

A modern, multi-story office building with a dark grey facade and large glass windows. The building is viewed from a low angle, looking up. In the foreground, there is a concrete structure with a green roof, featuring various plants and a metal grid. The sky is clear and blue.

LPP

Local Pensions Partnership

**Wates Principles
Compliance
Statement 2024**

Local Pensions Partnership

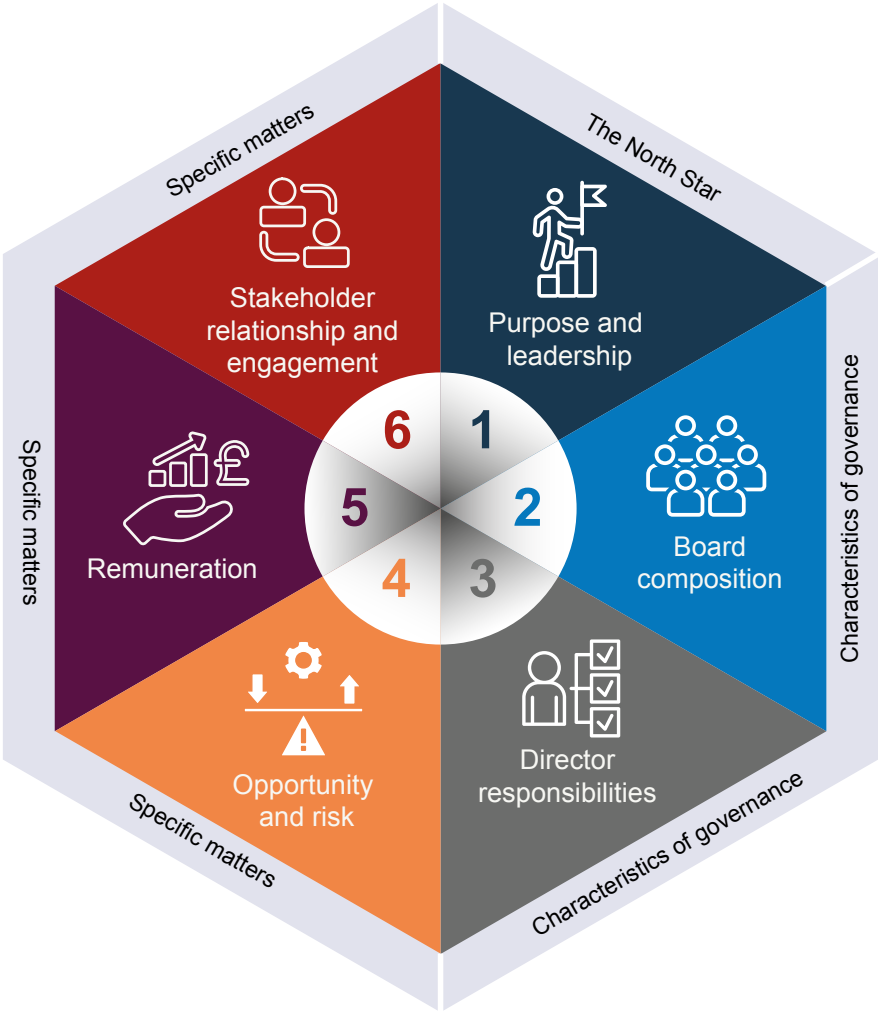
Wates Principles Compliance Statement 2024

“ I believe that good business, well done, is a force for good in society. The Wates Corporate Governance Principles are a tool for large private companies that helps them look themselves in the mirror, to see where they’ve done well, and where they can raise their corporate governance standards to a higher level. Good corporate governance is not about box-ticking. It can only be achieved if companies think seriously about why they exist and how they deliver on their purpose then explain – in their own words – how they go about implementing the principles. That’s the sort of transparency that can build the trust of stakeholders and the general public.”

