

Pension Fund Committee

Meeting to be held on Friday, 29 March 2019

Electoral Division affected: (All Divisions);
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Responsible Investment Report

Appendix A refers

Contact for further information:

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Executive Summary

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

The report at Appendix A provides the Pension Fund Committee with an update from LPP Investments Ltd on responsible investment matters during the fourth quarter of 2018/19.

Recommendation

The Committee is asked to note the report on responsible investment activity.

Background and Advice

The report at Appendix A has been prepared by the Head of Responsible Investment at LPP Investments Ltd and provides information on how the Fund is being supported to fulfil its commitment to long term responsible asset ownership in line with the approach set out within its Investment Strategy Statement and the Responsible Investment Policy approved by the Committee at its meeting in March 2018.

For the purposes of reporting on voting, engagement and litigation monitoring activities, the information provided relates to the fourth quarter of 2018/19 and focusses on the period from 1st October to 31 December 2018. For the purposes of reporting on wider matters, more recent developments are also reflected as part of bringing current and emerging issues to the Committee's attention.

Points to note:

- The Financial Reporting Council launched a consultation on the 30 January 2019 regarding an updated 2019 UK Stewardship Code. The Lancashire County Pension Fund are not only signatories to the code, but also comply and disclose

compliance with its requirements. The consultation ends on the 29 March and the new Stewardship Code will be published on the 16 July. Further information on the new Stewardship Code will be shared with the Committee in due course.

- A report on tobacco companies was presented at the LAPFF Business Meeting on the 30 January 2019 as a result of LAPFF member requests. The report outlines attempts to diversify away from cigarettes and into new technologies. Additionally, it also shows a worrying move into the emerging legalised cannabis market. The report is available to Committee members for reading in the Members Retiring Room.
- A report on Fracking and LAPFF engagement was presented at the LAPFF Business Meeting on the 30 January 2019 as a result of LAPFF Executive requests in October 2018. As a result of the report, a member survey is to be undertaken to provide an overview of Funds' positions on tackling climate risk in their investment strategy. Additionally, LAPFF's own responsible investment policies are to be reviewed to reflect the latest UN report which sets out that emission reductions should be aiming to keep the global average temperature increase to 1.5 degrees. Once again this report is available to Committee members for reading in the Members Retiring Room.

Consultations

Frances Deakin the Head of Responsible Investment at the Local Pensions Partnership was consulted regarding this report.

Implications:

This item has the following implications, as indicated:

Risk management

It is an important 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.

As an LGPS Fund, Lancashire County Pension Fund is required to be a signatory to the UK Stewardship Code and to uphold the principles espoused by the code.

The monitoring of investee companies and the promotion of good corporate governance practices can help to reduce the risk of unexpected losses arising as a result of poor over-sight and lack of independence.

Responsible investment practices underpin the fulfilment of Lancashire County Pension Fund's fiduciary responsibilities to Fund beneficiaries and are implemented in practice through the advisory and investment management services provided by LPP Investments Ltd.

Quarterly responsible investment reports provide information to the Pension Fund Committee on the stewardship of the Fund's assets by LPP Investments Ltd and enable the committee to monitor the activities undertaken.

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
Tobacco Companies and LAPFF engagements	30 January 2019	Mukhtar Master/01772 532018
Fracking and LAPFF Engagement	30 January 2019	Mukhtar Master/01772 532018

Reason for inclusion in Part II, if appropriate

N/A