Lancashire County Council

Pension Fund Committee

Friday, 2nd December, 2016 at 10.30 am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston

Agenda

Part I (Open to Press and Public)

No.	Item	
1.	**Welcome and Apologies**	
2.	**Disclosure of Pecuniary and Non-Pecuniary Interests** Members are asked to consider any Pecuniary and Non-Pecuniary Interests they may have to disclose to the meeting in relation to matters under consideration on the Agenda.	
3.	**Minutes of the Meeting held on the 15th September 2016**	(Pages 1 - 8)
4.	**Matters Arising - Temporary delisting of the Lancashire County Pension Fund as a signatory to the UK Stewardship Code**	(Pages 9 - 14)
5.	**2016 Actuarial Valuation of Lancashire County Pension Fund**	(Pages 15 - 24)
6.	**LCPF Budget Monitoring to 30th September 2016**	(Pages 25 - 28)
7.	**Responsible Investment**	(Pages 29 - 58)
8.	**Feedback from Committee members on external pension related training, events and conferences**	(Pages 59 - 62)
9.	**Transaction of Urgent Business - Investment Strategy Statement**	(Pages 63 - 74)
10.	**Urgent Business**	

Lancashire County Council

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

11. Date of Next Meeting

The next meeting of the Committee will be held at 2pm on the 17th March 2016 in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston

12. Exclusion of Press and Public

The Committee is asked to consider whether, under Section 100A(4) of the Local Government Act, 1972, it considers that the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading to the item.

Part II (Not open to Press and Public)

I Young
Director of Governance, Finance and Public Services

County Hall
Preston

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Thursday, 15th September, 2016 at 10.45 am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston

Present:

County Councillor Kevin Ellard (Chair)

County Councillors

M Barron	C Pritchard
L Beavers	A Schofield
G Dowding	K Sedgewick
J Oakes	D Watts
G Gooch	D Westley
M Otter	D Whipp
M Parkinson	

Co-opted members

Paul Crewe, (Trade Union Representative)
Councillor Peter Rankin, (Lancashire Leaders' Group Representative)
Councillor Edward Pope, (Lancashire Leaders' Group Representative)
Councillor Ron Whittle, (Blackburn with Darwen Borough Council Representative)

Independent Advisors

Elizabeth Carey
Eric Lambert

Announcements

County Councillor David Watts replaced County Councillor David Borrow at this meeting.

The Chair welcomed County Councillor Graham Gooch as a new member of the Committee replacing County Councillor Barrie Yates. A welcome was also extended to William Bourne, Chair of the Lancashire Local Pension Board.

The Chair announced the following awards:

- The Pension Fund had been named as the State Street Top Performing Fund in the Local Government Pension Scheme;
- The Investment Team had been awarded 'Best Use of Private Debt' by the Alternative Investment Institute;
- The Your Pension Service had been re-accredited with the Government's Customer Service Excellence Award.

The Committee extended its congratulations to all those involved.

The Chair informed the Committee that, due to the timescales involved in the valuation process, it would be necessary to bring forward the Committee meeting scheduled for Friday 31 March 2017. It was proposed that the meeting be brought forward to Friday 17 March 2017 at 2pm.

1. Apologies

Apologies for absence were received from Councillor Mark Smith, Blackpool Council, and Alastair Milloy, HE/FE Sector.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

None declared.

3. Minutes of the Meeting held on 10 June 2016

Resolved: - That the minutes of the meeting held on 10 June 2016 be confirmed as a true and accurate record and be signed by the Chair.

4. Lancashire Local Pension Board - Annual Report 2015/16

The Chair of the Lancashire Local Pension Board, William Bourne, attended and presented the first annual report of the Board which covered 2015/16.

Local Pension Boards had been established as a result of the Public Service Pensions Act 2013. The remit of each Board was to ensure Funds complied with legislation and policies, to ensure effective and efficient governance and administration of the scheme and, where possible, to 'add value'.

It was reported that the Board was required to produce a report on the nature and effect of its activities for consideration by the Administering Authority. The report included details of the following:

- Attendance of members at Board meetings;
- Training and development activities provided for members of the Board and attendance at such activities;
- Any recommendations made by the Board to the Scheme Manager and the Scheme Manager's response to those recommendations;
- Costs incurred in the operation of the Board.

It was noted that, in effect, the Board performed a scrutiny role and was able to provide a different perspective given that its membership included both employer and employee representatives.

Resolved: - That:

(i) The report, now presented, be noted;
(ii) That the Chair of the Board be thanked for his attendance and the Board be thanked for the work undertaken during 2015/16.

5. Exclusion of Press and Public

Resolved: - That the press and public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, indicated against the heading to the item. It was considered that in all the circumstances the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

6. Fund Performance Report

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information).

The Committee considered a presentation and report on the performance of the Fund as at 30 June 2016. A commentary from individual portfolio managers to highlight particular issues, areas of concern and key risks was included.

Particular reference was made to the following areas:

- The economic backdrop;
- The total fund return at 30 June 2016;
- 12 months performance to 30 June 2016 in respect of equities, real estate, credit, infrastructure and private equity;
- Funding ratio since 30 June 2016;
- Fund allocations;
- Contributions net of benefits and investment income.

Resolved: - That the report, now presented, be noted.

7. Investment Panel Report

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information).

The Committee considered a report from the Investment Panel setting out the work of the Panel since the last meeting of the Committee. The Committee's attention was specifically drawn to the following key areas:

- The context for the Panel's work including the impact of Brexit; fixed income and currencies; the economic backdrop in China; and recent developments in oil prices;
- The continuing strong performance of the Fund;
- The future format of Investment Panel meetings.

Resolved: - That:

(i) The report, now presented, be noted;
(ii) The independent advisors, the investment team and all involved in the strong performance of the Fund, be thanked.

8. Local Pensions Partnership Update

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information).

The Committee considered a report setting out an update on the first quarter of activities of the Local Pensions Partnership.

Reference was made to the following areas of activity:

- Quarter 1 highlights;
- Investment and liability management;
- Pensions administration;
- Action Plans;
- Staffing.

Resolved: - That:

(i) The report, now presented, be noted;
(ii) George Graham, Managing Director (Administration) and Chief Finance Officer, Local Pensions Partnership, be thanked for his attendance.

9. Update on Work being undertaken on Governance and Risk

The Committee considered a report setting out details of details of the work being undertaken by PwC, on behalf of the Fund, to ensure that there is effective risk management and governance arrangements in place following the creation of the Local Pensions Partnership.

It was reported that workshops with stakeholders were due to start in late September and it was intended to report back to the Committee at the next meeting on 2 December.

Resolved: - That the report, now presented, be noted.

10. Annual Report and Statement of Accounts of Lancashire County Pension Fund for the year ended 31 March 2016.

The Committee considered the Annual Report and Statement of Accounts of the Lancashire County Pension Fund for the year ended 31 March 2016.

The Chair drew the Committee's attention to the forthcoming valuation of the Fund which would be a key focus for the Committee over the coming months.

The report would be considered by both the County Council's Audit and Governance Committee and the Full Council.

Resolved: - That:

(i) The Lancashire County Pension Fund Annual Report for the year ended 31 March 2016, as set out at Appendix 'A' to the report, now presented, be approved;
(ii) That all those involved in the success of the Fund during the year be thanked.

11. Statement of Investment Principles

The Committee considered a report on an updated Statement of Investment Principles.

It was reported that the changes brought about by the creation of the Local Pensions Partnership were treated, under regulations, as a material change which necessitated an update to the document.

The main changes which had been made were as follows:

- Changes to the Governance Policy Statement approved by the Committee on 10 June 2016;
- Changes to the investment management of the Fund;
- The strategic asset allocations as approved by the Investment Panel.

It was noted that, once the new Pensions Regulations had been enacted, the Statement of Investment Principles would be replaced by an Investment Strategy Statement which the Committee would be asked to consider and approve in 2017.

A query was raised as to why the approach to investing in the Statement of Investment Principles did not include active investing which was included under the Responsible Investment approach. It was noted that this was an omission and would be updated for the new Investment Strategy Statement.

Resolved: - That the updated Statement of Investment Principles, as set out at Appendix 'A' to the report, now presented, be approved.

12. Responsible Investment

The Committee considered a report setting out the quarterly update on Responsible Investment matters.

Appendix 'A' to the report set out details on how the Fund's commitment to long term responsible asset ownership is being fulfilled in practice.

It was reported that a revised Statement of Compliance with the Stewardship Code would be drafted in line with an initiative by the Financial Report Council. Due to the timescales, it was proposed to authorise the Chair of the Committee, in consultation with the Head of Fund, to approve the revised Statement of Compliance which would then be brought to the Committee meeting on 2 December.

It was suggested that Responsible Investment should be the subject of a monthly workshop, preferably prior to the end of year.

Resolved: - That:

(i) The report, now presented, be noted;
(ii) The Chair be authorised, in consultation with the Head of Fund, to approve a revised Statement of Compliance with the Stewardship Code;
(iii) That Responsible Investment be the subject of a monthly workshop, preferably prior to the end of the year.

13. Feedback from Committee Members on External Pension Fund Training Events and Conferences

The Committee considered a report setting out details of attendance by Committee Members at recent conferences, events and external training sessions.

County Councillor Lorraine Beavers and County Councillor Mike Otter reported on their attendance at the LGA's 13th Annual LGPS Trustees Conference which had taken place in Manchester on 23 and 24 June. The conference had been extremely useful and it would be helpful for all Committee Members to attend in the future. Areas covered included:

- Transparency in costs;
- Hidden costs and the FCA enquiry into asset management costs;
- A consensus that Lancashire was much further advanced than other funds in terms of its partnership with the London Pensions Fund Authority.

It was suggested that it might be appropriate to invite speakers from the conference to attend a future meeting of the Committee or a monthly workshop.

County Councillor Kevin Ellard and Abbi Leech reported on their attendance at the LGC's Investment Summit which had taken place in Newport on 8 and 9 September.

Areas covered included:

- Managing assets and liabilities in new pools;
- Governance;
- A presentation from the Chair of the Scheme Advisory Board;
- As above, a consensus that Lancashire was much further advanced than other funds in terms of its partnership with the London Pensions Fund Authority.

Councillor Eddie Pope reported on his attendance at a workshop on the work undertaken by the Government Actuary Department in respect of Section 13 of the Public Service Pensions Act 2013, which had taken place in Durham on 2 September.

It was noted that, in a dry run of the valuation process, Lancashire had come out well at 93% funded.

Resolved: - That the report and feedback, now presented, be noted.

14. Report of Decisions taken under the Urgent Business Procedure

The Committee considered a report setting out details of items of urgent business dealt with since the last meeting of the Committee. These were:

- Local Government Pension Scheme - Criteria for Polling of Assets - Final Submission to Government (14 July 2016);
- Provision for Independent Property Valuation Services for the Lancashire County Pension Fund (12 August 2016).

Both decisions had been taken by the Director of Governance, Finance and Public Services following consultation with the Chair and Deputy Chair of the Committee.

Resolved: - That the report, now presented, be noted.

15. Urgent Business

There was no urgent business to be considered.

16. Date of Next Meeting

The Committee noted that the next meeting of the Committee would be held on Friday 2 December 2016 at 10.00am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston.

I Young
Director of Governance, Finance and Public Services

County Hall
Preston

LANCASHIRE COUNTY PENSION FUND

ACTUARIAL VALUATION SUMMARY AS AT 31 MARCH 2016

1 - INTRODUCTION

We have carried out our initial calculations on the actuarial valuation of the Fund as at 31 March 2016 and reported the results to the Administering Authority. The results are summarised in this note.

Subject to the Committee's approval and any discussions with individual employers, we will produce our formal report on the valuation in due course.

2 - VALUATION APPROACH AND ASSUMPTIONS

In order to place a value on the benefits that the Fund must pay, we make assumptions about future experience. These assumptions determine the value of the Fund's liabilities and the contributions rates payable by employers. It is important to bear in mind that the assumptions do not affect the ultimate cost of the benefits. Rather they are there to ***estimate*** that cost, and determine the pace of funding and timing of the contributions.

The main assumptions are as follows:

	2013	2016
A) Inflation	2.6% pa.	2.2% pa.
B) Discount rate	4.8% pa.	4.4% pa.
C) Pay (short term)	1% pa. for 3 yrs	1% pa. for 4 yrs
D) Pay (long term)	4.1% pa.	3.7% pa.

E) Life expectancy from age 65*	25.2 yrs (male 45 now) 23.0 yrs(male 65 now) 27.9 yrs (female 45 now) 25.6 yrs (female 65 now)	24.8 yrs (male 45 now) 22.6 yrs (male 65 now) 27.8 yrs (female 45 now) 25.1 yrs (female 65 now)

**For active memebrs aged 45 now and pensioner members aged 65 now*

INFLATION

All Fund benefits are (directly or indirectly) CPI inflation linked, so higher assumed inflation means higher liabilities and contributions (and vice versa).

The CPI inflation assumption is derived as follows:

Estimate market implied RPI from fixed and indexed gilt yields
(3.2% pa. at 31 March 2016)

↓

Adjust for supply / demand distortions in index-linked gilt market
and "risk-pricing" of inflation protection

↓

Adjust for estimated difference between RPI and CPI
Resultant CPI assumption 2.2% p.a.

