

# **+LCP's Stewardship Report 2025**













Highlights of our stewardship and  
responsible investment activities

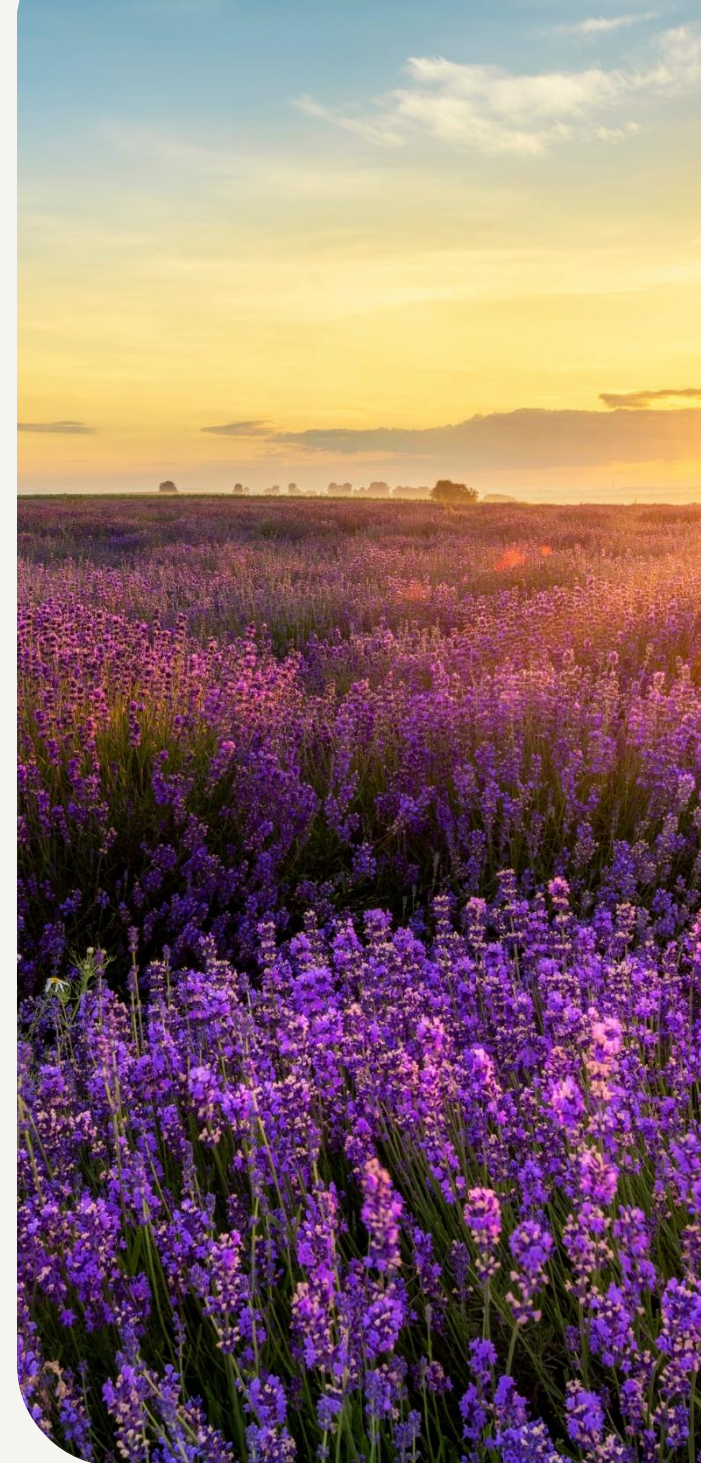
October 2025



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# FOREWORD



*Zuhair  
Mohammed*  
Head of  
Investment

Welcome to our UK Stewardship Code report for the year to 31 March 2025. In it we outline the key activities we have taken to support “the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, environment and society”.

Responsible Investment (RI) continues to be an important focus for LCP, is a growing part of our business and aligns with LCP’s business purpose - “LCP exists to help shape a more positive future for our clients, our people and wider society”.

Consideration of environmental, social and governance (ESG) factors, particularly climate change and net zero alignment, is therefore integrated into our investment consulting services and the research that underpins them.

I am delighted to share this update on our work in this important area.

The report has been prepared by people from our responsible investment team, with input from other colleagues on specific areas. To ensure the report reflects a range of perspectives and remains fair, balanced, and clear, we have sought input from individuals from across the firm, including members of our investment department, our Defined Contribution (DC) and Financial Wellbeing department, our Investment Professional Committee (ProfCo) and Conflicts and Ethics Committee and our Head of Corporate Social Responsibility (CSR). It has been reviewed and approved by our Executive Committee (ExCo) and Board.

# SECTION 1: INTRODUCTION

We have continued to build on momentum following [our CEO's 'lightbulb moment'](#), as reported last year, which highlighted the important role that LCP and our clients have in helping to avoid higher warming scenarios which would be hugely damaging for the financial system on which our clients (and wider society) depend. We have further embedded our focus on stewardship work – particularly focussing on systemic risks, policy advocacy and using our influence with investment managers.

**Responsible Investment (RI)** is the process by which ESG issues are incorporated into investment decision-making and into the oversight of investments through stewardship activities. RI is an important part of the services that we provide, and we continue to evolve our approach to meet the developing needs of our clients.

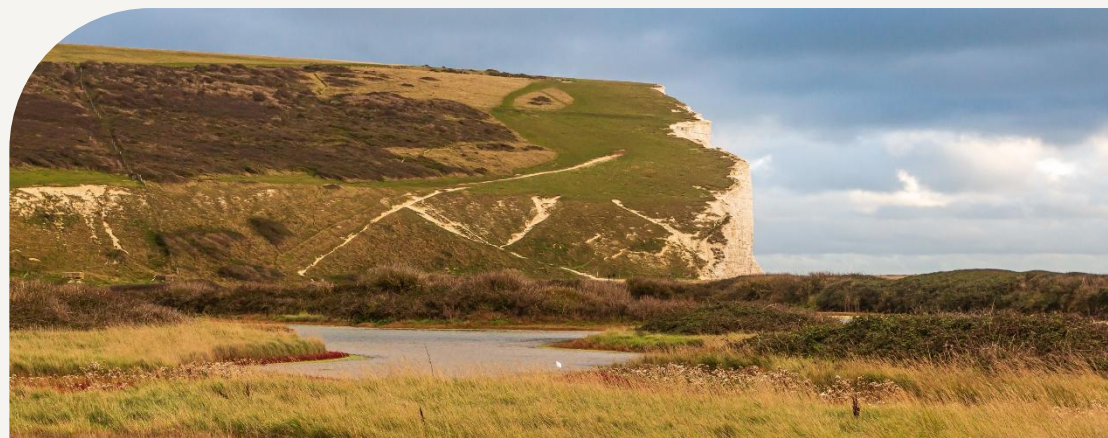
During the year, our RI team focused on **four key workstreams** of climate change, provider solutions, manager stewardship and systemic stewardship. We set out progress on our work in each of these areas in sections [5-8](#) of this report.

This year, following feedback from clients and professional pension trustees, we developed our delegated stewardship service, **LCP Influence**, to further supplement the approach of asset owners engaging with their managers individually. We believe our enhanced approach will drive even greater collective influence. We look forward to seeing the improvements generated by this service. We set out more details on this in [section 7](#).

We also listened to feedback from clients around the challenges of **investing in the energy transition**. Having brought together the expertise of our investment department and LCP Delta (our energy department) to advise on the energy transition in recent years, this year we developed our work further. We provided educational support to a range of asset owners and prepared to launch our offering to provide access to investments across the global energy transition market. More detail is included in [Feature Box 6.2](#).

We take a collaborative approach to driving improvements in **systemic stewardship** and are proud to report on the wide range of initiatives and working groups that we lead and contribute to in [section 8](#).

Our work this year also included the public launch of our “**climate policy asks**”. We are asking asset owners, including our clients, to support our five climate policy asks. This provides them with an option to support policy advocacy in a light touch but collectively powerful way that complements their existing stewardship activity. More detail is set out in [Feature Box 8.6](#).



## SECTION 2: HIGHLIGHTS OF THE YEAR



### Launched our 2024 RI survey of investment managers

*Focusing on ESG foundations, climate change, stewardship and systemic stewardship*



### Pre-launch work on investment offering to provide asset owners access to the global energy transition market

*Bringing together the expertise of the investment department and LCP Delta*



### Fourth assessment of buy-in providers' responsible investment practices

*Assessing and understanding sustainability approaches*



### Our 2024 Investment Conference

*With over 250 attendees*



### Released the results of our LDI manager's climate policy advocacy review

*Provided feedback to drive improvements*



### Developed and launched LCP Influence

*Our delegated stewardship service, to drive greater collective influence*



### Used our stewardship dashboard to help clients

*Analysed manager voting behaviour and identified most significant votes*



### Launched best practice principles for managers' systemic stewardship

*And provided feedback to encourage improvements*



### Worked with an LGPS fund to develop an engagement framework

*For use with fossil fuel companies*



### Rolled out our climate policy advocacy asks

*58 asset owners signed up (£187bn assets) and used in 10 high impact places*



### Continued to advocate for reforms to enable better use of DB pension assets

*Seeking to 'unlock' assets from excessively prudent investment strategies*



### Continued to lead the ICSWG Influence workstream

*Aiming to influence future regulation to encourage better sustainable investment practices*



# SECTION 3:

## OUR FIRM'S PURPOSE, STRATEGY, CULTURE AND PEOPLE

### 3.1 LCP's purpose

At LCP, our purpose is at the heart of everything we do. Our vision is **powering possibility – we fuse human expertise with powerful analytics to shape a more positive future**. It's a guiding light for why we do what we do, and it helps us make the right decisions strategically as a firm, for our people, our clients and wider society. We harness a powerful combination of people, skills and technology across a range of sectors and we believe we have an opportunity and responsibility to challenge the status quo by looking closely at what data is telling us and advocating for change.

### 3.2 About LCP

Across LCP, we advise **over 1,000 institutional clients**. We do not serve retail clients. Our business covers many areas including pensions, investment, insurance, energy transition, health analytics and sport analytics.

Approximately 25% of our revenue during the year was generated by our investment services. Our investment business serves defined benefit (DB) and defined contribution (DC) pension schemes, companies, central banks, sovereign wealth funds, charities, endowments, insurers and wealth managers.

Our investment team advised over 400 clients during the year, and our DC team advised over 250 clients during the year (with some overlap between the two). Roughly 90% of these by number were pensions related, including both trustee and corporate appointments. The remaining 10% relates to non-pensions investment appointments – although this figure does not capture the scale of these appointments, some of which are significant in size.

Our investment clients had combined **assets over £775bn** at the end of 2024. The approximate geographic distribution of our clients, by assets, is just over half based outside of the UK, and just under half based in the UK.

While our clients may be institutions, organisations or government bodies, our advice ultimately impacts wider society – we fully recognise that in helping our clients meet their own financial and wider goals, we are ultimately allowing them to deliver on the obligations they have to the individuals they serve. Thus, millions of people are impacted by our advice.

Because we are involved with such important issues, we think it's incredibly important to make sure that we are accountable not just to our clients but to our people, communities and planet.

## SECTION 3: OUR FIRM'S PURPOSE, STRATEGY, CULTURE AND PEOPLE (CONTINUED)

### 3.3 Our governance structure

LCP was founded over 75 years ago and has grown steadily to be one of the largest owner-managed pensions, investment and insurance consultancies in the UK and Ireland (measured by revenue), and also provides advice on the energy transition, health analytics and sport analytics. We are structured as a Limited Liability Partnership which plays an important part in our culture and the experience of our clients since the leaders of our business are also our lead advisers.

Our governance structure gives us the freedom to focus on what our clients need and value. The partners own the majority of the business, with a minority non-controlling stake held by Charterhouse, a private equity firm. An Executive Committee (ExCo), appointed from among our 191 partners, manages the business day-to-day and reports to the firm's Board. A Risk Committee (RiskCo) addresses firmwide risks and works with our various professional subcommittees (ProfCos) in overseeing the professional activities of the firm.

### 3.4 Our business model and strategy

Our approach to building a long-term sustainable business is through steady growth across all the areas we work in. We are focused on:



- **Developing our people**, by taking an agile approach to career pathways;



- **Developing our offerings**, making sure that our services are relevant for what our clients need both today and in the future – at an individual, organisational and societal level; and



- **Developing our relationships**, strengthening those we have with our existing clients and continuing to build a broader client base.



## SECTION 3: OUR FIRM'S PURPOSE, STRATEGY, CULTURE AND PEOPLE (CONTINUED)

### 3.4 Our business model and strategy (continued)

We plan to continue to grow the business to create long-term career development opportunities, enabling us to attract and retain the most talented people in our markets.

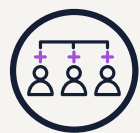
We aim to achieve this growth by focussing on:



**Growing our share of the DB pensions market**, in particular for the very largest schemes and ensuring that we are the partner of choice to take these schemes to their endgame or long-term run-on;



**Building on our strong reputation within the DB buy-in/buy-out market as well as alternatives to buy-in**, where opportunities have arisen as a result of the general improvement in pension scheme funding levels;



**Continuing to build a broader client base** through our investment consulting services to charities, endowments, sovereign wealth funds, central banks and insurance companies on the responsible allocation of their capital to meet their investment objectives;



**Building on our strong pensions expertise in DC pensions** and financial wellbeing consulting;



**Increasing the range of services offered to existing clients**, for example, within LCP Delta and our Health Analytics department;



**Continuing to develop our technology** to enable us to deliver a highly efficient and differentiated service to all types of institutional investors;



**Providing clear, unbiased advice** across all service areas; and



**Ensuring that we provide career opportunities in broader areas** in which our consultants can deploy their analytics skills. Examples include consulting insurance companies on reserving and capital modelling and working with energy companies on investment decisions. Aside from generating direct revenues, this work gives talented colleagues time and freedom to apply their abilities to other sectors. This is a highly effective differentiator in our recruitment policies. We believe that if we focus on growing a talented and engaged workforce then continued business growth will follow as a natural consequence.



## SECTION 3: OUR FIRM'S PURPOSE, STRATEGY, CULTURE AND PEOPLE (CONTINUED)

### 3.5 Innovation

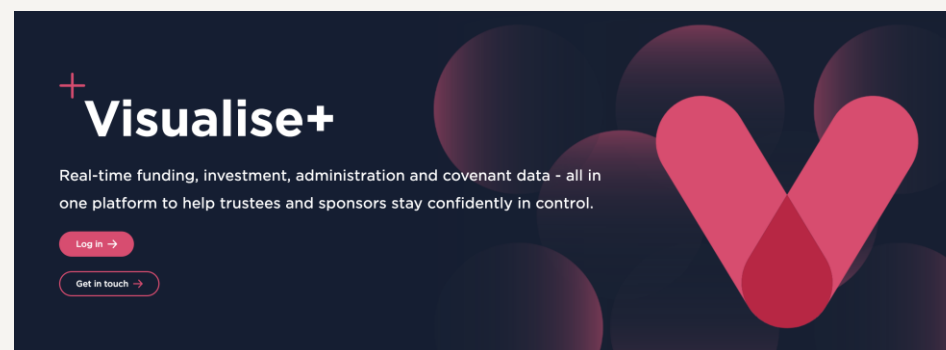
This is an area where our clients tell us we stand out. We are widely recognised for our practical consulting approach and the use of technology in a pragmatic way to help support our advice and clients' decision making, as well as to improve the cost efficiency of our work.

It's also a key part of our strategy; we therefore devote significant resources to evolving and improving our technology in response to our clients' needs and to deliver a highly efficient and differentiated service to all types of clients. All our key analytical tools are developed in-house with no offshoring or subcontracting of systems or calculations – this means our offerings are bespoke to our clients' needs and wants, providing our clients with maximum flexibility. This allows us to continue to innovate how we use technology to support the advice we give our clients as their needs evolve.

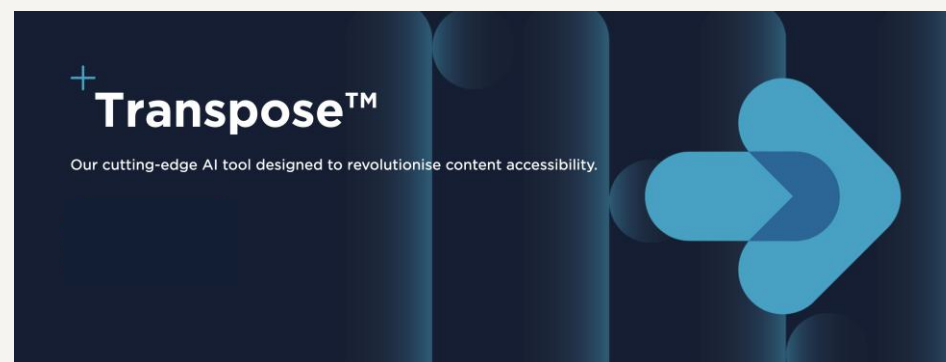
We don't just advise – we build the tools that empower clients to make better decisions, faster. We recently finished developing an updated version of our industry-leading tool, Visualise, which enables near real time monitoring of all key aspects of pension scheme performance, and incorporates climate-related metric information.

We have also been embracing Artificial Intelligence (AI) and exploring opportunities for positive outcomes for our clients and people. We hold regular firm-wide AI training sessions to help people understand how AI is evolving externally and at LCP and help the firm be better equipped to maximise its capabilities.

This year we developed the innovative AI content tool, Transpose™, which transforms written content into interactive audio and video, enhancing accessibility and engagement, and Medicines Nexus, which offers cutting-edge visualisations and analytics for the UK pharmaceutical market. The same AI technology is integrated into our Spark product, which enables interactive queries of our energy research.



LCP's industry-leading tool, Visualise



LCP's new AI content tool, Transpose™

## SECTION 3: OUR FIRM'S PURPOSE, STRATEGY, CULTURE AND PEOPLE (CONTINUED)

### 3.6 Our values and culture

Our purpose and 'powering possibility' vision are underpinned by our four values. Each one on its own is important, but it's the combination of the four that guides us in how we interact, make decisions and treat each other. They are core behaviours that we believe will maintain our culture as we grow.



#### Curious

We question the status quo by looking at the data and analysing different angles and possible outcomes. This helps us to try and provide solutions to complex societal problems.



#### Accountable

The way we work, and the decisions we are involved in, impact people, the world we live in and our collective future. We approach our work with this responsibility in mind.



#### Connected

We strive to create human connection in everything we do. We participate fully in the wider world around us, both across our professional landscape and with our local communities.



#### Agile

The world is evolving quickly, and we adapt to changing social and environmental needs, making sure our people and communities are supported.

We ensure that these values are embedded into the way we conduct business and develop our people. For example, the values are reflected in our approach to Diversity, Equity and Inclusion (DEI). Supporting DEI is embedded into the core of our overall business strategy. Our dedication and **accountability** is evident in the numerous initiatives and programs we have implemented, and we engage with a wide range of internal and external stakeholders to drive greater progress in the industries we work in and to keep us **connected** to wider developments. For more information on our approach to DEI, see [section 3.11](#).

## SECTION 3: OUR FIRM'S PURPOSE, STRATEGY, CULTURE AND PEOPLE (CONTINUED)

### 3.7 Corporate Social Responsibility (CSR)

We are proud of our CSR work and have included below some highlights from our CSR activities over the reporting period.



**£250,000+**

donated by the LCP Foundation, supporting 39 different charities. Charities supported this year include Naomi House & Jacksplace hospice, homeless charity Trinity, and The Welcoming Association which supports refugees and migrants in Edinburgh.

**£35,000+**

has been donated through matching fundraising efforts organised by individuals within LCP.



