

Appendix 'A'

Lancashire County Pension Fund

Statement of Compliance with the UK Stewardship Code - 2015

The Financial Reporting Council's UK Stewardship Code sets out 7 principles of effective ownership which provide a direct prompt to institutional investors to recognise and fulfil their responsibilities for good stewardship.

Institutional investors are encouraged to report on their level of compliance with the Code and to regularly revisit their statement of compliance to ensure that it remains up to date and reflective of any material changes.

This document summarises how Lancashire County Pension Fund (LCPF) complies with the UK Stewardship Code through the corporate governance arrangements it has in place and the practices it operates.

Statement of Compliance with UK Stewardship Code	
Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.	<p>LCPF takes its responsibilities as a shareholder seriously.</p> <p>The Fund believes that the promotion of good corporate governance and the informed use of voting rights are integral to a responsible investment approach which seeks to encourage improved performance by investee companies.</p> <p>Various policy documents are produced which identify how the Fund meets its stewardship responsibilities including the Statement of Investment Principles and the Governance Compliance Statement.</p> <p>In practice the Fund's approach is to apply the Code both through its arrangements with asset managers and through its membership of the Local Authority Pension Fund Forum (LAPFF). The Fund's asset managers take direct responsibility for stewardship issues in the funds that they manage on our behalf. Where these managers publish Statements of Compliance with the Stewardship Code, these are available on their respective websites or hosted by the FRC.</p> <p>The Fund seeks to use its position as a shareholder to actively encourage good corporate governance in those companies in which it invests. It does this by contracting with Pensions & Investment Research Consultants Limited (PIRC) who provide a global service for a standard voting policy and casting of votes along with the provision of company research and reporting tools.</p>

<p>Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.</p>	<p>Lancashire County Pension Fund encourages all its fund managers to have effective policies in place to address potential conflicts of interests. The need to avoid conflicts of interest is also highlighted in our investment manager mandates and contracts with external parties.</p> <p>In respect of conflicts of interests within the Fund, Committee members and officers are required to make declarations of interest at the start of all meetings and, depending upon the nature of the interest, may take no part in the particular decision. A public register of interests is also maintained for all Councillors.</p>
<p>Principle 3 – Institutional investors should monitor their investee companies.</p>	<p>Day-to-day responsibility for managing the Fund's equity holdings is delegated to the appointed fund managers, and the Fund expects them to monitor companies, intervene where necessary, and report back regularly on engagement activities.</p> <p>Lancashire County Pension Fund contracts with PIRC who provides a global service for standard voting policy and casting of votes along with the provision of company research and reporting tools. In addition the Fund receives an 'Alerts' service from the Local Authority Pension Fund Forum, which highlights corporate governance issues of concern at investee companies.</p>
<p>Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.</p>	<p>As highlighted above, the responsibility for day to day interaction with companies is delegated to the fund managers, including the escalation of engagement. Their guidelines for such activities are anticipated to be disclosed in their own statements of adherence to the Stewardship Code.</p> <p>Occasionally, the Fund may choose to escalate engagement activity, and this will principally happen in association with the Local Authority Pension Fund Forum. When this position arises, the Investment Panel will decide whether to participate in the proposed activity, consulting with the Chair as necessary.</p>

<p>Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate.</p>	<p>Lancashire County Pension Fund seeks to work collectively with other institutional shareholders in order to maximise the positive influence it can have on individual companies.</p> <p>The Fund collaborates directly with other investors through its membership of the following organisations</p> <ul style="list-style-type: none"> • Local Authority Pension Fund Forum (LAPFF) • Pension and Lifetime Savings Association (PLSA) • UN Principles of Responsible Investment <p>The fund is also a participant in the Local Government Pension Scheme National Procurement Frameworks project which involves working directly with (and on behalf of) the LGPS community as investors.</p> <p>The development of a partnership between LCPF and the London Pension Fund Authority (Lancashire London Pension Partnership) involves direct and close collaboration between two significant pension funds and will be the basis for developing further collaboration and joint working going forward</p>
<p>Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activities.</p>	<p>The Fund's voting policy is set out within its Statement of Investment Principles.</p> <p>Lancashire County Pension Fund contracts with PIRC who provides a global service for a standard voting policy and casting of votes. The Pension Fund Committee have reviewed and agreed to adopt the voting guidelines of PIRC. These voting guidelines are regularly updated and publicly available on their website. PIRC provide a proxy voting service for all our global equity managers.</p>
<p>Principle 7 – Institutional investors should report periodically on their stewardship and voting activities.</p>	<p>Lancashire County Pension Fund annually reviews and updates its Statement of Investment Principles, which sets out the Fund's approach to responsible investing. The activity undertaken by PIRC and the Local Authority Pension Fund Forum is reported quarterly to the Pension Fund Committee.</p>