DISCOUNT RATE / INVESTMENT RETURN

Higher expected returns mean less money is needed now to pay future benefits (and vice versa).

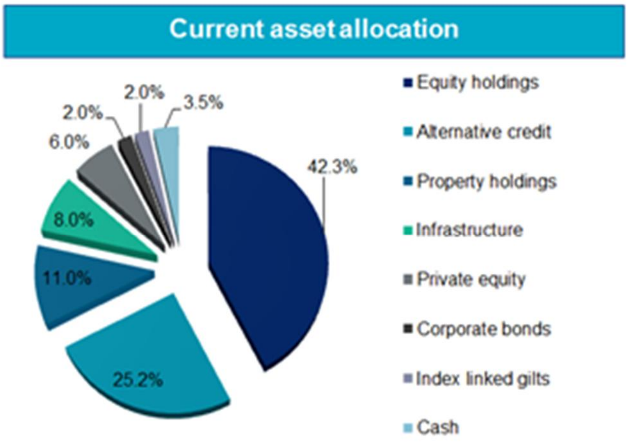
The net discount rate (i.e. the discount rate in excess of inflation) is the most important assumption made as part of the valuation, in that it will have the biggest impact on the funding position and contributions.

At this valuation, we have set the discount rate by considering the expected return on the Fund's assets above CPI, taking into account the Fund's long-term investment strategy. This is a slightly different approach from the previous valuation, where the discount rate was set with reference to fixed gilt yields plus a margin to allow for the anticipated outperformance from other asset categories.

To do this we considered the expected real return on each of the Fund's asset categories (shown below), and combined this to give a total "best estimate" expected return, as well as expected variations around this "best estimate" (illustrated in the second chart below). In line with the

Regulations we have used a discount rate that includes a suitable margin of prudence so as to set a rate which the Fund can reasonably expect to achieve over the long term.

This has resulted in a real discount rate of 2.2% pa. above CPI, in line with the assumption at 2013.



Chance of achieving return on current strategy	Expected Real Return
50%	CPI + 3.55% p.a.
60%	CPI + 2.78% p.a.
65%	CPI + 2.36% p.a.
75%	CPI + 1.58% p.a.

More prudent

PAY GROWTH

Although new benefits earned since 2014 are now based on career average pay, a significant proportion of active members' benefits are still linked to their final pay at retirement.

We set a short term pay growth assumption based on the Government's stated plans for public sector pay, resulting in assumed pay increases of 1% pa. for four years.

We also set a long term assumption, designed to cover annual pay awards, incremental increases and promotions. This is set to be 1.5% pa. above CPI.

LIFE EXPECTANCY AND OTHER DEMOGRAPHIC ASSUMPTIONS

We have reviewed the actual membership experience since the previous valuation (both for the Fund and the wider LGPS population) in the following areas, and updated the assumptions as appropriate:

- Life expectancy
- Rates of ill-health retirement
- Proportions of members that are married
- Withdrawal from service
- Commutation
- 50/50 take up

FUTURE SERVICE

When calculating the future service contribution rate (the ongoing percentage of pay contribution needed to Fund members' future benefits as they are earned), we allow for a higher discount rate. This is designed to be a smoothed rate, to reflect the fact that contributions paid for benefits currently being earned will be invested over a longer timeframe and under conditions that are not linked directly to current market conditions.

The discount rate previously applied was 3% pa. above CPI (so 5.6% pa. at 2013). As part of this valuation we have reviewed and reduced this to 2.75% pa. above CPI (so 4.95% pa.), reflecting a lower outlook for long-term investment returns in 2016 when compared with 2013.

IMPACT

The impact of the assumption changes since the 2013 valuation are as follows:

Analysis	Effect on Deficit (Whole Fund)	Effect on Future Service Rate (Whole Fund)	Comment in relation to Fund
Real Discount rate			No change to deficit. Increase in future service rate
Short-term Pay Growth			Reduction in deficit. No change to future service rate
Life Expectancy			Analysis indicates saving from last time
Ill-Health Retirement			Marginal decrease for future service rate but minimal impact for deficit
Withdrawal			Marginal decrease in deficit No real impact on FSR
50/50			No impact on deficit, c0.6% p.a. increase to FSR

3 - VALUATION RESULTS

The results of the valuation are shown below, alongside the results from 2013:

	31 March 2013	31 March 2016
	Funding position	
Assets	*£5,011m*	£6,036m
Liabilities	*£6,388m*	£6,726m
Deficit	*£1,377m*	£690m
Funding level	*78%*	90%
	Contributions	
Future service rate	*13.1% of pay*	14.8% of pay
Deficit recovery	*£65m pa.*	£44m pa.

FUNDING POSITION

The deficit has reduced by almost £700m over the inter-valuation period, effectively halving the shortfall. This corresponds to a funding level improvement of 12% to 90% at 31 March 2016 (meaning the Fund has calculated that it has assets to cover 90% of the liabilities at that date).

This chart shows the principle causes of the reduction in funding level over the period, and we have included some commentary on the key points:

Investment returns: Over the three years in question the Fund returned around 24% after expenses, well in excess of the 15% assumed at the 2013 valuation. This additional 9% equated to a gain / profit of £524m;

Pension increases: At 2013 we assumed CPI would be 2.6% pa.long-term. But over the period it was only 3.9% in total, or 1.3% pa. This means lower than expected increases in pensions, and so a gain of £173m;

Short term pay: Assuming pay will increase at 1% pa. for the next four years (in line with government plans), rather than the long term assumption of 1.5% pa. above CPI, has reduced the liabilities at the 2016 actuarial valuation by £196m;

CONTRIBUTIONS

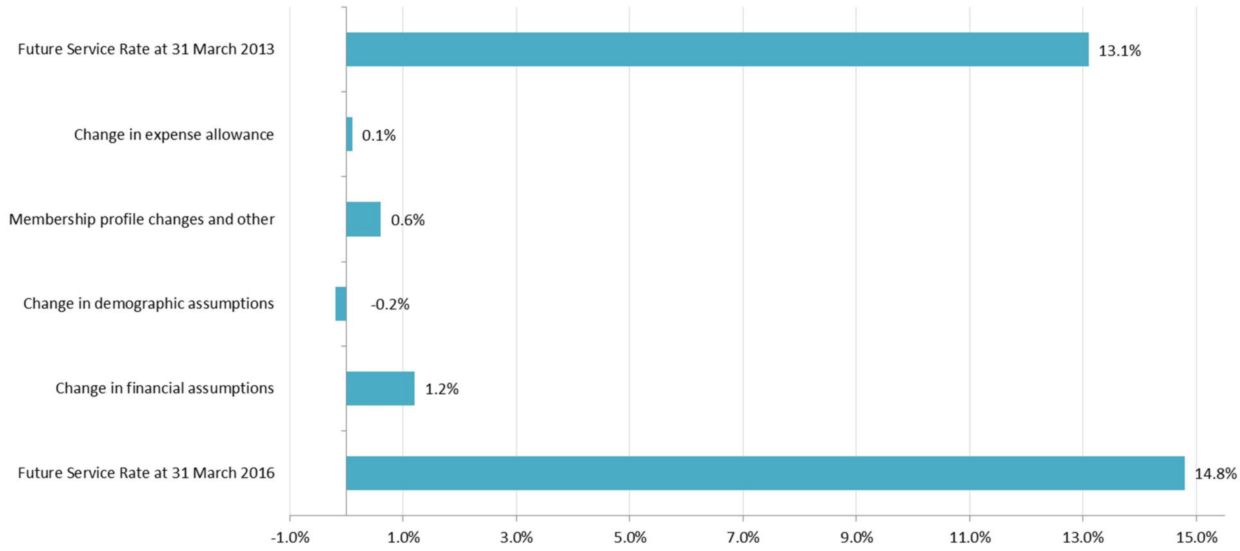
Employer contributions are calculated in two steps:

A) Future service contributions (% of pay). These are to cover the benefits currently being earned by active Fund members, and

B) Deficit contributions (£ amounts). These are the amounts to recover the deficit of £690m at 2016.

A – Future service contributions

Future service contributions for the Fund as a whole have increased at this valuation, from 13.1% to 14.8% of pay. The reasons for this are as follows:



The main cause of this increase is the reduction in the discount rate /expected investment return, as discussed in Section 2.

B – Deficit contributions

Deficit contributions are dictated mainly by the size of the deficit and the period over which it is recovered.

At 2013 the deficit was £1,377m. However, between 31 March and 31 August 2013 the funding position improved substantially, leading to a reduced deficit of around £1,088m, and it was this figure that was used when calculating the deficit contributions of £65m pa. shown above. (Note, this amount was to increase at 4.1% pa. in line with assumed long term pay increases.)

The 2016 deficit of £690m corresponds to a deficit contribution of £44m (increasing at 3.7% pa.).

The recovery period at 2013 was 19 years. At 2016 we have applied a consistent approach, meaning a recovery period of 16 years (i.e. the 19 years from 2013, less the three years that have passed).

INDIVIDUAL EMPLOYERS

As part of the valuation each employer's own funding position and contribution requirements are calculated, based on their own membership and experience. As such the experience for individual employers can vary widely from that of the Fund as a whole. Some key points here are:

- In 2013 some employers (Councils, government backed employers, universities and colleges) had an allowance in their future service % rate for some members to join the 50/50 scheme – which lead to a reduction of around 0.6% of pay on average. As take up of the 50/50 option was very low, this option has been removed in 2016, so those employers will face a bigger increase in their % rate.

- Also in 2013, some of the Councils and government backed employers (i.e. those employers with the strongest covenant) were permitted to include an allowance for expected future improvements in their deficit positions, giving rise to lower deficit contributions. So these employers will see less of a reduction (or possibly even an increase) in their £ deficit contributions at 2016.

- Although the base recovery period is 16 years as shown above, the period may vary for some employers, depending on individual employer circumstances.

- Where an employer has a deficit, they will be expected to maintain their current (total) contribution levels. Where they would otherwise see a reduction, the recovery period will be reduced to achieve this.

Mercer Limited

November 2016

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Pension Fund Committee
Meeting to be held on Friday, 2 December 2016

Electoral Division affected:
(All Divisions);

Lancashire County Pension Fund Budget Monitoring to 30th September 2016

Contact for further information: Abigail Leech, Head of Fund, Lancashire County Pension fund Abigail.leech@lancashire.gov.uk 01772 530808

Executive Summary

A 3 year budget for the Lancashire County Pension Fund was set in 2014/15 for the period 2014/15 to 2016/17.

This report sets out a summary of variances from budget for the period 1st April to 30th September 2016.

Recommendation

The Committee is asked to note the content of this report.

Background and Advice

A 3 year budget for the Lancashire County Pension Fund was set in 2014/15 for the periods 2014/15, 2015/16 and 2016/17. This budget was presented to the Committee in March 2015 where it was noted that it is extremely difficult to estimate the levels of incoming contributions, the levels of investment income and fund management costs since all of these can be significantly impacted by external factors. The budget, although not constitutionally required, does however, give Members of the Committee an informed estimate to consider when assessing the overall financial position of the Fund.

A number of assumptions underlie this budget which has not been refreshed since 2014/15. The Head of Fund will review and update the assumptions in the 2014/15 budget, taking into account the business plan and approved cost savings relating to the Local Pension Partnership (LPP) to set a budget for 2017/18. This budget will be presented to Committee at its meeting on 17th March 2017. The full year results for 2016/17 will be reported at the Committee's meeting in June.

Regular monitoring against the budget will help to assess the overall financial performance of the Fund and ensure the monitoring of the LPP business plan and the forecasted costs savings are being achieved.

Lancashire County Council

A report will be presented at each Committee meeting to provide quarterly budget monitoring information.

The table below sets out a summary Fund Account for the period to 30th September 2016.

	Budget	Actual	Variance	
	£m	£m	£m	
Dealing with members, employers and others directly involved in the fund				
Contributions receivable - employers	89.3	100.2	10.9	12%
Contributions receivable – employees	28.5	27.8	(0.7)	(2.5%)
Transfers in	3.4	3.7	0.3	8.8%
	121.2	**131.7**	**10.5**	
Benefits payable	122.2	131.8	9.6	7.9%
Payments to and on account of leavers	6.5	6.1	(0.3)	(3.2%)
Administrative costs	1.7	1.4	(0.3)	(17.6%)
Investment management expenses	6.7	6.7	-	-
Oversight and governance costs	0.9	2.6	1.7	1.9%
	138.0	**148.6**	**10.6**	
Net withdrawals from dealings with members, employers and others directly involved in the fund	**(16.8)**	**(16.9)**	**(0.1)**	
Return on investments				
Investment income	62.7	68.3	5.6	9.0%
Profits and losses on disposal of investments and changes in the market value of investments	79.9	89.4	9.5	11.9%
Net return on investments	**142.6**	**157.7**	**15.1**	
Net increase in money available for investment	**125.8**	**140.8**	**15.0**	**11.9%**

Significant variances against budget are outlined below:

1. £10.5m increase in income generated through dealing with members and employers.

Contribution income for the 6 month period is in excess of budget as a result of increased pension strain and augmented pensions contributions from employers within the Fund, together with additional contributions in respect of Admitted Bodies and a higher than budgeted deficit contribution.

2. £9.6m increase in benefits payable

The majority of the overspend against budget relates to the payment of retirement pensions and retirement grants which is in line with current expectations.