**£5,000**

pledged to InCommon, a charity focused on connecting young people with their older neighbours in retirement homes to learn and build friendships.

**£5,000**

pledged to the Refugee Council, who support and empower refugees and people seeking asylum in the UK.

**£20,000**

has been donated to foodbanks local to each of LCP's offices.

### Charity support

for homeless charities close to our offices. Every year Trinity Winchester organises an annual sleep out, raising vital funds and awareness for homeless charities. Many of our people get involved.

### Employee Volunteering

We launched a new partnership with organisation Employee Volunteering (EV) making it easier for LCP people to take part in volunteering opportunities throughout the year and use their volunteering hours provided by the Firm.

Each full-time employee, including Partners, at LCP has seven hours of paid volunteering time to use each year, which can be taken at any time to join a pre-organised event held by EV, or to create a new opportunity, supported by EV.



## SECTION 3: OUR FIRM'S PURPOSE, STRATEGY, CULTURE AND PEOPLE (CONTINUED)

### 3.8 Our client promise, LCP CARES

LCP CARES (Clients Always Receive Exceptional Service) is a key part of our culture; it is the underlying ethos that drives us to go the extra mile for clients, colleagues and our communities. We strive to provide the best possible service, but we know there's always more we can do. We rely on our clients to tell us what we do well, what we need to get better at and what else we can help with, and we take on board their views and feedback to ensure continual improvement.

Over the reporting year, we carried out 163 client care meetings, where a senior partner (who is not on the client consulting team) meets client contacts to obtain their feedback on our services. These discussions help us to tailor our existing (and develop new) services and tools for our clients. Feedback and actions from each meeting are provided to the client consulting team. **Overall, we received an average recommendation score of 9.3 and an average satisfaction score of 8.7 out of 10.** Since the reporting year end, a member of the client care team has joined department sessions with partners and principals of the firm to feed back key themes and discuss how we can take the findings on board to further improve the services that we provide to our clients.

We also commission an independent research agency to conduct our triennial client satisfaction survey. This allows us to find out more about our clients' circumstances, which helps us to understand the best way to advise them. The results of our 2022 survey showed an increase in overall satisfaction compared to the previous survey.

We included more details on the initiatives that we implemented following the 2022 client survey results in our 2024 [Stewardship Code Report](#). The next survey is being carried out in the second half of 2025.

Aligned with our focus on LCP CARES, we keep our services and the insights that we provide to our clients under regular review to ensure we're meeting our clients' needs. This approach to working, combined with the regular feedback we obtain, led to us launching [LCP Elevate](#) in 2024, our framework for helping the trustees and sponsors of UK defined benefit schemes assess, design, implement and monitor a full run-on solution. In practice, LCP Elevate formalises the extensive work that we've done in this space for a number of years into a repeatable and proven solution, helping trustees agree a structure that is in the ultimate best interests of their scheme's beneficiaries.

Other examples of using client feedback to enhance our services include LCP Influence (more detail in [Feature Box 7.6](#)) and our approach to supporting asset owners to invest in the energy transition (more detail in [Feature Box 6.2](#)).



9.3

Average recommendation score (out of 10) over the reporting year.



8.7

Average satisfaction score (out of 10) over the reporting year.

## SECTION 3: OUR FIRM'S PURPOSE, STRATEGY, CULTURE AND PEOPLE (CONTINUED)

### 3.9 Our People

Our seven “People Principles” illustrated below are core elements of LCP’s business strategy. As well as continuing to attract the brightest and best across all the sectors we work in, we want to create an environment where everyone feels valued and where all individuals can contribute and succeed.

As at the reporting year end, our workforce stood at about 1,200 across the firm. We promoted 11 new partners (on 1 April 2024) and 19 new principals (on 1 August 2024).

At LCP, we pride ourselves on offering individualised and rewarding long-term career opportunities. As part of our ongoing commitment to our people strategy, we offer our people opportunities to evolve and develop their skills.

At the end of 2023, we launched extracurricular courses focussed on areas outside of day-to-day roles, open to everyone across the firm. These sessions stemmed from colleagues’ feedback in our LCP Voice Surveys, which highlighted a curiosity about future career opportunities and a desire to develop new skills. The courses (for example covering Python and Power BI) have been very popular, and our second cohort completed their courses during Autumn 2024.

We offer secondments across different parts of our business to allow our people to develop new skills and explore new opportunities.

At LCP we aim to employ high calibre, motivated people, and to harness their maximum potential by developing their skills and talents to the greatest extent, regardless of background. We do this in several ways, including our partnerships with SEO/London (Sponsors for Educational Opportunity) and attending women in STEM (Science, Technology, Engineering and Mathematics) events, which help us connect with and hire students from underrepresented backgrounds, and by ensuring we advertise vacancies to a diverse section of the labour market through routes such as LGBTQ+ focused job boards.

As a people-focussed partnership, we value our LCP community and relationships. To stay connected and continue to foster a community with our former colleagues, we launched the LCP alumni group in 2023, which now consists of over 300 members. We arrange annual social events, open to any former employees, and share newsletters keeping the group updated on what we have been up to at LCP.



## SECTION 3: OUR FIRM'S PURPOSE, STRATEGY, CULTURE AND PEOPLE (CONTINUED)

### 3.10 Retaining skills and knowledge within our business

LCP is a true partnership – our partners own our business, and this results in low partner turnover, including within our investment team. This has two key benefits:

- We can provide our clients with long-lasting relationships, ensuring continuity of advice, and smooth journeys towards achieving the outcomes they're seeking.
- Our knowledge and skills are retained within LCP (and ultimately passed on to our clients as part of advice). Many of our investment partners have decades of experience constructing investment portfolios, selecting investment managers and more.

More generally, we strive to make LCP a great place to work for our people, which results in not only high retention but also the LCP CARES willingness to go the extra mile for our clients. We think this is shown in the fantastic feedback we receive from clients. We've provided two examples below of how clients recognise our efforts in this area:



39

Investment partners, reflecting the size of our business and demand from investors for our advice

*"A breath of fresh air, always going the extra mile to deliver what was needed"*

**Client feedback**



0

The number of our investment partners that have left to join one of our competitors in the past six years

*"Professional, friendly, experts. Really collaborative, extremely high quality and 'really nice' values. The human touch is valued."*

**Client feedback**



## SECTION 3: OUR FIRM'S PURPOSE, STRATEGY, CULTURE AND PEOPLE (CONTINUED)

### 3.11 Our commitment to diversity, equity and inclusion

We believe it is important that all our people have the opportunity to thrive and reach their full potential. Creating an environment where talent is recognised, opportunities are accessible, and everyone feels valued is essential to the success of our firm. We know that achieving equitable outcomes requires continuous focus and action. That's why we remain committed to identifying and addressing barriers, ensuring fair progression, and supporting a culture where all individuals can contribute and succeed.



Nurturing a people-first workplace supports us in providing our clients with the best possible service as our people want to deliver exceptional work.

#### **We believe that:**

- A diverse, equitable and inclusive organisation is a better place to work, creating an environment where everyone can thrive.
- Organisations with inclusive leaders from diverse backgrounds are better at decision-making and thought leadership.
- Achieving greater diversity and equity is important to many of our clients, to reflect their values and those of their employees.
- A diverse, equitable and inclusive business will ultimately be more successful.

Our DEI strategy is driven by our DEI Committee which reports directly to the LCP Board and oversees our four DEI Networks (LGBTQ+, Women's, Multicultural and Wellbeing – covering Neurodiversity, Disability, Mental Health, Age Inclusion, Mental and Physical Wellbeing and Nutrition). The Committee includes our Head of People, Head of HR, a Senior Partner, our DEI Manager, and representatives from each of the four Networks.

We collaborate on a number of professional initiatives and working groups including Link (the insurance industry's LGBTQIA network), the Diversity Project, Diversity in Pensions, the Pensions Equity Group, O:Pen, Project AMP (the mentoring scheme launched by the Institute and Faculty of Actuaries (IFoA), designed to improve diversity at senior levels of the actuarial profession) and other industry working parties.

During the year, we held DEI showcase events in each of our Winchester, London and Edinburgh offices to give our people a chance to hear what initiatives and actions are being taken by our networks and across the firm.

## SECTION 3: OUR FIRM'S PURPOSE, STRATEGY, CULTURE AND PEOPLE (CONTINUED)

### 3.11 Our commitment to diversity, equity and inclusion (continued)

Some examples of events we have run over the year include:

- As part of Neurodiversity Celebration Week 2025, our Wellbeing Network shared simple changes we can all make to be more inclusive in the way we work together. Paul Meredith, Partner and Neurodiversity Lead, also ran lunch and learn sessions on neurodiversity and accessible communications.
- Our Women's and Multicultural Networks, in conjunction with our health analytics team, hosted an event on 'How can we collectively improve health equity?'. Dr Nina Wilson, Private GP and Menopause Specialist, and Pauline Hakutangwi, UK Launch Brand Lead at Novartis, joined LCP's experts to explore the challenges and disparities in women's health and how these can be addressed.
- Our LGBTQ+ Network created a series of postcard stories for Coming Out Day, where people from across the business shared heartfelt coming out stories on postcards around the offices. In doing so, the Network raised £4,000 (including LCP Foundation matching donations) in support of AKT, a charity aiding LGBTQ+ young people facing homelessness or hostile living conditions.

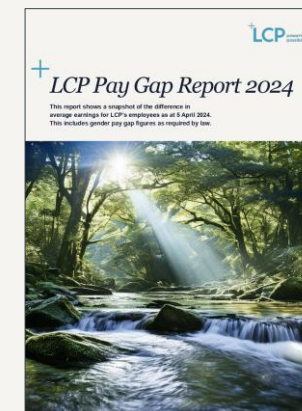
### 3.12 Improving representation: Being accountable to our people, our clients and to the industry

Having meaningful diversity data allows us not only to better articulate our long-term ambitions and design targeted initiatives, but also to measure progress. Following a multi-year data collection campaign we now publish ethnicity pay gap results alongside our annual gender pay gap reporting.

We are holding ourselves accountable by articulating our representation ambition of having at least 40% women and at least 40% men at key levels by 2032. We will share our ambitions for other characteristics once the data allows us to do so in a meaningful way. We also seek regular feedback from LCPers – in our 2024 LCP Voice survey, 91% of people agreed that LCP respects the individual differences (eg gender, cultures, backgrounds, disabilities, sexual orientation) of our people. This was 14% higher than our professional services benchmark.

Some statistics from our latest pay gap report include:

- **10%** of partners promoted over the 10 years to April 2024 were from an ethnic minority background.
- There has been a **6.5% reduction** in the mean gender pay gap over the last six years, which is broadly equivalent to a 35% reduction in the gap.
- **36%** of our strategic leadership roles are made up of women as of 5 April 2024.



## SECTION 3: OUR FIRM'S PURPOSE, STRATEGY, CULTURE AND PEOPLE (CONTINUED)

### 3.13 How we have ensured our strategy and culture support effective stewardship

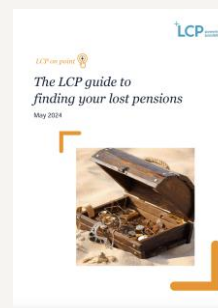
Our firm's purpose statement articulates why we exist as a business and acts as a guiding light for our strategy as we grow. We understand that our work has repercussions far beyond our office walls and we have an opportunity and responsibility to play our part in shaping a more positive future. We are proud of our work exploring and tackling key issues impacting society.

**Some examples of how we have embedded our purpose into our day-to-day work during the reporting year include:**

- Figures as at 31 March 2025 show that over £800m in state pensions has now been repaid to thousands of women following the discovery by Sir Steve Webb (LCP partner and former Pensions Minister) of errors in state pension payments spanning many years. LCP's campaign for justice on this will potentially lead to total repayments of £1 billion.
- We have written papers looking at how to help improve retirement outcomes and reunite people with their money. These include:



**Magnetic Pensions – A new blueprint for the DC landscape.** We discuss the limitations of the UK government's current approach to automatic enrolment and introduce our 'Magnetic Pensions' proposal. Our approach would mean that every time an individual switches jobs, their previous pension should be 'magnetically attached' to them and move with them to their new job.



**The LCP guide to finding your lost pensions.** An estimated £27 billion is currently sitting in 2.8 million lost pension pots in the UK. We devised four effective strategies to help individuals locate their misplaced workplace pensions.

- We worked with The Royal College of Obstetrics and Gynaecologists (RCOG) to develop a dashboard showing inequalities in women's health waiting lists. Data from the dashboard has been used in output from the RCOG to help engage policymakers, healthcare leaders and media to drive change.
- LCP Delta grew to 126 people, expanding in the UK, Germany and France, helping clients build successful strategies for growth and accelerating the energy transition. We published our flagship Road Ahead report, helping to map the path to a sustainable European energy transition. Other LCP Delta analysis helped inform the UK government's consideration of a system of locational pricing to try and reduce the costs of the energy system.
- We are seeking to innovate the way institutional investors support the energy transition (see Feature Box 6.2).



## SECTION 3: OUR FIRM'S PURPOSE, STRATEGY, CULTURE AND PEOPLE (CONTINUED)

### 3.13 How we have ensured our strategy and culture support effective stewardship (continued)

We believe that taking a long-term view and improving the way we look after our own operations will allow us to generate steady, reliable and sustainable growth, focussed on our clients' best interests. Our culture is open, encouraging and supportive of new ideas and approaches. This ethos is reflected across all our services, including investment and specifically in our approach to stewardship.

With our long-term client focus, **we devote significant resource to stewardship** which we see as something that should be addressed in a systematic long-term manner. Over the year, we have, for example:



**Publicly launched our climate policy asks**, supported by more than 50 of our clients, which are being using to guide our discussions with policy makers and regulators on climate risk on behalf of our clients and their beneficiaries ([see Feature box 8.6](#)).



**Trained all of our investment staff and partners on stewardship matters**, such as the sessions on the “social” element of ESG and the LCP climate policy asks, and made this information available to new joiners via LCPLearn, reflecting the transparent nature of our culture ([see section 4.5](#)).



**Implemented our “Bring an RI Expert” initiative**, so that more of our clients get direct access to our RI experts at their meetings and are able to dig deeper into stewardship considerations directly with an expert in the room ([see section 5.4](#)).



**Used research to develop and launch a delegated stewardship service called LCP Influence** to address the stewardship challenges that we heard about from clients. In addition to the providers in scope of LCP Influence, we held additional research meetings with managers to help us identify those exhibiting best practice and keep abreast of different and developing approaches to stewardship ([see Feature box 7.6](#)).



**Delivered a presentation at our annual DB pensions conference discussing systemic risks**, how they could occur, and what clients can do to reduce the possible impacts ([see section 4.9](#)).



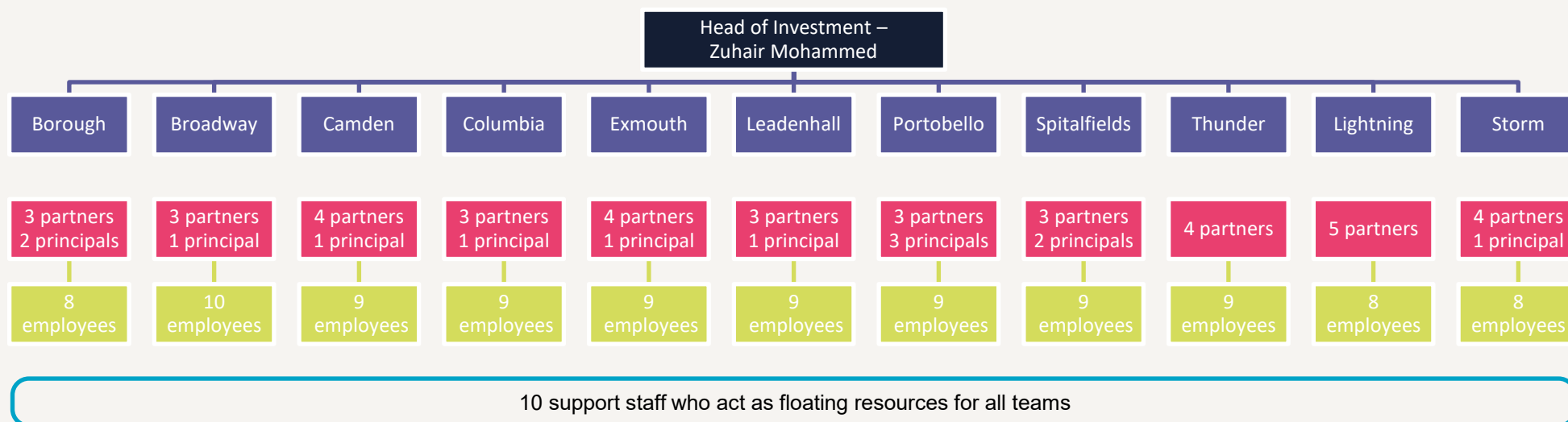
**Engaged with investment managers in a variety of ways** – via face-to-face or virtual meetings (annually for most funds our clients invest in), an in-person annual forum, and questionnaires – to understand and challenge how they incorporate stewardship into their investment process ([see section 6](#)).

## SECTION 4:

### OUR INVESTMENT AND DC DEPARTMENTS

#### 4.1 Our investment department governance and resources

The image below illustrates the structure of our investment department as at 31 March 2025 for the purpose of administration, governance and the monitoring of employee and partner capacity levels. In total, there were around 160 people in the department split between our London and Winchester offices.



The structure helps us to make the best use of our resources, ensuring we deliver analysis and insights to clients on time, enabling them to make informed decisions (and by extension demonstrate effective stewardship) regarding the assets they're responsible for.

Each team is kept relatively small and includes partners and individuals with a mix of expertise (including client advisory, manager and asset class research, quantitative analysis and more). This blend of skillsets is intentional, with weekly team meetings providing an opportunity to share ideas, expertise and keep everyone informed of ongoing developments. They also act as a formal check-in to monitor employee capacity levels.

SECTION 4: OUR INVESTMENT AND DC DEPARTMENTS (CONTINUED)

4.1 Our investment department governance and resources (continued)

Each team has two designated team leaders, who form part of a wider committee of people leaders. This committee considers overall capacity levels on at least a weekly basis, with more formal and in-depth reviews occurring monthly. This process ensures we’re able to quickly re-allocate resources as needed to meet client and business needs.

All investment professionals are involved in our stewardship activities, because stewardship is integrated into our client advice and manager research. In almost all cases, consideration of ESG factors, voting and engagement is undertaken by the same client-facing consultants and manager researchers who are responsible for delivering our traditional investment services. They are supported in this by our responsible investment experts (see [section 5](#)). Members of our RI team typically lead where advanced RI knowledge and skills are required, such as deep dives into the stewardship practices of key managers or providing advice to RI-only clients.

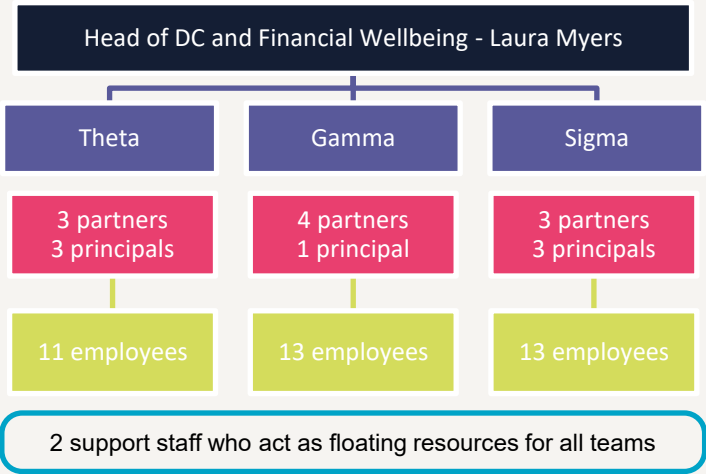
4.2 Our DC professionals

In addition, our DC and Financial Wellbeing department comprises of 63 people. Of these, 54 people (including 10 partners) primarily work in investment-focussed roles, advising our UK DC pension scheme clients on their investments.

