

Modern Slavery Statement for LGPS Central Limited

Modern Slavery Statement for the financial year 2021-22

This statement is made on behalf of LGPS Central Limited (LGPSC) in relation to the UK Modern Slavery Act 2015, for the financial year ending 31 March 2022.

This Statement was reviewed and approved by the LGPSC's Board on 28 June 2022 and is signed by our Chair.

Commercial organisations in the UK with an annual turnover of at least £36 million are required to publish a modern slavery statement as per Section 54 of the Modern Slavery Act 2015¹. While LGPSC is currently below this threshold, we have decided to voluntarily publish a Modern Slavery Statement with a view to applying best practice as a Company, as an investor, and in our supply chain.

We do this in recognition of the growing visibility and urgency around many human rights issues globally, including modern slavery, and increased stakeholder scrutiny on the global financial system to manage capital in a way that supports sustainable and inclusive economies. Furthermore, this statement reflects the heightened attention to modern slavery risk by Local Government through voluntary modern slavery transparency statements, including by the Councils of the majority of our Local Government Pension Fund clients. We have a zero-tolerance approach to modern slavery and are committed to maintaining and improving our practices to identify and mitigate any instances of modern slavery in all our business dealings, relationships and investments.

About us

LGPSC is an FCA regulated institutional investment manager responsible for the pooled assets of eight Local Government Pension Funds in Central England. LGPSC was formed in April 2018 and is owned equally by all eight of the local authorities that administer the pension funds. LGPSC is dedicated solely to the management of local government pension scheme assets. The pooling endeavour is dependent on continuous dialogue and collaboration; hence we refer to our clients as Partner Funds. As of 31 March 2022, the collective assets of our Partner Funds were approximately £55.3bn with £28.5bn under LGPSC's stewardship. All LGPSC Partner Funds view Responsible Investment (RI) as integral to how the pool operates and we build on a proud tradition of RI which has been spearheaded over many years by individual Partner Funds. We also seek to espouse values as a Company that mirror expectations that we have of investee companies and the wider investment value chain.

¹ Since 1 October 2015, commercial organisations that carry on a business or part of business in the UK, supply goods or services and have an annual turnover of £36 million or more ("relevant commercial organisations") have been required under Section 54 of the Act to prepare a slavery and human trafficking statement as defined by section 54 of the Act.

Modern slavery in the global context

There are an estimated 40 million people globally classified as being victims of modern human slavery, of which 136,000 live in the UK. Women and girls are vastly over-represented (70% of modern slavery victims).

In the UK alone there are £13bn of goods imported each year that are likely to have been produced through forced labour. LGPS Central is committed to respecting human rights across our operations, our supply chain and our investments. We understand that modern human slavery can take many forms (including but not limited to human trafficking, forced labour debt bondage, descent-based slavery, slavery of children and forced and early marriage). Certain parts of the world have a higher prevalence of modern slavery however the Global Slavery Index shows that modern slavery rates are high across the globe, including in highly developed countries. According to the Governance and Social Development Resource Centre, the key drivers of modern slavery are governance issues (e.g., political instability) lack of basic needs, inequality, disenfranchised groups and war/conflict².

Modern slavery as a risk to an investor

Due to the nature of our business, we consider ourselves at low risk of being directly involved in facilitating modern human slavery. However, we recognise that we play a role in helping to eliminate modern human slavery, wherever possible through our operations and our investments.

- As an employer

LGPS Central employs just over 70 staff, all based in the UK. Our HR policies on recruitment, development and progression promote fairness and are in line with legal requirements.

We regularly review our policies and procedures to ensure we are compliant with all terms and conditions including hiring and selection, pay and benefits and very importantly health and safety. When reviewing contracts and policies we look at external practices, benchmarking against the industry but also our own aspiration of becoming a good employer and great place to work, which is part of our values.

We do not have any staff paid below the living wage. We are supported by external recruitment agencies from time to time for specialist roles. These are agreed following a review of their terms and practices. All agency fees are incurred by us as an employer rather than being paid by the employee.

All staff are surveyed across a number of workplace factors covering good employer relations and practices annually or through snap surveys. We aim to act on this feedback and review progress to ensure we are all living by the values and behaviors across all tiers of staff. The surveys are undertaken anonymously allowing staff to raise any issues of concern. Our grievance policy allows individuals to raise concerns that need further investigation.