James Wates CBE, Wates Group
(Chair)

[Source: Financial Reporting Council](#)

LPP’s Governance Principles Model



Contents

LPP's Board of directors adopted the Wates Corporate Governance Principles, and this has been adopted by the subsidiaries in the Group. LPP does not meet the threshold requiring the provision of a statement of corporate governance arrangements; however, LPP wish to voluntarily report on LPP's application of these recognised governance principles:

1. Purpose and leadership	3
2. Board composition	4
3. Director responsibilities	5
4. Opportunity and risk	6
5. Remuneration	7
6. Stakeholder relationship and engagement	8

1. Purpose and leadership



Description

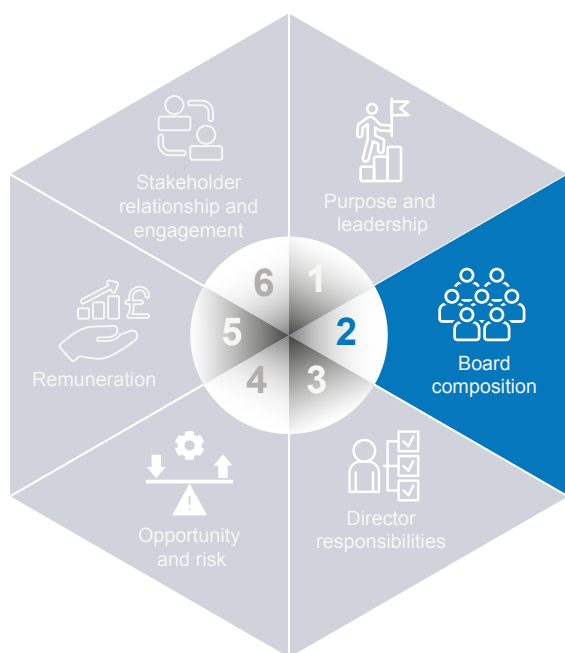
An effective board develops and promotes the purpose of a company, and ensures that its values, strategy, and culture align with that purpose.

Application

LPP Group operates with a clear sense of purpose and collective vision, providing investment management and pensions administration services for its clients and their members with the single purpose of being an exceptional pension services provider. Our aim is to help our clients and their members prepare financially for the years ahead - providing a value for money and high quality service. We achieve this through our range of investment and pension administration services provided by our FCA-regulated investment company, Local Pensions Partnership Investments (LPPI), and through our pensions administration business, Local Pensions Partnership Administration (LPPA).

LPP has a set of clear values that underpin the culture, enhance a collaborative approach, and are embedded in people processes across the Group. LPP is the parent of two standalone subsidiaries, LPPI and LPPA. LPP's two shareholders, London Pensions Fund Authority and Lancashire County Council have provided LPP with clear objectives for both LPPI and LPPA and each subsidiary operates under a subsidiary specific strategic business plan covering the medium to long term. It is through these business plans and BAU activity that the objectives set by shareholders are met.

2. Board composition



Description

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

Application

LPP's chair and LPP's chief executive have clearly defined roles, responsibilities, and objectives, with their performance against these reviewed annually.

The LPP chair is reviewed by the Group shareholders. The chief executive is reviewed jointly by the chairs of LPP and LPPI and this is overseen at the LPP Board and LPPI Remuneration Committee (under delegation from the LPPI Board). Members of LPPI's Executive Committee are reviewed by the LPPI CEO with onward reporting to the LPPI Remuneration Committee. The LPPA Board reviews the LPPA Managing Director, with onward reporting to the LPP Board.

The LPP Group is structured with emphasis on independent subsidiary management with oversight from LPP as the holding company. This structure allows both LPPI and LPPA to focus better on their specific opportunities and provides for appropriate differentiation of the board and leadership structures of LPPI and LPPA.