The remaining 9 people include 2 support staff as floating resource, and people whose primary roles focus on Financial Wellbeing, Communications and DC Governance.

The image below illustrates the structure of our DC department as at 31 March 2025 for the purpose of administration, governance and the monitoring of employee and partner capacity levels.

Our DC department, which includes people with a range of backgrounds and roles, is structured and operates in a similar way to our investment department. Our DC investment professionals attend the investment department’s training sessions where relevant, in addition to DC-specific training.





## SECTION 4: OUR INVESTMENT AND DC DEPARTMENTS (CONTINUED)

### 4.3 Our approach to long-term resourcing

To support longer-term resourcing, we conduct an annual, in-depth review of the projected resourcing needs for our clients for the coming years. This data is analysed centrally, helping us to understand longer-term needs and act accordingly.

This projection and analysis (alongside new business wins) resulted in us hiring a total of 22 new joiners, including 13 new graduates, over the year for our investment and DC departments. We have a well-established and rigorous training programme for new joiners, which we cover in more detail in [section 4.5](#).

More generally, when assessing whether to pitch for new business, a key criterion is our ability to resource the new client team and the potential impact on our existing clients. We decline a number of invitations to tender each year, with staffing impact (ie including our ability to continue to provide all of our clients with a high level of service) being one key factor that influences these decisions.

### 4.4 How we structure employee and partner incentives

The ultimate aim for all of us – from junior analysts to partners – is to deliver on each client's objectives, in a way that is aligned to our culture and values. A key part of this is providing our clients with proactive, high quality and insightful analysis and advice, with the goal of helping them get the best outcomes for the ultimate beneficiaries.

We structure our remuneration packages in a manner that reflects our client-focused culture. At all levels, an element of remuneration comes from a performance-related bonus.

We offer a competitive, flexible and sustainable total reward package to all employees (assessed against our peers in the industry), supporting the retention of the best skills and knowledge within the LCP business and ultimately our ability to support our clients.



## SECTION 4: OUR INVESTMENT AND DC DEPARTMENTS (CONTINUED)

### 4.5 Training and qualifications

We believe in lifelong training and as a firm make a wide range of ongoing training options available to our people to help them stay up to date with developments and new ideas in their subject area and beyond.

The significant resources that we allocate to training are designed to make sure that our people are suitably qualified and knowledgeable to advise our clients on the responsible allocation, management and oversight of their assets.

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#### Qualifications

We encourage all of our team members to study for appropriate qualifications and provide both financial support and time off to do so. Our investment team has a range of qualifications, with most being either investment professionals (CFA), qualified actuaries (FIA), or both. At 31 March 2025, our investment and DC departments had 69 CFA charter holders and 45 qualified actuaries.

We are happy to support our people in studying for more specialised, additional qualifications where these benefit the firm and clients, such as the CFA Certificates in ESG, and Climate and Investing. As at 31 March 2025, eight people held the CFA's Certificate in ESG Investing and five people held its Certificate in Climate and Investing (including some people who held both). In addition, several of our investment team members are Chartered Enterprise Risk Actuary (CERA) qualified.

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#### Training programme for our investment and DC graduates

Our graduates pass through an intensive programme, designed to impart the technical knowledge and skills needed to start supporting the provision of analysis and advice to our clients. This includes training sessions on both ESG topics and stewardship. This programme is also intended to ensure graduates understand what we do as a business, how we work (including our rigorous review processes) and our client-focussed culture.



## SECTION 4: OUR INVESTMENT AND DC DEPARTMENTS (CONTINUED)

### 4.5 Training and qualifications (*continued*)

#### Ongoing training

Individuals undertake soft skills training based on the stage of their career and any specific development needs. Technical investment training is delivered via two main streams:

- **Monthly technical investment training.** This typically consists of two one-hour sessions, one internal (covering multiple topics) and one external (covering a single topic). Throughout the training sessions, people are given the opportunity to ask questions and engage in discussion. Over the year, **many of the topics covered were directly focussed on ESG and stewardship.** These included:
  - An externally-led session on the integration of ESG considerations into infrastructure investing, exploring the various steps that can be taken at both a portfolio and company level.
  - An internally-led session on systemic stewardship, equipping colleagues to discuss with clients our activities to secure progress on LCP's climate policy asks and to improve the extent and quality of systemic stewardship by others.
  - An internally-led stewardship case study session, exploring and comparing the voting practices of some of the largest managers that operate in the listed equity space.
  - An internally-led session on the "social" element of ESG, including options for our clients to engage with managers on this topic and review their managers' stance on social factors.
- **Bitesize training sessions,** mostly half an hour long, these sessions are available to the whole firm on an optional basis and offer a deep dive on a specific topic. Over the year, **several sessions focussed on ESG and stewardship topics,** supporting the onward delivery of this advice to our clients, including (but not limited to):
  - An externally-led session, focussed on UK pension trustees' legal duties in relation to sustainability and climate change.
  - A session provided by LCP Delta, examining the key manifesto pledges made in relation to the energy transition during the 2024 UK general election.
  - Sessions on incorporating climate change into our advice and discussing systemic risks with our clients.
  - A session led by our health analytics team, focussed on health inequalities in the UK and the causes of these challenges and potential improvements.

## SECTION 4: OUR INVESTMENT AND DC DEPARTMENTS (CONTINUED)

### 4.6 Maintaining and improving the quality and accuracy of our services

We invest in a range of systems, processes, research and analysis that help us provide high quality investment advice to our clients, and continue to improve our offering:

- **Provision of high-quality advice:** The quality and accuracy of our work is underpinned by our “do, check, review process”. This runs throughout all of our work, including the stewardship chain – from strategy and asset allocation, through manager selection and monitoring, as well as generation of new investment ideas. We also have standard processes, checklists and starter materials to support specific types of advice, such as those developed and maintained by Investment ProfCo and DC ProfCo ([see section 10](#)).
- **Client care programme:** Our client care programme offers our clients the opportunity to provide feedback on our services, enabling us to tailor our existing (and develop new) services and tools for our clients ([see section 3.8](#)).
- **Consultant objectives:** Under requirements that resulted from the Competition and Markets Authority’s review of the UK investment consulting industry in 2018, our pension trustee clients must:
  - set objectives to assess our performance as investment consultants when we are appointed;
  - review the objectives at least every three years and without delay after any significant change in investment policy; and
  - at least every 12 months, review our performance against the objectives set.

This annual review provides formal feedback on clients’ satisfaction with our investment consulting services and highlights any areas for improvement.

A central review of the outcomes in early 2024 found that we generally performed well against our objectives, while providing us with some helpful insights as to what clients would like to see more of.





## SECTION 4: OUR INVESTMENT AND DC DEPARTMENTS (CONTINUED)

### 4.6 Maintaining and improving the quality and accuracy of our services (*continued*)

- **Investment research programme:** Built up over more than two decades, our research programme is designed to support the effective deployment and monitoring of capital. Over 50 individuals within LCP, with a diverse range of experience and skills, are directly involved in manager and asset class research. The significant resources we allocate to this (and the focus on ESG and stewardship during our research process) reflects our commitment to providing best-in-class advice to our clients. We provide more detail on our investment research programme in [section 6](#).
- **Macroeconomic research:** Our macroeconomic research team and panel are responsible for deciding on our grades for the broad range of investment asset classes we research at LCP. The core macroeconomic team holds quarterly research calls with expert economists within the industry to discuss the economic outlook and scenarios and their potential asset class impacts. This research, together with analysis from LCP's asset class research teams, is presented and discussed at a wider panel meeting, based on which the panel decides on grades for a broad range of asset classes. Views are typically focussed on the short- to medium-term, with grades ranging from what might be summarised as "very positive" to "very negative", and there purposely being no neutral view. The team produces a range of output for internal and external use: among the latter is a quarterly investment update for clients which includes details of any key changes to the economic outlook and asset class views.
- **Development of technology:** Over 40 individuals within LCP work full time on developing our technology solutions for our clients. As an example, our flagship asset-liability modelling software, Visualise, represents over a decade of continuous development ([see section 3.5](#)). We develop our software in-house, meaning we can quickly adapt it to reflect the evolving needs of our clients and support them in practising effective stewardship over their capital ([see Case study 4.11](#)).



## SECTION 4: OUR INVESTMENT AND DC DEPARTMENTS (CONTINUED)

### 4.7 Communicating with our clients

Each LCP investment client is assigned a dedicated team. We pride ourselves on our proactivity and often reach out to our clients (outside of their normal meeting cycles) when we identify new risks or opportunities, or when there is a wider market development or a notable event relevant for them. Most client teams have a dedicated ‘client care champion’, who specifically considers which updates are relevant and appropriate to share with that client.

The frequency of formal meetings, and the provision of our business-as-usual tailored advice, is typically dictated by the needs of each individual client. For most of our investment clients, we attend formal meetings on either a monthly or quarterly basis.

Through online access to our software packages, such as LCP Visualise, many of our clients have daily access to updated information on their asset portfolios.

#### More widely, we communicate to our clients through:

- publications such as our “Markets, macro and strategic portfolios” documents and our online [Vista magazines](#);
- our [insights hubs](#) which curate news and content from our experts;
- our weekly [pensions bulletin](#), which summarises and comments on policy, regulatory and other industry news;
- [podcasts](#) (see [Case study 4.8](#)); and
- events such as [webinars and conferences](#) (see [Case study 4.9](#)).

We develop our approach and methods of communication based on an ongoing review of client needs.

We provide more detail on some of our ESG and stewardship-specific publications in [section 5](#).

### 4.8 Case study: Keeping our clients informed and up-to-date

We put great effort into keeping our clients informed on topical issues and **linking developments** in financial markets to **what it means for our clients’ portfolios**. We use a wide range of mediums for this, including our podcast, Investment Uncut.



Investment Uncut guests over the year have included individuals across LCP, CIOs, CEOs, academics, authors, journalists and many more. Particularly well received was our “on-the-road” series of four episodes recorded live at the Pensions and Lifetime Savings Association (PLSA) investment conference. Since its launch in 2020 to March 2025, we have released 182 episodes of Investment Uncut which has gathered more than 140,000 listens.

We think the success of this podcast is illustrative of our commitment to keeping our clients (and other asset owners) up-to-date on the latest investment trends, news and developments.

## SECTION 4: OUR INVESTMENT AND DC DEPARTMENTS (CONTINUED)

### 4.9 Case study: Turning turbulence into tailwinds

Building on the success of our inaugural annual investment conference in 2023, our September 2024 conference attracted over 250 attendees.

The key theme running throughout the day's sessions was what might change in the coming years, combined with practical insights on **how investors can best position portfolios in response**. For example, we examined the implications of geopolitical instability on investment decisions and discussed approaches for mitigating the impact on portfolios.

“Fantastic. Very engaging.”

“Brilliant – I would listen for hours.”

“Excellent conference and imaginative choice of speakers and topics.”



### 4.10 Ensuring fees are appropriate for the services provided

We offer transparency and control to our clients in relation to fees. The basis for charging for our investment services is agreed with the client in advance and is generally based on fixed fees or time cost. We typically review the fee basis and scope of services on an annual basis with clients.

The open and competitive market we operate in means we become quickly aware if our fee levels are out of line with the market, for the value delivered, for example via new business tenders or the conversations we have with various groups such as professional pension trustees.

#### Getting the best fee deals for our clients

We help our clients negotiate appropriate fees for the services they source from other providers, helping them exhibit strong oversight over the capital they're responsible for and deliver improved outcomes to the ultimate beneficiaries.

Our investment management fee survey, which offers a deep dive into fee trends, is not only informative for our clients, but it also gives us a platform to identify fee negotiation opportunities. We use the insights from this publication (which now covers just under a thousand investment funds and offerings) to support negotiations with investment managers. We have negotiated preferential fee rates with many investment managers across a range of their investment products over the years.

## SECTION 4: OUR INVESTMENT AND DC DEPARTMENTS (CONTINUED)

### 4.11 Case study: Turning data into insight to serve the best interests of our clients

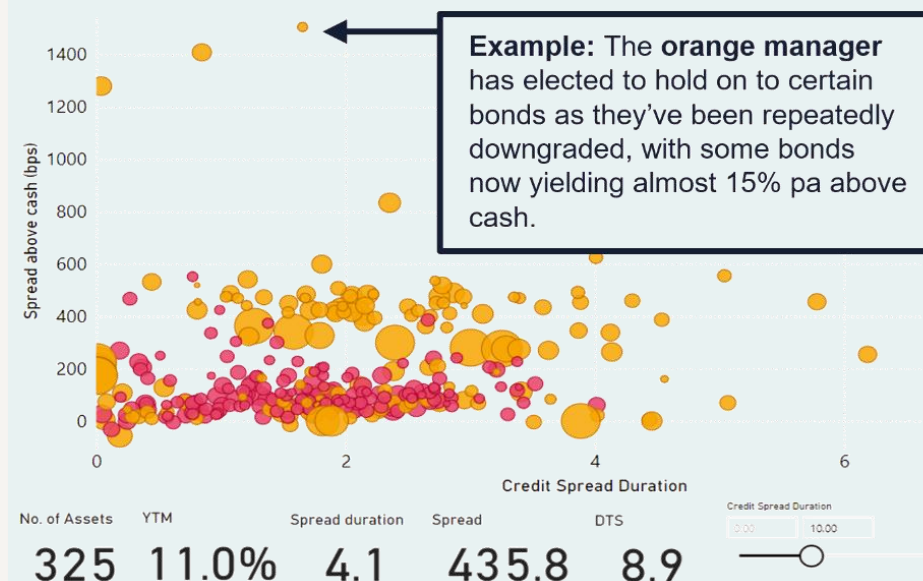
On the technology front, we devote significant internal resources to developing investment tools that help our clients make informed decisions using up-to-date data. We have launched a range of new capabilities over the year and have highlighted one example below.

#### Giving our clients a competitive advantage in the fixed income space

In autumn 2024 we released our innovative fixed income analysis tool, which allows us (and our clients) to conduct deep dives into portfolios, looking at the decisions a manager has made and the resulting impact on spread, rating, duration, carbon emissions, sector, holdings and much more.

This tool is helping our clients have more informed discussions with managers and ask more pointed questions about particular holdings – for example, more accurate carbon emissions data supports more targeted engagement activity.

As an example, the extract below illustrates how two mainstream managers, whose strategies have similar guidelines, have taken fundamentally different approaches to portfolio construction and management. The red and orange circles represent the managers' respective holdings, with the area of the circle proportional to the holding's weight in the portfolio.





# SECTION 5:

## RESPONSIBLE INVESTMENT AT LCP

### 5.1 Our responsible investment team

RI continues to be an important and growing part of our investment services. Our RI team helps clients to integrate ESG factors into their investment processes and use their influence as investors (for example, through the use of voting and engagement) to achieve better financial outcomes for their beneficiaries. It does this by supporting client teams through the provision of central materials and training, acting as a source of expertise and through advising clients directly on responsible investment matters.

### 5.2 RI governance structure, strategy and workforce

We continue to evolve our Responsible Investment governance structure to meet our client and internal needs. During the year, our RI work was managed by a group of partners and principals (known informally as “RI Central”), including Claire Jones who led on technical matters and advice to some of our most advanced clients, and Ken Willis who led on increasing the effectiveness and take-up of the RI content we develop for clients. Together they were responsible for the development and execution of our RI strategy and met the Head of Investment and Head of DC (typically quarterly) and ExCo (typically annually) to provide updates on our RI work and discuss its fit with the wider business strategy.

Four other people (increased from two over the year) made up RI Central and each were responsible for specific workstreams to ensure that our Responsible Investment proposition stays up to date. The two additions added perspectives from our DC team and our manager research programme.

Two of these workstreams had a direct focus on stewardship: one for manager stewardship, and one for systemic stewardship. The other two workstreams – which focused on climate change and provider solutions in RI respectively – considered stewardship alongside other matters.

This structure meant that senior members of our firm had oversight and accountability for promoting effective stewardship in a proportionate way.

The climate workstream focused on how we provide advice on climate change, net zero targets and regulatory climate reporting to our clients. Further details are set out in our [Net Zero Investment Progress report](#), published in line with our membership of the Net Zero Investment Consultants Initiative (NZICI).

Further details on the other workstreams and their role in supporting our stewardship activities are set out in sections [6-8](#).

About twenty further individuals were allocated across the workstreams. These individuals work on individual RI projects as required, including both research and development projects and client projects.

We have amended our Responsible Investment governance structure since the reporting year end and will report on the changes next year.

## SECTION 5: RESPONSIBLE INVESTMENT AT LCP (CONTINUED)

### 5.2 RI governance structure, strategy and workforce (continued)

Dozens of people from across the business have an interest in responsible investment. During the year, Responsible Investment Community meetings were held once a month with this extended group to share insights from recent RI work and enable them to develop their understanding of how we can help our clients in this area. Areas discussed included new nature-based investment opportunities, how we have taken social factors into account with our charity clients, and the latest thinking on climate scenario analysis (both at LCP and beyond).

Various people from the wider RI community are involved in developing and maintaining our ESG and climate-related services, including climate metrics and climate scenario analysis.



### 5.3 Our Responsible Investment philosophy and strategy

Our Responsible Investment philosophy is to focus attention on concrete actions to address systemic risks posed by issues such as climate change. We aim to get clients thinking about the impact that their investment decisions have on the real world, not just the impact that the real world has on their investments. We help our clients to understand what is possible in relation to RI, enabling them to engage with managers to improve standards or ultimately change managers or change asset classes to mitigate risks and take advantage of opportunities.

Our RI strategy currently focusses on climate risk, as the most material ESG risk facing our investment clients, although we support our clients' stewardship of their assets across a range of ESG risks. We review our strategy regularly to ensure that we are focussing on the most important RI topics for our clients. During the year, while climate remained our key focus, we continued to develop our approach to nature and biodiversity, social factors, and broader systemic risks.

We set ten stretching Key Performance Indicators (KPIs) for the reporting year, including one or two for each workstream and three cross-cutting ones. These typically related to reaching a certain proportion of our clients, or a minimum level of action during the year. These KPIs helped to focus our activities and encourage us to be suitably ambitious. For example, the climate workstream had KPIs related to the number of clients with net zero targets or ambitions, and the number with investments in climate solutions. Levels of take-up in both areas improved over the year. Overall, we met six of the KPIs and partially met the other four.

## SECTION 5: RESPONSIBLE INVESTMENT AT LCP (CONTINUED)

### 5.4 How we support our clients' stewardship

The way we are organised means that client teams have access to a wide range of centrally produced materials from our RI team and other specialist research teams which they can tailor to their clients' needs.

This year we have also implemented our “**Bring an RI Expert**” initiative, so that more of our clients get direct access to our RI experts at their meetings and are able to dig deeper into RI considerations directly with an expert in the room. Our RI experts attended approximately 50 client meetings in the second half of the reporting period due to this initiative.

Our internal communications, which include weekly team meetings and monthly department-wide training sessions, help keep colleagues informed of new projects and provide opportunities for knowledge sharing and for challenge. We also use Microsoft Teams, Viva Engage and SharePoint to communicate RI developments. For example, we've used these channels to announce new and updated regulations, client materials and training materials.

