

Pension Fund Committee

Meeting to be held on Friday, 25 November 2022

Electoral Division affected:
(All Divisions);

Responsible Investment Report

(Appendices 'A' and 'B' refer)

Contact for further information:

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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 third quarter of 2022 (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 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 third quarter of 2022 (July - September).

Other matters of note for the Committee:

Key Points from LPPI Responsible Investment Report Q3 2022

- Compared with Q2 2022, the following Climate Change metrics are as follows:
 - Brown exposure has decreased from 2.63% to 2.52% of the portfolio. The biggest contributor to the decreased exposure is from the Infrastructure asset class with several companies identified as Brown having exited from their respective funds;
 - There has been an increase in green activities from 3.99 to 4.21%. The biggest contributor to the increased exposure is from the Infrastructure asset class.
- LPPI signed up as an 'endorser' to the PRI Advance initiative, which aims to support institutional investors to collaborate and act on human rights and social issues. The initial focus sectors are Metals & Mining and Renewables.
- PRI results for 2021 are now available based on a new assessment framework. LPPI will review and provide an update in their next quarterly report.
- LPPI have received formal confirmation from the IIGCC (Institutional Investors Group on Climate Change) that their net zero targets have been accepted, which means they are in line with the Net Zero Asset Managers commitment they have made. This represents an important milestone in the journey to net zero for LPPI and their clients. The initial target disclosure (November 2022) is 42% of total AUM with USD \$12.4 billion currently committed to be managed in line with net zero.

Local Authority Pension Fund Forum (LAPFF)

LAPFF business meeting and AGM on the 5th October 2022 was held online due to train strikes.

- **LAPFF Executive Elections for 2022** - the results of the LAPFF nomination process and election were announced confirming The Chair of the Lancashire Pension Fund Committee (and existing LAPFF executive member) County Councillor E Pope, will continue in his role for a further year.
- **Drax & Biomass Energy** – LAPFF advised that they are pursuing recent concerns highlighted in the media around Drax's operation in respect of burning wood biomass. Drax (based in Yorkshire) burns wood pellets imported from the US, providing 12% of the UK's renewable electricity.
- **Brazil Update**- The Chair advised that a 3 week visit to Brazil in the summer had proved to be an incredibly valuable engagement and a full report on the trip would be published later. It will focus on human rights/stakeholder engagement, environmental impacts, and prevention. The Chair reported that while there has been some progress there is still lots to do and the pace of change is concerning.
- **Human Rights in Mining Communities**- report was shared with recommendations for investors due to the concerning human rights, environmental and climate change impacts by mining companies.



- **Climate Change Committee** reported to Parliament on its assessment of the Government's performance in combatting climate change. The UK Government has emission targets compliant with the Paris agreement with a credible strategy to reach these. However, gaps remain, and more detailed plans are still needed to achieve full electricity decarbonisation by 2035.

Papers from the AGM and dates of future meetings can be made available on request.

The annual LAPFF conference is due to take place between 7th and 9th December 2022. A representative of the Pension Fund will attend, and issues covered will include human rights, Challenges facing ESG, Remuneration: CEO Pay, Levelling up and Transition planning.

Taskforce on Climate-related Financial Disclosures (TCFD) Consultation

[A consultation](#) is open on how the UK's Local Government Pension Scheme LGPS can be administered in alignment with TCFD. It is helpful that the private sector has already been/is going through implementation of these requirements and, regarding LGPS specifically, the consultation indicates that there will be more prescription in what metrics are required and Department for Levelling Up, Housing and Communities guidance to help in implementation. A response from LPPI will be provided ahead of the deadline of 24th November 2022.

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 Q3-2022	01/07/22 to 30/09/22	Catherine Hunt (01772) 533757

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