3. Investment management expenses

Although investment management expenses are in line with the budget for the period, it is important to note that LPP fees of £3.0m are included in the actual costs to 30 September but were not included in the budget. The LPP fees to date are in line with the approved business plan.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Regular monitoring against the budget will help to assess the overall financial performance of the Fund. It will also ensure that the Committee has oversight of the costs of LPP and that the planned savings are being realised as in the approved business plan.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
LCPF Revenue Account Budget	2014/15 to 2016/17	Helen Gallacher 01772 536620

Reason for inclusion in Part II, if appropriate
N/A

Pension Fund Committee
Meeting to be held on Friday, 2 December 2016

Electoral Division affected:
(All Divisions);

Responsible Investment
(Appendix 'A' refers)

Contact for further information: Abigail Leech, (01772) 530808, Head of Fund, Lancashire County Pension Fund abigail.leech@lancashire.gov.uk

Executive Summary

The report at Appendix 'A' provides the Pension Fund Committee with an update on Responsible Investment matters.

Responsible Investment (RI) encompasses a range of stewardship activities associated with Lancashire County Pension Fund (LCPF) fulfilling its fiduciary duty to act in the best long term interests of fund beneficiaries.

Recommendation

The Committee is asked to note the report.

Background and Advice

The Pension Fund Committee receives a quarterly report on RI related matters as part of the investment management services provided by LPP - the Fund's external provider of pension services.

The report at Appendix 'A' has been prepared by the Responsible Investment Officer at LPP Investments Ltd and provides information on how the Fund is fulfilling its commitment to long term responsible asset ownership in line with the approach it has set out within its Statement of Investment Principles and Investment Strategy Statement.

For the purposes of reporting on voting, engagement and litigation monitoring, the information provided within Appendix 'A' relates to the third quarter of 2016/17 and focusses on the period from 1st July to 30th September 2016. For the purposes of reporting on active investing, more recent developments are reflected as part of bringing current and emerging issues to the Committee's attention.

Lancashire County Council

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

It is a key component of good governance that the Fund is an engaged and responsible investor committed to actions which are in the best long term interests of fund members and beneficiaries.

Responsible investment practices underpin effective fulfilment of the Administering Authority's fiduciary responsibilities.

The promotion of good corporate governance within the companies the Fund is invested in reduces the risk of unexpected losses arising as a result of poor over-sight and lack of independence.

Involvement in a non-US type of “class action” may result in the recovery of losses incurred by the Fund but, should the claim be lost, the Fund may incur related costs which may not be known with certainty at the time of filing.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel

N/A

Reason for inclusion in Part II, if appropriate

N/A

LOCAL PENSIONS PARTNERSHIP INVESTMENTS LIMITED

Lancashire County Pension Fund **Appendix A**

Pension Fund Committee
Responsible Investment Report **2 December 2016**

Title of Paper	Quarterly Report on Responsible Investment
Lead Officer:	Frances Deakin Responsible Investment Officer Local Pensions Partnership Investments Ltd
Appendices	**Appendix 1: LAPFF Quarter 3 Engagement Report** **Appendix 2: Extract from Guidance on Preparing an ISS** **Appendix 3: LPP I Responsible Investment Policy**

1. Executive Summary

This report provides members of the Pension Fund Committee of Lancashire County Pension Fund (LCPF) with a quarterly update on Responsible Investment (RI) matters.

2. Introduction

The Fund's approach to RI has been expressed within its Statement of Investment Principles (SIP) and confirms that the objective of RI is to decrease investor risk, improve risk-adjusted returns and assist the Fund's adherence to the UK Stewardship Code.

The Fund's approach to RI encompasses four main areas of activity:

- Voting Globally
- Engagement through Partnerships
- Shareholder Litigation
- Active Investing

Responsibility for the practical implementation of the Fund's approach to RI is devolved to LPP I as LCPF's provider of investment management services. The report which follows provides the committee with an update on RI activity during the period 1st July to 30th September 2016 plus insight on current and emerging issues.

3. Voting Globally

LCPF owns shares in listed companies across the globe. The Fund employs an external provider of proxy voting and governance services to ensure effective and consistent use of the voting rights attached to these assets. Pensions and Investment Research Consultants Ltd (PIRC) analyse and apply voting guidelines to the resolutions at every shareholder meeting the Fund is entitled to attend and oversee the process of vote execution.

PIRC provide quarterly reports which include a summary of votes cast in the period and the outcome of voting (where known). A copy of the most recent report covering the period from 1st July to 30th September 2016 has been placed within the Members Reading Room for reference.

During the third quarter of 2016 the Fund's interests spanned 20 shareholder meetings (17 AGM, 3 EGM) incorporating 271 separate resolutions. The tables below summarise the spread of voting within Q3:

Location	Meetings Voted	
UK & BRITISH OVERSEAS	4	20%
EUROPE & GLOBAL EU	5	25%
USA & CANADA	3	15%
ASIA	4	20%
AUSTRALIA & NEW ZEALAND	3	15%
REST OF THE WORLD	1	5%
TOTAL	20	100%

Vote	**No. of Resolutions**	**% of Resolutions**
For	162	60%
Oppose	86	32%
Abstain	20	7%
Withhold	1	0%
Non-Voting	2	1%
Total	**271**	**100%**

There were no cases where the Fund was entitled to vote but did not submit a ballot. The 2 resolutions reported as non-voting were at ASX LTD and related to reports presented for information where there was no requirement for shareholders to give approval.

PIRC apply a voting policy on LCPF's behalf which reflects Corporate Governance best practice and opposes or abstains where resolutions are judged not to be in the long term best interests of shareholders. The Fund supported more than half (60%) of the resolutions tabled in the quarter; opposition voting concentrated upon the following matters:

- CEO and Chairman of the Board responsibilities being combined in a single role;
- the appointment of NEDs known to be fulfilling multiple other directorships;
- Non-Executive Director (NED) nominees lacking independence through their length of tenure or other conflicts of interest;
- Re-election of the Chair of the Nomination Committee where there are no targets for board diversity including gender diversity;
- executive remuneration arrangements lacking adequate checks on excessive pay levels and/or performance measures clearly aligned with shareholder interests;
- remuneration arrangements which grant share options to NEDs (and risk

compromising their independence);

- the re-appointment of auditors where long standing relationships or non-audit fee levels potentially compromise objectivity, or where the company has not disclosed the terms of the audit fee or the length of tenure;

There were only 2 shareholder resolutions within the third quarter, both of which were supported by the Fund as follows:

J.M. Smucker Company AGM - Renewable Energy Sourcing Report

JM Smucker Company manufactures and markets food products on a worldwide basis. The Company's principal products include peanut butter, fruit spreads, baking mixes and ready-to-spread frostings, flour and baking ingredients, juices and beverages, syrups, pickles and condiments.

The shareholder resolution requested a public report by January 2017 analysing how the Company can increase its renewable energy sourcing and/or production. The Proposer argued that by setting goals to source renewable energy, the Company would demonstrate a proactive approach to reducing exposure to volatile energy prices; enhancing U.S. energy security; creating jobs in the United States; enhancing the Company's reputation; achieving its greenhouse gas (GHG) reduction targets; and meeting the global need for cleaner energy.

The Board recommended that shareholders oppose the resolution, arguing that the Company has recently issued its sixth corporate responsibility report which included, among other matters, a discussion of the Company's renewable energy investments. The Company has made investments in solar arrays and methane turbines at the Company's natural foods campus in Chico, California and the Board argued that the proposal would result in unnecessary and duplicative reporting, and was not in the best interests of the Company and its shareholders.

LCPF supported the resolution on the basis that the company has not set goals or targets for its development of renewable energy sourcing.
Results: For: 27.0%, Abstain: 5.1%, Oppose/Withhold: 67.9%.

Nike Inc. AGM - Report on Political Contributions

Nike is a multinational corporation which designs, develops, manufactures and markets footwear, apparel, equipment, accessories and services.

The shareholder resolution requested that the Company provide a report, updated semi-annually, which discloses
1) Nike's policies and procedures for making direct or indirect contributions to the political campaigns of candidate for public office, or for attempting to influence the general public with respect to an election or referendum.
2) any monetary and non-monetary contributions made (direct and indirect) including:
a. The identity of the recipient as well as the amount paid to each; and
b. The title(s) of person(s) at Nike responsible for decision-making.

The Proposer argued that current gaps in reporting keep shareholders in the dark and expose Nike to reputational and business risks that could threaten shareholder value. It was argued that Nike's current policy regarding political spending has a number of significant gaps, public data does not provide a complete picture and Nike does not report on the most important avenue of hidden corporate money into politics: payments to trade associations.

The Board recommended that shareholders vote against the proposal because more disclosure than the Company already provides is not in their best interests.

The resolution was supported by LCPF on the basis that it is important companies protect their reputation by open and transparent reporting which avoids any suspicion that shareholders' funds are being used in an inappropriate way or to gain undue influence. Results: For: 26.5%, Abstain: 7.0%, Oppose/Withhold: 66.5%

Shareholder voting forms part of a wider programme of ownership activity through which LPP I (on behalf of LCPF) seeks to have a positive influence in favour of well-run companies whose business conduct and interests align with generating long term value for shareholders.

4. Engagement through Partnerships

The Fund understands the value of engagement activities which attempt to raise specific issues of concern and reinforce the lines taken within shareholder voting. The Fund's approach recognises the benefit of partnerships and collaborations which offer greater potential reach and impact than acting alone. LPP I participates in a number of collaborations which represent the collective interests of institutional investors and seek to make progress on issues which impact shareholder value. Key groups include the Local Authority Pensions Fund Forum (LAPFF) the Pensions and Lifetime Savings Association (PLSA) the Principles of Responsible Investment (PRI) and the Institutional Investor Group on Climate Change (IIGCC).

LCPF's principal engagement partner is LAPFF which exists to represent the specific investment interests of local authority pension funds as asset owners. 71 of the 89 LGPS funds are now LAPFF members. On a quarterly basis LAPFF provides member funds with a summary of the engagement activities undertaken on their behalf. A copy of LAPFF's Q3 2016 engagement report is attached at **Appendix 1**. Highlights from the report which covers the period from 1 July to 30 September 2016 include the following:

- the launch of "Engaging for a Low Carbon Transition" a joint report from LAPPF and the Carbon Tracker Initiative which provides practical support for investors engaging with companies on their preparedness for a 2°c world;
- AGM attendance at Sports Direct, SSE, Sainsbury, BT, British Land, Vodaphone, National Grid and Vedanta;
- Media attention for LAPFF's campaign on reliable accounting and the critical stance being taken to the response of the Financial Reporting Council;
- Direct engagements with 21 companies across a range of themes;
- Engagement on climate change with National Grid, BP and Anglo American in addition to a continuing participation within the broader "Aiming for A" Coalition.

The LAPFF Engagement Report includes detailed information on engagement activities within the quarter which are quantified across thematic topics as follows:

Engagement Topic	Number of Engagements by LAPFF	
Governance (general)	11	23%
Board composition	8	17%
Climate change	7	15%
Employment standards	5	10%
Remuneration	5	10%

Human rights	5	10%
Other	3	6%
Environmental risk	2	4%
Supply chain management	1	2%
Campaign (general)	1	2%
	48	100%

LPP I represents LCPF as a member of the Forum by attending LAPFF business meetings, exercising the Fund's voting rights, drafting responses and feedback to consultations and identifying opportunities for participation.

LAPFF's most recent quarterly Business Meeting took place on 18th October 2016 and was attended by the LPP I Responsible Investment Officer. Headlines from the meeting included the following matters:

- LAPFF Constitution and Membership

Comments received from member Funds following LAPFF's offer to give Observer Membership status to the emerging LGPS pools are to be discussed at a LAPFF strategy meeting in November where other issues relating to Pools and LAPFF membership including fees will also be considered.

LPP has communicated its position to LAPFF on the offer made to pools explaining that the RI Officer will need to continue to attend LAPFF Business meetings and other LAPFF events in order to directly represent clients (LCPF and LPFA) and will need to be able to exercise their voting rights and participate in decision-making on their behalf, something which is not currently envisaged under the observer status offered to pools.

A revised LAPFF constitution is under consideration by the LAPFF Executive and will be put to the AGM in January 2017. Changes will include narrative which strengthens and clarifies the approach to diversity.

- All Party Parliamentary Group (APPG) on Local Government Pensions

LAPFF's role in relation to the All Party Parliamentary Group (APPG) on Local Government Pensions has been clarified following questions raised by Member Funds. It has been confirmed that LAPFF cannot command and control the APPG (which is the creation of Parliament) but can feed ideas into its work plan and use the opportunity provided by the APPG to communicate issues and concerns through to Parliament. APPG meetings are open and member funds who wish to attend are welcome to send representatives to meetings (which take place at the House of Commons). LAPFF will issue press releases and forward these to Forum members by way of update after each APPG meeting.

- LAPFF response to DCLG Guidance on LGPS Investment Strategy Statements

LAPFF has welcomed the new Guidance and specifically the re-statement of the central role of Administering Authorities as the repositories of fiduciary responsibility for LGPS funds. The Forum will be seeking further dialogue with DCLG on the precise meaning of "inappropriate pensions policies" and on the Secretary of State's powers of direction.