In the case of stewardship, the RI and other investment teams produce a wide range of materials for clients. This includes:

- **General information/educational documents** – eg client training slides on the importance of stewardship, recent climate change developments, and aligning investment portfolios with net zero;
- **Topical articles on RI matters** – eg several blogs for our website over the year, articles for our quarterly “Markets, macro and strategic portfolios” document, several articles in our two 6-monthly “Vista” publications, as well as fourteen podcast episodes on RI topics in our popular “Investment Uncut” podcast series (see [case study 4.8](#));
- **A presentation at our annual DB pensions conference** on systemic risks, how they could occur, and what clients can do to reduce the possible impacts;
- **Materials to support our pension scheme clients** with over £1bn of relevant assets in complying with the requirements to produce annual reports describing their activities to manage climate-related risks and opportunities, including climate scenario analysis and climate metrics\*; and
- **Voting and engagement case studies** that explore how investment managers have voted and engaged with individual companies. These are designed to open up engaging discussions with our clients and ultimately lead to further discussion (and/or escalation) with their investment managers.

\*often referred to as the TCFD regulations since they are based on the recommendations from the Taskforce on Climate-related Financial Disclosures

## SECTION 5: RESPONSIBLE INVESTMENT AT LCP (CONTINUED)

### 5.4 How we support our clients' stewardship (*continued*)

We invest heavily in systems, processes, research and analysis to support our RI services. In addition to the systems and processes we use internally when developing client advice, there are various RI resources we use directly in client advice, including:

- fund-specific RI ratings and assessments from LCP's proprietary research ([see section 6](#));
- manager RI ratings and analysis from our periodic surveys ([see section 6](#));
- a stewardship dashboard which uses an extensive external database of voting information to help identify potentially significant votes for our clients ([see section 7.4](#));
- a climate dashboard that helps our clients understand their portfolio exposure to climate transition risk;
- ESG-related metrics for investment portfolios based on data under licence from MSCI; and
- climate scenarios to analyse climate-related risk over the short, medium and long-term based on modelling from Ortec Finance.

This year we have also been encouraging the use of LinkedIn to share our RI experience and the work we are doing outside of LCP. This initiative involved a group of RI community members posting RI-related material on LinkedIn and sharing experiences of how to ensure posts receive as much engagement as possible.






## SECTION 5: RESPONSIBLE INVESTMENT AT LCP (CONTINUED)

### 5.5 Case study: Developing a framework for engaging with fossil fuel companies

A Local Government Pension Scheme (LGPS) client had been challenged about its investment in fossil fuel companies. It was suggested that its engagements with such companies might have been too open-ended and the companies' progress too slow.

The client wanted to understand what it could do to make its engagement strategy more effective. We helped the client build an evidence-based framework for the scheme to influence fossil fuel companies. This includes minimum expectations, underpinned by the threat of divestment.

The outcome was a well-received [public report](#) which includes a rigorous evidence base for the agreed approach.



*Reviewing your  
approach to UK  
fossil fuel investment*

### 5.6 Case study: Providing expert input through a client's ESG advisory group

An insurance client appointed us to their pilot ESG advisory group to help them balance their ESG ambitions across their retail and corporate clients, establish a clear narrative, assist messaging across a range of stakeholders, and identify practical actions within its investment portfolios.

The client was looking for access to a range of external industry experts who would provide constructive challenge in their panel sessions. We provided input based on our unique combination of investment knowledge and LCP Delta's deep expertise in the energy space.

We received excellent feedback for our input, challenge and working well with others. The pilot helped internal stakeholders at the client understand the value of having an external advisory group. It decided to proceed with such a group and appointed us to the group.



## Climate scenario analysis

With all the discussions in the investment industry around climate scenario analysis and how asset owners can use this analysis to inform their decision-making processes, we have continued to develop our advice in this area as well as work with other parties to understand what improvements are needed.

We have had a number of discussions with professional pension trustees to understand how trustee boards are using the analysis (or want to use the analysis). This has helped us focus our development on the parts of the analysis that are most important for our pension scheme clients.

In particular, we have developed the narrative part of our scenario analysis advice to help asset owners think through the more severe and disruptive potential consequences of climate change, and to help them consider the wide range of outcomes that may be possible, rather than focussing on specific projections of assets and liabilities that smooth out the experience.

As an example, for a scenario in which the world moves towards 3°C of warming by the end of the century, we have illustrated the gradual deterioration in global crop yields, the potential for permafrost and die-back tipping points to be triggered, increases in rainfall extremes, and the potential impact on the human population leading to mass migration and the resulting consequences.

This narrative approach has helped us highlight the more extreme potential consequences of climate change and how these could impact pension schemes directly. It also helps highlight the limitations of any quantitative analysis.

In our sessions with clients, we focus on the practical actions they can take to help reduce and manage the risks they face from climate change.



# SECTION 6:

## PROVIDER SOLUTIONS

Provider solutions include both investment manager products and bulk annuities. Investment manager products are covered throughout section 6, while bulk annuities are discussed in [Feature Box 6.10](#) only.

### 6.1 Projects and highlights

In addition to the work undertaken to research the funds already held by our clients, we have carried out research activity and projects to identify other funds that could help our clients allocate their capital in support of specific ESG goals.

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#### Developing sustainable investment solutions for clients

We have compiled an initial list of ESG investment ideas with a view to exploring investible solutions in over 20 different spaces. These cover investments in sectors such as microfinance, regenerative agriculture and social infrastructure, as well as private equity in sectors such as microinsurance.

We are members of the Charity Investment Consulting Partnership (CICP), a group of independent investment consultants that advise charities, endowments and foundations, which was launched in October 2024. The purpose of this group is to drive better investment practices across the UK charitable sector, seeking to improve the outcomes of the charitable sector and ultimately improve the outcomes for the beneficiaries of charitable funds.

As part of this group, LCP has initiated an engagement to remove the barriers to UK charities investing in institutional life funds – an operational approach used widely by UK pension schemes.

We believe that making this type of product accessible to UK charities will reduce their costs and allow them to invest more flexibly, and could lead to greater take-up of RI solutions by these types of institutional investors. LCP has engaged with Phoenix Life, the Charity Tax Group and informally with other investment managers to understand the current barriers to investing in institutional life funds. Based on this, the Charity Tax Group has raised this proposal with HMRC and we understand it is under active consideration.

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#### Sustainable fixed income

During the reporting year, we carried out an extensive search to understand how clients could build fixed income portfolios with a focus on impact and sustainability.

We reviewed the universe of impact fixed income funds and refined our search to include only funds that were of appropriate credit quality and were index-agnostic. We undertook more detailed desk-top research which resulted in an initial list of investment managers, with whom we carried out full research meetings to assess their product offering.

Following this investment due diligence, we have buy-rated one manager's product for clients to use within this asset class and have identified two other managers who may achieve a buy rating subject to further product developments. We continue to have open dialogue with managers to share ideas and understand how their thinking is developing.

## Investing in the energy transition

We continued to develop our investment proposition around the energy transition during the year, connecting the expertise of our investment department with the expertise and insights of LCP Delta. LCP Delta has over 120 people dedicated to research, modelling and giving advice on the energy transition.

We believe that the energy transition is a multi-decade megatrend. To invest successfully, investors must overcome several challenges, including: the complex landscape, the requirement for specialised knowledge, and the difficulty of accessing certain opportunities due to market fragmentation.

Based on our energy transition and manager research expertise, we are planning to offer asset owners access to investments across the global energy transition market, providing not only compelling risk-adjusted returns to investors on the private equity and private credit side, but also providing much needed capital to help decarbonise our energy system, positively contributing to the fight against climate change.

Throughout the year we have provided educational support to a number of asset owners in the occupational pension, LGPS, and corporate space and have made substantial progress in our plans to provide investors with a simple and efficient way to access the opportunities that energy transition investing affords.

We look forward to reporting on this further next year.





## SECTION 6: PROVIDER SOLUTIONS (CONTINUED)

### 6.1 Projects and highlights (continued)

In addition to our broader work supporting investment in the energy transition (as explained in [Feature Box 6.2](#)), we have worked to develop a shortlist of infrastructure funds for our clients, specifically targeted at helping to achieve the transition to a net zero economy. While the global infrastructure funds we typically put forward to clients include infrastructure assets like power distribution, renewable energy generation or energy storage, the more focussed net zero infrastructure funds will allow clients to dedicate a specific allocation to net zero transition assets.

#### Responsible investment survey of investment managers

Our Responsible Investment survey is a key piece of work that equips clients with information to assess investment managers' RI practices, including on stewardship and engagement. We have provided more information in [Feature Box 6.9](#).

### 6.3 Our manager research governance, workforce, resources and incentives

To support clients with the allocation and oversight of their capital, we draw upon the capabilities of our manager research team. We provide a breakdown of the team involved in manager research on the next page.

Although some of these individuals are focussed solely on research, others combine client consulting and research roles. We believe this is a big benefit to clients as it means much of our research includes individuals with a client focus, helping to ensure the issues most important to our clients are prioritised in meetings.

In addition, we are the European partner of the Global Investment Research Alliance (GIRA) and we share research with our partners in the Asia-Pacific and North America regions. Our GIRA partners research around 650 managers and, combined with LCP's research team, hold over 3,000 meetings per year with fund managers.



**30,000**

hours dedicated to  
research per year



**Global**

research coverage



**650**

products under  
active research



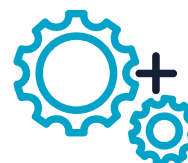
**680**

meetings with managers



**50+**

investment researchers



**9**

key criteria – both investment  
and operational due diligence

SECTION 6: PROVIDER SOLUTIONS (CONTINUED)

6.3 Our manager research governance, workforce, resources and incentives (continued)

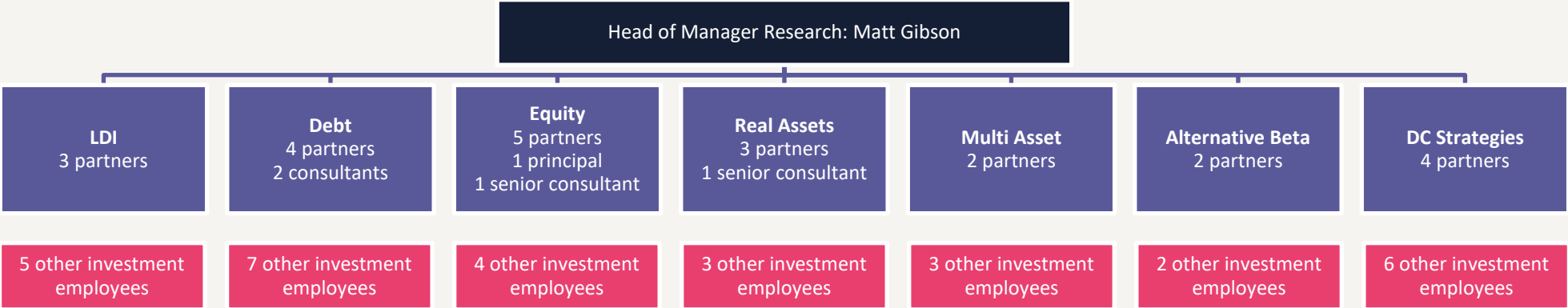
We continue to research a wide range of asset classes, as well as managers offering funds and services within those asset classes. Meetings are held with managers on a regular basis, usually at least annually for funds where clients are invested, and are attended by members of our specialist research teams (eg global equity, UK, property, infrastructure etc).

The structure and governance of the investment research teams as at 31 March 2025 is shown in the chart below. There are seven specialist research teams, with designated asset class leads within each team. Some individuals are part of more than one team. The research teams are overseen by an investment panel, including many of the most senior investment partners at LCP (with some who are not involved in day-to-day research to ensure greater objectivity). The team has access to various resources to support its research and analysis, including both internal tools like our Manager Research Database and external tools like Morningstar, Datastream, UBS Delta and others.

The incentive structure of our manager researchers is identical to those involved in client work – our employees receive a fixed salary with a variable bonus based on the individual’s assessed contribution to the business (including through the manager research process), based on the feedback of colleagues.

Our researchers are suitably experienced to carry out their roles, with support researchers typically having between four and eight years’ experience of investment research within their chosen asset class, while the experience of lead researchers is typically 10+ years. Many of our researchers hold the CFA charterholder designation or are qualified actuaries.

We reviewed a wide range of ESG and sustainable investment products during the year, across a range of asset classes. This continued to build our knowledge of market-leading RI approaches, enabling us to better engage with managers about more traditional products and increasing our breadth and depth of knowledge to support a wide range of value-add RI services to meet our varied client needs.



## SECTION 6: PROVIDER SOLUTIONS (CONTINUED)

### 6.4 Our manager research process

Our formal ratings of investment products consider two main aspects: **operational due diligence** and **investment due diligence**.

#### **Operational due diligence reviews and assesses:**

- the manager's operational risk management, governance and control mechanisms;
- the management structure and the degree of stability in the organisation;
- the investment aspects of the product's terms, looking for any non-standard terms that disadvantage investors; and
- the quality of the client service at the manager.

**Investment due diligence aims to identify managers who have above average characteristics across a range of areas that we expect to lead to higher risk-adjusted returns for the products:**

- the way the investment management company affects the product including its commitment to the strategy and the incentive structure of the team managing it ("firmwide issues");
- the investment process;
- the product's approach to responsible investment (see below);
- the people involved in the decision-making process ("people/resources");
- the past performance and whether it is consistent with our understanding of the approach.

The research team attending the meeting with the investment manager always includes one lead researcher, at least one support researcher, and may involve more team members or an RI specialist.



## SECTION 6: PROVIDER SOLUTIONS (CONTINUED)

### 6.5 Assessing products' responsible investment approach

Each product we research receives an overall responsible investment score from 1 (low) to 4 (high) that feeds into our overall assessment of the manager. This score is derived from an assessment of four underlying pillars against good practice indicators – ESG integration, voting and engagement, climate risk management, and net zero alignment. **Some examples include:**

- **Good practice indicator for ESG integration:** “The manager gives sufficient attention to each of the environmental, social and governance pillars (eg not just a narrow focus on governance and considering environmental issues beyond climate change)”.
- **Good practice indicator for voting and engagement:** “The manager uses engagement (and voting where applicable) to encourage better ESG practices and not just greater disclosure”.
- **Good practice indicator for climate risk management:** “The manager considers physical climate factors as well as transition factors”.

Researchers are asked to use the results of these indicators in deciding on a Red/Amber/Green (RAG) rating for the pillar, and then to exercise judgement in aggregating those ratings into a 1-4 score for responsible investment.

In terms of the information needed to arrive at these assessments, the researchers initially ask the investment managers to provide written responses to a series of questions, as well as asking for other relevant

documents that may help in their assessment (eg a copy of any product-level engagement or ESG reporting). They assess the responses to these questions and look for gaps, which helps them set the agenda for the upcoming research meeting and ensures they can ask targeted questions during the meeting.

We developed this structured approach to assessing responsible investment during 2022, and reviewed and adapted it again in 2024, making enhancements to our internal grading framework. An important enhancement was giving our researchers more scope to exercise judgement when interpreting and assessing managers' approaches.

The 2024 review of our framework included a review of “good practice indicators” to see if there were any areas where we should be raising the bar for managers or asking deeper questions. The resulting changes included the integration of firmwide assessments of various aspects of RI from our 2024 survey of managers (see [Feature Box 6.9](#)). We have also moved from having a standalone RI questionnaire to including the RI questions in our standard Request For Information (RFI), which we feel helps researchers to form a more integrated and holistic view of the manager and their product.

Our research notes include commentary on each of the four RI pillars outlined above, which allows clients who invest in a given product to identify the manager's areas of strength and weakness. In this way, client consultants are able to suggest topics for our clients' engagement with their investment managers, as well as helping them to have a better understanding of the approaches taken by their investment managers in respect of RI matters.



## SECTION 6: PROVIDER SOLUTIONS (CONTINUED)

### 6.6 Maintaining and improving the quality and accuracy of our manager research outputs

Following the meeting with an investment manager to discuss a specific investment product, the LCP research team writes up a formal note setting out their view and grading the manager on the categories outlined above. Research notes are discussed amongst the other researchers in the same asset class group if one or more of the following criteria are fulfilled:

- the researchers who went to the meeting are proposing a change of overall rating (eg from “Buy” to “Hold”);
- the product researched is widely invested in by clients;
- there has been a recent significant change involving the product’s investment team, process or philosophy that merits wider discussion (even if the proposal from the LCP research team is not to change the overall rating for the product); and
- a new product being researched for the first time.

These wider discussions allow challenge of the conclusions reached by the LCP research team. After the meeting, any agreed changes to the notes or grading are made by the researchers who met with the manager. This discussion and challenge are an important part of the process, which helps ensure the accuracy and quality of our research.

The research note is reviewed and signed off by the asset class lead. If we believe we have useful feedback for the investment manager, we will arrange a feedback call to discuss the conclusions of our research. This

provides us with the opportunity to give feedback to the manager on areas of their processes that we feel could be improved, including on stewardship or other elements of RI. We do this both to improve outcomes for our clients and to raise standards within the investment industry.

### 6.7 Use of our RI grades

The grades that investment products are assigned by our investment researchers in respect of responsible investment have two key uses in helping our clients achieve their stewardship goals – appointing investment managers and ongoing manager monitoring.

The first key use is when appointing investment managers to manage a specific allocation. When client consultants conduct manager selection exercises, there is a requirement in our process (enforced via a checklist that consultants must complete when undertaking this type of work) that the shortlisted managers’ approaches to ESG, voting (if applicable), engagement and climate change are considered.

There is also a requirement for consultants to comment in any briefing document for a selection exercise (or direct recommendation advice paper) on these specific considerations and, if advising a UK pension scheme, how this compares to the policies in the client’s Statement of Investment Principles. If this information is not included, client consultants must evidence where these issues have been raised and discussed with the client earlier in the selection process.

## SECTION 6: PROVIDER SOLUTIONS (CONTINUED)

### 6.7 Use of our RI grades (*continued*)

Our precedent material on selection exercises and direct recommendations includes helpful guides on how to incorporate ESG, stewardship and climate change into manager selection exercises. Client consultants must record the approach taken for climate change in the checklist accompanying the advice.

The second key use of our investment research outputs is in ongoing manager monitoring. We expect our client consultants to share our RI grades for individual products with clients who are invested in them and have developed a number of tools to help them do so. This includes Monitor, our interactive technology which provides a holistic view of clients' investments. In addition, Monitor also shows the overall RI score for each product to clients as standard. Clients can have access to this tool either during meetings with their LCP adviser, or directly through their internet browser.

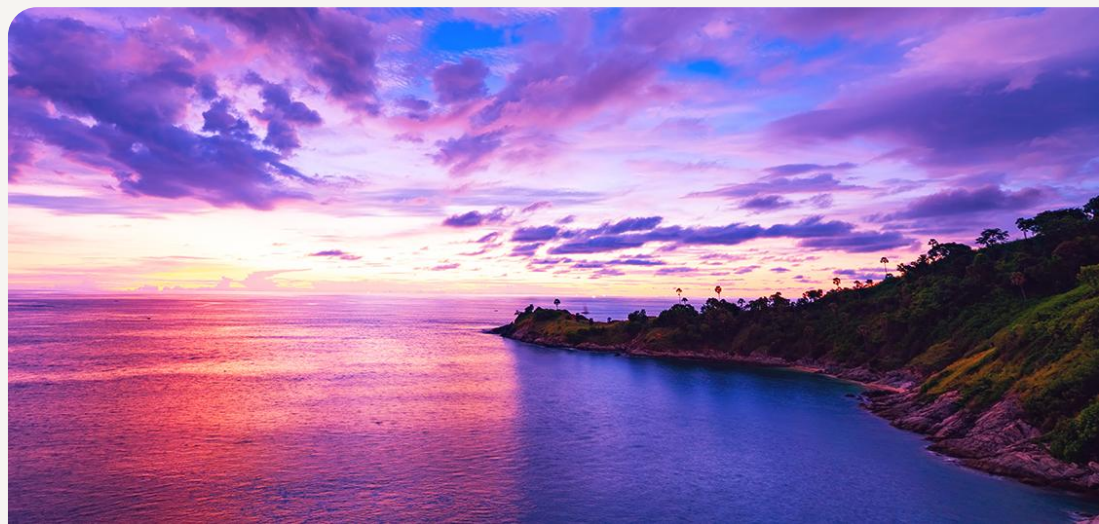
In addition, we have developed a performance monitoring report template to present and explain our RI grades for the products that a client invests in.

