

Lancashire County Pension Fund (LCPF)

DRAFT

Policy on Climate Change

LCPF recognise the imperative to address climate change as a systemic and long-term investment concern for the fund, as it poses material risks across all asset classes with the potential for loss of shareholder value. The Fund will endeavour to carry out the following:

- Where existing investments **in fossil fuels**, are in place and identified, **those companies must be able to demonstrate planning for the global transition to a low-carbon economy and for the future emissions reduction targets under the Paris Agreement or other appropriate initiatives.** Where opportunities for engagement and reform of the company or project are not possible or do not exist, the Fund will make all reasonable efforts to divest provided that this will result in no material financial detriment (either through increased costs or increased investment risk).
- Where our fiduciary duty allows, the Fund will not consider **new** investments in fossil fuels companies directly engaged in the extraction of coal, oil and natural gas as sources of energy which are ignoring the risks of climate change.

LCPF expects LPP to take steps to ensure that the level of exposure to climate change investment risks are evaluated and monitored. This will involve the use of appropriate investigative and analytical tools such as the Transition Pathway Initiative to increase information and provide appropriate input around investment decision making and will be reflected in regular reporting and assurance provided to LCPF.

The Fund have set out a number of actions to further develop this 'Policy on Climate Change' – See **Appendix 1**.

Appendix 1

Action Plan to further develop the Fund's 'Policy on Climate Change'.

The responsible investment working group will commission additional work to enable it to review and develop its climate change policy, with a more comprehensive policy being produced in the next 6 months.

The possibility of establishing a new relationship with energy companies whereby we can invest in sustainable energy projects whilst reducing our exposure to fossil fuels.

- An audit of the current direct and indirect exposure to fossil fuels;
- An evaluation of the financial implications of disinvestment;
- Undertake a review of the practicality of disinvestment from fossil fuels. However, if not, determine the level which is possible;
- Consider the use of tolerance levels for individual investments. For example, would a 0.01% exposure to fossil fuels in a large private equity fund be tolerable?
- Consider what time will be needed to complete the process;
- Consider whether a target can be set to reduce our exposure to fossil fuels from 4.8% to as near zero as possible, within five years as other funds have done;
- Set up mechanisms for monitoring targets and making the process transparent.