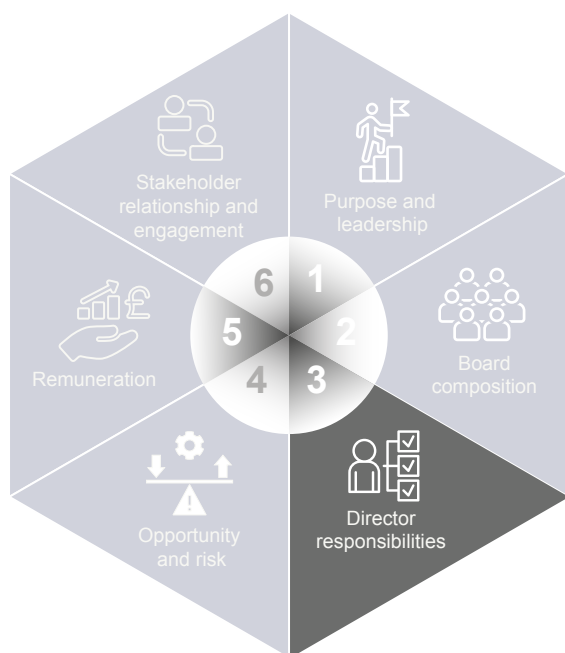
The composition of the LPP, LPPI and LPPA board are as follows:

LPP Board	1 x Independent* Chair 2 x LPFA Shareholder Non-Executive Directors 2 x LCC Shareholder Non-Executive Directors
LPPI Board	5 x Independent* Non-Executive Directors (including Chair) 4 x Executive Directors
LPPA Board	4 x Independent* Non-Executive Directors (including Chair) 2 x Executive Directors

The above structure for each board is appropriate in size and membership to foster constructive challenge, leading to effective decision-making. At least annually the skills, knowledge and experience of the Boards are reviewed to ensure that they are appropriate.

*Independent from the stakeholders and not served for more than 9 years on a Group Board.

3. Director responsibilities



Description

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board’s policies and procedures should support effective decision-making and independent challenge.

Application

The corporate governance framework and related governance processes are reviewed periodically by each Board to ensure they remain fit for purpose. The company secretaries and/or governance professionals throughout the group advise the boards and committees on company procedure relating to schemes of delegations and the management of the companies. This includes matters reserved to the shareholders and the boards, delegations of authority and other internal controls which support effective decision making throughout the group.

All board members are obliged to be aware of the relevant laws and regulations, to this end support and training is offered as part of the induction process and on an ongoing basis, for instance, on their statutory directors’ duties under the Companies Act 2006 (CA 2006). Directors are required to comply with the relevant conflict of interest and board code of conduct policies for each company in the group.

This includes upon appointment and at least annually, making a declaration of their interests and any related party interests. Conflicts of interest are also dealt with in meetings in accordance with the policy and Articles of Association, with any declarations and management of conflicts recorded within the meeting minutes. Directors are also made aware of the statutory duties to avoid conflicts of duties (section 175 of the CA), declaring an interest in proposed (section 177) or existing (section 182) transactions or arrangements.

Independent challenge is fostered by appropriate board composition including independent non-executive directors. Independent challenge is evidenced in board and committee minutes and reviewed in director, committee and board effectiveness reviews.

Financial reporting to the boards and committees is carried out by those responsible for financial activities in each entity. Assurances on appropriate controls are provided across the group by External Audit (Grant Thornton) and Internal Audit. These are principally reviewed by the:

- LPP Board in relation to financial consolidations and group-wide risk management principles.
- LPPI Board with specific focus in the LPPI Audit and Risk Committee.
- LPPA Board with specific focus in the LPPA Audit, Risk and Compliance Committee.

4. Opportunity and risk



Description

The board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

Application

The LPP Board is responsible for the group's overall strategic direction and ensuring that risk is effectively managed. It is responsible for overseeing the group's risk framework including key risk policies. The LPP Board is also responsible for reputational oversight and managing shareholder and wider stakeholder expectations.