In this way, our RI research helps to support the allocation of clients' capital, provides sufficient detail for our clients to engage with their investment managers on areas of weakness, and enables clients to oversee their portfolios and investment managers on an ongoing basis.

### 6.8 Annual manager forum

As part of our engagement with managers, both on stewardship and other matters, we hold an annual manager forum with over 100 managers registering. The latest was in April 2025 (the previous one was in March 2024). These forums provide an opportunity to let managers know first-hand our views on markets, managers and manager offerings and what they need to do to meet evolving client needs, as well as to hear their views.

In the latest manager forum, we presented the trends we are seeing in RI – in particular following the political regime change in the US. We used this session as an opportunity to stress to investment managers the importance of raising standards in stewardship and engagement, explaining that we expect clients to become more demanding in terms of what activities managers carry out and the outcome of those activities.



## Responsible investment survey of investment managers

In 2024 we carried out our seventh RI survey of investment managers. We invited investment managers to respond to questions covering their approach to environmental, social and governance issues, including their stewardship practices, such as exercising voting rights and engaging with company management.

We analysed the responses of over 100 managers and gave them RAG (Red/Amber/Green) firm-wide ratings against five categories:

- approach to ESG issues;
- approach to climate change, including net zero;
- engaging with companies and other stakeholders;
- systemic stewardship, including policy advocacy; and
- voting (where applicable).

We published the results in October 2024. The key points we uncovered include:

- **More oversight, but room for improvement:** Managers reported stronger board oversight and higher resources for RI than in our last survey, yet only 25% said they mandate RI training for board members.
- Although more managers were working towards net zero than in our last survey, **many managers believe it is more likely we will have a disorderly or failed transition than an orderly transition.**

- **Formal policies, but less targeted engagement:** There was a rise in managers adopting formal escalation policies and exercising independent voting decisions. However, engagement activity remained less proactive and targeted than we believe it should be.
- **Limited focus on systemic risks:** While some managers said they are engaging with policymakers and regulators, their responses indicated that these efforts are often sporadic, with many failing to address systemic financial risks in a focused manner.

In summary, we believe investment managers need to step up their RI activities. We suggested **some actions that clients could take:**

- **Engage with managers** on any practices that were not market leading. We recommended contacting managers and setting expectations for areas for improvement.
- **Meeting an alternative manager** to help understand what best-in-class RI practices look like, to inform engagement with existing managers.
- Where managers did not respond to the survey, we asked clients to contact them to **ask them to complete the questions.**
- **Ongoing monitoring of managers' practices** – for example through LCP Influence (see [Feature Box 7.6](#)), or through receiving regular updates on voting behaviour/activities.

## RI assessment of buy-in providers\*

In 2024, we conducted our fourth review of buy-in providers' responsible investment practices. These reviews serve a number of purposes:

- Assessing each buy-in provider's approach to sustainability against our view of best practice;
- Understanding the gaps in sustainability practices within the buy-in sector; and
- Supporting our engagement with providers and others to encourage improvements in sustainability practices.

### 1. Assessing each provider's approach to sustainability

We look at a range of factors to form our assessment and use this to feed into clients' decisions on which insurer to transact with. Our assessment currently considers:

- The resources that each insurer allocates to responsible investment and the oversight mechanisms it has in place;
- How each provider considers sustainability within its investment processes;
- How providers incorporate sustainability in capital allocation decisions, such as allocations to impact investments and other strategic allocation decisions;
- Providers' approaches to stewardship and the stewardship they have undertaken with investee holdings, policymakers and regulators; and
- How providers are managing climate risk to their buy-in business and steps they are taking to align with net zero.

### 2. Understanding the key gaps in sustainability practices in the buy-in sector

Our aggregate findings across the providers can help us understand key areas where providers could improve. The areas identified include:

- Undertaking systemic stewardship, such as engaging with policy makers/regulators, to address systemic risks such as climate change;
- Incorporating climate scenario analysis into investment decisions; and
- Setting a portfolio alignment target (such as % of investee companies with a science-based target to reduce their emissions).

### 3. Supporting our engagement with providers and others to encourage improvements in sustainability practices

Our research findings support our own engagement activity. We provided detailed feedback to each provider and fed into industry working groups such as the Sustainability Principles Charter for the Bulk Annuity Process, of which we are a signatory.

Historically, most providers scored poorly with regards to engagement activity. However, we found providers are improving engagement efforts with issuers, with more evidence of engagements provided and more providers becoming signatories to the UK Stewardship Code as asset owners. Stewardship is still an area of differentiation among the providers. The stronger providers use engagement to influence good practice at investee companies whereas weaker providers limit their discussions to fact-finding.

\*Providers offer annuity contracts which cover the pension benefits of many DB pension scheme members. The contract may be held by the pension scheme trustees, with responsibility for future benefit payments remaining with the scheme (a "buy-in"), or responsibility for future benefit payments may pass to the insurer (a buy-out) enabling the scheme to be wound up.



# SECTION 7:

## MANAGER STEWARDSHIP

### 7.1 Our manager stewardship philosophy and approach

We believe that good stewardship is necessary throughout the investment chain to safeguard the economy, environment and society which underpin the long-term returns on which our clients and their beneficiaries depend. As an intermediary in the investment chain, we are committed to helping our clients have effective oversight of their investment managers through our research, ongoing dialogue with managers, and engaging and challenging managers to drive higher standards of stewardship.

The increase in regulatory focus in recent years has helped raise the profile and importance of stewardship for asset owners and their advisers. We welcomed the findings of The Pension Regulator's (TPR's) review of Statements of Investment Principles (SIP) and Implementation Statements, published in July 2024: "Market oversight: Review of trustee compliance with environmental, social and governance duties" which encouraged trustees to go beyond minimum compliance with regards to stewardship. This chimes with our philosophy that stewardship should not be a tick box exercise and our advice to clients to focus their stewardship time and activities on addressing material risks and opportunities.

To help deliver the increased stewardship needs of our clients, we significantly expanded the stewardship team over the year so that we had a team of eight people delivering our manager stewardship workstream ([see section 5](#)).

We recognise the influence we have in our role as advisers and the importance of our clients' roles as asset owners with ultimate responsibility to their beneficiaries. Therefore, we are deeply committed to supporting our clients with their stewardship activities. We do this by helping our clients hold their investment managers to account and encouraging investment managers to continue to improve their stewardship practices.

Our general approach to helping our clients with their stewardship activities continues to be to:

1. **Drive higher standards** through our research, ongoing dialogue with managers, and setting expectation of managers
2. **Get better information** for our clients to understand material risks to their assets and identify areas on which to focus their engagement with managers
3. **Seek improvement in managers' practices.** Having identified any key areas of concern, we then help our clients engage with and monitor their managers and escalate if appropriate.



## SECTION 7: MANAGER STEWARDSHIP (CONTINUED)

### 7.2 Driving higher standards

Shortly before this reporting period, in March 2024, we finalised a set of general stewardship expectations that we expect all managers to work towards meeting, across all asset classes. The expectations cover four broad areas:

- 1. Do the basics:** for example, becoming a signatory to the UK Stewardship Code and resourcing stewardship activities for success.
- 2. Engaging to improve:** encouraging managers to use the tools available to them to influence the entities in which and through which they invest, including setting and communicating clear expectations for investee entities.
- 3. Seek to change the system:** rather than focussing only on disclosure, we believe that managers should be using their influence to encourage actions that help address systemic risks.
- 4. Tell the world:** we need clear information to assess the quality and quantity of engagement activities carried out on behalf of our clients, so we encourage managers to provide informative stewardship reporting.

Early in this reporting year, we emailed these expectations to our main contacts at the managers and made the expectations available [online](#).

Monitoring the capital allocated by our clients to managers and advising on where new mandates might be awarded depends heavily on the quality and accuracy of our investment manager research process,

which we continue to develop ([see section 6](#)).

In addition to enhancing our general research process, during 2024 we expanded on the work from our deep dive stewardship research meetings from the previous year to cover a wider range of managers. Over the reporting year, for the ten managers which represent the most material exposures for LCP clients as well as best practise comparators, we conducted deep dive stewardship research meetings. These providers included large equity and bond index managers, large active bond managers, LDI managers, multi-asset managers and stewardship overlay service providers.

We used the research to develop and launch a delegated stewardship service called LCP Influence ([see Feature Box 7.6](#)) to address the stewardship challenges that we hear about from clients. In addition to the providers in scope of LCP Influence, we held less formal research meetings with a number of managers to help us identify those exhibiting best practice and keep abreast of different and developing approaches to stewardship.

Beyond listed assets, we also investigated stewardship relating to alternative assets. For example, we conducted initial research into stewardship by the managers of asset-backed securities to understand the stewardship tools and approaches that were being used. This research highlighted that stewardship and ESG integration plays an important but differentiating role for the managers in terms of how they engage with issuers, structure deals and escalate issues of concerns.

We expect to continue to expand our research into stewardship across different asset classes and develop our understanding of best practice in non-listed assets.

## SECTION 7: MANAGER STEWARDSHIP (CONTINUED)

### 7.3 Getting better information

We help our clients identify risks and opportunities to their assets by getting information from a number of different data sources. Getting information directly from the managers is generally the first port of call. We encourage clients to ask targeted questions of their managers to help understand their managers' approaches to their priority stewardship themes.

We recommend clients look at case studies based on information from their managers to better understand stewardship approaches. These case studies often highlight to our clients the complexity of ESG issues and help them understand the different approaches their managers take to engaging and escalating with underlying issuers. We support our clients in engaging with their managers to better understand the intended next steps and how the managers will monitor progress against their engagement objectives.

In addition, to help develop understanding of stewardship within the investment department, we regularly ask junior team members to conduct research and produce stewardship case studies for discussion.

Following our decision to purchase a licence from Diligent last year, we continued to develop our stewardship dashboard using their extensive database on voting information. We have used the dashboard for a range of clients to help them identify most significant votes and analyse their managers' voting behaviour compared to others.

One of the key benefits of this approach is the ability to see a broad range of investor rationales to help identify specific areas of concern and enable more constructive engagement with investment managers.

We set out below a case study of how we used the dashboard to advise a large asset owner.

### 7.4 Case study: Stewardship dashboard

#### Context and objective

As part of its ESG processes, a large pension scheme was looking to carry out a review of the votes cast at annual general meetings, for its equity (and other relevant) holdings, to ensure that they were in line with its policies.

#### Our approach

We selected a sample of over 200 annual general meetings and around 2,300 voting proposals. We then undertook a detailed analysis that involved identifying whether any votes cast were inconsistent with the client's policy, as well as whether decisions on high-profile votes differed from those of other large asset owners or managers. Our analysis was supported by our stewardship dashboard, which provides detailed, company-level comparisons of manager and asset owner voting, across every proposal. It helps asset owners better understand issues at key companies in their listed equity and bond portfolios, and how their managers are addressing these.

#### Outcome

We delivered confidence that actual votes were cast in line with the client's policy, 99.5% of the time. We also identified a handful of potentially unaligned votes and key actions for the client. Our dashboard tool provided insight into how other asset owners and managers had voted in some high-profile votes and offered a meaningful basis on which the client could compare itself to others.



## SECTION 7: MANAGER STEWARDSHIP (CONTINUED)



### 7.5 Seeking improvement

We are conscious that it takes time and resources to do stewardship well and therefore it is important that we help our clients to prioritise their stewardship activities. The majority of our clients have selected stewardship priorities or themes, such as climate change and biodiversity loss, and have informed their fund managers of these. Clients can engage with managers on these topics, asking them to explain their approach to monitoring, managing and mitigating material risks relating to our clients' priorities.

Some of our clients run regular manager days where their investment managers are invited to present. Clients can use our climate and stewardship dashboards to probe deeper into the risks to their investments related to their stewardship priorities and the actions managers are taking to address them. Looking at specific case studies and cross referencing how managers have voted in key resolutions compared to peers allows our clients to better hold managers to account and keep track of progress versus expectations.

When engaging with managers we encourage clients to set clear timebound objectives for their managers to drive improvement, for example increasing the proportion of investments with science-based targets.

We also seek to drive improvement with the managers within the scope of LCP Influence ([see Feature Box 7.6](#)) by using our research gradings to potentially upgrade or downgrade managers which are or are not making progress towards our asks, respectively. We take time to provide constructive feedback to the managers to explain their ratings, any areas of relative weaknesses and any requirements to achieve a higher rating. Managers have been extremely receptive to our feedback and many are already working towards addressing our asks.



## LCP Influence

Feedback from our pension trustee clients highlighted that their main challenges in conducting stewardship effectively were having insufficient time, resources or expertise. We also received feedback that trustees felt frustrated that they spent too much time on stewardship reporting with little time for action. Other trustees also felt that they had limited influence on their managers.

For these reasons, we developed our delegated stewardship service, LCP Influence, to remove the need for each scheme to engage with its managers individually and to achieve greater collective influence. In developing the service, we sought feedback from professional trustee firms to ensure that it achieved what they were looking for.

We initially selected ten managers which represent the most material exposures for LCP clients, as well as best practise comparators, and carried out detailed research looking at six areas of stewardship (see below).

<b>Engagement</b>		<b>Voting</b>	
<b>Technology &amp; data</b>		<b>Resourcing</b>	
<b>Policy advocacy</b>		<b>Record keeping &amp; reporting</b>	

We then identified best-in-class practice in each area and assigned grades to each manager. For all the managers we then formulated some specific, formal measurable asks where we expect that improvement will make a material difference to client outcomes. For example, we asked some managers to consider a formal process to assess how investment professionals at their firm are accessing RI data / insights and seek specific cases where these insights have been used in investment decisions.

Pleasingly, we've had very positive feedback from the managers involved in the process. In most cases the managers acknowledged the issues that we raised and have committed to address the asks that we have made. Managers that are seen to be making progress towards those asks may receive upgrades to our central research views and managers that fail to make progress may be downgraded.

The results of the research and progress against the asks will be reported to clients who subscribe to the service on an annual basis. The report will highlight which managers are falling behind on stewardship, in addition to providing information on best-in-class managers. Asset owners will then be able to easily understand the effectiveness of the stewardship service they are receiving from their managers and decide whether to consider replacing any managers with a best-in-class alternative.

# SECTION 8:

## SYSTEMIC STEWARDSHIP

### 8.1 Our approach to systemic stewardship

Systemic stewardship is an important element of stewardship and sits alongside stewardship which seeks to influence an individual organisation, such as manager stewardship ([see section 7](#)). It has continued to be a focus for us over the year.

We define systemic stewardship as investors using their influence at a systems level to seek to create and protect long-term value for clients and beneficiaries. This includes engaging with policy makers and regulators with the objective of addressing systemic risks that have the potential to materially harm financial outcomes.

We incorporate systemic stewardship explicitly in our RI approach, particularly for climate, where this is an important part of how we support clients' effective stewardship.

### 8.2 How we identify market-wide and systemic risks

We seek to identify market-wide risks and systemic risks which might directly or indirectly impact financial markets in various ways. At a high level, we emphasise the need to be open-minded, encouraging colleagues to learn, read relevant articles and research papers, and attend webinars and conferences, and identify recurrent themes expressed by a range of different parties that might point to developing market-wide or systemic risk. We encourage our teams to question matters and exchange ideas. We aim to make sure the quality of debate is high, by having a mix of experience and backgrounds working together.

About once a month, we have external experts come and talk to the investment partners and principals in order to gain an alternative insight or new perspective on important topics of the day. These sessions provide a great opportunity to exchange views and delve into topics in depth.

Typically, sessions are repeated for other members of the investment department, allowing more junior colleagues to gain similar insights. In our experience, the two groups may focus on different parts of the training, so this structure allows both groups appropriate time to explore the aspects they are most interested in.

We periodically undertake an informal survey of senior individuals – people with interest and expertise in longer-term risk identification, drawn from across the firm – to help with horizon scanning. The latest one was completed in late 2023/early 2024 by 22 individuals. During the year to 31 March 2025, several discussions took place between senior individuals with different expertise from across the business, to share perspectives on systemic risks, including risks of concern.

We also have formal processes to identify and respond to market-wide and systemic risks, as described in this section and [section 8.3](#).

We analyse historical market movements to inform our assumptions about future market movements. This involves substantial research and analysis on the investment returns of many different investment markets and macro-economic measures, such as inflation.

## SECTION 8: SYSTEMIC STEWARDSHIP (CONTINUED)

### 8.2 How we identify market-wide and systemic risks (*continued*)

We also analyse how different markets and macro factors are related to each other and how, in extreme moves, relationships might change. This analysis helps to form our views on the risks of extreme market movements and market-wide events. These views are used to inform our statistical models and our advice, and ultimately to help clients consider a broad range of possible outcomes and to give an indication of potential losses in a “reasonable worst-case scenario”.

We seek to identify more tangible and immediate risks to investment markets through our analysis of the current environment. Our analysis includes: consideration of the macroeconomic background; the risks to the fundamental performance of companies and other issuers of securities; the valuation of securities; and how market sentiment might impact investments. This approach helps us to address risks that may not be captured well in the statistical assumptions we have used for asset returns. We use this information to help clients understand their risks, and possible economic/macro scenarios that could lead to significant losses.

From time to time, our macro research group identifies systemic risks to investment markets and considers these both internally and, where appropriate, when meeting with investment managers, economists and others. Examples include: political risks that could lead to market failure or a limitation on an investor’s ability to realise assets; critical stakeholders in the functioning of markets such as exchanges and banks; contagion risks; and socio-economic and environmental factors

that could lead to significant falls in economic output and/or the value of assets.

We also seek to identify risks to clients from other sources, including changes to laws and regulations that are either directly affecting clients’ businesses or their main function, or that affect key service providers to our clients or other stakeholders related to them. At the start of 2025, following the recruitment of a new team member, our Pensions Research team reinstated a process to identify these by regularly, and in most cases daily, sweeping the websites and press releases of numerous firms, regulatory bodies and trade associations.

Our Pensions Research team look for any significant news that might affect our pensions clients directly or their key suppliers, customers or beneficiaries. This is collated and published on our website, via our weekly Pensions Bulletin or individual updates. The Pensions Research team highlight any material developments to the appropriate team at LCP. Our Pensions Leadership Group is ultimately responsible for ensuring that any significant risk to clients is brought to their attention and that appropriate consulting tools, documents and training are developed centrally, where appropriate.

## SECTION 8: SYSTEMIC STEWARDSHIP (CONTINUED)

### 8.3 How we respond to market-wide and systemic risks

We consider climate change to be a major systemic risk, so have made this the focus of our RI work. We incorporate just transition\* and nature loss into our climate work since we believe these areas need to be addressed in order for the transition to net zero to be successful, as well as having systemic importance in their own right.

In January 2025, we invited Professor Aled Jones, Director of the Global Sustainability Institute at Anglia Ruskin University, to provide training on 'nature loss as a systemic risk' to partners and our RI community – with the recording made available to the whole company. The session supported knowledge development within the firm, and our RI team took the opportunity to highlight the tools and resources that we have available to support clients in this area.

