>Is it possible to avoid investing in armaments and fossil fuels, as both have deleterious effects, and still get reasonable yields?</b></p> <p>LGPS Central Limited (“LGPSC”) takes an approach to Responsible Investing (RI) which relies on the integration of material environmental, social and governance (ESG) factors into investment decision making and on engagement with companies to encourage better standards of corporate behaviour. LGPSC does not make investment decisions based on moral or ethical considerations. LGPSC expects the companies in which we invest to abide by internal law and global norms.</p> <p>LGPSC does not consider sector level exclusions to be the most effective way for investors to achieve attractive risk-adjusted returns over long-term investment horizons. Nor do LGPSC consider it to be the most effective way for responsible long-term investors to influence corporate behaviour, investment markets and critical ESG issues such as the climate transition.</p>
Responsible Investment
<p>Question 2: received 28 August 2024 from Ms C Molloy</p> <p><b>What action is being taken to divest pension funds from all fossil and bio fuel industries to ensure we meet the net zero targets? I’m extremely concerned that my pension stability relies on fossil fuel investment and profits because I do not want to benefit from trashing my grandchildren’s future.</b></p> <p>LGPS Central Limited’s (“LGPSC”) strategy is predicated on active ownership rather than divestment. Remaining invested in the fossil fuel sector allows investors to engage, using their influence as shareholders to advocate for stronger climate action. Divestment may change the carbon footprint of an investment portfolio, but it does not reduce real world emissions, which is essential for the achievement of Net Zero. However, it is likely to bring about the transfer of shares to investment institutions less concerned about climate change and less inclined to engage with corporate leaders on this critical issue.</p> <p>A complicated and multifaceted global transition affecting both the demand and supply of fossil fuels will require responsible long-term corporate ownership. LGPSC supports an orderly and just transition to a decarbonised economy, focusing on ensuring that fossil fuels are produced as responsibly as possible, whilst supporting investment in the transition and the development of over-arching climate policy through engagement with companies on responsible lobbying practices and advocating for positive climate policy with governments and regulators.</p>

LGPSC engages with companies such as Shell, BP, and Glencore, who are critical to the transition and the achievement of Net Zero ambitions. LGPSC ensures that engagement asks are realistic and aligned with long-term value creation. LGPSC utilises our escalation framework to escalate concerns when an engagement is not progressing in line with expectations. This includes voting against management recommendations on resolutions at AGMs where our expectations are not met; raising a topic directly with a company at their AGM; and filing a shareholder resolution.

LGPSC expressed concerns in the press about BP's revised climate targets. LGPSC wrote to Shell outlining the rationale for voting against their 2024 Energy Transition Strategy and have arranged to meet the Chair to discuss the Strategy in further detail. LGPSC withdrew a shareholder resolution at Barclays following positive engagement with the company resulting in a commitment to stop financing new oil and gas fields and restrict lending more broadly to energy companies expanding fossil fuel production. LGPSC will meet with the CEO of Barclays in October to gain reassurance that the company is following through on its commitments.

The LGPS is a statutory public service pension scheme, so the scheme's benefits and terms are set out in regulations passed through parliament. The LGPS is a defined benefit pension scheme which means the pension members get is based on how long they have been a member of the scheme and how much they earn, and will not be directly affected by stock market changes or performance of investments.

## Responsible Investment

Question 3: received 4 September 2024 from Mr D Plunkett

The webpage [ACS Sub Fund Investments | News \(lgpscentral.co.uk\)](https://lgpscentral.co.uk/ACS-Sub-Fund-Investments-News) lists all funds that LGPS Central manage for March 2024. Full details of investments on pages 2-34 show that the LGPS Central Climate Fund continues investments in fossil fuel companies of nearly £100 million (including BHP, Rio Tinto, Petroleo Brasileiro, Petronet, Tokyo Gas, Qatar Fuel, Repsol, Iberdrola, Shell, Exxon Mobil, Chevron, Conocophillips, and others).

**Have any of the eight council funds that own LGPS Central questioned these investments, or declined to invest in the Climate Fund because it contains contradictory fossil fuel holdings.**

LGPS Central Limited engages with its investors on the climate metrics of each fund. These are considered as part of the initial investment decision and as part of ongoing due diligence. Each Fund will consider and authorise investment decisions in line with their own stated investment beliefs. Climate metrics are then subject to ongoing reporting throughout the life of each fund.

## Responsible Investment

Question 4: received 8 September 2024 from Mr D Challen

LGPS Central invests in a number of tobacco companies such as BAT, Imperial and Japan Tobacco. Deaths, cancer and illness caused by tobacco have a major impact on the NHS, and there are additional concerns that companies are targeting vaping as an increasing alternative attraction to young people. For over 50 years smoking and tobacco have been identified as one of the most preventable causes of damage to the lives and families of the population not only in the UK but globally.

### **How do LGPS Central reconcile these investments with the ESG and Responsible Investment statements?**

LGPS Central Limited ("LGPSC") pursues a strategy of incorporating ESG factors into investment decisions as we believe this strategy is best aligned with our fiduciary responsibilities; it requires a holistic and long-term approach to investment management.

LGPSC expects the companies in which we invest to abide by international law and global norms. However, LGPSC does not make investment decisions driven by moral or ethical considerations.

LGPSC considers that an investment strategy based on exclusions or divestment is not the most effective way to achieve attractive risk-adjusted returns for our Partner Funds.



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