

Pension Fund Committee

Meeting to be held on Friday, 16 September 2022

Electoral Division affected:
(All Divisions);

Responsible Investment Report

(Appendices 'A' and 'B' refer)

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

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 second quarter of 2022 (April to June).

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 second quarter of 2022 (April - June).



Other matters of note for the Committee:

Key Points from LPPI Responsible Investment Report Q2 2022

- Compared with Q1 2022, the following Climate Change metrics are as follows:
 - Brown exposure has decreased 2.79% to 2.63%;
 - There has been an increase in green activities from 2.89 to 3.99. This change is a result of a large increased exposure from the Infrastructure asset class.
- GLIL (An innovative collaboration between aligned and like-minded investors who are seeking investment into core infrastructure opportunities predominately in the United Kingdom) has made its first investment) i in renewable energy generated by offshore wind turbines, helping to support the UK's energy transition and Net Zero ambitions. The wind farm, Hornsea One, is located off the Yorkshire coast and spans more than 400 square kilometres.
- LPPI produced a 'Client Update on Net Zero' in July 2022. The update, available in the Pensions Library, covered:
 - Development of LPPI's ESG programme;
 - Selection of a climate change data provider for the provision of data sets and tools to support LPPI; and
 - Progress in agreeing an approach to LPPI setting the required targets.

Local Authority Pension Fund Forum (LAPFF)

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

- **LAPFF Engagement with PRI (Principles for Responsible Investment) Advance Human Rights Initiative** – PRI has initiated a human rights programme that it has called 'Advance' to facilitate improved human rights conduct and impacts by companies. LAPFF is to participate as a collaborative partner, rather than a lead partner, in the engagements with the PRI initiative along with the five mining companies it engaged with previously for its mining and human rights report;
- **Electric Vehicle (EV) Charging Infrastructure** – there is recognition that more needs to be done to increase access to charging infrastructure to support a rapid transition to EVs. LAPFF is to engage with carmakers on charging infrastructure (as part of its ongoing engagements on EVs) and with energy companies that own charging networks; and,
- **LAPFF Executive Elections for 2022** - The Chair of the Pension Fund Committee and existing LAPFF executive member, County Councillor E Pope, has submitted a nomination form to continue in his role for a further year.

Papers from the meeting can be made available on request.

Public Campaign Queries

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



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 resulting 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.

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 Q2-2022	01/04/22 to 30/06/22	Mukhtar Master (01772) 532018
LPPI Client Update on Net Zero	July 2022	Mukhtar Master (01772) 532018

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