There are a number of other market-wide and systemic risks that we have been discussing internally and with our clients:

- At our 2024 Investment Conference, we invited keynote speakers to cover the US election, investment markets and broader geopolitical outlook. These sessions provided forward-looking perspectives on potential impacts on capital markets and long-term investment strategies.
- In November 2024, very soon after the result of the US presidential and congressional elections were known, we produced a note for clients about their potential impacts on the US economy and various asset classes, including sovereign bonds, US and non-US equities and currencies.
- In January 2025, we produced a note about rising gilt yields for our DB pension scheme clients, the majority of whom invest a large proportion of their assets in UK government bonds. The note covered what had happened to bond yields over the long-term, but in particular over the previous months, what the potential factors were for the rise in bond yields, what future impacts there might be, and what actions we thought DB and DC pension schemes should take.
- In February 2025, we put together a client note commenting on the Trump administration's tariffs and potential trade wars. This covered: the tariffs that had been announced by the US at that point; retaliatory measures that had been announced by various countries/regions; the possible objectives of the US tariffs; their potential impact on trade, the price of goods, currencies, inflation and interest rates; and who the winners and losers might be. We issued several additional notes on this topic in April 2025 (after the reporting period end).

\*defined by the International Labour Organization as "greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind"



## SECTION 8: SYSTEMIC STEWARDSHIP (CONTINUED)

### 8.3 How we respond to market-wide and systemic risks (*continued*)

- There have been a number of high-profile cyber incidents in the pensions and benefits industry in recent years, including several that made front page news. Recognising this, and TPR's increased emphasis on having a "when" rather than "if" mentality, the focus on cyber controls has increased for many schemes. There is much we can learn from recent cyber incidents and other unexpected events, such as the 2022 Liability Driven Investment (LDI) crisis, that can be applied to other systemic risks too, particularly around becoming better prepared for unexpected events. We have been assisting our clients by taking learnings from past cyber incidents and other unforeseen events to deliver scenario planning workshops. In addition to the subject matter (ie cyber risk), the workshops test actions and behaviours and assess the impact of group think and other behavioural bias on decision making. We believe that scenario planning is a valuable tool for trustees and sponsors to focus their contingency planning on what worries them most; this could be cyber risk, other systemic risks, or a scenario unique to their circumstances.
- We continue to build on our work in relation to AI risks and opportunities. We now have a well-established internal process for assessing and implementing AI opportunities, having considered the balance of risks involved. This has informed our expanded training offering on AI, both internally and for clients. This past year has seen us further leverage our industry influence to encourage others to embrace the transformative potential of AI, whilst taking a responsible and measured approach to mitigating the associated risks. This has included presenting at external events on AI, and playing a key role in industry working groups, both within the UK and internationally.

**Over the period, we believe we have been effective in identifying and discussing risks with clients early.**

Our culture, processes and governance structures, including RiskCo and the various ProfCos, help to create an environment that encourages this and allows us to provide useful, and where appropriate actionable, client notes in a timely manner. In response to receiving our note about rising gilt yields, one of our clients noted ***"Other advisers did do notes, but none as rapidly or as helpfully as yours with some really helpful scheme specific considerations on potential actions"***. However, there were no particularly severe market dislocations in this reporting year to truly test the extent to which our approach was effective.



## SECTION 8: SYSTEMIC STEWARDSHIP (CONTINUED)

Systemic stewardship is part of our response to addressing emerging and long-term risks, and we outline the actions we are taking in the following two sections:

1. to promote good systemic stewardship across the pensions and investment industry; and
2. to lead by example through our own systemic stewardship.

### 8.4 Promoting good systemic stewardship

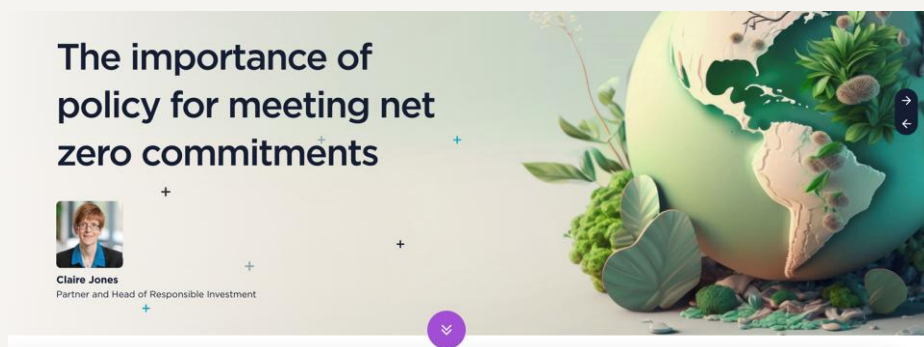
We can play a valuable role in addressing systemic risks by emphasising the importance of systemic stewardship and encouraging others to do more.

Over the year, we have been vocal about the importance of addressing systemic risks, in particular climate change. We did this to raise awareness of the issues, to advocate for specific actions that we believe will benefit our clients and to encourage others to also contribute to a well-functioning financial system by addressing systemic risks. We have taken part in discussions and published blogs and reports on this subject.

These include:

- a [podcast](#) and [online roundtable](#) hosted by Pensions for Purpose on leveraging asset owner influence to address systemic risks, covering what systemic stewardship is, why it is important, what asset owners and investment managers are doing, what we believe good looks like for investment managers, and actions for asset owners;
- an article on [the importance of policy for meeting net zero commitments](#); and
- a blog asking “[are your investment managers using all the tools they can to reduce risk to your portfolio?](#)”, covering the importance of systemic stewardship as part of an investment manager’s approach to managing risk.

In October 2024, we hosted a roundtable with seven large asset owners, representing over £100bn of assets, to discuss how they leverage their influence to address systemic risks. We surfaced a few areas that we believe need to be addressed to encourage more systemic stewardship across the industry. We are continuing industry discussions, focusing on how these areas can be addressed, for example who is responsible for carrying out systemic stewardship.



## SECTION 8: SYSTEMIC STEWARDSHIP (CONTINUED)

### 8.4 Promoting good systemic stewardship (*continued*)

In November 2024, we provided the investment managers that took part in our responsible investment survey ([see section 6](#)) with their individual firmwide ratings, including our rating of their systemic stewardship.

We subsequently developed a set of [best practice systemic stewardship principles for investment managers](#) to encourage improvements in this area. We sent these principles to investment managers that we either research, or have a mutual client with, in March 2025.

These general principles build on the specific principles that we developed last year for [UK climate policy advocacy by LDI managers](#). This is an important topic for our DB pension scheme clients since most of them hold a significant proportion of their assets in LDI portfolios and policy advocacy is one of the few stewardship tools available for the asset class. In this reporting year, we:

- finalised our assessment of five key LDI managers against our principles, shared the findings with clients and published a [blog on the headline results](#);
- provided feedback to the five managers, setting out some areas where we would like to see improvements; and
- towards the end of the year, asked the managers to provide us with information on any changes they had made so we could update our assessment.

Since the end of the reporting year, we have shared our updated assessments with clients.

Over the reporting year, we initiated deep dive research on DC master trusts' policy advocacy in relation to climate change since they represent a large and growing amount of assets and can help shape market practices. Over Q1 2025 we researched the approaches of 16 master trusts. We then had discussions with nine of them in the reporting year, with the rest taking place following the year end.

We intend to use the results of our research to develop a set of principles for climate policy advocacy by master trusts and assess all 16 master trusts against those principles.

### 8.5 Leading by example through our own systemic stewardship

We believe that we should play an active role in shaping the future of the industries in which we work. Through our engagement with government, regulators and others, we aim to contribute to the development of a robust, fair and sustainable regulatory landscape. We are committed to transparency.

We think it is important that we use our influence via policy advocacy, ultimately for the benefit of our clients and their beneficiaries. We believe that our time commitment demonstrates how seriously we take our role in promoting well-functioning financial markets and that assessment of effectiveness can be judged by the output from the various collaborative groups that we are part of. For example, LCP partners Claire Jones and Steve Hodder have played significant roles in the Investment Consultants Sustainability Working Group (ICSWG) Influence workstream and UK Defined Benefit Working Group, respectively (more detail later in this section).

## SECTION 8: SYSTEMIC STEWARDSHIP (CONTINUED)

### 8.5 Leading by example through our own systemic stewardship (*continued*)

We have taken various steps during the reporting year which demonstrate how we use our influence:

- We have developed and internally communicated our approach to public policy engagement across the whole business, to ensure consistency of approach as LCP grows in size and public profile (see [section 9.7](#)).
- We engaged with policymakers on stewardship via a meeting with the Pensions Regulator employees, participating in a Financial Conduct Authority (FCA) stewardship roundtable, and responding to the FRC's consultation on updates to the UK Stewardship Code.
- We publicly launched our climate policy asks (see [Feature Box 8.6](#)). The actions we undertook in support of the asks during the reporting year include:
  - we wrote to two new government ministers (one pensions, one energy) about our asks which are relevant to their roles;
  - we continued engaging with civil servants and regulators on our climate policy asks, representing LCP and in collaboration with the ICSWG (see next page);
  - we talked to Department for Business and Trade employees about the transfer of assets from DB schemes to insurers and the barriers/opportunities this presents for investing in UK private market assets;
  - we promoted discussion and debate on fiduciary duty, with our CEO Aaron Punwani speaking at two ShareAction events during the year, advocating for clarification that trustees can take account of longer-term considerations and real-world impact when making investment decisions;
  - we quoted relevant asks in [our responses](#) to HM Treasury's call for evidence on pensions investments and the FCA's consultation on value for money for DC pensions;
  - we published the thought-piece "[Investing for sustainable growth, not just any growth](#)" in response to the Chancellor's announcement of measures aimed at stimulating the UK economy;
  - we highlighted investor support for climate policy action in [our press release](#) following the release of the UN emissions gap report;
  - as a member of the UK Sustainable Investment and Finance Association (UKSIF), we provided input into their systemic risks and pensions review reports, the second of which is policy-related and broadly aligned with our climate policy asks;
  - we discussed our policy asks and highlighted why asset owners should do more to influence climate policy on a [Pensions for Purpose podcast](#); and
  - we encouraged clients to support the 2024 Global Investor Statement to Governments on the Climate Crisis, which relates to two of our asks.



## SECTION 8: SYSTEMIC STEWARDSHIP (CONTINUED)

### 8.5 Leading by example through our own systemic stewardship (*continued*)

We publish our consultation responses on our website, to foster open dialogue and share our insights and views with our clients and the broader industry. You can view them [here](#). In addition, we contributed to several consultations in collaboration with other industry bodies.

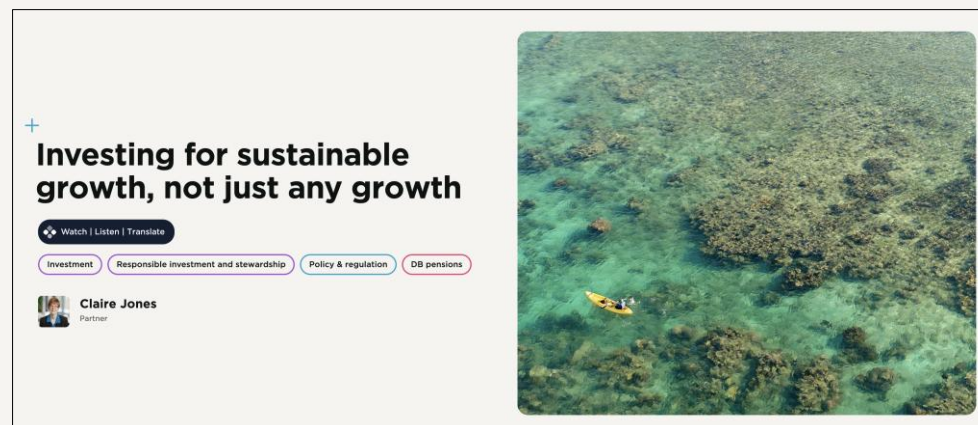
We believe a collaborative approach is particularly important in systemic stewardship work, ie working with other stakeholders with the aim of improving the functioning of financial markets. We have contributed to several industry initiatives over the year.

Claire Jones established and leads the **ICSWG Influence workstream**, which complements our own systemic stewardship by collaborating with our industry peers. Its objective is to work with policymakers and regulators on behalf of UK asset owners (primarily occupational pension schemes) to influence future regulation with a view to encouraging better sustainable investment practices. The workstream meets regularly with representatives from TPR, the Department for Work and Pensions (DWP) and the FCA.

The workstream has identified three policy areas of focus and developed position papers on them to guide its policy advocacy, as described in [two press releases](#):

- Identifying ways of simplifying, reducing and possibly harmonising reporting requirements and regulatory burdens
- Removing barriers to action or encouraging action that supports sustainable investing
- Reducing barriers and incentivising allocations to “productive finance” opportunities that help drive a more sustainable economy from both social and environmental perspectives.

Claire also led the preparation of ICSWG’s response to a call for evidence by TPR to inform a review of the TCFD regulations for large pension schemes (often referred to as the TCFD regulations since they are based on the recommendations from the Taskforce on Climate-related Financial Disclosures). This drew upon the Influence workstream’s position papers and input from ICSWG member firms.



## SECTION 8: SYSTEMIC STEWARDSHIP (CONTINUED)

### 8.5 Leading by example through our own systemic stewardship (*continued*)

As well as leading the ICSWG Influence workstream, we are also represented on:

- the **ICSWG SteerCo** (steering committee) by Claire Jones.
- the **Raise the Bar workstream** by James Moore. His work over the period included:
  - contributing to enhancements of the ICSWG's engagement reporting guide, aiming to standardise reporting of engagement by investment managers;
  - contributing to the development of an alignment tool designed to aid asset owners in assessing the degree to which their investment managers align with their voting and engagement policies and beliefs; and
  - contributing to agreement of actions on topics such as the lack of transparency across proxy advisers and human rights abuses supported by the fund management industry.
- the **TCFD metrics working group of the Standardise workstream**, which was led by Ian Gamon. The group reviewed and proposed guidance on the interpretation of the "additional climate change metrics" set out in DWP's 2022 statutory guidance on climate reporting. This work took input from investment managers with market-leading practice in RI and from ICSWG member firms. The resulting ICSWG guide was provided to ICSWG SteerCo for sign-off shortly before the reporting year end and has since been published for wider industry application.
- We are **members of NZICI**, with Simon Coomber and Ian Gamon representing LCP on the Steering Committee. Over the reporting year, we supported this initiative with: development of a framework for asset owners and their consultants to assess investment managers on their approach to net zero; updating the NZICI commitments and reporting requirements to bring them in line with evolving practice and to be more accessible to a wider range of consultants; and [the NZICI 2024 Progress Report](#), published by the PRI in December 2024.
- Claire Jones is a member of the **UK Policy Working Group of the Institutional Investors Group on Climate Change (IIGCC)**, providing input through quarterly meetings and on an ad hoc basis. Over the reporting year, this included providing input into the IIGCC's draft response to the FRC's UK Stewardship Code consultation and discussing the role of pension schemes in unlocking patient capital in connection with the Transition Finance Market Review. As the only investment consultant member of the working group, Claire is able to provide a different perspective.
- We are a **Community Partner of Pensions for Purpose** and have a collaborative relationship with them. Over the reporting year, we exchanged views on market developments, barriers and opportunities through quarterly meetings for senior representatives from both organisations plus ad hoc discussions.

## SECTION 8: SYSTEMIC STEWARDSHIP (CONTINUED)

### 8.5 Leading by example through our own systemic stewardship (*continued*)

We contributed to various other industry initiatives that relate to, or are relevant to, investment:

- Since October 2023, Laura Myers, our Head of DC, has been on the **Board of the PLSA (now Pensions UK)**, an organisation that represents pension schemes with the aim of improving retirement incomes of savers in the UK.
- Steve Hodder, a partner in our investment department, has worked with government, regulators and industry bodies – including as part of the **UK Defined Benefit Working Group** – on reforming how defined benefit pension schemes are managed. This work is seeking to help “unlock” assets in DB schemes from excessively prudent investment strategies to drive significant benefits for scheme members, UK companies, and boost growth of the UK economy. These ideas have fed into the Government’s recent DB policy proposals, set out in the 2023 and 2024 Mansion House speeches, 2024 DWP consultation and the Chancellor’s January 2025 announcement on defined benefit surplus release.
- LCP has extensive representation through the **committees of the Society of Pension Professionals (SPP)**, including Donna Matteucci on the Executive Committee. Over the reporting year, the SPP has placed an emphasis on stewardship issues for pension schemes. This included producing, in 2024, a practical guide to help trustees of pension schemes engage with asset managers on environmental, social and governance matters. This guide emphasises the importance of investment consultants actively

monitoring and engaging with investment managers on behalf of trustees, pointing out ESG disclosure obligations for asset managers and the information trustees can ask for, and reminds trustees of the need to take more ownership of stewardship issues.

- For the first three months of the reporting year, Steven Taylor, a partner in our Pensions Actuarial department, **chaired the Association of Consulting Actuaries (ACA)**. In this role he participated in industry initiatives led by the ACA and the International Association of Actuaries. Steven remains a member of the ACA Main Committee.

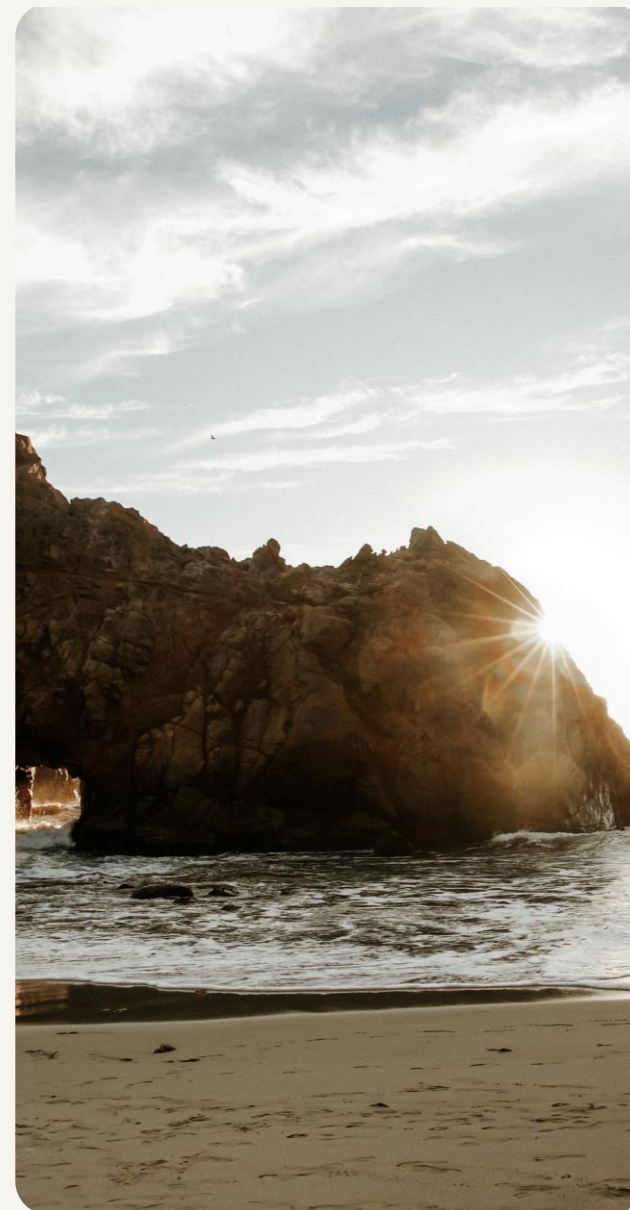




## SECTION 8: SYSTEMIC STEWARDSHIP (CONTINUED)

### 8.5 Leading by example through our own systemic stewardship (*continued*)

- Tim Box from our Pensions Research team **chairs the Pensions Management Institute's (PMI) Policy and Public Affairs Committee.**
- Stephen Budge, a partner in our DC team, is on the **Defined Contribution Investment Forum (DCIF) Advisory Group**, providing input into the direction of research and events from the perspective of a consultant.
- Zuhair Mohammed, our Head of Investment, is one of the founding members and a **regular attendee of the 300 Group**, a gathering of leading global investment professionals whose mission is to raise awareness of the potential impact of investment market herding. It aims to shine a spotlight on some of the most irrational and dangerous market behaviours to protect asset owners and their beneficiaries. Topics discussed over the reporting year included the potential significance of trade tariffs on the globalised trade system, headwinds from increasing sovereign debt across various countries, and concentration risks in mainstream equity benchmarks.
- Ian Gamon represents LCP as a **member of the Charities Investment Consulting Partnership** launched in October 2024. Over the reporting year, Ian led engagement with the aim of removing tax-related restrictions on charities investing in life funds (see [section 6.1](#)).





