

## **Pension Fund Committee**

Meeting to be held on Friday, 27 November 2020

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

(Appendices 'A' and 'B' refer)

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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.

Set out at Appendix 'A' is a report from the Local Pensions Partnership which provides the Committee with an update on responsible investment matters during the third quarter of 2020 (July to September).

### **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 Ltd (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 March 2018.

Attached as Appendix 'B' is the dashboard style report together with the qualitative overview of LPPI stewardship activities for the third quarter of 2020. A workshop for members of the Committee and the Lancashire Local Pension Board regarding the new dashboard style reporting was held on the 3<sup>rd</sup> November. The workshop aimed to provide a better understanding of the dashboard and its contents.

Other matters of note for the Pension Fund Committee:

## **British American Tobacco (BAT)**

LPPI have liquidated shares held within the Global Equity Fund (GEF). BAT had been one of the top ten holdings. The reasons for the liquidation are outlined fully in Appendix 'A', however the principal factor being the forecast future effects of a shift to lower products (nicotine based alternatives and reduced-risk tobacco products).

## **LPP Annual Report on Responsible Investment 2019-20**

LPPI has published its first Annual Report on Responsible Investment as a dedicated supplement to the LPP Annual Report and Accounts 2019/20. The report provides a review of the year to 31 March 2020 and incorporates LPPI's disclosure in line with the recommendations of the Taskforce on Climate related Financial Disclosure (TCFD).

## **Workshop and Training**

A workshop was held on the 3<sup>rd</sup> November, facilitated by the Head of Responsible Investment at LPPI, to provide a better understanding of the RI dashboard report.

Additionally, as agreed at the Pension Fund Committee held on the 18<sup>th</sup> September 2020, a presentation was arranged to provide an alternative viewpoint regarding divestment. This presentation took place on the 19<sup>th</sup> November 2020 and is referenced in the report on feedback from training events elsewhere on the agenda.

## **Local Authority Pension Fund Forum (LAPFF)**

County Councillor Eddie Pope was successfully elected to be a Councillor Member of the LAPFF Executive for 2020 and Abigail Leech, the former Head of Fund, stepped down from her position as an Officer Member.

## **Robeco: Engagement Themes**

The Quarterly Active Ownership Report, provided via LPPI, is produced by Robeco and a copy of the Report for Q3-2020 has been made available to for members of the Committee in the Pensions Library.

LPPI are now able to influence priority areas for future engagement themes through participation in client panels. LPPI have participated in two of these panels in November.

## **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 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
Robeco Active Ownership Report Q3-2020	1/7/20 to 30/9/20	Mukhtar Master (01772) 532018

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