The requirement for Administering Authorities to publish Investment Strategy Statements (ISS) which must include their approach to stewardship is discussed in greater detail below within the section on Active Investing.

- Transition Pathway Initiative (TPI)

The business meeting received a presentation on the TPI from LAPFF Executive Member Faith Ward of the Environment Agency Pension Fund (EAPF). TPI is a joint initiative from the Church of England Commissioners, EAPF, and the London School of Economics Grantham Institute to create a practical analytical tool which will help investors understand where companies sit on the transition pathway to a low carbon economy (and their competence to navigate the transition). The tool will be web-based, free for investors to use and will provide information to increase insight and facilitate activity in line with each investor's approach to RI. At the Business meeting members gave their agreement to LAPFF becoming a named supporter of the TPI, attending the launch, using the tool as part of its engagements efforts and publicising the tool to members once operational.

The LPPI RI Officer was already aware of the TPI through separate dialogue with the two Funds who are developing it and LPP I will be a named supporter of TPI in its own right. This will involve being positively associated with the initiative, supporting its goals and committing to using the tool once it is available. The TPI tool will help to inform the development of analysis which seeks better insight into how companies within the Global Equities Pool are currently placed and their plans for future development.

5. Shareholder Litigation

Litigation offers a route for recovering financial losses where asset values have been diminished as a result of financial misconduct.

On LCPF's behalf, LPP I maintains an up to date understanding of prospective shareholder litigations in which the Fund potentially has an interest. Monitoring services are provided at no cost by two US law firms - Barrack, Rodos and Bacine (BR&B) and Robbins Geller Rudman and Dowd (RGRD) which ensure prospective actions are known about, the fund's interest (level of loss) is quantified and information is available as a basis for making a decision on the most appropriate course of action given the risks, costs, benefits and deadlines involved in each case.

LPP I monitors developing litigation cases to ensure the Fund is made aware of those where it has sustained losses and is appraised about opt-in, opt-out or independent legal action where this might offer a premium recovery compared with the default approach of participating collectively in class actions.

A copy of the report received from BR&B summarising litigation monitoring during Q3 2016 has been placed within the Members Reading Room for reference. The report confirms that LCPF had losses in only 1 of 63 new cases filed with Federal or State Courts in the US. Details of the Fund's losses in relation to a prospective class action against Stericycle Inc. (a US company providing medical waste recycling) have been considered and it has been confirmed that Fund's interests are well served by monitoring the progress of the case and submitting a claim within the filing deadline. There was only one new non-US case in which the Fund had interests in the period (Toshiba Corp) but it has been clarified that the Fund would have no claim for damages having sold its shares long before fraud was revealed in 2015. No distributions were received in quarter 3 in respect of the Funds share of recovered losses from settled cases.

6. Active Investing

This section of the RI report is dedicated to updating the Committee on key developments within stewardship and RI and interpreting these within the context of the Fund's responsibilities and interests.

- New LGPS Investment Regulations and Guidance

Since the last meeting of the Committee the Government has published replacement LGPS Investment Regulations which facilitate investment pooling. The new Regulations came into force on 1st November 2016 and contain the requirement for Administering Authorities to formulate and publish an Investment Strategy Statement which includes:
7 (2) e - the authority's policy on how social, environmental, and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;
7 (2) f – the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

Within its "Local Government Pension Scheme: Guidance on Preparing and Maintaining an Investment Strategy Statement" DCLG has further clarified requirements under paragraphs 7 (2) e and 7 (2) and this section of the Guidance is re-produced at Appendix 2.

The surprise contained within the guidance is confirmation that schemes may take purely non-financial considerations into account provided that doing so does not involve significant risk of financial detriment. This is not a reference to it being permissible to consider ESG factors (which are now being referred to as financially material to investment performance) but an additional concession which opens the door to policies which pursue specific social outcomes and impacts in line with themes prioritised by scheme members. The ability to forgo some of the financial return on investment in order to generate social impact is qualified by the need for there to be no risk of significant financial detriment from doing so – a form of words which is clearly open to different interpretations of the term "significant".

This is an extra concession which was unanticipated and appears to be in response to the substantial concerns expressed at the original consultation's embargoing of any policies of divestment and exclusion which run contrary to UK Foreign and/or defence policy. These embargoes remain unchanged within the final guidance, but are now balanced by the sanction given for pursuing other routes to positive social impact.

The new guidance implies that a decision to target specific social impacts is not in conflict with fulfilling the underlying fiduciary duty to maximise risk adjusted returns so long as the Administering Authority has reason to believe scheme members share the concern for social impact and so long as financial return remains the predominant objective. Discretion over how and whether to pursue social impact resides with each individual Fund and is something which will need careful consideration within the context of pooling. There is an obvious conflict between an imperative for achieving cost savings which relies on investment arrangements which operate at a pool level and leverage economies of scale and the development of a demand for investment arrangements which implement Fund-specific preferences for social outcomes.

Any requirement for investment arrangements which restrict the investment universe in order to achieve a defined social impact will add cost for all Funds participating in a pool because they will require assets to be disaggregated in order to apply specific products. This will immediately lose the benefit of scale that pooling ultimately aims for.

The Committee will need to consider whether the power to pursue social impacts is something it wishes to utilise. This is a consideration which would likely benefit from discussion with pooling partners as part of seeking to agree a collegiate approach. The best starting point may be to identify any outcomes of importance to the Committee (and likely to be shared by Fund beneficiaries) which will not be met via the investment arrangements and approach in place by LPP I. The Committee's efforts will be assisted by reviewing the LPP I Responsible Investment Policy which explains the arrangements in place to deliver against commitments under the Principles of Responsible Investment and the UK Stewardship Code.

- LPP I Responsible Investment Policy

An RI Policy has been developed and approved by the LPP I Board which explains the key beliefs informing LPP I's stewardship practices. The Policy gives insight into the standards of stewardship clients can expect from LPP I and explains how fiduciary responsibilities are being addressed within the services provided. The Policy is attached at Appendix 3.

The LPPI RI Policy meets a number of requirements simultaneously. It provides a reference point for internal investment staff (as context for the processes they operate and the standards required of them) and is a guide to the approach and standards deliverable by external partners which supports the process of manager selection and ongoing monitoring.

The Policy provides the LPP Stewardship Committee with a framework for monitoring RI activities and outcomes on an ongoing basis. By articulating beliefs, translating these into practice and expressing clear statements of intent, the policy prompts the consideration of priorities, the targeting of resources and the development of plans and targets as part of monitoring progress and providing reporting to the LPP I Board, to pension fund clients, and to regulators and other stakeholders as required.

Local Authority
Pension Fund
Forum

The Local Authority Pension Fund Forum (LAPFF) exists to promote the long-term investment interests of member funds and beneficiaries, and to maximise their influence as shareholders whilst promoting the highest standards of corporate governance and corporate responsibility at investee companies. Formed in 1990, LAPFF brings together a diverse range of 71 public sector pension funds in the UK with combined assets of over £175 billion.

QUARTERLY ENGAGEMENT REPORT

JULY TO SEPTEMBER 2016

Report launch on why a 2˚c business model is less risky than 'business-as-usual' for oil companies

National Grid publishes scope three emissions after LAPFF's request

LAPFF work with UNITE starts to pay off at Sports Direct

National Express meets with LAPFF after contentious AGM

Achievements

LAPFF and Carbon Tracker (CTI) launch of 'Engaging for a Low Carbon Transition'

Cllr Kieran Quinn and Mark Campanale of Carbon Tracker

In July, LAPFF and Carbon Tracker Initiative launched the report *'Engaging for a Low Carbon Transition'* which sets out how a 2˚C business model can be less risky than 'business-as-usual' for oil and gas companies. The LAPFF chair, Cllr Quinn, welcomed over sixty attendees and introduced the report author, Paul Spedding, who set out how to determine the degree to which investments are 'two-degree' compliant and the implications for shareholder value. The report gives very practical 'hands-on' guidance on how to respond to 'shibboleths' encountered in engagement with company representatives.

National Grid publishes scope three emissions upon LAPFF's request

In 2014, LAPFF attended the National Grid AGM and raised the issue of the Company reporting its Scope 3 emissions, mainly those associated with sold products, ie gas and electricity in the US. At the time, National Grid said this was an interesting question that no other investor had inquired about. LAPFF inquired about this again at the 2015 AGM and was told that the Company would likely publish this data within the year. By the 2016 AGM, National Grid had published Scope 3 emissions data in the annual report. This data is important information to understand the full extent of a company's global emissions, so this development is an important step forward.

nationalgrid

LAPFF work with UNITE starts to pay off at Sports Direct

LAPFF was one of a number of shareholders and shareholder groups supporting a UNITE-backed resolution at the Sports Direct AGM that called for an independent review of the Company's human capital management strategy. The AGM received a lot of media coverage, and LAPFF's Executive Committee member, Jane Firth, spoke about the Forum's support for the independent human capital assessment for Channel Five, BBC TV and Radio Five Live. At the AGM, most investors focused on replacing Keith Hellawell as Chair, but in the aftermath, the focus has been on the shareholder resolution. The latest development is a promise from Sports Direct that it will replace its lawyers, RPC, as the party to conduct the next independent review of workplace practices and corporate governance. It remains to be seen whether this promise is kept and the review is actually independent, but oversight of employee management seems to be moving in a better direction.

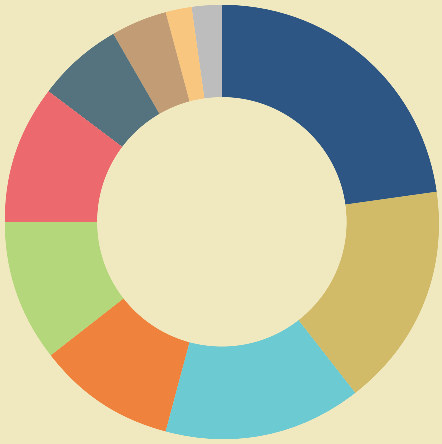
Jane Firth spoke about the Forum's support for the independent human capital assessment for Channel Five, BBC TV and Radio Five Live

National Express meets with LAPFF after contentious AGM

For the last three years, LAPFF has either supported shareholder resolutions with National Express requesting an independent assessment of labour conditions in the Company's US subsidiary, Durham School Services, or individual LAPFF funds have co-filed this resolution. When the Company refused to accept the resolution on this year's AGM ballot, there was some frustration on the part of LAPFF and the unions. This development comes alongside a US Federal Court decision that found a union organising campaign in Santa Rosa, Florida to have been legitimate. National Express has now said it will accept this ruling and will bargain collectively with the union at the Santa Rosa site. A number of similar rulings have been made against the Company in the past couple of months. LAPFF subsequently met with the Company to discuss these issues.

Company Engagement

ENGAGEMENT TOPICS



Governance (general)	**11**
Board composition	**8**
Climate change	**7**
Employment standards	**5**
Remuneration	**5**
Human rights	**5**
Other	**3**
Environmental risk	**2**
Supply chain management	**1**
Campaign (general)	**1**

PEOPLE AND INVESTMENT VALUE AND EMPLOYMENT STANDARDS

In addition to hosting the AGM, **Sports Direct**'s Deputy Executive Chairman, Mike Ashley, led a walk-through of the Company's Shirebrook facility for press and investors. Participants got to see the warehouse floor and the controversial security check workers go through to enter and exit the warehouse. Mr Ashley continually emphasised the size of the facility and how hard it is to manage such a large operation. Mr Ashley and the Sports Direct Board then hosted a meeting with investors to answer further questions. At one point, both the Chairman, Keith Hellawell, and Mr Ashley left the room for an extended period without explaining why they had left. At the end of the session, a Sports Direct employee stood up to sing the praises of the Company. Overall, the day had a very contrived feel.

Following the **SSE** AGM, LAPFF also met with Helen Mahy, a non-executive director and SSE's Director of Sustainability, Rachel McEwen, to discuss the company's human capital management approach. SSE has been cited in a number of circles for having a good approach to human capital management. Unlike most other companies, it has also developed a methodology to quantify how much value SSE staff contributes to the business. This methodology suggests that SSE's staff is its second largest asset – behind windfarms. Based on the insightful conversation, LAPFF has invited Ms McEwen to speak at the LAPFF conference.

LAPFF also continued with its engagement to promote women on boards, having meetings with **Weir Group, Tullow Oil** and **Telecom Plus**. Weir Group showed itself to be a leader in the field, with very proactive approaches to managing diversity and a critical approach to Chairs who stand in the way of this. Tullow Oil and Telecom Plus candidly discussed some of the challenges they face in achieving a more diverse board and workforce but Tullow Oil, in particular, was very open to further engagement to seek to improve in this area.

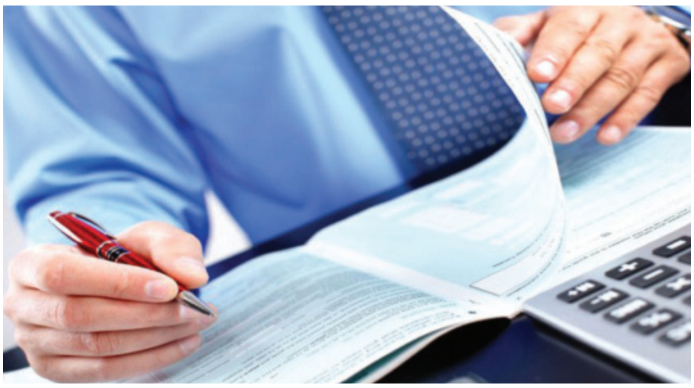
LAPFF also proposed that the Investor Group of the 30% Club submit a letter to the FT calling for increased action with companies on reaching more gender diverse boards and praising Halfords in this regard. Published in early August, it was followed by a response from Sir Philip Hampton and Dame Helen Alexander, Chair and Vice Chair of the 'Women on Boards Review' supporting the Investor Group's efforts to promote stronger diversity at companies and calling for other stakeholders to join the action.

