

A young woman with long, dark, wavy hair is looking upwards with a slight smile. She is wearing a white t-shirt under a dark green jacket. The background is a blurred tree with yellow and orange autumn leaves, suggesting an outdoor setting. The lighting is soft, highlighting her face.

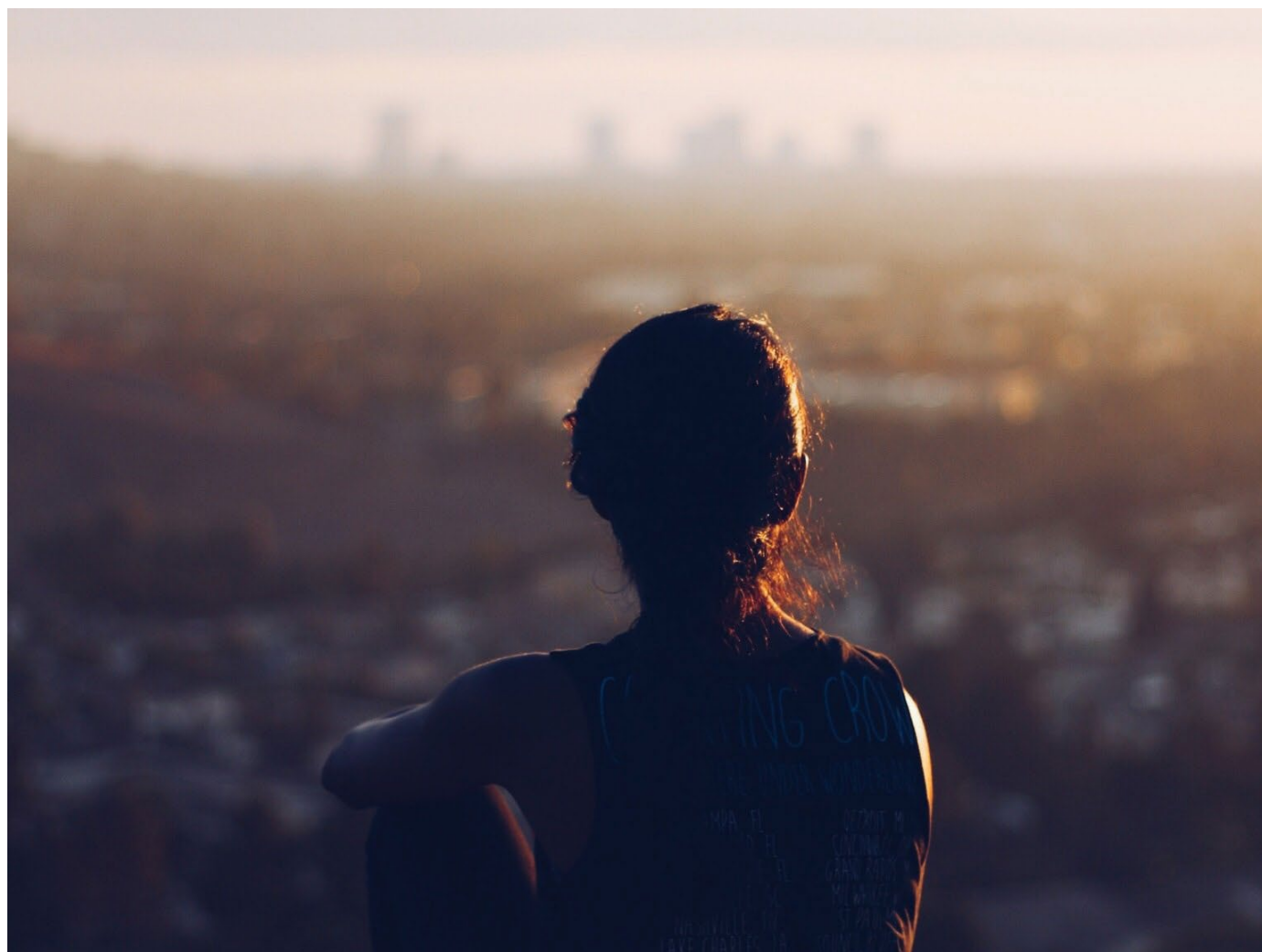
LPP

Local Pensions Partnership
Investments

Responsible Investment Policy
Annex on Human Rights

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1. Introduction

1.1 Definitions

| Abbreviation (A-Z) | Definition |
|--------------------|--|
| UNGPs | United Nations Guiding Principles on Business and Human Rights |
| OECD | Organisation for Economic Co-operation and Development |
| LPPI | Local Pensions Partnership Investments Ltd |
| the Policy | LPPI Responsible Investment Policy – Annex on Human Rights |
| ESG | Environmental, Social, and Governance |

1.2 Purpose

This annex to our Responsible Investment Policy outlines LPPI's recognition of international standards on human rights and the processes through which oversight occurs in investment research and portfolio monitoring across LPPI's assets.