## Our climate policy asks

Climate change is a systemic risk, affecting the whole economy and potentially undermining financial market stability. Investors, including our clients, can't diversify away the risk, so it requires systemic action.

We have created a set of policy asks (shown opposite) related to addressing climate risk, which we are using to guide our discussions with policy makers and regulators, to consistently focus on what we believe are the most important changes for our clients and their beneficiaries.

In the reporting year, we launched our policy asks publicly. We invited asset owners, including our clients, to support these policy asks. This provides them with an option to support policy advocacy in a light touch but collectively powerful way that complements their existing stewardship activity.

You can read more about our asks [here](#).

As at 31 March 2025, we had 58 asset owners with £187bn in assets signed up to show their support for some or all of these asks:

We have provided information on some of the work we are doing to achieve progress on our asks [in section 8.5](#).



Climate regulations for investor should aim for **real-world impact**, not (just) disclosure

*Supported by 56 asset owners with assets totalling £186bn.*



It should be **easier** for DB and DC pension schemes to **invest in climate solutions** (including growth and/or illiquid assets)

*Supported by 58 asset owners with assets totalling £187bn.*



Climate **action needs to match the scale of the risk**, removing the current disconnect between the levels of policy ambition and implementation

*Supported by 57 asset owners with assets totalling £187bn.*



Governments should set **clear, credible, consistent net zero plans**, which are nature-friendly and socially just, so investors can invest in the net zero transition with confidence

*Supported by 58 asset owners with assets totalling £187bn.*



Pension trustees' **fiduciary duty should be reinterpreted** to have a longer time horizon and include macro (impact) as well as micro (risk) considerations

*Supported by 49 asset owners with assets totalling £153bn.*

# SECTION 9:

## EVALUATION OF OUR STEWARDSHIP

### 9.1 Acting in our clients' best interests

We believe we are effective in serving the best interests of our clients.

It is difficult to measure this directly. However, many of our clients have been with us for decades and we continue to win new appointments both in our longstanding areas of business (a notable achievement in what is a structurally declining market) as well as clients in other areas of work (eg health analytics).

Our business growth has been strong for many years, both in absolute terms and relative to our peers, so we think that points to clients believing we deliver a high-quality service focussed on their best interests and meeting their needs.

We are very keen to receive informal feedback from our clients on an ongoing basis. Our client teams seek regular feedback from their clients about whether we are delivering what they want, including in relation to RI. In addition, the detailed and high frequency comment that comes via client meetings and informal conversations is invaluable in establishing what works and what doesn't work and in fine-tuning things to make them more effective.

More formally, we seek feedback from clients formally through an ongoing client care programme and a triennial client survey ([see section 3.8](#)), both of which continue to show high client satisfaction.

We also receive feedback on our investment consulting services to pension trustees through their annual review of our performance against the investment consulting objectives they have set for us ([see section 4.6](#)).

One measure of serving our clients' best interests is indicated by our success in winning many industry awards – in investment and beyond – in recent years. This helps indicate we are delivering what clients need and value. In 2024 (and 2025) we won the UK Pensions Awards Investment Consultancy of the Year Award, as well as several other awards which are [listed on our website](#).

We would also note that, for a firm of our size, we have historically had very few complaints about our work or claims on our professional insurance.



## SECTION 9: EVALUATION OF OUR STEWARDSHIP (CONTINUED)

### 9.2 Effectiveness of our methods for communicating with clients and understanding their needs

The best way to make sure we understand client needs is to have a dialogue with them, and we offer a similarly flexible set of options for them to share their views and thoughts with us.

We have outlined our approach to communication with our investment clients in [section 4](#), with more detail on RI communication materials in [section 5](#). We have summarised our approach to client feedback earlier in this section.

Whilst it is hard to directly assess our effectiveness in this area, we seek to do it by various means:

- seeking views from a broad range of parties and clients as described above, identifying where there are consistent comments or themes which would suggest changes are needed;
- sharing feedback internally through a range of different groups and meetings, comparing and contrasting the reaction of clients to reports/materials we have produced – these meetings might be amongst partners, within teams (eg equity or RI research), or between individuals who have an interest in a particular topic and who want to improve our approach to it;
- reviewing the number of views received by articles and publications placed online; and
- looking at what is happening in the wider industry – whether that's what managers are saying, what regulators and legislators are proposing, or what our competitors are saying and doing.

The effectiveness of what we do is reflected in:

- the strength and profitability of our existing business;
- the long-term relationships we have built with many clients;
- our success in attracting new clients; and
- the industry-wide recognition we have received for our work, for example through the awards that we have won, in both investment and wider fields.

Over the year we also improved and formalised our professional trustee programme, in which we gather feedback from professional trustee firms (ie firms to which we provide investment consulting services across a range of clients). In particular, each of the key firms we work with is assigned a "lead" LCP contact, who conducts quarterly calls to share feedback and latest updates. We also meet with key professional trustees with mutual clients on a periodic basis to discuss feedback in more depth.





## SECTION 9: EVALUATION OF OUR STEWARDSHIP (CONTINUED)

### 9.3 Oversight structures – internal

We take conflicts of interests very seriously and have a Conflicts and Ethics Committee that sets our policies in this area and whose members are available to discuss with individuals any particular issues they may have.

We've provided our Conflicts of Interest Policy, and examples of how we identify and manage potential conflicts of interest, in [Appendix 1](#). This policy is available to interested clients as a standalone document, so they can understand how we address these issues.

Over the course of the year to 31 March 2025, our Conflicts and Ethics Committee received a number of referrals regarding actual and potential conflicts of interest. In each case, working with the relevant client adviser team(s), members of the Committee were able to agree actions to manage the conflict in an appropriate and proportionate way.

Other professional committees and our compliance team oversee and review the work we deliver to clients on a regular basis, for example through regular ongoing file reviews or a focussed review, perhaps in respect of a new area of business. The Compliance team is an ongoing source of support for the investment department and has recently been bolstered by the addition of a new Chief Risk and Compliance Officer. Further details on the roles of our professional committees, including ProfCo, DC ProfCo and RiskCo, are provided later, in [section 9.5](#).

Individuals in the investment team must attain Appropriate Person status to review, sign off and give regulated investment advice to clients. The requirements for becoming an Appropriate Person include holding a relevant investment qualification, demonstrating the relevant experience and competency, obtaining feedback from other Appropriate Persons on work, maintaining a record of work and feedback received, and an assessment exercise with the Compliance department.

### 9.4 Oversight structures – external

We are licensed by the IFoA for a range of investment business activities. We are also authorised and regulated by the FCA for some insurance distribution activities (non-investment contracts of insurance). Following our last external compliance visit conducted in March 2024 on behalf of the IFoA (which assesses our compliance with its Designated Professional Body handbook), we were marked very highly.

In addition, we were granted the Quality Assurance Scheme (QAS) accreditation by the IFoA in April 2016, as one of the initial group of actuarial firms to be accredited under the scheme. Subject to ongoing engagement and monitoring by the QAS team, accreditation is awarded for six years. We were formally re-accredited for another six years in October 2022 by the Institute of Chartered Accountants in England and Wales on behalf of the IFoA. We are subject to regular reviews to ensure that we continue to meet the required standards as set out in Actuarial Profession Standard QA1: Quality Assurance Scheme for Organisations.



## SECTION 9: EVALUATION OF OUR STEWARDSHIP (CONTINUED)

### 9.5 How we review and manage our policies and procedures

As noted in [section 3.3](#), LCP's Risk Committee (RiskCo) addresses firmwide risks and works with our various professional subcommittees (ProfCos) in overseeing the professional activities of the firm.

RiskCo reviews the effectiveness of the firm's policies, processes and activities in a range of ways, including:

- RiskCo has a programme of "Meet the Department" meetings where it meets with a range of individuals from different parts of the firm to discuss their current activities and concerns. These meetings have proved useful in identifying risks such as key person risks and where more structured involvement of specialists in a particular area would be beneficial.
- Individual members of RiskCo sit on the various ProfCos. There is a standing agenda item at RiskCo meetings for them to report back on any significant issues or issues with wider applicability. For example, one topic discussed during the year was a review of quality control processes for client advice, to ensure continued high standards and awareness of the requirement for good evidencing of work, especially in an increasingly virtual world.
- RiskCo individuals provide training on "stepping up to a senior role" for senior hires and those promoted to partner or principal. These are discussion-based sessions where attendees are encouraged to discuss their experiences and questions openly. Sometimes the discussions point to areas for improvement, such as better information flows between people working in different parts of the firm, which are picked up through a standing RiskCo agenda item.

Over the year, ExCo, with the help of RiskCo, produced a risk register

setting out the 25 top risks for the firm. Each has a risk owner and the register articulates current risk controls. Owners are responsible for ensuring risk management policies remain up to date and are reviewed at an appropriate frequency.

RiskCo works closely with the LCP partner who oversees the annual renewal process for LCP's professional indemnity insurance. Through that process, we gain insights into market developments, such as new areas of concern to the insurers due to recent claims from firms like ours. This prompts discussion of key areas of risk for LCP and how our mitigation measures can be further strengthened.

Investment ProfCo (the subcommittee which looks after the investment department) undertook a range of activities over the year to enhance the department's policies and procedures. Activity included:

- A full review of departmental processes, with the sub-committee piloting some recommended enhancements.
- Consideration of the implication of TPR's new DB funding code, including confirmation of how the investment department will perform the required risk modelling.
- Training sessions for reviewers within the department on how to ensure work produced is of high quality.
- Reviewing how to move work associated with Additional Voluntary Contributions ("AVC") reviews and small DC schemes to more specialist teams.
- A review of the work conducted for clients looking to sell illiquid assets on secondary markets (a relatively new and high-risk area).
- The addition of extra ESG considerations into checklists used by the department when reviewing manager appointment documentation.

## SECTION 9: EVALUATION OF OUR STEWARDSHIP (CONTINUED)

### 9.5 How we review and manage our policies and procedures (continued)

DC ProfCo (the subcommittee which looks after the DC department) also did a number of things to monitor, improve and future-proof the DC team's work and strategy over the year, including:

- A review of our DC checklists to make sure they remain fit for purpose;
- The introduction of new standards and checklists for emerging business areas, for instance illiquid asset manager selections;
- Identification of areas that need better processes and procedures, most recently enhancing processes for producing advice on AVC sections; and
- Encouraging better communication of DC benefits to scheme members through coordination with the LCP communications team.

Investment ProfCo and DC ProfCo each hold an annual "blue-sky" meeting, so as to be on the front foot with respect to future risks, with the groups discussing potential industry developments, reputational risks, compliance risks, operational risks, strategic risks and commercial risks.

Investment and DC ProfCos also worked together this year to promote an internal "near misses/errors" page on our intranet, which highlights common errors people make, to raise awareness and improve the quality of our work.

### 9.6 Review of financial assumptions

LCP's Financial Assumptions Committee is responsible for setting the main financial market assumptions used in our investment and funding strategy modelling. Its quarterly meetings include discussions of:

- the market environment and implications for our assumptions;
- our Equity Risk Premium assumption; and
- latest views on our assumptions for inflation, inflation volatility, the gap between RPI and CPI, and caps and collars on pension increases.

Some amendments were made to the assumptions as a result of the discussions during the year. This included a 2% increase in our annual volatility assumption for global equity returns and a 0.1% increase in the range for the post-2030 RPI-CPI wedge assumption to reflect analysis published by the UK's Office for Budget Responsibility.

Our Asset Class Assumptions Group (ACAG) meets at least quarterly to review the more detailed assumptions used in our investment and funding strategy modelling, including the expected returns and volatility of returns for each asset class and the correlations between them. Over the past year, the ACAG introduced assumptions for three extra asset classes: natural capital, tail risk solutions and working capital finance. It also updated the assumption-setting methodologies for the following asset classes: asset-backed securities, emerging market debt, high yield debt, multi-asset credit and opportunistic credit.

When the Financial Assumptions Committee changes our headline assumptions, ACAG then adjusts other asset class assumptions (where they are correlated with equities) consistently with these changes.

## SECTION 9: EVALUATION OF OUR STEWARDSHIP (CONTINUED)

### 9.7 Evaluation of our governance structures and processes, and improvements being made

Overall, we believe that our governance structures and processes are effective in supporting our clients' stewardship. We also recognise that there is always room for improvement, and that our structures and processes should evolve to keep pace with changing client needs and market expectations.

Therefore, over the year, we undertook a number of actions to evaluate and improve our central governance structures and processes, including:



- an increase in the amount of feedback and discussion with professional trustee firms, to ensure that our work is meeting the needs of clients (as discussed earlier in [section 9.2](#)).



- the production of internal guidance on speaking about public policy, to help us to navigate reputational risks and avoid the appearance of straying into partly politics, in an increasingly politicised world. The policy also aims to ensure consistency of approach across the firm and to link our public policy work to LCP's mission and brand. It includes named policy leads who are responsible for developing and maintaining internal position statements on each of the main policy areas we comment on.



- the hiring of a Chief Risk and Compliance Officer, Katherine Davidge, into a newly created role. Since Katherine joined, Risk and Compliance has been formalised as its own department. We are increasing resources within the function and are currently considering what improvements are required to risk management arrangements.

In the next subsection, we comment specifically on governance structures and processes in relation to our responsible investment activities.

## SECTION 9: EVALUATION OF OUR STEWARDSHIP (CONTINUED)



### 9.8 Review of responsible investment activities

Informal review of the effectiveness of our RI work is ongoing. During the year, this took place through meetings of RI Central (see [section 5](#)) which were typically weekly. This led, directly or indirectly, to many of the evolutions of our RI approach described elsewhere in this report.

Ken Willis and Claire Jones attended an ExCo meeting in June 2024 to provide an annual update on the firm's responsible investment activities. This included presenting our proposed strategy and KPIs for 2024/25. They had a follow-up discussion with Aaron Punwani, our CEO, to agree some improvements in how we communicate our RI strategy.

We added two people to RI Central to provide perspectives that were previously under-represented (DC and manager research). We also formalised the allocation of RI team members to specific workstreams, to increase their sense of belonging, and updated our approach to allocating RI projects among the team, to build individuals' expertise in a more deliberate manner. More detail on the RI team is provided in [section 5](#).

Over the year, we launched LCP Influence, our delegated stewardship service. This was in response to discussions with clients and others in the industry, whereby we identified the need for a more streamlined service to help clients oversee their managers' stewardship capabilities and engage with managers to drive improvements in this area (see [Feature Box 7.6](#)).

A concerted effort was made over the year to ensure that clients had the opportunity to meet with and talk to one of our RI experts. Further detail on this is provided in [section 5.4](#).

In the final section of this report, we outline various steps we plan to take over the next year to improve our governance structures and processes, so they continue to support our clients' stewardship effectively.



## SECTION 10: CONCLUSION AND NEXT STEPS

Responsible Investment continues to be an important focus for LCP and is a growing part of our business. Consideration of ESG factors, particularly climate change and net zero alignment, is integrated into our investment consulting services and the research that underpins them.

Like the rest of the investment industry, we are on a journey. We remain agile and evolve our approach in light of experience, market developments, and changing client needs and preferences.

We expect to make further changes and explore various activities in future – some examples are set out in this section.

### **Continuing to expand the knowledge and understanding within our RI team, including:**

- Focusing RI knowledge and skills development on a smaller group of people, with an increase in the proportion of these people's time spent working on RI matters;
- Developing a more structured approach to building the depth and breadth of the RI team's knowledge, especially among less experienced team members;
- Increased sharing of knowledge among RI team members, especially client case studies, through more frequent team meetings; and
- Greater articulation and use of frameworks to structure key areas of our RI client advice and research.

### **Evolving our approach to best support clients and reflect industry developments, including:**

- Continuing to evolve our approach to climate scenario analysis, including exploring how we could extend our use of narratives-based approaches with clients;
- Establishing a group focussed on climate transition plans to support pension scheme clients in advance of anticipated new requirements in this area;
- Further developing our approach towards nature-based investing to support clients on a nature-positive net zero journey;
- Developing new tools that utilise the increased flexibility of our recently-revised MSCI ESG data licence; and
- Expanding our use of AI to improve the efficiency of our RI client advice and research.

## SECTION 10: CONCLUSION AND NEXT STEPS (CONTINUED)

**Further developing our services to meet client needs following the feedback we receive from them, including:**

- **LCP Influence** – encouraging further uptake across our client base, completing the first round of annual client reporting, and monitoring progress against our asks; and
- **Investing in the energy transition** – launching our investment solution which can provide asset owners with access to investment across the global energy transition market.

**Continuing to expand our investment manager research programme, including:**

- Further researching stewardship across different asset classes and developing our understanding of best practice in non-listed assets; and
- Broadening our research of sustainable investment approaches.

**Using our position to continue to drive improvements in relation to systemic stewardship, including:**

- Seeking further progress on our climate policy asks through engagement with regulators and policymakers;
- Completing our deep dive research on DC master trusts' policy advocacy in relation to climate change; and
- Continuing to encourage improved quality and quantity of systemic stewardship by others, such as through [our recent webinar](#) with practical tips for investors on using policy engagement to support sustainability goals.

**We look forward to providing an update on these areas in our 2026 Stewardship Report.**



# APPENDIX 1:

## CONFLICTS OF INTEREST

*The policy wording below applied during the reporting period. Our policy is currently being reviewed and updated. The updated version will be reflected in our next report.*

### A.1 Our Conflicts of Interest Policy

We take conflicts of interest very seriously and have a Conflicts and Ethics Committee comprising experienced partners that sets policy in this area and provides advice to anyone faced with a potential conflict. Our Conflicts of Interest Policy sets out the principles of how we prevent, manage and disclose to clients any conflict of interest that may potentially arise.

From time to time, we face conflicts of interest in the course of our business. These could be actual conflicts, potential conflicts or perceived conflicts of interest. Our Conflicts of Interest Policy requires us all to identify and manage these conflicts. LCP takes all reasonable steps to prevent conflicts of interest from adversely affecting the interests of our clients.

The Policy applies to all individuals at LCP and all individuals are required to act in accordance with the framework set out here and any other more detailed guidance that is specific to a given situation.

The identification and management of conflicts (whether actual, potential or perceived) is critical to running our business. At the very least, conflicts of interest which are not appropriately managed risk harming our reputation as trusted advisers.

### Background

A conflict may exist where the interests of LCP, or of individuals working at LCP, and/or of clients are not aligned, with the risk that this could harm the interests of affected clients.

There are a number of possible types of conflict that are covered by this Policy:

- **Client/LCP** – a conflict between LCP’s interests and those of one or more clients;
- **Client/client** – a conflict between the interests of two (or more) clients; or
- **Client/individual at LCP** – a conflict between the interests of an individual at LCP and those of one or more clients.

Our aim is to manage conflicts of interest so that our clients’ interests are not harmed. This may mean withdrawing from working for a client – in whole, or for a particular project or piece of advice – and this can apply for an individual or for LCP as a firm.