In total, LAPFF attended eight AGMs this quarter – **Sainsbury, BT, British Land, SSE, Vodafone, National Grid, Vedanta** and **Sports Direct**. At least four of these, Sainsbury, BT, SSE and Vedanta, have led to further engagements with the companies. It remains to be seen whether Sports Direct keeps its promise to engage with LAPFF, given at the 2016 AGM, after many years of the Forum being unable to secure a meeting with board members. Cllr Richard Greening asked about Vedanta's human rights practices at the AGM. While the Company has a poor human rights record, it has shown a willingness to engage with LAPFF on this topic.

Given that the above AGMs took place just after the Brexit vote, there were a number of Brexit-related questions asked of the respective company boards. The issue of free movement of workers was raised on a number of occasions by companies. For example, at the BT AGM the Chairman expressed his worry that a restriction on this movement would affect the Company's talent base and ability to execute its contracts on behalf of customers.

RELIABLE ACCOUNTS

LAPFF was in the media in September for its latest round of letters to the FTSE350 on reliable accounting, which urged FTSE350 Chairs to disregard the Financial Reporting Council (FRC)'s guidance on accounting standards. A Freedom Of Information request revealed that although the FRC had made public efforts to suggest that the UK Government concurred with the FRC position, it hadn't. These letters were covered extensively by national press.



HOLDINGS-BASED ENGAGEMENT

Following attendance at the Unilever AGM, Cllr Doug McMurdo of the LAPFF Executive met with Andrew Stephen and Clare Cavana of **Unilever** to discuss the Company's business model and Sustainable Living Plan. Unilever has been held up in many quarters as a leader in integrating environmental, social and governance issues into its business model and strategy. This meeting led to a further meeting on tax and LAPFF looks to have progressed in establishing an engagement relationship with Unilever.

©www.unilever.com

M&A engagement gets underway with Rentokil

LAPFF has recently issued a report setting out issues investors should consider in evaluating companies' approaches to mergers and acquisitions. Using elements of the approach set out in the guide, Cllr Toby Simon met with representatives of Rentokil Initial, which has a reputation for doing mergers and acquisitions well, in order to learn from best practice and to assess performance in line with LAPFF guidance. Feedback from Rentokil was extremely positive, and LAPFF will look to engage with other companies to test the guide further.

TAX

LAPFF, with consultant, Richard Murphy, met **Sainsbury** to hear about the Company's approach to tax risk and governance. Mr Murphy's assessment is that it would not take much for Sainsbury to qualify for the FairTax Mark. The Company's policy statement and reporting on tax havens is good, but there could be further reporting on country-by-country tax disclosure, and on how the Company ensures it has not engaged in tax avoidance. LAPFF Executive member, Cllr Doug McMurdo, also went with Mr Murphy to meet Janine Juggins of **Unilever** about tax.

In addition to the company meetings on tax, on the back of its own letter to the company, LAPFF has co-signed a letter with other investors to **Alphabet**, parent company to Google, requesting further disclosure about its tax practices. Google has faced a number of legal challenges to the amount of tax it pays in various countries.

PEOPLE PAY AND INVESTMENT VALUE

In the run-up to binding votes on remuneration policy at most companies' 2017 AGMs, LAPFF has maintained a focus on executive pay policies and how companies apply them in practice.

In 2015, much of LAPFF's engagement with **BP** focused on the five elements of the Company's strategic resilience to climate change. One of these, remuneration, has surfaced as a big issue for BP during 2016, and following Ian Greenwood's attendance at the BP AGM and media comments on the Company's approach to remuneration, LAPFF held a meeting with BP Chair, Carl Svanberg, to discuss concerns. Whilst it is clear that a large portion of the remuneration this year was attributed to pension contributions, LAPFF stressed that BP's disclosure should improve so that the composition of pay was more transparent for shareholders to analyse. Mr Greenwood also encouraged BP to do more to 'stress test' its pay before finalising it, to assess how shareholders will react, particularly in a difficult financial environment where workers are being made redundant.

At the **British Land** AGM, Cllr Doug McMurdo noted that the existing remuneration policy, allows for granting of a high level of awards and a longer notice period on recruitment. He asked the Chair if the Company did not consider the quality of British Land's brand and internal culture should be sufficient to attract high calibre candidates without such inducements. The Chair noted the wish to keep flexibility in being able to attract and recruit staff in senior positions, and that the company should be able to compensate an individual for loss where they have to forego pay at a previous employer.

ENERGY, CARBON AND ENVIRONMENTAL RISK MANAGEMENT

Collaborative engagement with oil & gas, integrated mining and utility companies has continued through the 'Aiming for A' investor group with LAPFF separately also meeting with **BP** and **Anglo American** in the last quarter. The utility, **SSE**, is one of the largest UK emitters, and Cllr Cameron Rose attended the AGM to ask about the Company's approach to carbon capture and storage (CCS) in light of the government's failure to fund further efforts around this technology. The Company was disappointed with the government's position but still sees CCS as a technology to consider in future.

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Cllr Toby Simon met with Anglo American following attendance at the Company's AGM and to follow up on elements of the strategic resilience shareholder resolution. Cllr Simon met with Anglo Chairman, Sir John Parker, as well as Head of Social Performance and Engagement, Jon Samuel, and Investor Relations Manager, Ed Kite. Anglo has had a difficult time over the last year, first seeing its share price drop precipitously then rise significantly just prior to the Company's AGM. Anglo has been in the process of disposing assets and re-organising the business, so it was interesting to discuss these developments as well as how sustainability concerns were being considered while this structural overhaul continues.

©twicopy.org/cameronrose/

Cllr Cameron Rose asking about connecting renewables to the grid and Brexit at National Grid's AGM

At the **National Grid** AGM, Cllr Cameron Rose noted the Company's statement that the biggest impact it could make to the environment was by connecting low carbon and renewable energy to the network and asked what were the biggest challenges faced in doing this. The CEO, John Pettigrew commented on how the network needs to operate which will be very different from how it has been done in the last 50 years. It will entail encouraging demand-side response and also starting to introduce fast frequency and battery responses. He also noted that the company is working much more closely in the distribution networks with providers of renewables, particularly solar and wind with 9 gwatts of additional generation.

In an initiative coordinated by the Investor Network on Climate Risk, LAPFF joined other investors in writing to the US Securities and Exchange Commission (SEC) relating to improving reporting of material sustainability risks in issuers' SEC filings. In particular it flagged up the 2010 guidance on climate change-related disclosure, on which very few comment letters have been issued by the SEC and no enforcement actions taken for failure to meet these requirements.

NETWORKS AND EVENTS

Some of the events and meetings attended by LAPFF representatives during the quarter:

Labour Party Fringe meeting: 'Has Banker Bashing Gone Too Far?'. Speakers included Cllr Kieran Quinn (Chair, LAPFF), Dominic Lindley (New City Agenda), Mike Kane MP, formerly Treasury Select Committee and Joanne Segars Chief Executive PLSA.

Carbon Tracker/LAPFF Report launch: An economic and financial justification for moving away from investment in oil was presented. LAPFF representatives also attended a CTI event where the risk implications for fossil fuel demand were explored.

Presentation to East Sussex Pension Committee: LAPFF representatives heard a petition on fossil fuel divestment put to the Committee and spoke about LAPFF's recent work on carbon management, executive remuneration, tax and human capital management.

Omnia Strategy on gender pay reporting: A LAPFF representative participated in this round-table co-chaired by Cherie Blair of Omnia and Ann Francke of the Chartered Management Institute to evaluate the new gender pay reporting rules and what they mean for business.

Client Earth/ShareAction Fiduciary Duty Event: Speakers considered how pension fund trustees can take into account financial and non-financial factors in their investment decisions.

Sports Direct briefing: TUSO and UNITE held a briefing for investors to explain the human capital shareholder resolution that garnered 53% support from independent shareholders at the AGM.

Board Intelligence Seminar: Participants discussed the FRC's research into culture with the Chartered Institute of Internal Auditors.

ShareAction Air Pollution and Pharmaceuticals events: Discussions took place on air pollution as a problem from both health and economic perspectives, with associated climate change implications and on the unsustainable business model of global pharmaceutical companies highlighted by poor pricing strategies.

MEDIA COVERAGE

Quarter Highlight: A Russian piece about LAPFF's concern with IFRS and the FRC's guidance - http://gaap.ru/news/151262/, with English translation

Sports Direct
Channel Five interview with Jane Firth, https://www.youtube.com/watch?v=XtTQJGp8qo8

Five Live interview with Jane Firth at 1h 10min, http://www.bbc.co.uk/programmes/b07rkgmz

Yahoo Finance, Investor group rebukes Sports Direct, wants review of management (25 Aug 2016)

International Business Times, Sports Direct's working practices called into question by shareholders' group (24 Aug 2016)

LocalGov, Council pension fund supports working practices review of Sports Direct (24 Aug 2016)

The Guardian, Sports Direct faces more pressure over working practices review (23 Aug 2016)

Accounting standards
CCH Daily, Pension funds group slams FRC dividends advice as 'defective' (6 Sep 2016)

Accountancy Age, LAPFF urges FTSE 350 companies to disregard the FRC (2 Sep 2016)

The Times, Pension schemes attack accountancy watchdog (1 Sep 2016)

Economia, LAPFF steps up row with FRC over true and fair (1 Sep 2016)

BBC News, Adopt Swedish-style shareholder committee on pay, says MP (1 Sep 2016)

IPE, LAPFF urges FTSE 350 firms to disregard 'defective' accounting advice (1 Sep 2016)

Carbon Management
LAPFF/Carbon Tracker report, Engaging for a Low Carbon Transition

IPE, Report offers hope for energy companies (8 Aug 2016)

