

Pension Fund Committee

Meeting to be held on Friday, 17 June 2022

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 Investments Limited which provides the Committee with an update on responsible investment matters during the first quarter of 2022 (January to March).

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 Limited (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 November 2021.

Attached as Appendix 'B' is the dashboard style report together with the qualitative overview of LPPI stewardship activities for the first quarter of 2022 (January - March).

Other matters of note for the Committee:

Key Points from LPPI Responsible Investment Report Q 2022

- LPPI have confirmed that their Responsible Investment and Stewardship Report 2020-21 successfully met the standard required to be considered compliant with the UK Stewardship Code (2020);

- Compared with Q4 2021, the following Climate Change metrics are as follows:
 - Brown exposure has increased from 2.21% to 2.79%. The main contributor to the increased is from the Infrastructure asset class;
 - There has been a slight increase in green activities from 2.84% to 2.89.
- LPPI has produced three new metrics for the dashboard (slide 1 of Appendix 'B') – this was agreed as part of the review of the RI Policy Dashboard Report. The new metrics provide insights into governance issues for the Global Equity Fund (GEF) using data from the Institutional Shareholders Services DataDesk. The metrics are:
 - Women on the board;
 - Board independence;
 - Say-on-Pay.

UK Stewardship Code (2020)

As agreed at the Pension Fund Committee on 6th March 2020, the Fund will not seek to become an individual signatory to the UK Stewardship Code (2020) and will instead recognise that the regulatory and stewardship requirements are met through LPPI being a signatory.

Local Authority Pension Fund Forum (LAPFF)

LAPFF business meetings continue to be held online. The last meeting held on the 13th April 2022 covered topics such as:

- LAPFF Human Rights Strategy – a revised strategy was considered in the context of increased investor interest and interest group campaigns on human rights issues;
- LAPFF and the UK Accounting Standards Endorsement Board – LAPFF is continuing its engagement with government on accounting and auditing frameworks; and
- Industrial Livestock Companies – a report was noted which recommended continuing collaborative engagements on this issue on a case by case basis.

Papers from the meeting can be made available on request.

Public Campaign Queries

The Fund have not received any queries in the last quarter.

Boycott, Divestment, Sanctions (BDS) Update

The Public Service Pensions and Judicial Offices Act 2022 (which received Royal Assent on 10 March 2022) gives the Local Government Secretary new powers to direct Local Government Pension Funds not to make decisions that conflict with government foreign and defence policy. This was developed in response to a potential need to prevent pension policies being used to pursue boycotts, divestment, and sanctions other those which aligned with Government foreign and defence policy

However, this power to issue guidance will not be utilised without a period of consultation to allow consideration and comment on the detail of any proposed guidance and its impact.

Consultations

Frances Deakin, the Head of Responsible Investment at the Local Pensions Partnership Investments Limited, 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 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.

Quarterly Reports provide information to the Pension Fund Committee on the stewardship of the Fund's assets by Local Pensions Partnership Investments Limited and enable the Committee to monitor the activities undertaken.

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

Paper	Date	Contact/Tel
Robeco Active Ownership Report Q1-2022	01/01/22 to 31/03/22	Mukhtar Master (01772) 532018

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