

Pension Fund Committee

Meeting to be held on Friday, 11 March 2022

Electoral Division affected: (All Divisions);
--

Responsible Investment Report

(Appendices 'A' and 'B' refer)

Contact for further information: Mukhtar Master, Governance & Risk Officer,
Lancashire County Pension Fund (01772) 5 32018
mukhtar.master@lancashire.gov.uk

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.

Set out at Appendix 'A' is a report from the Local Pensions Partnership Investments Limited which provides the Committee with an update on responsible investment matters during the fourth quarter of 2021 (October to December).

Recommendation

The Committee is asked to note the report.

Background

The report at Appendix 'A' has been prepared by the Head of Responsible Investment at Local Pensions Partnership Investments Limited (LPPI) 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 November 2021.

Attached as Appendix 'B' is the dashboard style report together with the qualitative overview of LPPI stewardship activities for the fourth quarter of 2021 (October - December).

Other matters of note for the Committee:

Responsible Investment Policy Review

A Task and Finish Group established by the Pension Fund Committee are due to present the outcome of the remaining action for the Group at the meeting today. The

paper covering the Responsible Investment Dashboard Review will table recommended changes to the Dashboard Report for approval by the Committee.

Key Points from LPPI Responsible Investment Report Q3 2021

- LPPI have just confirmed the appointment of Chronos Sustainability as their Net Zero Consultant. Chronos Sustainability will provide support, advice and assistance in developing their Net Zero route map;
- Numerous metrics have seen improvements with regards to Climate Change. These include:
 - Investments in Brown sectors;
 - And a reduction in the carbon intensity for the LPPI Global Equities Fund portfolio.
- Robeco Active Ownership has consulted with clients and have agreed the four new engagement themes for 2022. The themes are:
 - Net Zero Emissions;
 - Natural Resource Management;
 - Diversity, Equity and Inclusion;
 - Nature Action 100.

Local Authority Pension Fund Forum (LAPFF)

LAPFF business meetings continue to be held online. The last meeting held on the 26th January 2022 covered topics such as:

- Mining and Human Rights;
- Water Companies and Sewage;
- Draft LAPFF Workplan 2022/2023;
- Just Transition Inquiry Update and Plans.

Papers from the meeting can be made available on request.

Public Campaign Queries

Make My Money Matter.

A letter was received from the CEO of 'Make My Money Matter' in January 2022 as a follow up from a previous letter received in July 2021 asking for the Fund's position on a Net Zero commitment. Make My Money Matter is an organisation campaigning to create a movement, calling for the money invested in UK pensions to be invested to build a better world. The Fund responded to the latest letter referring to the LPPI public commitment to Net Zero greenhouse gas emissions by 2050 of which the Fund is fully supportive.

Divest From Big Livestock

A query was received from a constituent of a local district councillor in relation to the Fund's investment in 'big livestock'.

The query originates from a campaigning group 'feedbackglobal.org', which feels that 'Agriculture and diets are depleting soils, changing our climate and biodiversity loss to such an extent that our life-supporting ecosystems are now under threat.'

A response to this query was sent with support from LPPI.

Consultations

Frances Deakin, the Head of Responsible Investment at the Local Pensions Partnership Investments Limited, 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 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 oversight and lack of independence.

Responsible investment practices underpin the fulfilment of the Fund's fiduciary responsibilities to Fund beneficiaries and are implemented in practice through the advisory and investment management services provided by Local Pensions Partnership Investments Limited.

Quarterly Reports provide information to the Pension Fund Committee on the stewardship of the Fund's assets by Local Pensions Partnership Investments Limited and enable the Committee to monitor the activities undertaken.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
Robeco Active Ownership Report Q4-2021	01/10/21 to 31/12/21	Mukhtar Master (01772) 532018

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