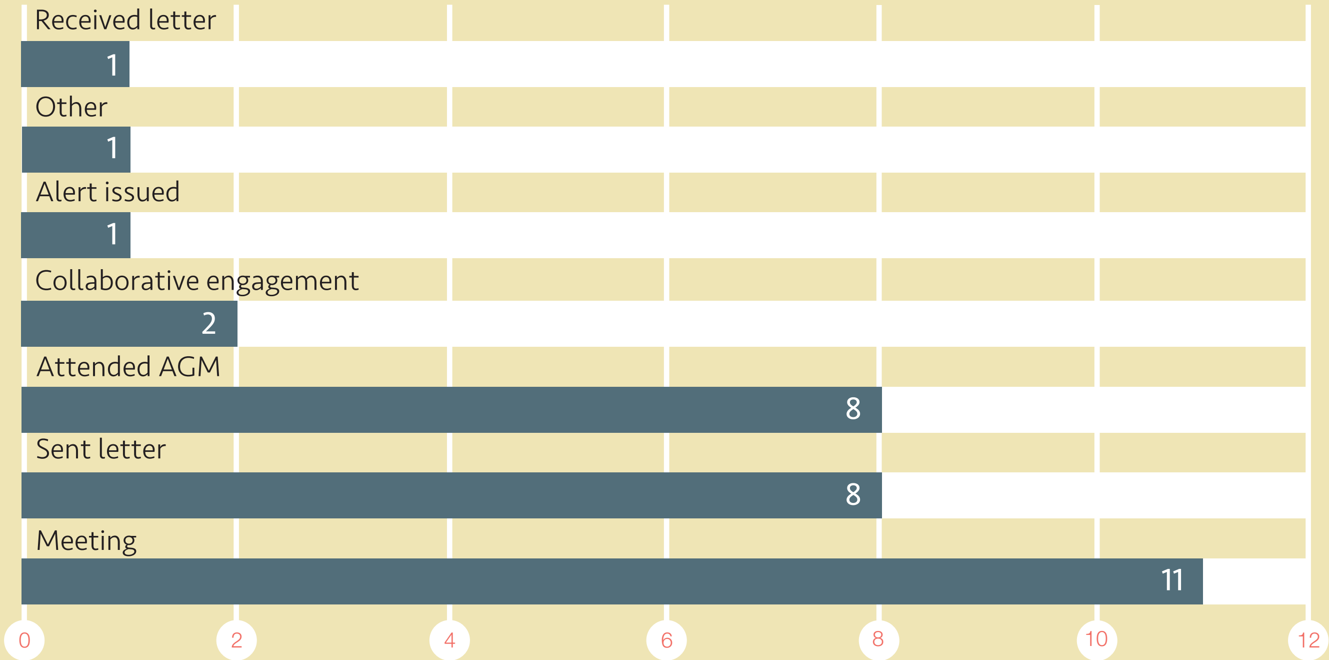
COMPANY PROGRESS REPORT

21 Companies engaged over the quarter

Q3 2016 ENGAGEMENT DATA

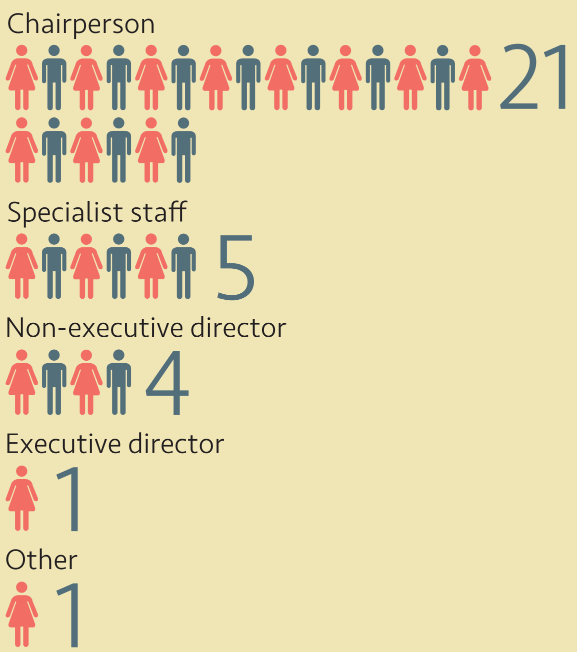
	Company	Topics	Activity	Outcome
1	Anglo American	Climate Change/ Governance (General)	Meeting	Change in Process
2	BP	Remuneration	Meeting	Meeting
3	British Land	Remuneration	AGM	Dialogue
4	BT	Governance (General)	AGM	Dialogue
5	Euromoney Institutional Investor	Board Composition	Sent letter	Awaiting Response
6	G4S	Human Rights/Governance	Collaborative Engagement	Dialogue
7	Google	Governance	Sent Letter	Awaiting Response
8	M&S	Climate Change/Supply Chain	Meeting	Dialogue
9	National Express	Employment Standards	Meeting	Small Improvement
10	National Grid	Climate Change	AGM	Substantial Improvement
11	Rentokil	M&A/ Governance	Meeting	Satisfactory Outcome
12	Rolls-Royce	Governance/Environment	Sent Letter	Meeting Set
13	Sainsbury	Tax/ Governance	Meeting	Small Improvement
14	Sports Direct	Employment Standards	Alert Issued/ AGM	Moderate Improvement
15	SSE	Climate Change/Employment	AGM	Dialogue
16	Telecom Plus	Board Composition/ Climate Change	Meeting	Small Improvement
17	The Weir Group	Board Composition/ Remuneration	Meeting	Satisfactory Outcome
18	Tullow Oil	Board Composition	Sent Letter	Engagement Completed
19	Unilever	Human Rights/Tax	Meetings	Small Improvement/ Dialogue
20	Vedanta	Human Rights	AGM	Dialogue
21	Vodafone	Governance (General)	AGM	Dialogue

COMPANY ENGAGEMENT ACTIVITIES

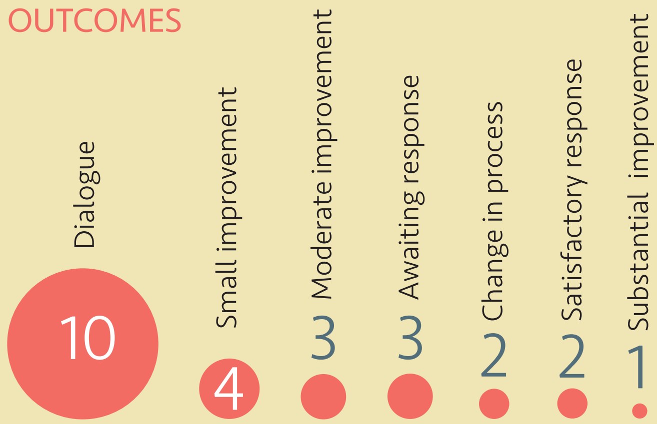


COMPANY DOMICILES

POSITION ENGAGED



OUTCOMES



LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

- Avon Pension Fund
- Barking and Dagenham (London Borough of)
- Bedfordshire Pension Fund
- Cambridgeshire Pension Fund
- Camden (London Borough of)
- Cardiff and Vale of Glamorgan Pension Fund
- Cheshire Pension Fund
- City and County of Swansea Pension Fund
- City of London Corporation
- Clwyd Pension Fund
- Croydon (London Borough of)
- Cumbria Pension Scheme
- Derbyshire County Council
- Devon County Council
- Dorset County Pension Fund
- Dyfed Pension Fund
- Ealing (London Borough of)
- East Riding of Yorkshire Council
- East Sussex Pension Fund
- Enfield (London Borough of)
- Falkirk Council
- Gloucestershire Pension Fund
- Greater Gwent Fund
- Greater Manchester Pension Fund
- Greenwich Pension Fund
- Gwynedd Pension Fund
- Hackney (London Borough of)
- Haringey (London Borough of)
- Harrow (London Borough of)
- Hertfordshire County Council Pension Fund
- Hounslow (London Borough of)
- Islington (London Borough of)
- Lambeth (London Borough of)
- Lancashire County Pension Fund
- Lewisham (London Borough of)
- Lincolnshire County Council
- London Pension Fund Authority
- Lothian Pension Fund
- Merseyside Pension Fund
- Newham (London Borough of)
- Norfolk Pension Fund
- North East Scotland Pension Fund
- North Yorkshire County Council Pension Fund
- Northamptonshire County Council
- NILGOSC
- Nottinghamshire County Council
- Powys County Council Pension Fund
- Redbridge (London Borough of)
- Rhondda Cynon Taf
- Sheffield City Region Combined Authority
- Shropshire Council
- Somerset County Council
- South Yorkshire Pensions Authority
- Southwark (London Borough of)
- Staffordshire Pension Fund
- Strathclyde Pension Fund
- Suffolk County Council Pension Fund
- Surrey County Council
- Sutton (London Borough of)
- Teesside Pension Fund
- The Environment Agency Pension Fund
- Tower Hamlets (London Borough of)
- Tyne and Wear Pension Fund
- Waltham Forest (London Borough of)
- Wandsworth (London Borough of)
- Warwickshire Pension Fund
- West Midlands ITA Pension Fund
- West Midlands Pension Fund
- West Yorkshire Pension Fund
- Wiltshire County Council
- Worcestershire County Council

Appendix 2

Excerpt from Local Government Pension Scheme: Guidance on Preparing and Maintaining an Investment Strategy Statement (DCLG September 2016)

Regulation 7(2)(e) - How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

When making investment decisions, administering authorities must take proper advice and act prudently. In the context of the local government pension scheme, a prudent approach to investment can be described as a duty to discharge statutory responsibilities with care, skill, prudence and diligence. This approach is the standard that those responsible for making investment decisions must operate.

Although administering authorities are not subject to trust law, those responsible for making investment decisions must comply with general legal principles governing the administration of scheme investments. They must also act in accordance with ordinary public law principles, in particular, the ordinary public law of reasonableness. They risk challenge if a decision they make is so unreasonable that no person acting reasonably could have made it.
The law is generally clear that schemes should consider any factors that are financially material to the performance of their investments, including social, environmental and corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise.

However, the Government has made clear that using pension policies to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries are inappropriate, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

Although schemes should make the pursuit of a financial return their predominant concern, they may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.

Investments that deliver social impact as well as a financial return are often described as “social investments”. In some cases, the social impact is simply in addition to the financial return; for these investments the positive social impact will always be compatible with the prudent approach. In other cases, some part of the financial return may be forgone in order to generate the social impact. These investments will also be compatible with the prudent approach providing administering authorities have good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund.

Summary of requirements

In formulating and maintaining their policy on social, environmental and corporate governance factors, an administering authority:-

☐ **Must take proper advice**
☐ **Should explain the extent to which the views of their local pension board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors**
☐ **Must explain the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments**
☐ **Should not pursue policies that are contrary to UK foreign policy or UK defence policy**
☐ **Should explain their approach to social investments**

Regulation 7(2)(f) - The exercise of rights (including voting rights) attaching to investments

The long-term investment interests of administering authorities are enhanced by the highest standards of corporate governance and corporate responsibility amongst the companies in which they invest. Poor governance can negatively impact shareholder value.

Stewardship aims to promote the long term success of companies in such a way that the ultimate providers of capital also prosper. Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure and corporate governance, including culture and remuneration. Engagement by administering authorities is purposeful and can identify problems through continuing dialogue with companies on these matters as well as on issues that are the immediate subject of votes at general meetings.

Engagement enables administering authorities as long term shareholders to exert a positive influence on companies to promote strong governance, manage risk, increase accountability and drive improvements in the management of environmental, social and corporate governance issues.

Administering authorities are encouraged to consider the best way to engage with companies to promote their long-term success, either directly, in partnership with other investors or through their investment managers, and explain their policy on stewardship with reference to the Stewardship Code. Administering authorities should become Signatories to the Code and state how they implement the seven principles and guidance of the Code, which apply on a "comply or explain" basis.

Concern has been expressed in the past about the scope of Regulation 12(2)(g) of the 2009 Regulations which, in effect, allowed each administering authority to decide whether or not to adopt a policy on the exercise of the rights attaching to investments, including voting rights. To increase awareness and promote engagement, Regulation 7(2)(f) now requires every administering authority to formulate a policy that reflects their stewardship responsibilities.

Summary of requirements

In formulating their policy on the exercise of rights, administering authorities:-

- ☐ **Must give reasons in their Investment Strategy Statement for not adopting a policy of exercising rights, including voting rights, attaching to investments**
- ☐ **Should, where appropriate, explain their policy on stewardship with reference to the Stewardship Code**
- ☐ **Should strongly encourage their fund managers, if any, to vote their company shares in line with their policy under Regulation 7(2)(f)**
- ☐ **May wish to appoint an independent proxy voting agent to exercise their proxy voting and monitor the voting activity of the managers, if any, and for reports on voting activity to be submitted annually to the administering authority**
- ☐ **Should publish a report of voting activity as part of their pension fund annual report under Regulation 57 of the 2013 Regulations**

Appendix 3

LOCAL PENSIONS PARTNERSHIP INVESTMENTS LIMITED

Local Pensions Partnership

Responsible Investment Policy

1. Introduction

Local Pensions Partnership Investments Ltd (LPP I) is committed to the long-term term responsible investment of pension savings.

Our Responsible Investment approach encompasses the beliefs, standards, procedures and activities through which we fulfil fiduciary responsibilities to our clients as an integral part of our stewardship of their assets.

This Responsible Investment Policy sets out our Responsible Investment beliefs and explains how they are translated into stewardship practice.

2. Our Responsible Investment Beliefs

We believe that;

1. LPPI has as a fiduciary duty to act in the best long-term-term interests of client pension funds and their beneficiaries. Fulfilling this duty requires a governance structure, culture and investment approach collectively focussed on adding value over the long term.

2. The objective of Responsible Investment is to secure optimum returns in the long term at an acceptable level of risk. Responsible Investment originates from an investment strategy designed to enable client pension funds to meet their obligations to pay pension benefits and is realised in practice through the quality of the business processes which collectively make up stewardship.

3. The primary focus of Responsible Investment is the effective management of investment risks and opportunities in order to achieve optimum risk-adjusted returns on a sustainable basis. The attainment of broader social outcomes is secondary to funding the pension benefits payable to members.

4. Environmental, Social and Governance (ESG) factors can have a direct financial impact on the value of individual investments and an influence on long-term investment performance. The consideration of ESG factors is relevant at every stage in the investment cycle - within investment strategy, investment selection, and within the stewardship of assets in ownership.

5. As providers of capital, investors have influence. Institutional investors should utilise their ownership powers to exert influence in circumstances where their intervention is warranted to protect the long-term financial interests of

beneficiaries. Responsible asset owners should maintain oversight of the way in which the enterprises they invest in are managed and how they impact upon customers, clients, employees, stakeholders, and wider society.

3. Our Beliefs Translated into Practice

Our Responsible Investment approach focuses on fulfilling the responsibilities connected with managing investments as a trusted long-term steward of the retirement savings invested within asset-backed pension funds.

We are Responsive to Client Needs

LPP I is a provider of investment management services to pension funds within the UK. We strive to be a responsible long-term term investor via an investment approach which is driven by the circumstances of our clients and their specific investment needs.
Our clients are long-term investors with a duty to safeguard the cumulative pension savings of their members through the investment arrangements they put in place. Ensuring sufficient funds are available to pay retirement benefits as they fall due is a liability which stretches decades into the future and which ultimately requires a cost-effective and sustainable investment approach.

LPP I provides investment management services which fulfil the fiduciary duties owed by trustees to fund members, employer organisations and wider stakeholders. Our investment approach and the business processes which put it into operation prioritise high standards of stewardship, clear accountability, striving for best practice and compliance with regulatory standards.

LPP I is regulated by the Financial Conduct Authority, our services are fully aligned with the principles of the UK Stewardship Code and our approach to Responsible Investment is designed to deliver against the commitments of clients who are signatories to the UN-backed Principles of Responsible Investment.

We are Commercial and Sustainable

Protecting and enhancing the value of our clients' investments involves selecting and managing assets in order to generate superior returns which build value over the long term.

LPP I takes a resolutely commercial approach to asset selection and ongoing asset ownership. Our approach is built around the detailed analysis of investment risks and opportunities and an up-to-date understanding of context.

