

Pension Fund Committee

Meeting to be held on Friday, 21 June 2019

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 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 first 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 first quarter of 2019 and focusses on the period from 1st January to 31st March 2019. 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:

- As reported at the last Pension Fund Committee, the Fund is still awaiting the results of the consultation carried out by the Financial Reporting Council regarding an updated 2019 UK Stewardship Code. Further information on the

new Stewardship Code will be shared with the Committee in due course and as such the Fund's Stewardship Code Compliance Statement will be updated accordingly.

- At the Pension Fund Committee on the 8th June 2018, approval was given for the Local Pensions Partnership (the Partnership) to become a signatory to the Principles of Responsible Investment replacing the Lancashire County Pension Fund. To this end the Partnership has submitted its first set of reporting to the Principles of Responsible Investment and a full transparency report will be available from their website in due course.
- The proposal to have a joint working group with the London Pensions Fund Authority has been delayed as the authority are currently working with external advisors to develop its own Responsible investment policy. Once this work is complete discussions will be undertaken to assess whether or not a joint working group would be appropriate.

Further to their meeting held on the 8 April 2019, the Scheme Advisory Board have published a report titled 'Analysis of the Investment Strategy Statements of the LGPS Administration Authorities which was produced by ShareAction and commissioned by Unison. . The report in essence reviews the level of responsible investment coverage within the Investment Strategy Statement (the Statement) of all funds within the LGPS. It is worth noting that the analysis is based purely on Statements and does not consider any separate responsible investment policies. The report highlights a general need for improvement for all funds, by ranking and scoring each of the LGPS funds, including the Lancashire Fund

Each Fund's Statement was separately reviewed and scored against a range of criteria such as Climate Change, executive pay, workers' rights and other social and environmental issues. This score was then used to attribute a rating for each Fund. Rankings were from 'A' to 'E', where 'A' is 'Progressing in all areas' and 'E' is 'No disclosure'. The Lancashire County Pension Fund achieved a ranking category of 'C' which equates to 'Starting to take action'. As the table from the report shows Lancashire is assessed as being in a better position than most of the other Funds:

Table 1: Overall rankings of LGPS funds

Ranking	Factors	Score	Number	%
A	Progressing across all areas	>12-18	3	3
B	Action being taken in at least one area	>8-12	8	9
C	Starting to take action	>4-8	23	26
D	Limited disclosure	>0-4	49	55
E	No disclosure	0	5	5

(South Yorkshire Transport Pension Fund were excluded from the rankings)

The report can be accessed by clicking the following link
https://lgpsboard.org/images/PDF/BoardApril2019/UNISONShareActionLGPS_responsible_investment_final_report319.pdf

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
N/A		

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