

Pension Fund Committee

Meeting to be held on Friday, 16 June 2023

Electoral Division affected: N/A;

Responsible Investment Report

(Appendices 'A' and 'B' refer)

Contact for further information:

Catherine Hunt, (01772) 533757, Senior Governance Officer,
catherine.hunt2@lancashire.gov.uk

Brief Summary

Responsible Investment encompasses a range of stewardship activities associated with Lancashire County Pension Fund (the Fund) fulfilling its duty to act in the long-term interests of Fund beneficiaries. Set out at Appendix 'A' is a report from Local Pensions Partnership Investments Limited (LPPI) which provides the Committee with an update on responsible investment matters during the first quarter of 2023/24 (January to March).

Recommendation

The Committee is asked to consider the report.

Detail

The report at Appendix 'A' has been prepared by the Head of Responsible Investment at 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.

Attached as Appendix 'B' is the dashboard style report together with the qualitative overview of LPPI stewardship activities for the first quarter of 2023/24 (January to March).

Other matters of note for the Committee:

Key points from LPPI Responsible Investment Report

- Compared with Q4 2022, the following Climate Change metrics are as follows:



- Brown exposure has decreased from 2.72% to 2.52% of the portfolio. The biggest contributor to the decrease in exposure is from the infrastructure asset class with one company, identified as Brown, leaving the portfolio from an existing fund. There has also been a small mark-to-market decrease in the GEF asset class.
- There has been an increase in green activities from 4.6% to 5.23%. The biggest contributor to the increased exposure is from Infrastructure, with one new company being added to an existing fund which has been identified as Green. Infrastructure's contribution also reflects a positive mark-to-market increase, indicating strong performance by Green positions held in portfolio.
- LPPI has now joined the Institutional Investor Group on Climate Change (IIGCC) Net Zero Engagement Initiative (NZEI). By expanding engagement beyond the Climate Action 100+ focus list, the objective is to help investors align more of their portfolio with the goals of the Paris Agreement.
- LPPI voted on 94% company proposals, supporting 88% of these.
- LPPI has been participating in the FCA-convened Vote Reporting Group. The Group aims to bring together a range of stakeholders with knowledge and interest in good practice vote disclosure to develop a more comprehensive and standardised vote disclosure regime.

Taskforce on Climate-related Financial Disclosures (TCFD) Consultation

In November 2022, LPPI responded to a consultation from the Department of Levelling up, Housing and Communities (DLUHC) regarding governance and reporting of climate change risks for LGPS funds. Although the outcome of the consultation is expected imminently the regulations which were initially expected to be in force by April 2023 are delayed and as such the first climate risk report may be pushed back to December 2025.

As TCFD requirements fall to the Pension Fund Committee in its role as 'Scheme Manager', the pensions team is in the process of project planning for implementation of TCFD. A key aspect of this is education and training to support Committee members in fulfilling their role. A Responsible Investment workshop, due to take place in October 2023, will initially cover this issue and subsequent workshops will be required thereafter.

Local Authority Pension Fund Forum (LAPFF)

At the Local Authority Pension Fund Forum (LAPFF) business meeting held on 19th April 2023, members approved the draft workplan, budget and membership fees for 2023/24.

It was also agreed to continue to participate in the Workforce Disclosure Initiative (WDI) Review despite the introduction of a membership fee, to ensure LAPFF can continue to provide investors with complete and comparable data to help understand how workforce issues at investee companies impact on financial performance. While



there are some shortcomings with the available data, the WDI is the only viable workforce database of its kind.

Other key points to note are:

- Engagement during Jan-March 2023 included Say on Climate, Drax, Brazil, Volvo, Constellation Brands, Water Stewardship to name but a few.
- transitioning to electric vehicles is challenging due to the lack of infrastructure and engagement with companies regarding this matter is included in the workplan.
- engagement will commence with this Grupo Mexico and the community members regarding an environmental issue that happened in Mexico, in 2014.
- engagement with the four main publicly listed energy suppliers will happen on the issue of higher prices facing consumers; and
- A report of LAPFF's findings related to two dam collapses, has now been made public. The report and a related video will be made available in the Pensions Library.

Dates of future LAPF meetings and papers from the last meeting can be made available on request and a member of the pensions team will attend the business meeting/mid-year conference in July 2023.

Appendices

Appendices 'A' and 'B' are attached to this report. For clarification they are summarised below and referenced at relevant points within this report.

Appendix	Title
Appendix 'A'	LPPI Responsible Investment Report
Appendix 'B'	LPPI Dashboard Q1 2023

Consultations

Local Pensions Partnership Investments Limited

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 Q1-2023	01/01/2023 to 31/03/2023	Catherine Hunt (01772) 533757

Reason for inclusion in Part II, if appropriate

N/A