Unless explicit sectoral exclusions are demanded by clients (an exceptional situation requiring specific portfolio arrangements) we do not artificially narrow the breadth of the investment universe from which we consider potential investments. Opportunities are identified and evaluated on their individual merits and on the strength of their contribution to the investment strategy for each asset class (including their role in providing investment return and diversification benefits).

We ensure that investment risks (including those surrounding controversial business sectors) are routinely evaluated within our investment decision-making and ongoing portfolio management activities which consider risk within a long-term investment horizon. The assessment of investments based on their relative ranking against core requirements is an effective alternative to applying exclusionary screening.

We are Diligent in Asset Selection

The acquisition of suitable assets on appropriate terms is a critical investment discipline. Sourcing suitable investments involves in-depth insight from investment managers with expert knowledge across different sectors. Finding opportunities which fit our clients' investment strategies and meet core investment objectives involves a robust and detailed process of ongoing research and evaluation.

Our due diligence process routinely incorporates the consideration of relevant ESG factors. Wider matters identified as likely to impact the value or sustainability of an investment within its prospective period of ownership are incorporated into investment decision-making as risks or opportunities with potential consequences for value growth.

Our in-house standards for investment due diligence extend to the external managers we select to work with us. We consider existing experience and the strength of commitment to responsible investment practices as part of manager selection and within our ongoing monitoring of activity and performance.

We are Active in Ownership

A long-term investment horizon and the expectation of an extended period of asset ownership incentivises active ownership as a continuing route for protecting and adding value for investors. LPP I actively exercises the ownership rights conveyed by the assets under its management on behalf of clients as beneficial owners.

LPP I seeks to encourage high standards of corporate governance in the enterprises we invest in and to exert a positive influence in favour of transparent and sustainable management behaviour in the long-term best interests of investors.

Routes for exercising ownership influence vary according to the asset class and the investment context. Our activities routinely include direct representation on company boards, shareholder voting and engagement, representation on investor & advisory committees and participation in partnerships and collaborations with other investors. The objective of our ownership activities is to encourage circumstances which support long-term term value creation and promote the identification and management of the risks faced by investors.

In the case of its investments in listed equities, LPP I exercises shareholder voting rights to promote sustainable well run companies and votes at every shareholder meeting it is entitled to participate in globally. Voting execution is managed in collaboration with an external provider of proxy voting and governance services and is in accordance with an agreed voting policy.

Our voting approach seeks a consistent stance on a number of core themes which reflect the importance of;

- Investors having access to comprehensive, up to date and accessible information giving clear insight into a company, its culture and the way in which it does business;
- A sufficiently diverse board with adequate representation from independent non-executive members;
- Executive remuneration arrangements which incentivise strong performance over the long-term term by applying measures of value creation aligned with shareholder interests;
- A sustainable long-term term business model supported by effective internal controls and strong risk management capabilities; and
- Recognition, evaluation and adaptation to the risks and opportunities flowing from systemic challenges including (but not limited to) climate change and changes in public perception which could impact profitability.

We are Committed to Collaboration

LPP I is active within a range of wider organisations which exist to represent the collective interests of investors.

We seek to actively support initiatives which magnify the voice and strengthen the positive influence of investors through assisting them to identify common concerns, share resources, work together and achieve more through co-ordinated collective effort.

Our involvement in representative organisations including the Local Authority Pension Fund Forum (LAPFF) and the Pensions and Lifetime Savings Association (PLSA) enables us to share ideas, learn from others and identify best practice as part of continuing to refine our approach, target our efforts and develop our capabilities over time.

We are Continuously Reviewing and Improving

We recognise that Responsible Investment is a discipline in a process of continual evolution. The local, national and international norms influencing what is desirable and acceptable are continuously changing in response to unfolding events.

Openness to new approaches and new standards, whether these flow from legislation or form part of self-regulation, are central to understanding and demonstrating best practice and maximising what can be achieved.

Our internal governance arrangements incorporate oversight from a Stewardship Committee chaired by the Chief Investment Officer which meets quarterly to review responsible investment matters and discuss core stewardship developments and activities.

To ensure the continuing effectiveness of our approach to putting Responsible Investment beliefs into practice the Stewardship Committee will review this Responsible Investment Policy and the activities flowing from it on an annual basis.

Document title: Responsible Investment Policy					
Version No	Description of change	Owner	Approval	Date of Approval	Date of Issue
1.0	First version	Responsible Investment Officer	LPP I Stewardship Committee	23/08/16	
1.0	None	Managing Director (Investments) & Chief Investment Officer	LPP I Investment Committee	31/08/2016	
1.0 Final Public	Opening paragraph of section 3 - minor addition to wording	Managing Director (Investments) & Chief Investment Officer	LPP Investments Board	06/10/2016	31st October 2016
Distribution List (To be completed if Document is classified as confidential)					

Pension Fund Committee
Meeting to be held on Friday, 2 December 2016

Electoral Division affected:
None;

Feedback from Committee members on external pension related training, events and conferences.

Contact for further information: Mike Neville (01772) 533431 Senior Democratic Services Officer, Legal and Democratic Services mike.neville@lancashire.gov.uk

Executive Summary

This reports sets out details of external pension related training events and conferences attended by Members of the Committee since the last meeting and gives individual members an opportunity to provide feedback.

Recommendation

The Committee is asked to note the report and any feedback presented at the meeting.

Background and Advice

At the meeting on the 29th January 2016 the Committee approved a refreshed training plan for members of the Committee. As with the previous plan, the purpose of the refreshed plan was to ensure best practice within the Fund and to comply with the Public Service Pensions Act 2013. Members and officers are also required to undertake training to satisfy the obligations placed upon them by the:

- Myners Principles (as detailed in the Statement of Investment Principles);
- Pensions Regulations and the Pensions Regulator;
- Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Public Sector Pensions Finance Knowledge and Skills; and the
- Local Government Pension Scheme (LGPS) Governance Compliance Statement.

The training plan requires Committee Members to provide verbal feedback at the subsequent Committee meeting to cover:

- Their view on the value of the event and the merit, if any, of attendance;
- A summary of the key learning points gained from attending the event; and

- Recommendations of any subject matters at the event in relation to which training would be beneficial to Committee Members.

The following external training events/conferences have been attended by members of the Committee since the last meeting:

a) 20th September 2016 - UK Investment Seminar 2016, London - attended by County Councillor K Ellard.

b) 28th September 2016 - Introduction to the LGPS, London - attended by County Councillor Gooch and County Councillor Pritchard.

c) 6th October 2016 - CPN Autumn Investment and Accounting Workshop, London - attended by County Councillor Ellard and County Councillor Gooch.

d) 11th October 2016 - CPN Autumn Investment and Accounting Workshop, Manchester - attended by County Councillor Westley and Mr P Crewe.

e) 11th October 2016 – Local Government Pension Investment Forum 2016, London - attended by County Councillor Ellard and County Councillor Gooch.

f) 19th October 2016 - PLSA Annual Conference and Exhibition 2016, Liverpool - attended by County Councillor Ellard, County Councillor Borrow and Councillor Pope.

g) 22nd November 2016 - Annual Northern Pension Investment Conference, Manchester - attended by County Councillor Schofield.

Members of the Committee will be asked to provide feedback on the above at the meeting.

Consultations
N/A

Implications:

This item has the following implications, as indicated:

Risk management

Without the required knowledge and skills, those charged with governance and decision-making in relation to the Pension Fund may be ill-equipped to make informed decisions regarding the direction and operation of the Fund.

Financial

The cost of attendance, together with travel and subsistence costs, were met by the Pension Fund.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
Attendance at Conferences and Events approved under the Scheme of Delegation to Heads of Service	2016	Mike Neville (01772) 533431

Reason for inclusion in Part II, if appropriate
N/A

Pension Fund Committee
Meeting to be held on Friday, 2 December 2016

Electoral Division affected:
(All Divisions)

Transaction of Urgent Business - Investment Strategy Statement
(Appendix 'A' refers)

Contact for further information: Mike Neville, (01772) 533431, Legal and Democratic Services, mike.neville@lancashire.gov.uk

Executive Summary

This report sets out details of an item which the Director of Governance, Finance and Public Services has approved under the procedure for dealing with matters of Urgent Business. This decision was taken on the 31st October 2016.

In accordance with Standing Order 21(1) a copy of the item has been sent to the appropriate Group spokespersons.

Recommendation

The Committee is asked to note the report.

Background and Advice

Lancashire County Council is the administering authority of the Lancashire County Pension Fund and is required to publish an Investment Strategy Statement (ISS) in accordance with DCLG guidance on Preparing and Maintaining an Investment Strategy Statement (Sept 2016).

New investment regulations came into force on the 1st November 2016 and the ISS was required to be approved and published by that date. Use of the Urgent Business Procedure was considered necessary as the next scheduled meeting of the Pension Fund Committee would not be until the 2nd December 2016.

Following consultation with the Chair and Deputy Chair of the Committee, the Director of Governance, Finance and Public Services approved the Investment Strategy Statement as set out in Appendix 'A' to this report

Consultations

The independent advisers to the Pension Fund Committee were consulted on the final version of the ISS and indicated that they were happy to recommend it for approval. In addition a copy of the ISS was circulated to all members of the Lancashire Local Pension Board and the Pension Fund Committee for information.

The Chair and Deputy Chair of the Pension Fund Committee were consulted and supported the proposed action set out above.

Implications:

This item has the following implications, as indicated:

Risk management

The new regulations require each Administering Authority to publish an Investment Strategy Statement (ISS) to replace the current Statement of Investment Principles. Until such time as the ISS is published the old regulations will remain in force for the Administering Authority. Once published the ISS provides “access” to the new regulations.

In order to prevent any delay or risk when progressing the transition of assets into pooling vehicles it is desirable that LCPF and LPFA access the new regulations at the earliest opportunity

Financial Implications

The Investment Strategy Statement (ISS) is important to enable Local Pension Partnership Investments (LPP I) to commence pooling and achieve savings that were agreed in the approved business plan.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Introduction

Lancashire County Council ("LCC") is the administering authority of the Lancashire County Pension Fund (the "Fund"). This Investment Strategy Statement ("the Statement") has been prepared in accordance with DCLG guidance on Preparing and Maintaining an Investment Strategy Statement (Sept 2016) and after taking appropriate advice.

As set out in the Regulations, the Committee will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change in relation to any matter contained in this Statement, changes will be reflected within six months of the change occurring.

The Regulations require all Administering Authorities to take "proper advice" when formulating an investment strategy. In preparing this document and the overall investment strategy the Committee has taken advice from the LCPF Investment Panel (a panel of independent advisors appointed by LCC for the purpose of providing advice on pension related matters) and the Local Pension Partnership Investment Limited which is a FCA regulated investment manager with specific expertise and regulatory permissions to provide advice on investments.

Investment Objectives

The Fund's primary investment objective is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due.

In order to meet this overriding objective the Committee maintains an investment policy so as to:

- Maximise the returns from investments whilst keeping risk within acceptable levels and ensuring liquidity requirements are at all times met;
- Contribute towards achieving and maintaining a future funding level of 100%;

The Fund will use its influence as a large institutional investor to encourage responsible long-term behaviour.

Asset Allocation Framework

To pay benefits over time the Fund needs to generate a rate of return that is at least equal to the actuarial discount rate. The starting point for considering asset allocation is a simple portfolio of bonds and equities. However, this basic portfolio does not maximise diversification and therefore risk adjusted return.

In order to prudently diversify sources of risk and return, the Fund allocates capital across a wide variety of different asset classes. To be added to the portfolio, asset classes are first judged for suitability; they have to be well understood by the committee, consistent with the Fund's risk and return objectives; and they have to make a significant contribution to the portfolio by improving overall return and risk characteristics. In addition, the new asset classes have to be less than perfectly correlated with equities and bonds, so that the portfolio benefits from increased diversification. The fund has identified a total of eight asset classes that combined form the policy portfolio.

The eight asset classes shown below have different exposures to economic factors (GDP growth and inflation) and combine different geographies and currencies. In assessing suitability the Board has considered the respective return drivers, exposure to economic growth and sensitivity to inflation – each an important consideration, relative to the sensitivities of the Fund's liabilities and managing risk.

Asset Class	Long-Term Return Drivers	Economic Growth *	Inflation *	Geography	Currency
Global Equity	- Economic growth - Dividend income - Earnings growth - Change in company valuation	+	+/ - **	Diversified	Diversified
Private Equity	- Economic growth - Company growth - Earnings growth - Change in company valuation - Availability of finance - Illiquidity premium	+	+/ - **	Diversified	Diversified
Fixed Income	- Yield (minus credit losses) - Valuation increases as bonds approach maturity - Change in yield	-	-		
Alternative Credit	- Yield (minus credit losses) - Valuation increases as bonds approach maturity - Change in yield - Illiquidity premium	+	-	Diversified	Diversified
Property	- Rental yield (minus expenses) - Rental growth - Capital growth	+	+/ - **	Predominantly UK	Predominantly GBP
Infrastructure	- Dividend income - Earnings growth - Change in asset valuation	+	+	Predominantly UK	Predominantly GBP
Total Return	- Diversified	Low correlation	Low correlation	Diversified	Diversified
Cash	- Yield	+	+	Predominantly UK	Predominantly GBP

** Sensitivities shown are to positive shocks, i.e., if growth and inflation surprise on the upside.*

*** Property, public and private equities expected to provide partial inflation protection.*

These are the eight building blocks used to create the policy portfolio. The Committee, advised by the PFC Investment Panel, have determined benchmark weights to each asset class which it believe to be best suited to meeting the long term objectives of the Fund. It has also identified tolerance ranges within which shorter term variations would be tolerated and/or actively pursued due to a combination of relative returns and investment opportunity.