2. Policy standards and criteria

2.1 Introduction

This annex to the LPPI Responsible Investment Policy explains our approach to human rights within our investment activities, outlining how we manage our exposure to salient *human rights risks*¹ in accordance with internationally applicable standards of practice.

Our approach to human rights within our corporate operations and supply chain is captured through LPPI's internal People and Culture policies, alongside the LPP group level Modern Slavery Statement, prepared in compliance with our responsibilities under the UK Modern Slavery Act. This annex focusses on the risks arising from our direct investments or mandates delegated to third-party investment managers - where we believe that we are most likely to be connected to adverse human rights outcomes.

2.2 LPPI human rights management process

The responsibility of institutional investors to respect human rights is defined in the UN Guiding Principles on Business and Human Rights (UNGPs) and reflected in the OECD's Guidelines for Multinational Enterprises.

As a provider of investment management services to UK pension funds, our approach is driven by the circumstances of our clients and their specific needs. The resulting investment style means our portfolio typically has a low direct exposure to markets considered high risk from a human rights perspective, such as those identified as conflict-affected areas. Nonetheless, given our large and diversified portfolio across markets and sectors, and the complex global supply chains of investee companies, LPPI will be exposed to human rights risks.

We conduct human rights due diligence as part of pre-investment research and post-investment monitoring of the portfolio. We use a risk-based

approach considering sector and geography to identify human rights risks and to understand how the external investment manager or investee company is managing and mitigating the exposure. Institutional investor uptake of the UNGPs has so far been limited. This means we do not believe a red lines approach to fund manager practice is appropriate at this point in time. However, as part of our wider responsible investment due diligence framework, we consider our level of conviction in the prospective investment's (or manager's) ability to manage risk, which feeds into our overall decision to proceed with the investment. We will highlight concerns and may seek improvement in standards in a set timeframe where we consider current practices merit improvement.

LPPI conducts ongoing portfolio monitoring through systematic and reactive avenues. Systematic portfolio monitoring prioritises the identification of investments with material exposure to high risk areas to understand LPPI's exposure to potential human rights impact and the action external managers or company management are taking to mitigate risk. We monitor news flow relating to our investments and request reporting from external managers in relation to material ESG incidents from underlying investments. Further monitoring for the most severe incidents in listed securities across equities and fixed income also takes place via our engagement services provider. Data quality in private markets asset classes is lower – improvement here is an area of focus for LPPI.

If adverse human rights impacts are reported or detected, a decision on where to place priority focus will reflect a matrix of considerations including the scale, scope, and irredeemable character of the impact. LPPI's leverage with respect to the investment manager or investee company will also be considered, to identify the greatest opportunity to investigate the incidents and enable access to remedy either through dialogue with an investment manager or directly with an investee company. Prioritisation is necessary due to the size, complexity, and globally diversified nature of our portfolio.

¹ Words and phrases in italics have specific definitions under the UNGPs. These can be found under 'Key Concepts' in the UN's Interpretative Guide.

2.3 LPPI's leverage

The UNGPs recognise that the appropriate response to an identified adverse human rights impact will depend on a number of factors. An investor's leverage is key. As a significant portion of LPPI's portfolio is held via external managers, our relationships and discussions with them are the most significant route we have to increasing our leverage in order to influence human rights outcomes.

LPPI will also seek to increase leverage through collaboration with like-minded institutional investors and other stakeholder groups. For example, as documented in our Shareholder Voting Guidelines, we are minded to support shareholder resolutions relating to human rights due diligence and practices. We are active in collaborative engagement, for example, as an investor signatory to the Workforce Disclosure Initiative (which seeks to generate novel data on topics including human rights from the largest public companies across a range of markets) and are an Endorser of the PRI Advance.

Finally, through our engagement services provider, we benefit from specialist human rights knowledge in research and the execution of engagement activities. Through our provider's annual client forum we can raise specific priorities. This has contributed to new three-year engagement themes centred on human rights being added to our provider's stewardship programme.

2.4 Divestment stance

LPPI will ultimately consider divestment on a case-by-case basis. It may be appropriate where long-term engagement has not led to the desired change in human rights risk management and we see little scope for future progress. Before taking this avenue, LPPI will consider whether ending the relationship with the investee company or third-party manager would potentially have an *adverse human rights impact*.

2.5 LPPI human rights governance

The LPPI Stewardship Committee, chaired by the Chief Investment Officer, has oversight of our responsible investment policies. The Stewardship Committee will review this annex to the Responsible Investment Policy on an annual basis and ensure it is updated to reflect further developments in our approach and process as our experience and knowledge in this area evolves.



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Company registration no: 09835244
Incorporated in England and Wales and trading as LPPI

Authorised and regulated by the Financial Conduct Authority
Reference number: 724653

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