Policies relating to the management of people and supply chain

Procurement Policy – outlining our approach to procurement

² [Key Drivers of Modern Slavery - GSDRC](#)

Code of Conduct – outlines expectations of staff and management in the workplace

Values and Behaviours – sets out our Company values and behaviours

Diversity and inclusion Policy – LGPS Central’s approach to diversity and inclusion, harassment and bullying, and equal opportunities during recruitment and selection

Health and Safety Policy – Our approach to managing health and safety in the workplace

Grievance Policy – procedure setting out the process for raising workplace issues and concerns

- **As an investor**

In our opinion, the long-term legitimacy of sectors and markets depends, among other things, on operations and products that are sustainable. Just as for all businesses, institutional investors have a responsibility to respect human rights. This is reflected in The UN Guiding Principles on Business and Human Rights (UNGPS) and the OECD Guidelines for Multinational Enterprises. As a long-term, global investor we would like to see high standards of business conduct across themes including human and labour rights. We encourage the elimination and combatting of modern slavery in investee companies across sectors and regions.

We believe that businesses only stand to benefit from enhanced engagement with the risks of human rights abuses in their supply chains. We note that human trafficking and modern slavery have a significant economic impact globally and that individual companies may suffer irreparable brand and reputational damage should their operations be found to be linked to human trafficking and modern slavery.

External manager selection and monitoring

LGPS’s operations are based in the UK. Our investment portfolios have exposure to companies and assets with global operations and supply chains. We currently assess external managers’ compliance with the Modern Slavery Act in the selection process for listed equity and listed fixed income assets. Our Selection Questionnaire for external manager procurements contains the questions on modern slavery taken from the government’s standard selection questionnaire. These help us to ascertain a) whether the organisation falls within the scope of the Modern Slavery Act and b) if so, whether the organisation can evidence compliance with Section 54 of the Act³.

For private market investments, the majority of which are outside the UK, we assess material ESG risks, including human rights risks, in the due diligence process. To align with our approach to public markets, we intend to ask specific questions on modern slavery risk to understand the organisations’ approach to the management and mitigation of this risk to their business operations and for underlying investments.

³ Compliance with the Modern Slavery Act is evidenced through a public a modern slavery statement that is approved by the board; signed by a director; and reviewed annually and published on the company’s UK website.

Dialogue with investee companies

Directly: Over the last two years, LGPSC has been a member of a collaborative investor initiative convened by Rathbones Group Plc (Rathbones) that has successfully encouraged laggard FTSE 350 companies to meet the reporting requirements of Section 54 of the Modern Slavery Act 2015. Supported by 97 investors representing £7.8 trillion and partnering with a respected international NGO, the engagement has targeted 61 laggard companies with the aim of full compliance with the Act by the end of the engagement process. As of January 2022, all companies have become compliant. A phase III of this project (following on from engagement in 2020 and 2021) has begun in 2022 to engage a further 46 FTSE 350 companies. You can read more about our engagement on modern slavery in our [Annual Stewardship Report 2021](#).

Engagement by EOS at Federated Hermes: Our engagement and voting services provider, Federated Hermes EOS, engages with portfolio companies on labour rights and human rights, including modern human slavery. EOS engages with companies to develop business models aligned to the elimination of human and labour rights abuses including modern slavery. EOS refers to media and civil society reports as well as actively developing important networks, such as the Organisation for Economic Co-operation and Development (“OECD”), the Investor Alliance on Human Rights and the Global Network Initiative to identify high risk regions and priority areas. Further detail can be found in [EOS’ modern slavery statement](#).

Dialogue with policy makers

We have previously (in 2019) provided a response to the Home Office Transparency in Supply Chains Consultations on the Government’s plans to strengthen section 54 of the Modern Slavery Act. In [this response](#), we are supportive of public sector organisations reporting on this while recognising that the existence of a supply chain may be very limited in some cases (like with LGPSC).

- In our supply chain

LGPS Central considers the risk of slavery or human trafficking within our supply chain to be low, given the nature of our suppliers. Our supply chain includes regulated professional advisers, providers of financial data, IT equipment, and office supplies that are based primarily in the United Kingdom.

In our most recent revision of LGPSC’s Procurement Policy we have included a section to cover how the assessment of the risk of modern slavery and human trafficking will be undertaken. As a minimum the policy requires due diligence questions (or selection questions) to be asked of bidders. These are the standard questions set out in the government’s standard selection questionnaire. In certain circumstances it may be appropriate to undertake a closer assessment of the bidder’s supply chain. As we gain experience with implementation of the revised Procurement Policy, we will aim to also include the same questions as part of our contract management process for our above threshold procurements.

Objectives

As an ongoing process, we will continue to manage the risk of modern slavery to get a better understanding of the risks we are exposed to within our operations, supply chain and investments. We have identified a need for access to broad ESG research and data going beyond climate risk metrics and will procure this during 2022. This tool can amongst others, be used to enrich our voting and engagement prioritisation in-house, helping to uncover which companies are exposed to risks such as human rights and modern slavery. We will review and where necessary, implement a wider internal training programme for LGPSC employees to bring awareness and understanding to the risks of modern slavery.