

Pension Fund Committee

Meeting to be held on Friday, 11 March 2022

Electoral Division affected: (All Divisions);
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Responsible Investment Policy - Dashboard Report

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

Executive Summary

Further to the Pension Fund Committee meeting held on the 26th November 2021, where the revised Responsible Investment Policy was approved, the Responsible Investment Task & Finish Group were tasked with presenting any recommendations regarding substantive changes to the Dashboard report to this meeting.

Recommendation

The Committee is asked to approve the recommended changes to the Dashboard Report, detailed in this paper.

Background and Advice

It is a requirement under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 that an administering authority demonstrates that it considers any factors financially material to the Fund (including environmental, social, and corporate governance factors) in its investment approach.

At the Pension Fund Committee on the 18th June 2021, it was resolved to establish a Task & Finish Group, comprising four members of the Committee (as determined by the Chair of the Committee), to review the existing RI policy and ensure it best reflects the values and beliefs of the Fund. The following four members of the Committee were selected to serve on the Group:

- County Councillor - A Schofield (Chair)
- County Councillor - M Brown
- County Councillor - G Dowding
- Co-opted member - Ms J Eastham

This Group, supported by Fund officers, Aoifinn Devitt, one of the Fund's Independent Investment Advisers, and Francis Deakin, Head of Responsible Investment at LPPI, revised the RI policy which was subsequently approved at the 26th November 2021 Pension Fund Committee.

One of the other aims of the Task & Finish Group was to:

- review the current reporting on responsible investment to the Pension Fund Committee via reports/Dashboard provided and make any recommendations for amendments or enhancements.

The agreed action from the last meeting of the Pension Fund Committee was follows:

- That the RI Task and Finish Group present any recommendations regarding substantive changes to the Dashboard report to the Committee on 11th March 2022 for consideration and approval.

The Task & Finish Group met on 4th February 2022. In discussions, the challenges of enhancing RI reporting were acknowledged including availability of clear and obvious metrics for measuring the priorities the Fund has identified and availability of portfolio information at a level of coverage sufficient to make summary metrics viable and useful. It was noted that current dashboard reporting is focused on Public Equities due to availability of company data and that other priorities would require more detailed work. It was acknowledged that care would need to be taken when determining any metrics to ensure that the value of the data produced was balanced against the resources needed to acquire it.

A summary of the agreed changes to the RI Dashboard are as follows:

Type	Changes	When
Non-substantive items	<ul style="list-style-type: none"> • Explanatory sentences under 'Portfolio insights' regarding the two GEF graphics and the relationship between the figures for each. Also, the TPI percentages include where possible an indication in the graphics of the relevant trend up or down; • Under 'Voting activity by region' inclusion of text to explain the reason for providing this data (i.e. how the cycle of company Annual General Meetings varied across the world with most European AGMS being held in Q2); • The inclusion of a footnote with contextual information regarding the engagement results referred to under 'Stewardship headlines', including text to explain the reason for providing this data. • The inclusion of explanatory text under 'Portfolio insights' regarding the Portfolio ESG score and the Transition Pathway Initiative. 	March 2022 Q4 Dashboard Report.

Type	Changes	When
Substantive item 1	<p>That the following metrics, regarding corporate governance are to be included in the Dashboard:</p> <ul style="list-style-type: none"> a) Board gender diversity b) Board independence% c) Say on pay support (shareholder voting on company pay proposals). 	June 2022 Q1 Dashboard Report.
Substantive item 2	Additional metrics to be provided as to net zero under the Climate Change priority.	End of 2022
Substantive item 3	<p>That the Head of Fund and the Head of Responsible Investment at LPPI explore potential additional metrics and present a range of options, including the use of commentary/case studies where appropriate, to a future meeting of the Pension Fund Committee. This may include the following:</p> <ul style="list-style-type: none"> - relevant possible data that is available in the market for a fee - whether we could trail access to this data to test its utility - comparison of resource requirements in different possible scenarios e.g. paying for additional external data and reporting vs LPPI analysts doing it in house - how much we can use Robeco to gather insight into these themes for the portfolio - a suggested timeline for how regularly these themes should be reported on (reflecting the fact some data will not change very frequently) 	End of 2022 (indicative)

Consultations

Local Pensions Partnership Investments Limited and Independent Investment Adviser.

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 from 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.

**Local Government (Access to Information) Act 1985
List of Background Papers**

Paper	Date	Contact/Tel
N/A	N/A	N/A

Reason for inclusion in Part II, if appropriate

N/A