A five-year group strategy has been in place since April 2020. This outlines three core expectations:

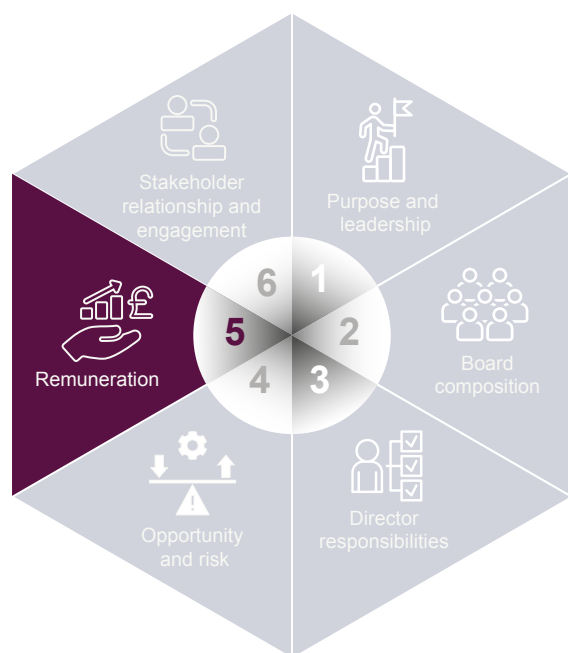
- Self-sufficiency and stability;
- Deliver excellent investment performance, in excess of the benchmarks set by clients; and
- Focus on improving the member and employer pension administration experience.

Within those strategic aims, LPPi and LPPA develop their own business and operational plans to achieve success. These are developed and monitored by the respective boards.

From a risk management perspective, each subsidiary board has implemented its individual risk management framework, based on the principles set by the group framework. LPPi and LPPA have their own risk and compliance functions which are responsible for the identification and escalation of risks. All entities across the group operate a three lines of defence model and have tailored their governance and risk oversight accordingly.

The LPPi has appropriate systems and controls to manage risks, capital, and liquidity; LPPi complies with the requirements of the Investment Firms Prudential Regulation (IFPR). The Group is fully capitalised, with LPP's financial stability allowing the continued delivery of savings to investment management clients.

5. Remuneration



Description

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

Application

A remuneration policy is set at group level which applies to both LPP and its current and future subsidiaries. The policy aims to encourage high performance, and customer orientated cultures that reward good conduct.

The LPPI Remuneration Committee and the LPPA Board are responsible for their respective entities' executives, and critically reviews the design, detail, and ongoing relevance of the remuneration policy prior to recommendation for adoption.

The LPP and subsidiary boards consider the recommendations made by these reviews and then, subject to any further amendments, the LPP Board recommends the remuneration policy for group shareholder approval where changes are proposed. The group remuneration policy covers all employees, including executive directors. Fixed and variable pay is determined by taking into consideration benchmarking which measures LPP pay against appropriate comparator reward data. The remuneration policy also includes pensions benefits and alternative options.

Variable pay awards are aligned to the long-term sustainable success of the company, with appropriate deferrals and principles for malus and clawback in place.

6. Stakeholder relationships and engagement



Description

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

Application

The LPP Board has a close working relationship with its shareholders, and there are four shareholder appointed NEDs on the LPP Board. This positive shareholder engagement includes LPP's shareholders being strong advocates of the business.

LPP Group recognises the importance of engaging with its wider stakeholders which includes:

- Regular client meetings
- Attendance at client local pension boards
- Attendance at client pension committees and boards
- Business focused meetings such as conferences and client forums

Staff engagement:

LPP and LPPA hold regular business updates for all staff. These provide an opportunity for face-to-face Q&As on strategy, financial performance, and key business initiatives. These are supplemented by smaller ad hoc focus groups, such as the diversity and inclusion focus group.

Staff engagement is a key performance indicator and staff surveys are the primary tool used to measure achievement against this KPI.

Responsible Investment:

An approach to responsible investment has been embedded within LPP via LPP's investment processes. This is articulated in a separate stewardship and responsible investment report which is available on the LPP website. LPP has been Planet Mark accredited since 2021 and has made a net zero commitment across its investment portfolio by 2050. LPP is a signatory of the UK Stewardship Code.

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