The benchmark weight and tolerances are shown in the table below. The weights are to be maintained within the ranges, as long as the scheme can find attractive opportunities that meet its return, risk, and cash flow requirements. In the absence of opportunities investments will not be "forced" and under/over allocations may be made to any asset class whilst also remaining within the tolerance ranges.

The Committee and/or the LCPF Investment Panel will review exposures which arise outside these tolerances and advise appropriate action.

Asset Class	Policy Portfolio	
	Benchmark Weight	Range
Global Equities	42.5%	40%-50%
Fixed Income	2.5%	0%-5%
Private Equity	7.5%	0%-10%
Infrastructure	12.5%	10%-15%
Alternative Credit	20.0%	10%-25%
Property	15.0%	10%-20%
Total Return	0.0%	0%-5%
Cash	0.0%	0%-5%
Total	**100%**	

The policy portfolio has a number of illiquid assets that could prove difficult to sell in a period of market turmoil. Due to the fact that most of these assets generate income that can be used to pay benefits throughout the business cycle, (e.g. income from infrastructure and rent payments from properties), the scheme has determined that the illiquidity premiums that are generated from holding these assets are enough compensation for the level of risk.

Each asset class has its own specific investment objective (benchmark and investment performance target) and within each asset class there are further diversification controls. The mandates are managed by Local Pensions Partnership Investments Ltd (LPP I), to whom the Fund has delegated investment management and implementation duties in line with the principle of asset pooling within LGPS.

Global Equities

The objective is to outperform the MSCI All Country World, net dividends reinvested, in GBP Index over the full market cycle which is considered to be at least seven years (the "Benchmark"). All equity investments are made via LPP I, by investing in underlying funds which may be managed by LPP I ("Internal Mandates"), or by external third parties ("External Mandates").

Private Equity

The objective is to outperform the MSCI World, net dividends reinvested, in GBP Index and provide investors with access to attractive private equity opportunities. All new investments will include, but not be limited to the following sectors: Buyout, Venture Capital, Growth Equity, Special Situations/Distressed and Upstream Energy.

Fixed Income

The objective is to outperform the Barclays Global Aggregate Bond Index GBP Hedged. The LPP I Pool will pursue this aim by investing in underlying funds which may be managed by LPP I ("Internal Mandates"), or by external third parties ("External Mandates") which are consistent with the Fixed Income Pool's investment objectives and restrictions.

Total Return

The LPP I total return pool seeks to gain cost effective exposure to diversifying sources of return distinct from global equity beta and bond duration. The LPP I pool will pursue this aim primarily by allocating capital to investment strategies managed by external third parties ("External Mandates").

Infrastructure

The objective is to gain cost effective, diversified exposure to global infrastructure assets located predominantly in OECD nations. These investments seek to generate a satisfactory risk adjusted return; improve diversification; provide predictable cash flows; and indirectly hedge against inflation.

Alternative Credit

The objective is to gain cost effective exposure to diverse sources of return linked to global credit markets and credit instruments. The LPP I investment pool will pursue this aim primarily by allocating capital to investment vehicles, mandates or pooled funds managed by external third parties ("External Mandates").

Property

The objective is to gain cost effective, diversified exposure to UK and international property assets that meet its investment objectives: to generate a return in excess of the benchmark; earn predictable cash flows; and provide a partial hedge against inflation. The largest exposure of the portfolio will be to traditional sectors of the UK commercial real estate market. A smaller allocation will be made to value-added and opportunistic investments.

Cash/ Liquidity

The objective is to achieve cost effective management of cash balances by allocating capital to securities or funds in appropriate markets and in relevant currencies or hedged back to relevant currencies. The benchmark for the Liquidity pool is 1 month GBP LIBOR.

Investment Governance

The Committee is responsible for setting the higher level objectives and risk tolerances of the scheme. The Committee, in conjunction with the scheme's actuary, sets the required rate of return needed to achieve its objectives and the risks it is willing to take. Once these parameters are established, the Committee will determine the strategic asset allocation or policy portfolio that it believes has the highest probability of succeeding. The implementation of the asset allocation is delegated to an expert investment manager – Local Pension Partnership Investment Ltd (LPP I). LCC is a founding shareholder of LPP I and maintains ongoing corporate governance controls but plays no direct role in Investment Management activities. The Committee, advised by the LCPF Investment Panel, will monitor the performance of LPP I and the portfolio.

Investment Implementation
The implementation of all investments is delegated to Local Pensions Partnership Investment Ltd, an FCA authorised company. The partnership was set up by the LPFA and Lancashire County Council for the purpose of achieving economies of scale, greater internal resource and superior investment opportunities. The partnership brings the benefit of scale and expert resources beyond that which would be available to the Fund alone. This facilitates lower costs and a broader opportunity set which together facilitate improved net returns. Pooled vehicles are used wherever appropriate. Where assets are not physically pooled the management is typically pooled.

The partnership has created eight investment pools to allow access to the asset classes listed in the Asset Allocation Framework section. The investment pools are a combination of internally managed and externally managed strategies that offer an effective and efficient way of achieving asset class exposures.

The Fund also expects to benefit from scale via pooling arrangements with other funds in order to better access direct investments in areas such as infrastructure.

Some of the pools are expected to use derivatives as part of their strategies. Derivatives can reduce implementation costs, or change economic exposures. They may be used for both active and passive management strategies. The broad use of derivatives is explicitly approved by the Committee for both investment purposes and efficient portfolio management. Both exchange traded and over the counter derivatives may be used.

Whilst this Statement is permissive with regards to the use of derivatives in general, the practical implementation of these freedoms is limited by specific agreements in place between the Fund and LPP I. The LCPF Investment Panel advise the Committee on these agreements. Derivatives shall only be used where their use is agreed within these specific agreements.

Pooling of Assets
The Board has delegated the management of its investments to LPP I who are responsible for managing 100% of the assets of the Fund. The large majority of the Fund's assets will be transitioned into investment pooling vehicles, also managed by LPP I. A small minority of assets will remain on the balance sheet of the Fund as "legacy assets". Assets will be held as legacy assets if; the costs of transitioning outweigh any potential gains, the assets have reached "harvesting period", or transitioning would have a negative impact on the scheme's investment strategy. Proceeds from assets in "harvesting period" will be reinvested through LPP asset pools.

Asset Class	LCPF Assets			Legal Structure
	Transitioned*	Legacy*	Total*	
Public Equity	44.1%	0.0%	**44.1%**	Authorised Collective Scheme
Private Equity	1.4%	4.4%	**5.7%**	Limited Partnership
Infrastructure	3.7%	2.6%	**6.4%**	Limited Partnership **
Property	10.5%	0.5%	**11.0%**	Authorised Collective Scheme **
Total Return	0.0%	0.0%	**0.0%**	Authorised Collective Scheme **
Alternative Credit	22.0%	4.1%	**26.1%**	Limited Partnership **
Fixed Income	3.0%	0.0%	**3.0%**	Authorised Collective Scheme **
Cash	3.7%	0.0%	**3.7%**	Authorised Collective Scheme
Total	**88.4%**	**11.6%**	**100.0%**	

Information correct as at 30th June 2016.
* estimated figures ** subject to change

November 2015 investment reform and criteria guidance on pooling
The Fund has selected Local Pensions Partnership Limited (LPP) and its subsidiary LPP I to facilitate investment pooling. LPP has communicated its structure to DCLG via its response to the July 2016 consultation. This structure and associated business plan is consistent with the criteria contained within the November guidance.

Risk Management
The overriding objective of the Fund in respect of its investments is to maximise return within an acceptable and understood level of risk. The structure of the investment management arrangements has been implemented in order to produce a balanced spread of risk for the portfolio.

Diversification is a very important risk management tool. As described in the section on Asset Allocation, the scheme will seek to maintain a diversified exposure to several different asset classes, geographies, and currencies. The Committee expect this to provide (at least) two levels of protection: first, in periods of market turmoil, some assets will preserve capital better than others, allowing the portfolio to better withstand a shock. Second, in periods of rising markets, some assets will do better than others, and since the Board do not know with certainty which ones will do best, it is better to diversify.

The asset class pools described in the implementation section are also subject to a number of constraints to allow for intra-asset class diversification, including sector, country, manager, and maximum exposure to a single asset.

Operational risk is minimised by having custody of the Fund's financial assets provided by a regulated, external, third party, professional custodian. Equivalent arrangements are in place where investments are made into pooled vehicles, such as those manged by LPP I.

Performance measurement
Fund performance is measured at a number of different levels. The objective of the Fund is to outperform the actuarial discount rate. The policy portfolio is selected by the Committee, with advice from the LCPF Investment Panel, and LPP I, the delegated investment manager, and is expected to generate returns above the discount rate.

The performance of the pooling arrangements is monitored via regular reporting and through periodic meetings. Performance for LPP I is measured against the policy portfolio. LPP I seeks to outperform the policy portfolio on a risk adjusted basis, via active sub-asset class selection, selecting the best stocks/managers for each of the pools and by implementing investments in a low cost manner. Performance for the investment pools is measured against widely used and transparent benchmarks.

Where performance falls short of expectations the Committee and LCPF Investment Panel will identify the cause of this underperformance and will respond appropriately either to alter its policy portfolio (where asset allocation is the underlying cause) or to require changes to the management of the pooling vehicles (where management skill within LPP I is the underlying cause). This latter intervention is enabled through Committee's ongoing governance rights within LPP I via its shareholding in Local Pension Partnership Limited, LPP I's parent company.

Environmental Social and Corporate Governance (ESG) Policy, and approach to social investments
The Fund is committed to being a long term responsible investor. The Fund complies with and follows the principles of both the UK Stewardship Code and to the UN-backed Principles of Responsible Investment.

Responsible Investment is an investment approach which recognises the significance of the long-term health and stability of the market as a whole and encompasses

- the integration of material ESG factors within investment analysis and decision-making
- the active use of ownership rights in order to protect and enhance shareholder value over the long term – primarily through voting and engagement.

The objective of responsible investment is to decrease investor risk and improve risk-adjusted returns. Responsible investment principles are at the foundation of the Fund's approach to stewardship and underpin the Fund's fulfilment of its fiduciary duty to scheme beneficiaries.

ESG integration and the active use of ownership influence are integral to the investment management services provided by LPP I, which are delivered in accordance with an LPP I Responsible Investment Policy. It is an LPP I RI belief that ESG factors are relevant at every stage in the investment cycle - within investment strategy, investment selection and within the stewardship of assets in ownership. As part of a prudent approach which applies care, skill and diligence LPP I procedures ensure that ESG issues are routinely considered as part investment analysis, are incorporated into the due diligence leading to investment selection and continue to be monitored and reviewed as part of the active ownership of assets under management.

The approach to incorporating ESG factors is to establish the type and materiality of relevant issues on a case by case basis, whilst taking account of global norms, rather than to apply artificial exclusions through negative screening. ESG factors are considered over the time horizon within which specific investments are likely to be held, in order to clarify the context that risks and returns operate within and assist the evaluation of investment risks and opportunities.

The Fund shall invest on the basis on financial risk and return having considered a full range of factors contributing to financial risk including both those detailed above and relevant social factors to the extent these indirectly or directly impact on financial risk and return.

Exercising the Rights of Ownership

The Fund recognises that encouraging the highest standards of corporate governance and promoting corporate responsibility by investee companies protects the financial interests of pension fund members over the long term. The Fund's commitment to actively exercising the ownership rights attached to its investments, reflects the Fund's conviction that responsible asset owners should maintain oversight of the way in which, the enterprises they invest in are managed and how their activities impact upon customers, clients, employees, stakeholders, and wider society.

The routes for exercising ownership influence vary across asset types and a range of activities are undertaken on the Fund's behalf by LPP I, including direct representation on company boards, presence on investor & advisory committees and participation in partnerships and collaborations with other investors. In the case of listed equites the most direct form of ownership influence comes through shareholder voting and engagement.

Voting

Through the investments managed by LPP I, the Fund has ownership interests in listed companies across the globe. To ensure effective and consistent use of the voting rights attached to these assets LPP I, works with an external provider of governance and proxy voting services.

Voting is undertaken centrally rather than being delegated to individual managers and is in line with an agreed voting policy, which promotes risk mitigation and long-term shareholder value creation by supporting responsible global corporate governance practices. The policy is reviewed and updated on an annual basis to reflect emerging issues and trends.

A quarterly report on voting activity is available from the LPP website which is signposted via a link from the LCPF website.

Engagement

The Fund’s approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners.

The Fund appreciates that to gain the attention of companies in addressing governance concerns, it needs to join with other investors sharing similar concerns. It does this primarily through:

- Membership of representative bodies including the Local Authority Pension Fund Forum (LAPFF) and the Pensions and Lifetime Savings Association (PLSA).
- Giving support to shareholder resolutions where these reflect concerns which are shared and represent the Fund interests;
- Joining wider lobbying activities when appropriate opportunities arise.

The Fund complies with the UK Stewardship Code and a statement of compliance which explains the arrangements which support its commitment to each of the seven principles is displayed on the Fund's website.

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