

Pension Fund Committee

Meeting to be held on Friday, 7th February 2020

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

(Appendix 'A' refers)

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Executive Summary

Responsible Investment encompasses a range of stewardship activities associated with Lancashire County Pension Fund (the Fund) fulfilling its 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 third quarter of 2019.

Recommendation

The Committee is asked to note the report.

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 third quarter of 2019 and focusses on the period from 1st July to 30th September 2019.

This report also pulls together wider reporting from Appendix 'A' and elsewhere, for the purpose of bringing current and emerging issues to the Committee's attention.

Points to note:

- Further to previous updates to the Committee, the Financial Reporting Council launched the revised UK Stewardship Code in October 2019 which came into effect on the 1st January 2020. The new Code sets higher standards requires a greater onus of responsibility from signatories to demonstrate that expected levels stewardship are being adhered to. The Local Pensions Partnership will be seeking to be signatories to the new Code and hence there would be no obligation or requirement for Lancashire County Pension Fund also being a signatory. The new UK Stewardship Code can be found clicking the following link:

https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code_Final2.pdf

- The Scheme Advisory Board have developed some guidance on Responsible Investment which is scheduled for consultation with scheme stakeholders with a view to publication in 2020. The guidance is aimed at assisting those responsible for investment decision making in the Local Government Pension Scheme to recognise their responsibilities for developing and maintaining responsible investment policies according to scheme regulations, statutory guidance and the general public law. Further information will be made available to the Committee when the final guidance is published.
- The Local Authority Pension Fund Forum have produced and released a survey for Forum members titled – 'Managing the risks of climate change'. The survey aims to shape the Forum's priorities, share best practice and inform greater understanding of the key issues and barriers. The Fund have completed the survey with the support of the Local Pensions Partnership.
- Finally, representatives of the Local Authority Pension Fund Forum facilitated a workshop on the Forum, Climate Change and Lobbying' on the 5th November 2019.

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.

The 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 the Funds fiduciary responsibilities to Fund beneficiaries and are implemented in practice through the advisory and investment management services provided by Local Pensions Partnership Investments.

Quarterly Reports provide information to the Pension Fund Committee on the stewardship of the Fund's assets by Local Pensions Partnership Investments 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
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Reason for inclusion in Part II, if appropriate		
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