Details of the procedures our colleagues need to follow should they become aware of any potential conflicts of interest are described in our internal document “Departmental Conflicts of Interest Policy Protocol” which is available to everyone via our intranet.

## APPENDIX 1 – CONFLICTS OF INTEREST (CONTINUED)

### Examples of potential conflicts of interest

Certain common scenarios in which conflicts of interest might arise are summarised below.

- Entertainments and gifts have the potential – and may be perceived – to create conflicts of interest. We have procedures in place to manage this. All entertainment must be approved prior to being accepted. Gifts may only be accepted in accordance with LCP's procedures so that monitoring can be done at both an individual and firm-level. (Our intranet provides further details for colleagues.)
- Personal Account dealing (ie buying shares and certain other types of investments) may lead to an actual or perceived conflict of interest between an individual at LCP and a client. Colleagues are required to seek pre-clearance authorisation before transacting in specified securities and are required to disclose holdings of relevant financial assets on request. (Our intranet provides further details.)
- Taking on a new client has the potential to generate conflicts of interest. We have procedures in place to identify potential conflicts arising when taking on new business. Where we identify a potential conflict, we may decline to accept the business, or we may manage the potential conflict to prevent damage to existing and new clients' interests, where that is possible.
- A potential or a perceived conflict of interest may arise where LCP works for two different clients who have a business relationship with one another (for example the trustees of a pension scheme and its sponsoring employer). In such circumstances, we will agree a Conflict Management Plan with the parties, to manage the potential conflict

and to manage the disclosure of confidential information in an appropriate manner.

- A conflict may arise between the interests of two clients, where there is an increased risk for us to act in the interests of one client over another due to our commercial interests. Where, for example, we advise a client who is also a supplier of services that we may be researching or recommending to other clients – such as advising an investment management business. In these circumstances, we may decline to act for the “supplier” client or put in place procedures to separate duties and implement reviews to remove the risk of this potential conflict affecting clients' interests.

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### Identification

We need to be alert to actual, potential and perceived conflicts of interest, and from time to time colleagues receive training on how conflicts of interest might arise, for example, as part of their professional development.

While we have described some possible situations in which conflicts may arise, there are many possible scenarios that could give rise to a conflict and it is not possible to list them all.

Each department's management – with the help of its Professional Committee (or ProfCo) in the case of client-facing departments – considers conflict as part of their identification of risks.



## APPENDIX 1 – CONFLICTS OF INTEREST (CONTINUED)

### Management

When a conflict is identified, we take all reasonable steps to prevent it from affecting our clients' interests.

We believe that the most important point is, if a colleague thinks there's a problem, they talk to someone. Our culture is open and collaborative, and we encourage people to speak up.

It is ultimately the responsibility of the relevant partner or other senior professional to ensure that any conflict is satisfactorily resolved.

In managing conflicts of interest, colleagues must follow clearly laid out procedures as described in our internal Departmental Conflicts of Interest Policy Protocol, details of which are included below.

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### Process

If a colleague identifies a potential conflict, then they will first raise it with the client partner or departmental head, as appropriate, for guidance on how to manage the situation.

Having met, the colleague will agree that either they or the client partner/departmental head will produce a note of the meeting which should include:

- a description of the potential conflict of interest;
- the decision agreed between them as to whether this is an actual conflict of interest or what further work is needed to establish if this is the case; and

- if it is agreed (immediately or following further investigation) that there is an actual conflict of interest, then what action is to be taken, by whom and by when in order to address it.

The note is agreed between the individual and the client partner or head of department as appropriate.

If appropriate, a time should be set to meet to consider whether the agreed action(s) has/have addressed the conflict of interest or to agree what further action is necessary. It is the responsibility of the client partner or head of department to ensure that the conflict of interest is resolved.

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### Escalation

If the nature of the conflict is such that a colleague feels that they want to raise the issue with someone other than the client partner or departmental head, or if having raised it, they don't think the conflict of interest is being managed adequately, then they should escalate the issue.

There are various options available to an individual for escalating an issue, such as through their department's ProfCo, LCP RiskCo, Legal & Compliance, or via our Conflicts and Ethics Committee. These alternative approaches are laid out in our Departmental Conflicts of Interest Policy Protocol and follow the approach described under "Process" above.

## APPENDIX 1 – CONFLICTS OF INTEREST (CONTINUED)

### Transparent reporting

In some areas of our business, when an issue arises, there is rightly the option to report the matter anonymously. However, matters relating to conflicts of interest must be reported transparently. By their nature, conflicts of interest are client-specific so can only be addressed when information about the conflict is provided and the issue openly discussed. Not to do so risks harm to our client and we have a professional as well as a moral obligation to act in their best interests.

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### Disclosure

Disclosure of a conflict as a means of managing a conflict may only be used in exceptional circumstances when steps to prevent or manage the conflict are not sufficient to prevent it from adversely affecting a client's interests.

Disclosures will be clear, appropriately detailed and sufficiently prominent, in order to allow the client to make an informed decision on whether to use, or continue to use, our services for the work in question.

It should be noted though that in some situations, for example where the conflict is between the interests of two clients, we may not be able to provide full details due to contractual or legal client confidentiality.

Where we have managed the situation – without resorting to using disclosure as a means of managing it – we can, and often will, voluntarily disclose information about a potential or a perceived conflict and how we have managed it so as not to become an actual conflict of interest.

### We identify and manage conflicts of interest

LCP does not manage money and we do not receive commission for recommending any funds to our clients. In that way we remain independent and best placed to assess managers and make recommendations in the best interests of our clients.

We institute a number of controls to manage any potential conflict when providing recommendations and advice on investment management services.

We believe that we prevent or adequately manage any conflicts of interest through the use of this, our Conflicts of Interest Policy, and the supporting Departmental Conflicts of Interest Policy Protocol. We would note that:

- we do work for some pension scheme trustees whose sponsor, or related group companies, offers investment management services;
- we do not receive any remuneration or financial benefit from managers for putting investment managers' funds forward to clients; and
- where we work for companies offering investment management services to our clients – such as commercial pension scheme aggregators or DC master trusts – we put in place a separation of teams and responsibilities to manage the potential conflict.

Please see the following pages for more details.

## APPENDIX 1 – CONFLICTS OF INTEREST (CONTINUED)

### Onboarding new clients

Prior to onboarding new clients, we check for potential conflicts of interest before accepting a new engagement, and do not accept engagements unless we and the clients concerned are confident that any potential conflicts can be managed appropriately. The conflict checking process is governed by a procedures document which sets out the requirements which must be followed by all partners and employees. No appointment can be accepted until these procedures have been carried out. There are separate procedures for non-confidential and confidential engagements.

The procedures supplement the Actuaries' Code requirements to disclose in writing to clients any steps taken, or proposed to be taken, to reconcile any actual or reasonably foreseeable conflict of interest; and to not act where there is a conflict of interest that has not been reconciled. We also carry out regular awareness training on professionalism and ethics issues that includes practical discussions of managing conflict situations and identifying problematic situations in advance.

As conflicts are a complex area and each situation is different, the Conflicts and Ethics Committee is readily available to provide practical advice on any issues that may arise.

### A.2 Examples of how we manage conflicts of interest

We have provided five examples of how we manage common types of conflict of interest.

#### 1. Advising trustees of DC master trusts – potential conflict between two clients' interests

LCP provides advice to clients on the selection of a DC master trust.

We also work for the trustees of DC master trusts, advising them on the suitability of their master trust's investment strategy and reviewing investment management arrangements, as part of their proposition to the market.

There is a potential conflict of interest in accepting work from both of these client types. We manage this conflict through a protocol which includes the following steps:

- We have separation of responsibilities for these roles. Any individual giving advice to the trustees of a master trust is not permitted to advise clients on the selection of a master trust.
- Any individual involved in researching master trust providers is not permitted to advise trustees of master trusts on their investment management arrangements.
- To mitigate any perception of a conflict, we will also declare to a client to whom we are providing master trust selection advice that LCP advises the trustees of certain master trusts.

## APPENDIX 1 – CONFLICTS OF INTEREST (CONTINUED)

### 2. Potential conflict of interest from advising on the pension schemes of investment managers

LCP has some appointments to provide advice to trustees and/or company sponsors in relation to pension schemes sponsored by an investment management company. This could lead to a potential conflict with other clients to whom LCP provides recommendations on investment management services provided by that company. We manage this conflict and the perception that there may be a conflict through the following steps:

- Formal research meetings are attended by at least two individuals from LCP.
- Partners and employees who give advice in relation to an investment manager's pension scheme do not attend formal research meetings for that manager's products (an exception may be made to this if the research findings are solely for the use of the relevant client and no other clients are invested in the relevant product or with express permission of Investment ProfCo).
- Proposed research ratings and changes to those ratings are discussed by members of the relevant specialist research group, excluding any individuals who advise the pension scheme of the investment manager.
- When we provide investment manager selection advice to other clients, our report includes commentary noting that we may have a business relationship with one or more of the managers shortlisted.

### 3. Advising DB pension scheme consolidators – potential conflicts

LCP provides services to the DB pension scheme consolidator market.

We also provide services to DB pension scheme clients on the suitability of transferring to a consolidator and, where appropriate, which consolidator vehicle to select.

We have a protocol in place to manage this conflict through a separation of duties. For each consolidator, there is a named list of the LCP individuals on the advisory teams and these individuals are not allowed to advise any other consolidator or any clients on the selection of a consolidation vehicle.

### 4. Advising investment managers on the design, management or marketing of their investment management services or products

We recognise that offering paid services to investment managers, in their capacity as investment managers (eg advising them on how to market their funds), could create a conflict of interest. We therefore manage this conflict through a separation of duties and of supervision of individuals advising these clients.

For example, those team members providing input to managers such as market views and potential future industry developments would not advise clients on the use of those managers' products.



## APPENDIX 1 – CONFLICTS OF INTEREST (CONTINUED)

### 5. Advising clients in relation to investment governance models, including fiduciary management

LCP provides advice to both trustees and company sponsors regarding suitable and appropriate governance models for investing their pension scheme assets. LCP offers investment advisory services and does not offer a fiduciary management service (ie a bundled service combining investment advice and fund management services).

For any LCP clients that choose to operate a fiduciary management governance model, the quantum of investment advice and support required from LCP may be lower (and to some extent that should be expected, given the overlap in advisory services).

This could lead to a potential conflict with clients to whom LCP provides recommendations on investment governance models. We manage this conflict and the perception that there may be a conflict through the following steps:

- LCP is not financially incentivised to recommend one investment management product over any other. We offer no fund management products ourselves.
- Our manager research function covers the whole market as far as is practical to do so. Asset management products offered by fiduciary managers are evaluated both relative to each other, and relative to comparable products offered by asset managers without a fiduciary function.
- Significant advice in this area is peer reviewed by an investment partner who is independent of the team usually responsible for servicing the client.
- Advice in this area is expected to clearly set out the advantages and disadvantages of different governance models, tailored to each client's specific circumstances and requirements. This advice would typically include a breakdown of future anticipated advisory and fund management costs in different scenarios, using reasonable and well-informed comparisons.
- Where the conflict could have a financially material impact for LCP, our written advice will include a comment notifying the client that certain decisions in relation to the client's chosen investment governance model may impact the quantum of work required (and hence associated future potential fee revenue) from LCP.

# APPENDIX 2:

## WHERE THE UK STEWARDSHIP CODE PRINCIPLES ARE COVERED IN THE REPORT

Principle 1: Signatories' purpose, strategy and culture enable them to promote effective stewardship.		
Reporting Expectations		Section mapping
<b>Context</b>	Signatories should explain the purpose of the organisation, what services it offers, and an outline of its culture, values, business model and strategy.	<u>1</u> <u>3.1</u> , <u>3.2</u> , <u>3.3</u> , <u>3.4</u> , <u>3.5</u> , <u>3.6</u> <u>4.1</u> , <u>4.2</u> <u>5.2</u> , <u>5.3</u>
<b>Activity</b>	Signatories should explain what actions they have taken to ensure their strategy and culture enable them to promote effective stewardship.	<u>3.13</u>
<b>Outcome</b>	Signatories should disclose an assessment of how effective they have been in serving the best interests of clients.	<u>3.8</u> <u>9.1</u> , <u>9.2</u>

## APPENDIX 2 – WHERE THE UK STEWARDSHIP CODE PRINCIPLES ARE COVERED IN THE REPORT (CONTINUED)

Principle 2: Signatories' governance, workforce, resources and incentives enable them to promote effective stewardship.		
Reporting Expectations		Section mapping
Activity	Signatories should explain how:	
	<ul style="list-style-type: none"> <li>their governance structures and processes have enabled oversight and accountability for promoting effective stewardship and the rationale for their chosen approach;</li> </ul>	<u>3.2</u> , <u>3.3</u> , <u>3.6</u> <u>5.1</u> , <u>5.2</u> <u>6.3</u>
	<ul style="list-style-type: none"> <li>the quality and accuracy of their services have promoted effective stewardship;</li> </ul>	<u>4.6</u> <u>6.6</u>
	<ul style="list-style-type: none"> <li>they have appropriately resourced stewardship, including:</li> </ul>	
	<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>their chosen organisational and workforce structure(s);</li> </ul> </li> </ul>	<u>3.3</u> <u>4.1</u> , <u>4.2</u> , <u>4.3</u> <u>5.2</u> <u>6.3</u>
	<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>their seniority, experience, qualification(s), training and diversity;</li> </ul> </li> </ul>	<u>3.9</u> , <u>3.10</u> , <u>3.11</u> <u>4.1</u> , <u>4.2</u> , <u>4.5</u> <u>5.2</u> <u>6.3</u>
	<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>their investment in systems, processes, research and analysis; and</li> </ul> </li> </ul>	<u>3.5</u> <u>4.6</u> , <u>4.11</u> <u>5.4</u> <u>6.1</u> , <u>6.4</u> , <u>6.7</u> <u>7.3</u> , <u>7.4</u> <u>8.2</u> , <u>8.3</u>
	<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>how the workforce is incentivised appropriately to deliver services</li> </ul> </li> </ul>	<u>3.9</u> <u>4.4</u> <u>6.3</u>
	<ul style="list-style-type: none"> <li>they have ensured that fees are appropriate for the services provided.</li> </ul>	<u>4.10</u>
Outcome	Signatories should disclose:	
	<ul style="list-style-type: none"> <li>how effective their chosen governance structures and processes have been in supporting their clients' stewardship</li> </ul>	<u>9.7</u> , <u>9.8</u>
	<ul style="list-style-type: none"> <li>how they may be improved</li> </ul>	<u>10</u>

## APPENDIX 2 – WHERE THE UK STEWARDSHIP CODE PRINCIPLES ARE COVERED IN THE REPORT (CONTINUED)

Principle 3: Signatories identify and manage conflicts of interest and put the best interests of clients first.		
Reporting Expectations		Section mapping
<b>Context</b>	Signatories should disclose their conflicts policy, which seeks to put the interests of clients first and minimises or avoids conflicts of interest when client interests diverge from each other.	<a href="#">Appendix 1 (A.1, A.2)</a>
<b>Activity</b>	Signatories should explain how they have identified and managed any instances in which conflicts have arisen as a result of client interests.	<a href="#">9.3</a> <a href="#">Appendix 1 (A.1, A.2)</a>
<b>Outcome</b>	Signatories should disclose examples of how they have addressed actual or potential conflicts.	<a href="#">9.3</a> <a href="#">Appendix 1 (A.2)</a>

Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.		
Reporting Expectations		Section mapping
<b>Activity</b>	Signatories should explain:	
	• how they have identified and responded to market-wide and systemic risk(s) as appropriate;	<a href="#">8.1</a> , <a href="#">8.2</a> , <a href="#">8.3</a>
	• how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets; and	<a href="#">8.4</a> , <a href="#">8.5</a>
	• the role they played in any relevant industry initiatives they have participated in.	<a href="#">8.4</a> , <a href="#">8.5</a>
<b>Outcome</b>	Signatories should disclose the extent of their contribution and an assessment of their effectiveness in identifying and responding to systemic risks and promoting well-functioning financial markets.	<a href="#">8.2</a> , <a href="#">8.3</a> , <a href="#">8.5</a>



## APPENDIX 2 – WHERE THE UK STEWARDSHIP CODE PRINCIPLES ARE COVERED IN THE REPORT (CONTINUED)

Principle 5: Signatories support clients' integration of stewardship and investment, taking into account, material environmental, social and governance issues, and communicating what activities they have undertaken.		
Reporting Expectations		Section mapping
<b>Context</b>	Signatories should disclose client base breakdown, for example, institutional versus retail, and geographic distribution.	<a href="#">3.2</a>
<b>Activity</b>	Signatories should explain:	
	<ul style="list-style-type: none"> <li>how their services best support clients' stewardship as appropriate to the nature of service providers' business;</li> </ul>	<a href="#">3.13</a> <a href="#">5.1</a> , <a href="#">5.2</a> , <a href="#">5.3</a> , <a href="#">5.4</a> , <a href="#">5.5</a> , <a href="#">5.6</a> <a href="#">6.4</a> , <a href="#">6.5</a> , <a href="#">6.6</a> , <a href="#">6.7</a> , <a href="#">6.8</a> , <a href="#">6.9</a> , <a href="#">6.10</a> <a href="#">7.1</a> , <a href="#">7.2</a> <a href="#">8.4</a>
	<ul style="list-style-type: none"> <li>whether they have sought clients' views and feedback and the rationale for their chosen approach; and</li> </ul>	<a href="#">3.8</a> <a href="#">5.7</a> <a href="#">6.2</a> <a href="#">7.6</a> <a href="#">9.1</a> , <a href="#">9.2</a>
	<ul style="list-style-type: none"> <li>the methods and frequency of communication with clients.</li> </ul>	<a href="#">3.5</a> <a href="#">4.7</a> , <a href="#">4.8</a> , <a href="#">4.9</a> <a href="#">5.4</a>
<b>Outcome</b>	Signatories should explain:	
	<ul style="list-style-type: none"> <li>how they have taken account of clients' views and feedback in the provision of their services; and</li> </ul>	<a href="#">1</a> <a href="#">3.8</a> <a href="#">6.2</a> <a href="#">7.5</a> , <a href="#">7.6</a> <a href="#">9.1</a> , <a href="#">9.2</a>
	<ul style="list-style-type: none"> <li>the effectiveness of their chosen methods for communicating with clients and understanding their needs, and how they evaluated their effectiveness.</li> </ul>	<a href="#">9.2</a>

## APPENDIX 2 – WHERE THE UK STEWARDSHIP CODE PRINCIPLES ARE COVERED IN THE REPORT (CONTINUED)

Principle 6: Signatories review their policies and assure their processes.		
Reporting Expectations		Section mapping
Activity	Signatories should explain:	
	<ul style="list-style-type: none"> <li>how they have reviewed their policies and activities to ensure they support clients' effective stewardship;</li> </ul>	<u>5.2</u> <u>6.5</u> <u>9.5, 9.8</u>
	<ul style="list-style-type: none"> <li>what internal or external assurance they have received in relation to activities that support their clients' stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach; and</li> </ul>	<u>9.3, 9.4</u>
	<ul style="list-style-type: none"> <li>how they have ensured their stewardship reporting is fair, balanced and understandable.</li> </ul>	<u>Foreword</u>
Outcome	Signatories should explain how the feedback from their review and assurance has led to continuous improvement of stewardship practices.	<u>9.5, 9.7, 9.8</u>

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*At LCP, our experts help to power possibility by navigating you through complexity to make decisions that matter to your business and to our wider society. We are powered by our desire to solve important problems to shape a more positive future. We have market leading capabilities across pensions and financial services, insurance, energy, health and analytics.*

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