

# LOCAL PENSIONS PARTNERSHIP INVESTMENTS LIMITED



## 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 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.

<b>Document title: Responsible Investment Policy</b>					
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	31 <sup>st</sup> October 2016
<b>Distribution List (To be completed if Document is classified as confidential)</b>					