

## **Pension Fund Committee**

Meeting to be held on Friday, 20 September 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 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 second 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 second quarter of 2019 and focusses on the period from 1st April to 30<sup>th</sup> June 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 the Local Pensions Partnership (the Partnership) submission of its first set of reporting to the Principles of Responsible Investment, the annual report is now in the public domain and can be found here:

<https://www.unpri.org/signatory-directory/local-pensions-partnership/3478.article>

- The Partnership have also undertaken their first disclosure against the Taskforce Climate-Related Financial Disclosure (TCFD) framework. This disclosure can be found here:

<https://www.localpensionspartnership.org.uk/Admin/Public/DWSDownload.aspx?File=%2fFiles%2fFiles%2fReport+TCFD+Recommendations+v4.pdf>

- The Pensions and Lifetime Savings Association have produced new guidance called 'ESG and Stewardship: A Practical Guide to Trustee Duties.' The guidance recognises the legal and regulatory duties of trustees environmental, social and governance (ESG) factors and stewardship approaches in investment decision-making. This guidance can be found here:

<https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2019/ESG-and-Stewardship-A-practical-guide-to-trustee-duties-2019-v2.pdf>

- The Local Authority Pension Fund Forum's (LAPFF) Executive Committee agreed in January 2019 that a survey would be conducted of funds to understand how they are addressing climate risk. The LAPFF Business Meeting in July 2019 agreed that the survey of the funds would be carried out in September 2019.
- At its meeting in June the committee asked whether or not it was possible to calculate how much companies spend on lobbying government to inhibit climate change. With regards to this query, LLP Investment Ltd have reported that:

'The Global Equities Fund holds stock in over 500 companies across multiple jurisdictions (with varying requirements to disclose lobbying activity). Most companies who report their lobbying activities do not detail costs by specific topic/theme which is the basis needed to support a calculation of climate related actions.'

The Pension Fund Committee at its meeting in June also requested an update on the establishment of a joint Working Group on Responsible Investment with the London Pension Fund Authority (LPFA). The Managing Director of the LPFA has confirmed that they are not currently in a position to progress any joint working whilst they work on updating their own RI policy. The Head of Fund will continue work with the Managing Director to ensure the joint working group is established at a mutually convenient time.

## 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