



LPFA Policy on Climate Change

LPFA has a fiduciary duty to act in the best long-term interests of the Fund and its beneficiaries and believes that making the right investment decisions on an informed basis, to ensure the long-term viability of the fund and to pay the benefits due is an overriding priority. LPP manages investments on behalf of LPFA in accordance with our instructions around Strategic Asset Allocation and taking account of our policies on specific issues.

LPFA expects LPP and their appointed external managers to be aware of investment risks associated with Climate Change and take appropriate action to identify such risks, mitigate their impact and ensure there is appropriate engagement on key issues either individually through their own activities or in conjunction with other likeminded investors or groups of investors such as LAPFF and IIGCC.

LPFA expects LPP to take steps to ensure that the level of exposure to climate change investment risk are evaluated and monitored. This will involve the use of appropriate investigative and analytical tools such as the Transition Pathway Initiative to increase information and provide appropriate input around investment decision making and will be reflected in regular reporting and assurance provided to LPFA.

Where our fiduciary duty allows, the Fund will not consider new active investments in fossil fuel companies directly engaged in the extraction of coal, oil and natural gas as sources of energy which are ignoring the risks of climate change and unable to demonstrate planning for the global transition to a low-carbon economy and for future emissions reduction targets under the Paris Agreement or other appropriate initiatives.

Where such investments are already in place and identified, and where opportunities for engagement and reform of the company or project are not possible or do not exist, the Authority will make all reasonable efforts to divest provided that this will result in no material financial detriment (either through increased costs or increased investment risk).

An initial review of the Fund's investments identifying headline climate change characteristics is aimed to be complete by the end of December 2017 and during the same period enhanced reporting is to be developed which provides the LPFA Board with greater insight on key Responsible Investment themes. Monitoring and reporting on RI themes will evolve in response to the Fund's requirements and the policy agreed by the LPFA Board to ensure that appropriate engagement and action is being taken at the earliest opportunity in accordance with our published statement, including divestment where justified.

The LPFA commits to implementing this policy on climate change by 2020, including all necessary divestment required in line with the policy.

LPFA has worked closely with the Greater London Authority and the Mayor in discussing and highlighting the risks associated with a lack of proper consideration of these issues and our policy is consistent with their own policy in this regard. LPFA understand the long-term risks and the importance of fully understanding the nature of our investments as well as engaging with the companies we invest in to ensure any such risks are identified and appropriate actions, including divestment where justified, are taken in accordance with our fiduciary duty as pension fund trustees.

We will continue to work closely with shareholders, investment partners and the wider LGPS to highlight our approach and the benefits associated with doing so.